

MACRO REPORT SEPTEMBER 2024

**Q3/2024 GROWTH
CONTINUES TO DEPEND
ON MANUFACTURING**



3.9%
956.0M
3.5%
3,900.0M

WWAZ	+111.51	▲	-99.31
TVRZ	+92.21	▲	-87.59
TTAW	+87.14	▲	-67.54
CCAD	+131.94	▲	-121.49
HAEW	+74.68	▼	-67.24
JJAS	+94.71	▲	-61.41
RRAP	+77.91	▼	-59.36

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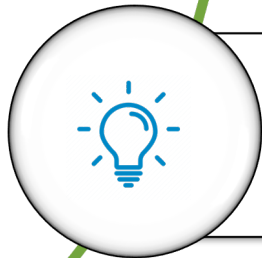
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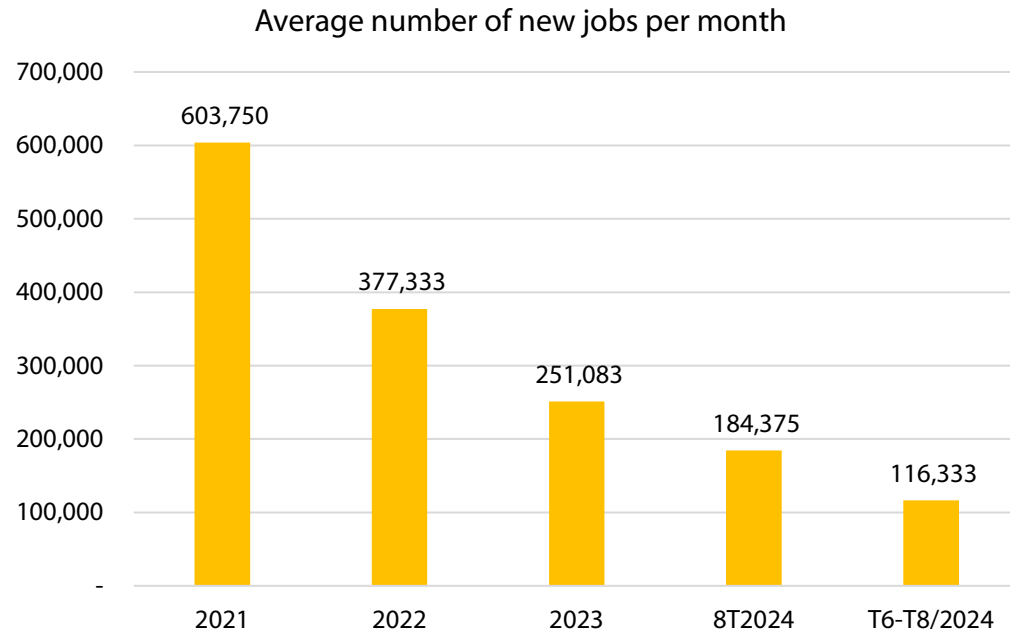
WORLD AND DOMESTIC MACRO DATA IN AUGUST 2024



WORLD ECONOMY: GLOBAL CENTRAL BANK RATE CUTTING CYCLE TO BE STRONGER AMID LACKLUSTER ECONOMY

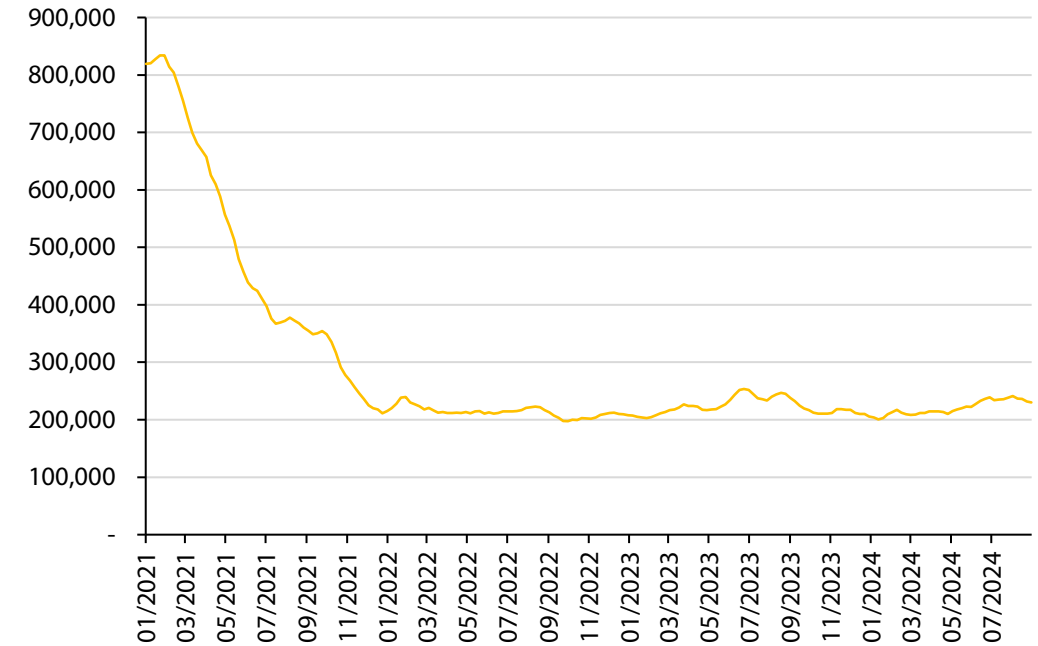
- **US:**
 - US economic data showed that the country's labor market continued to weaken in August. However, the number of new weekly unemployment claims below 300,000 is still healthy for the economy.
 - Rising unemployment, not due to increased labor supply or other special factors, will indicate weaker labor demand in the upcoming period, making the Fed more likely to cut interest rates.
 - The August 2024 jobs report could significantly influence the Fed's 25-basis-point cut at its September meeting. However, a more drastic 50-basis-point cut could be on the horizon in Q4.
 - Despite recession warning signs such as manufacturing surveys, a weakening job market, and rising delinquency rates, most data — including construction, credit, and retail sales — suggest the U.S. economy is shifting toward slower but steady growth.
- **China :**
 - Economic growth in the 2H24 remains uncertain due to a decline in manufacturing and investment activities, while consumption has mostly stayed the same.
 - Although domestic loan demand tends to weaken in July due to seasonal factors, private investment remains weak. Households are reducing debt in the context of the weak economy and waiting for further interest rate cuts.
 - In a recent report by S&P Global, technology companies will continue to shift investment out of China in the next 2-3 years, focusing on the midstream segment of the technology supply chain.
- The wave of interest rate cuts by major central banks will gradually strengthen in the year's final months. In contrast, Japan is the exception, with an expected rate hike by the end of 2024.

Figure 01: The pace of job creation has declined in recent months



Source: Bloomberg, RongViet Securities

Figure 02: Average of initial unemployment claims over the past 4 weeks



Source: Bloomberg, RongViet Securities

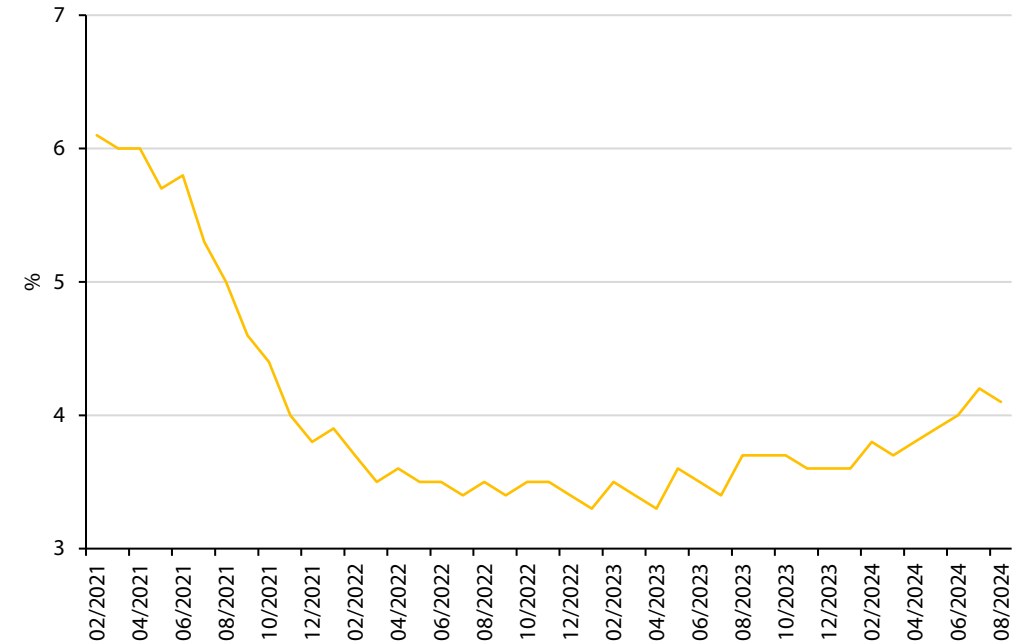
- The US economy created 142,000 new jobs in August, according to data from the US Bureau of Labor Statistics (BLS). While this represents an improvement from June (118,000) and July (89,000), it suggests that job growth continues to slow.
- Initial jobless claims stood at 227,000 for the week ending Aug 31. That's down from a 2024 high of 249,000 in late July. Still, weekly new claims below 300,000 are considered relatively healthy for the economy.

Figure 03: Jobs-workers gap at lowest level in more than 3 years



Source: Bloomberg, RongViet Securities

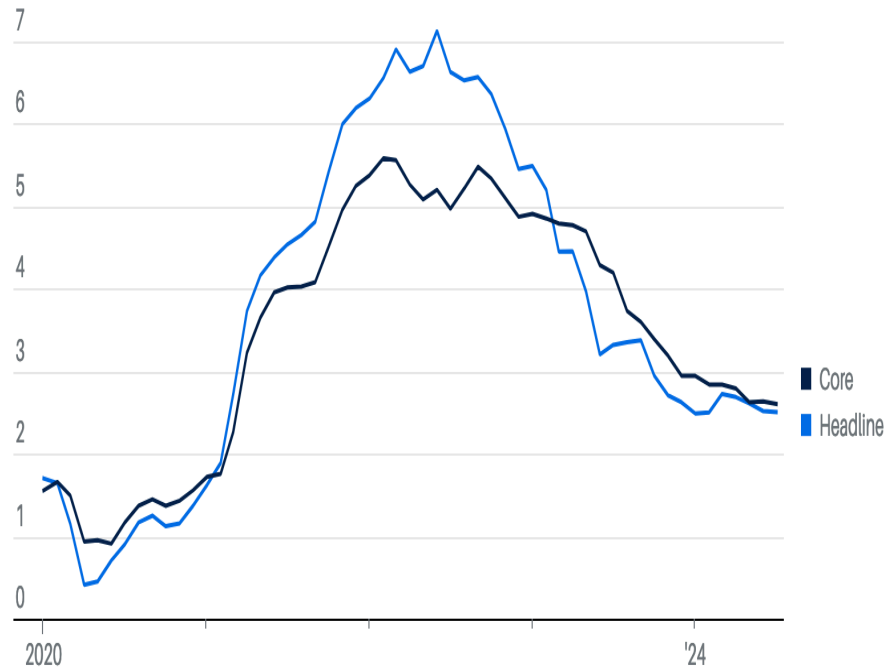
Figure 04: Unemployment rate falls to 4.2% in August 2024 as July's temporary layoffs reverse



Source: Bloomberg, RongViet Securities

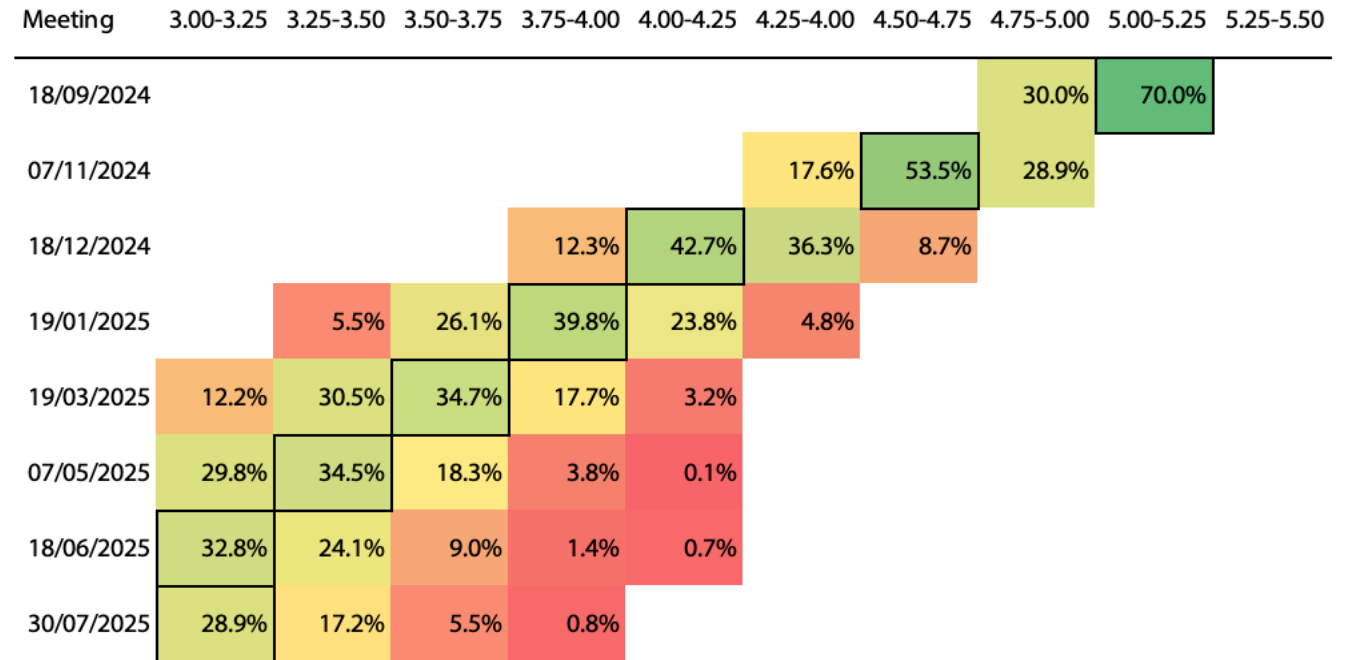
- The number of job openings relative to available workers has recently leveled off. At the end of July, there were 7.7 million job openings in the US, compared with 7.1 million unemployed people, according to the U.S. Bureau of Labor Statistics. The gap in demand for workers, or the number of employment and job openings minus the size of the labor force, is at its lowest level in more than three years.
- Rising unemployment, not due to increased labor supply or other special factors, will indicate weaker labor demand in the upcoming period, making the Fed more likely to cut interest rates.

Figure 05: PCE price index increased 2.5% in July, unchanged from June and below forecast of 2.6%



Source: Bloomberg, RongViet Securities

Figure 06: Investors expect the Fed to cut 25bsp at the Sep 2024 meeting but are uncertain about the extent of the cut at the Nov & Dec meetings



Source: CME Market Watch at September 8, 2024, RongViet Securities

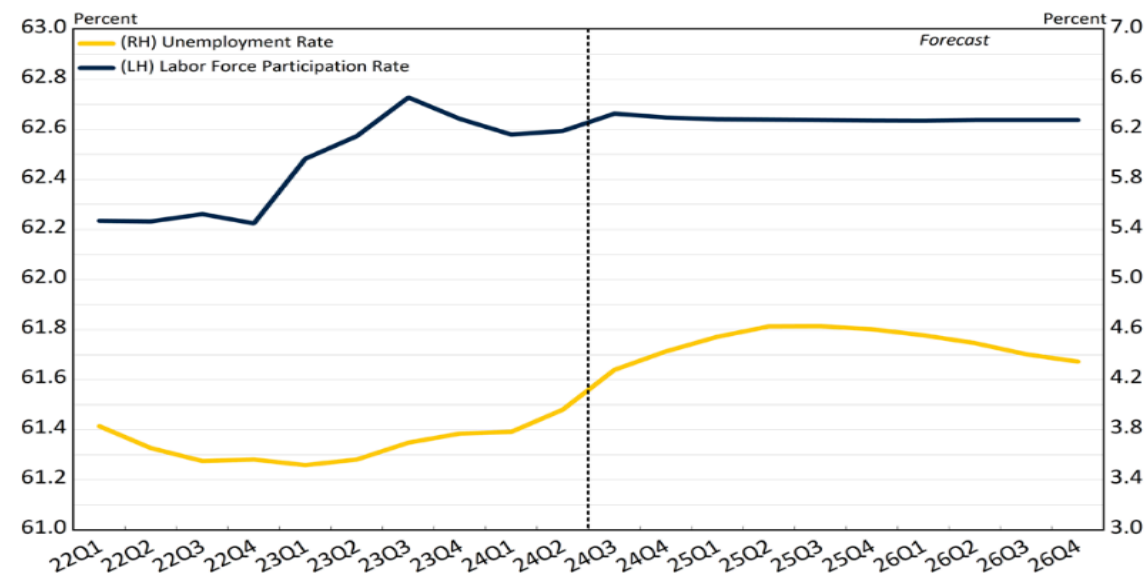
- Message from Fed Chairman at Jackson Hole Conference on August 23: "The time has come for policy to adjust. The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks."
- With inflation on track to fall back to its 2% target, the Fed may focus more on the economy's employment data in the coming months. The August 2024 jobs report could trigger a 25 -basis-point cut at the September meeting, but a 50-basis-point cut could come in Q4.
- The market expects the Fed to cut 125 basis points in 2024 and 100 basis points at each Fed meeting in the first half of 2025.

Figure 07: Projected GDP growth in 2024-2026

	1H24	Q3/2024	Q4/2024	2025	2026
GDP growth	2.1	2.1	1.3	2.1	2.5
Contribution to GDP growth					
Consumption	1.3	1.7	1.1	1.2	1.5
Investment in fixed assets in non-residential areas	0.6	0.3	0.3	0.5	0.6
Residential investment	0.3	-0.2	-0.2	0.1	0.3
Government Purchasings	0.4	0.4	0.4	0.3	0.3
Net exports	-0.7	0.0	-0.1	-0.1	-0.3
Inventory	0.2	-0.1	-0.3	0.0	0.1

Source: Umich , RongViet Securities

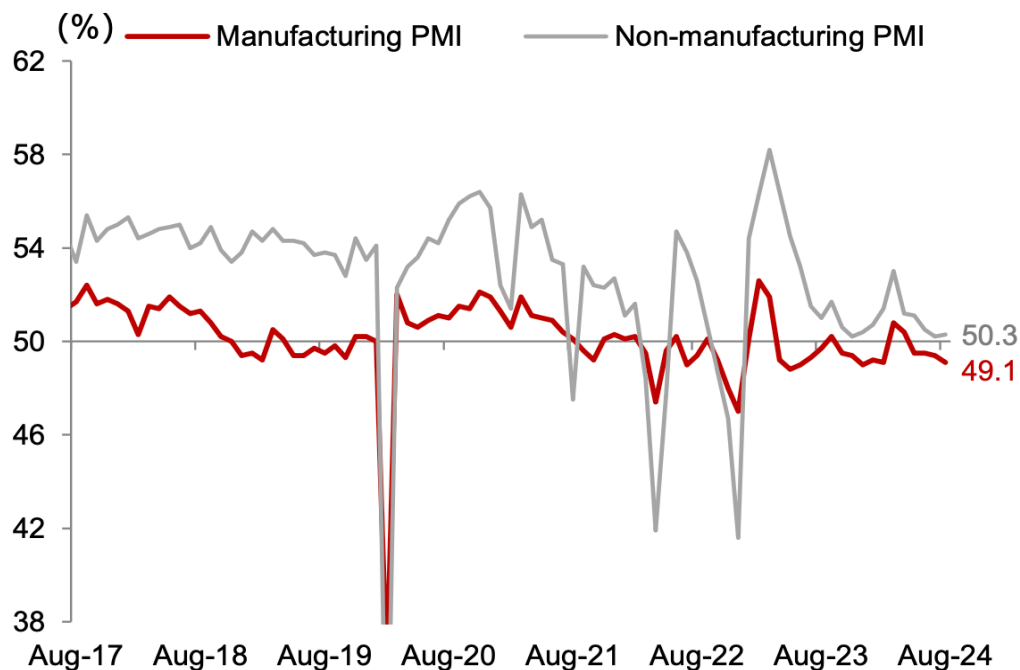
Figure 08: Unemployment rate forecast for 2024-2026



Source: UMich , RongViet Securities

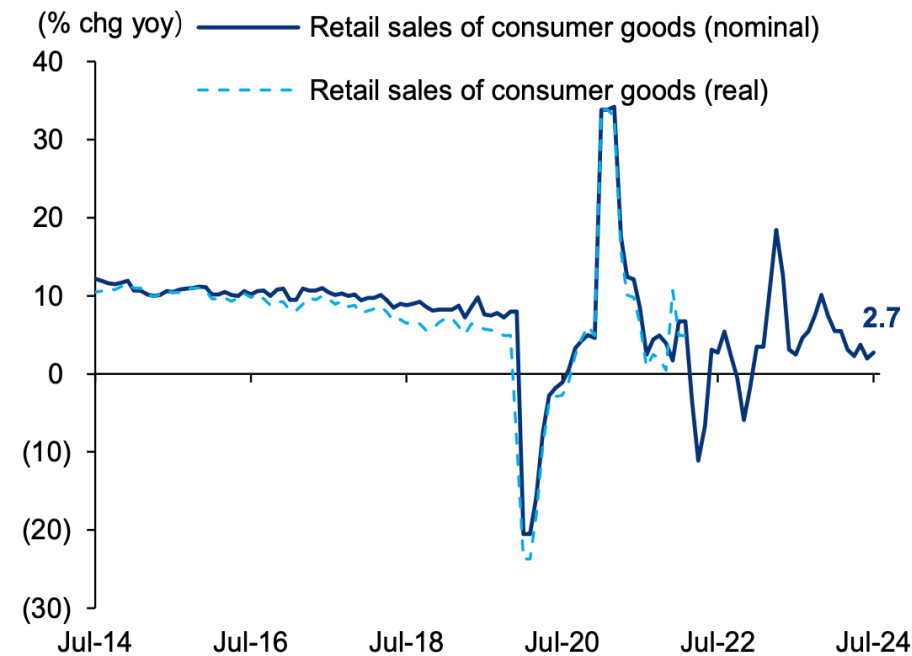
- Despite recession warning signs such as manufacturing surveys, a weakening job market, and rising delinquency rates, most data — including construction, credit, and retail sales — suggest the U.S. economy is shifting toward slower but steady growth.
- The Atlanta Fed's GDPNow model currently projects real US GDP growth of 2.1% in Q3 2024, a stable figure similar to the average for the first two quarters of this year. The University of Michigan's recent 2024-2026 US economic outlook shows GDP growth forecast to reach 2.1% in Q3 2024 before slowing to 1.3% in Q4 and recovering to around 2.0% in the first half of 2025. The unemployment rate is also forecast to rise to 4.4% in Q4 and peak at 4.6% in mid-2025.
- Risks to the outlook include: 1) Data quality and trend misreading that has become more prominent since the pandemic, such as the April 2023-March 2024 jobs data being revised down by 818k from the initial report; and 2) an uncertain political and policy environment including the Fed's response to the labor market outlook, the outcome of the US election, and geopolitical risks in the Middle East.

Figure 09: China's manufacturing PMI fell to 49.1 in August 2024



Source: Bloomberg, RongViet Securities

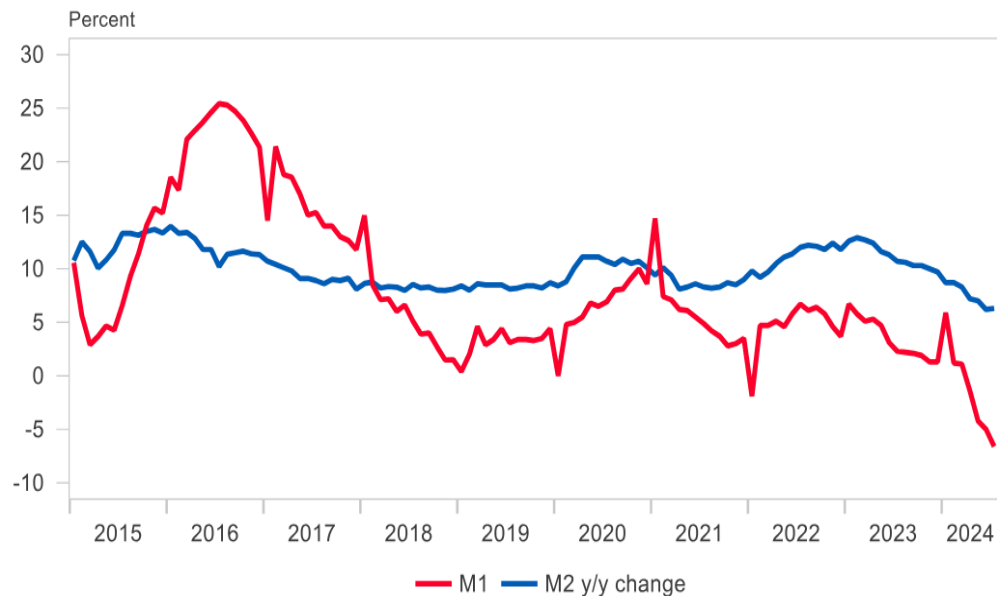
Figure 10: Retail sales growth improves in July but remains at multi-year low



Source: Bloomberg, RongViet Securities

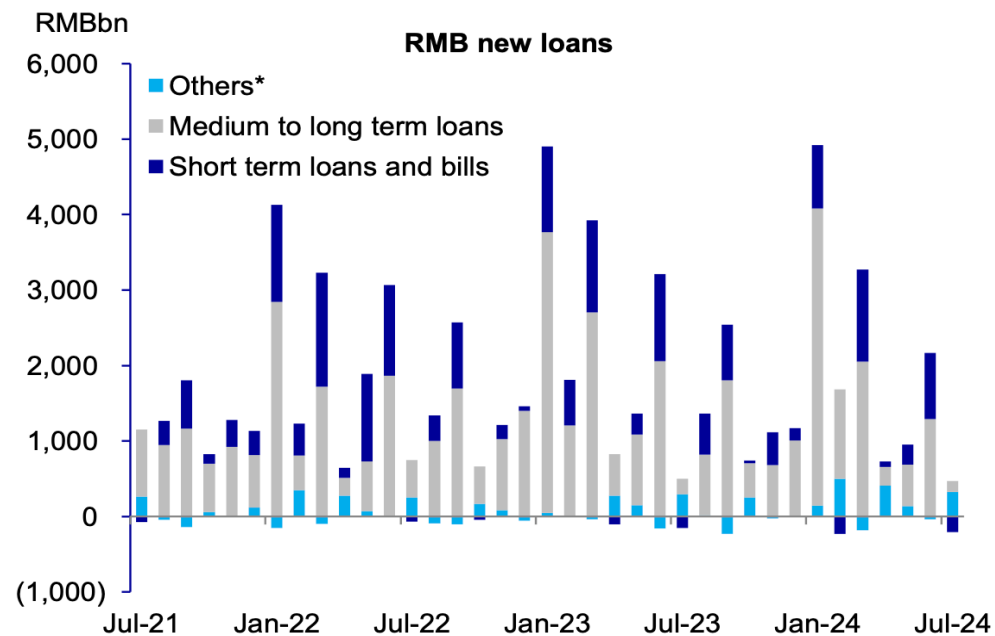
- Manufacturing activity and investment slowed in Q3. Industrial output/fixed asset investment growth slowed to 5.1/1.9% in July, down from 5.3/3.6% in the previous month. China's manufacturing PMI declined in August from 49.4 in July, with new orders falling further.
- Meanwhile, total retail sales of consumer goods improved to 2.7% compared to an increase of about 2.0% in June. However, overall consumer activity remained relatively weak, with retail sales growth in 7M2024 reaching only 3.1%, lower than the general increase of 3.5%. In particular, non-essential goods, such as cars, clothing, jewelry, etc., recorded a sharp decline compared to the same period.

Figure 11: China's M1 money supply growth continued to slow sharply in July, M2 edged up slightly but remained low



Source : UOB, RongViet Securities

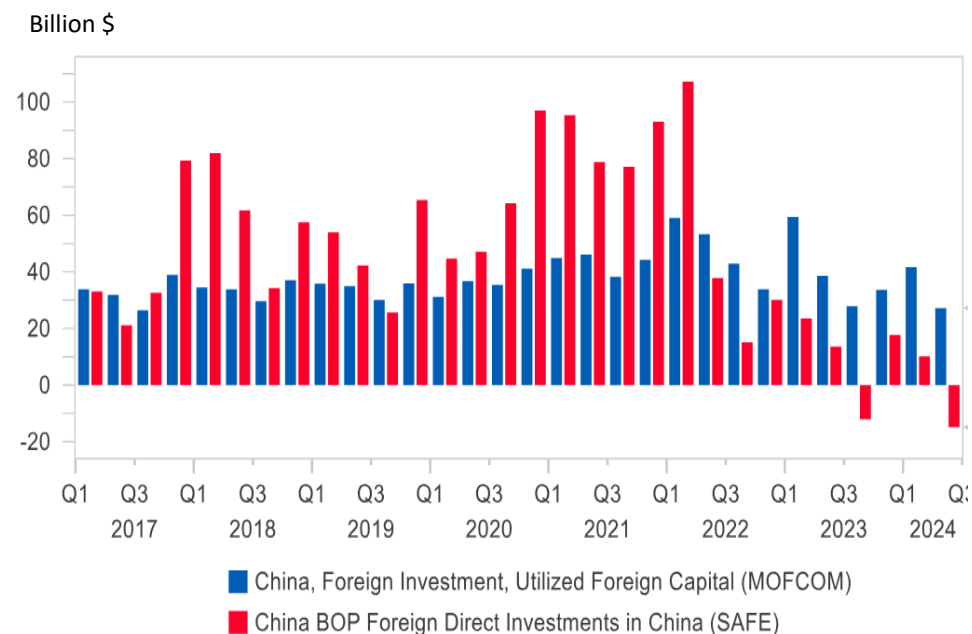
Figure 12: New yuan borrowing falls to record low since October 2009



Source: Huatai Financial, RongViet Securities

- Although loan demand tended to be weaker due to seasonal factors in July, the trend of private investment remained weak, and households reduced their debt amid the weak economy and the expectation of further interest rate cuts. China's accumulated new loans in local currency in 7M2024 reached 13.52 trillion yuan, down 16% year-on-year.
- This has raised concerns about a balance sheet recession in China, as loose monetary policy loses its effectiveness in boosting demand due to weak business and consumer confidence.
- In addition to the prospect of a cut in the People's Bank of China's policy rate after the Fed started its rate-cutting cycle, the Chinese government may step up some fiscal stimulus to meet its growth target in the second half of the year due to weak economic data in July.

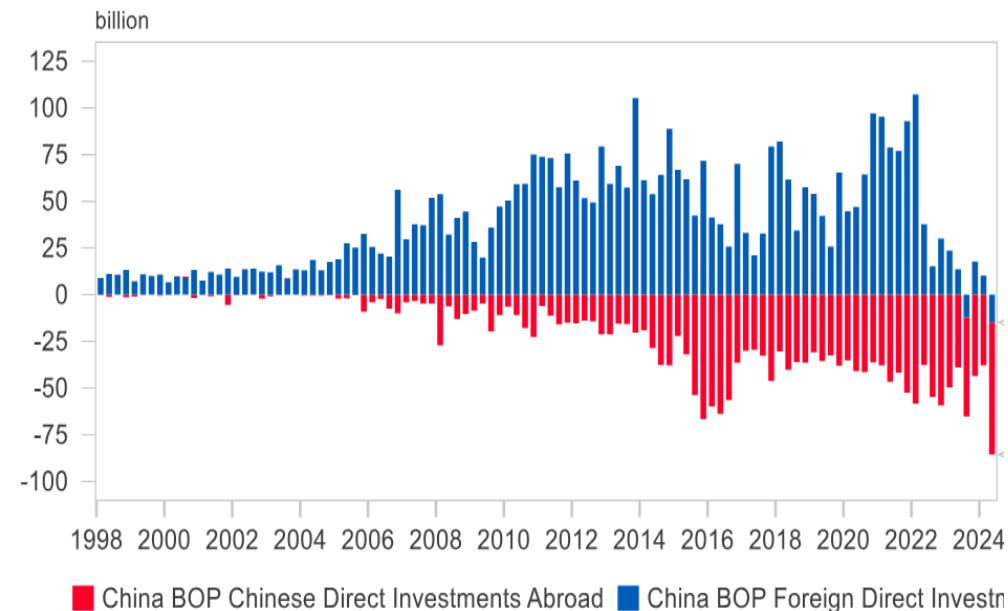
Figure 13: China's foreign direct investment falls sharply in Q2/2024



Source: UOB, RongViet Securities

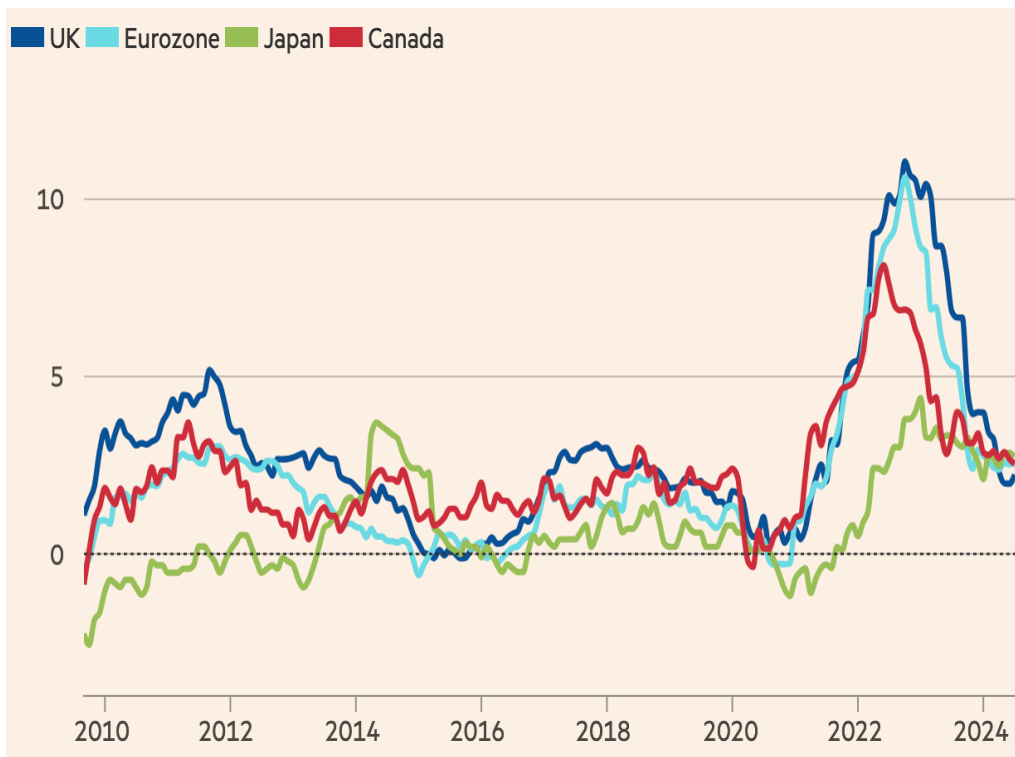
- China's direct investment liabilities in the balance of payments fell by about USD15 billion in Q2/2024, marking only the second quarterly negative position ever recorded.
- FDI data from China's Ministry of Commerce (which includes new FDI inflows rather than outflows from foreign investors) showed that total FDI capital used fell to USD27.2 billion in Q2/2024 from USD38.6 billion in the same period last year, the lowest level since Q3/2017.
- Chinese companies' overseas direct investment accelerated to a record high of USD70.8 billion in Q2/2024, significantly higher than USD37.9 billion in Q1 and USD38.9 billion in the same period last year.
- In a recent report by S&P Global, technology companies will continue to shift investment out of China in the next 2-3 years, focusing on the midstream segment of the technology supply chain.

Figure 14: China's overseas investment hits record high in Q2 2024



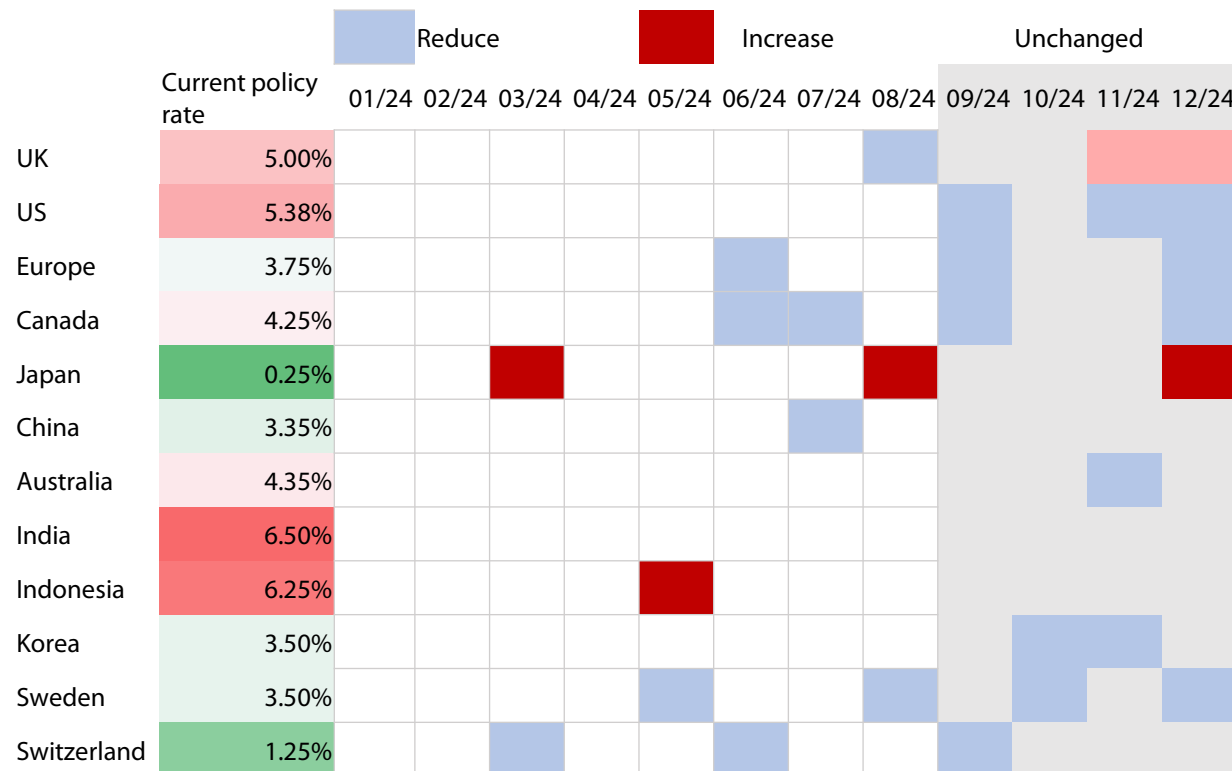
Source: UOB, RongViet Securities

Figure 15: Similar to the US, inflation is no longer a major concern for major central banks



Source : FT, RongViet Securities

Figure 16: Major central banks' policy rate changes in 2024



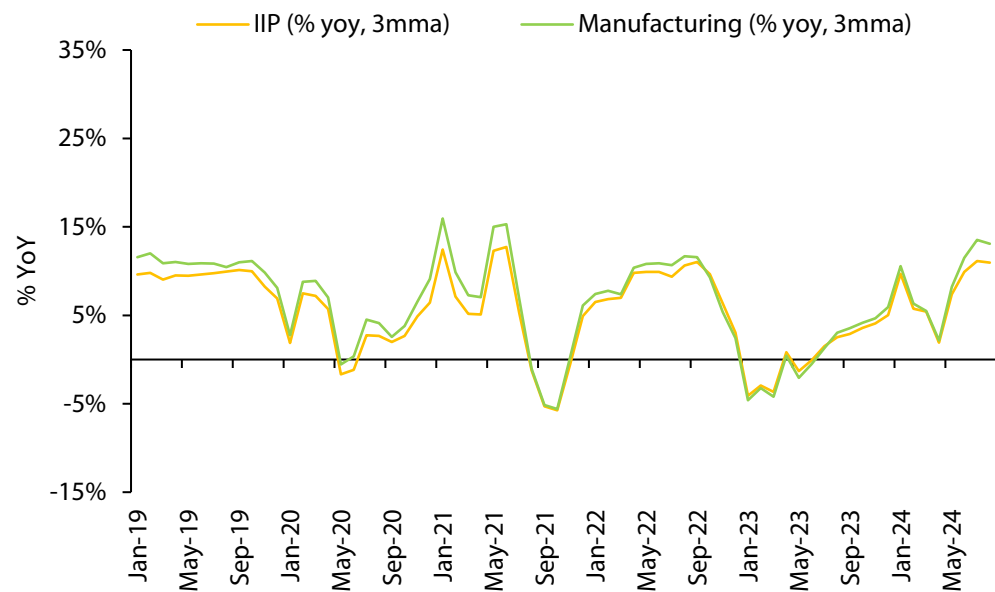
Source : FT, RongViet Securities

- Although inflation in the UK and the EU increased slightly in July 2024, the market still expects these central banks to follow the Fed in cutting interest rates twice more in the remaining months of 2024.
- The Bank of Korea is also expected to cut rates between October and November 2024. While the timing of China's rate cut is uncertain, analysts expect the PBoC to cut its 1Y loan prime rate (LPR) by 15 basis points in the remaining months of 2024.
- The Bank of Japan is the exception as markets expect the regulator to raise interest rates once more later this year.

VIETNAM ECONOMY : Q3 GROWTH DRIVERS STILL DEPEND HEAVILY ON MANUFACTURING AND EXPORT SECTORS

- Despite a slowdown in industrial production growth in August 2024, the fact that the growth rate remained high is a testament to the resilience of the economy. This is particularly evident in the sustained growth momentum in key manufacturing sectors, including textiles, footwear, electronics, metal production, and motor vehicles.
- Domestic consumption remained flat after two months of wage reform. In the first eight months of 2024, the growth in retail sales of goods and services after excluding price factors was only 5.3%, lower than the 5.7% increase in the first half of the year. Therefore, the economic growth momentum in Q3 still largely depends on the manufacturing and export sectors.
- Many financial institutions have lowered their crude oil price forecasts for the end of the year and 2025 to an average of about USD75/barrel, despite prolonged geopolitical risks. The decline in oil prices will facilitate domestic price movements in the coming months.
- Foreign investment attraction remains positive. Vietnam benefits from the downstream segment (assembly, testing, packaging) and has moved deeper into the midstream segment, which requires investment in machinery and equipment and the use of skilled labor in the global electronics supply chain.
- The exchange rate has decreased faster than expected due to the weakening of the USD. The pressure on the demand for USD to increase again in late Q3 and early Q4 will not pressure the exchange rate outlook. The USDVND exchange rate at the end of 2024 may fluctuate around VND25,000/USD, an increase of about 3.0% compared to the end of last year.
- The SBV recently announced an adjustment to increase credit growth for banks that have achieved 80% or more of the target granted at the beginning of the year. This policy will, on the one hand, encourage banks with high credit growth to continue to be motivated to lend more, while at the same time, banks that have yet to achieve their credit growth targets will also have to compete for credit market share.
- This will help banks compete more in meeting loan demand, but it may also cause deposit interest rates to continue increasing in the final months of the year.

Figure 17: Industrial production growth slows in August 2024 but remains high



Source: GSO, RongViet Securities

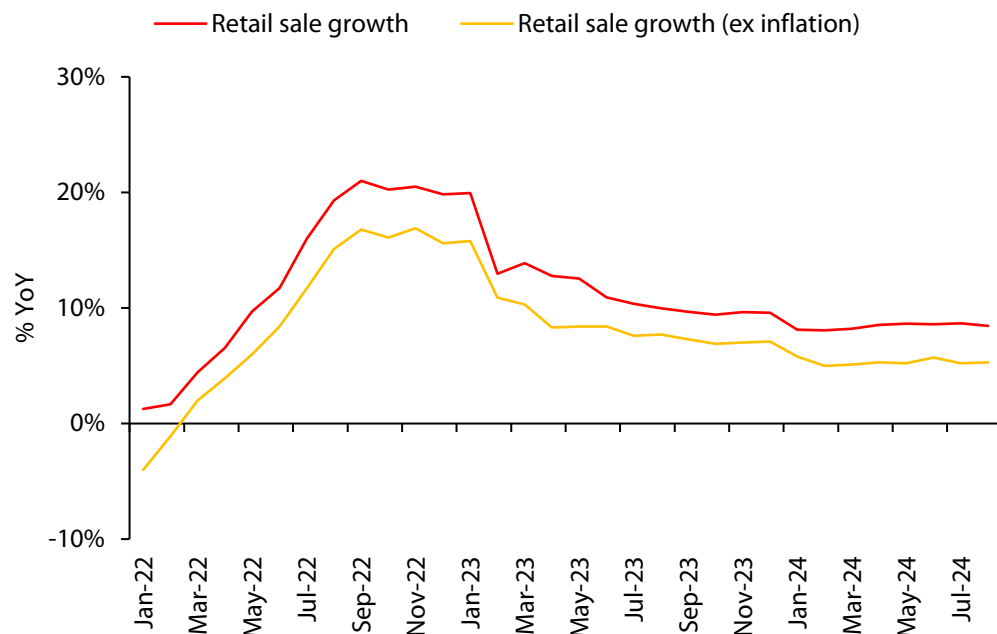
Figure 18: Growth momentum of some key manufacturing industries by month in 8M2024

% YoY, 3MMA	01/24	02/24	03/24	04/24	05/24	06/24	07/24	08/24
Food processing	11.8	5.3	4.4	1.4	6.6	7.7	8.9	9.7
Beverage	(1.7)	(4.2)	(2.7)	(2.4)	4.2	4.8	1.4	1.0
Textile	9.3	2.7	4.0	(2.0)	6.1	6.5	10.6	12.6
Leather	15.3	6.9	5.3	(0.7)	8.3	10.6	13.8	15.6
Wood processing	14.4	3.6	3.1	(0.5)	16.4	19.3	14.7	7.8
Chemical	23.5	25.5	22.0	11.5	7.5	9.1	8.8	13.6
Medicine	33.3	17.8	13.1	(1.1)	7.1	2.9	6.6	8.4
Rubber, plastic	34.3	22.6	25.4	20.5	30.4	31.5	30.2	31.8
Metal production	37.7	27.4	17.9	7.2	8.8	9.2	10.2	13.8
Electronics	4.0	1.2	0.0	3.3	11.9	20.9	22.3	15.7
Motor vehicles	9.8	3.8	(4.3)	(6.8)	1.6	6.3	14.9	21.3
Other manufacturing sectors	8.5	1.7	1.7	(4.2)	3.0	3.4	5.0	7.0
Electric production and distribution	14.7	10.7	12.4	7.6	12.4	13.0	10.9	9.7

Source: GSO, RongViet Securities

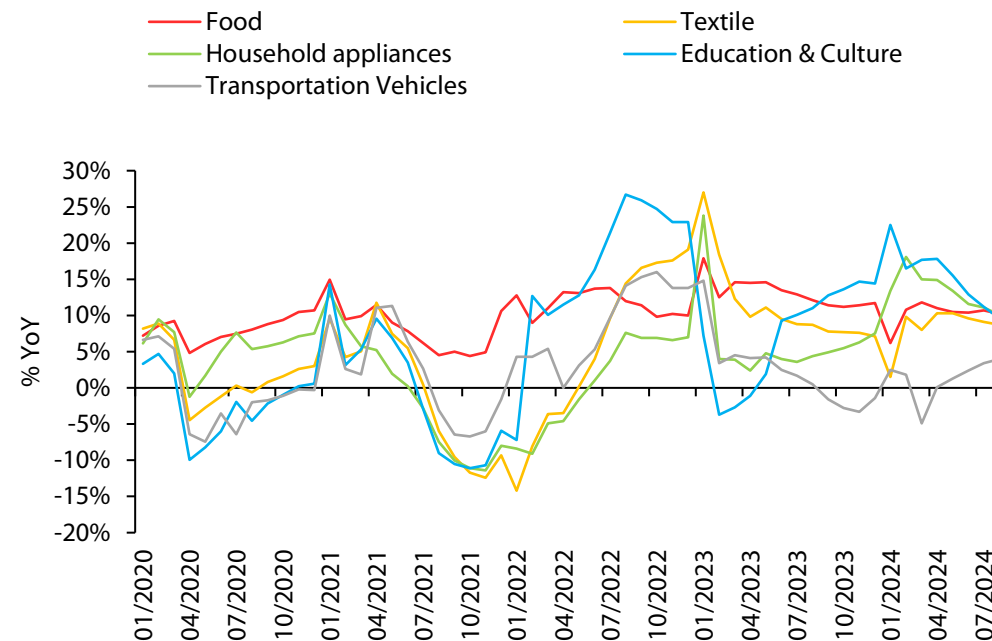
- Industrial production growth in August 2024 reached 9.5% year-on-year, lower than the 12.4/11.1% growth in the previous two months. However, the growth rate of the manufacturing sector was still relatively positive as the growth momentum was maintained in most important manufacturing industries such as textiles, footwear, electronics, metal production and motor vehicles.
- The above development is similar to the survey results of S&P Global when the PMI index of Vietnam's manufacturing industry decreased to 52.4 points in August 2024 from a record high of 54.7 points in the previous two months.

Figure 19: Growth in retail sales of goods and services was flat



Source: GSO, RongViet Securities

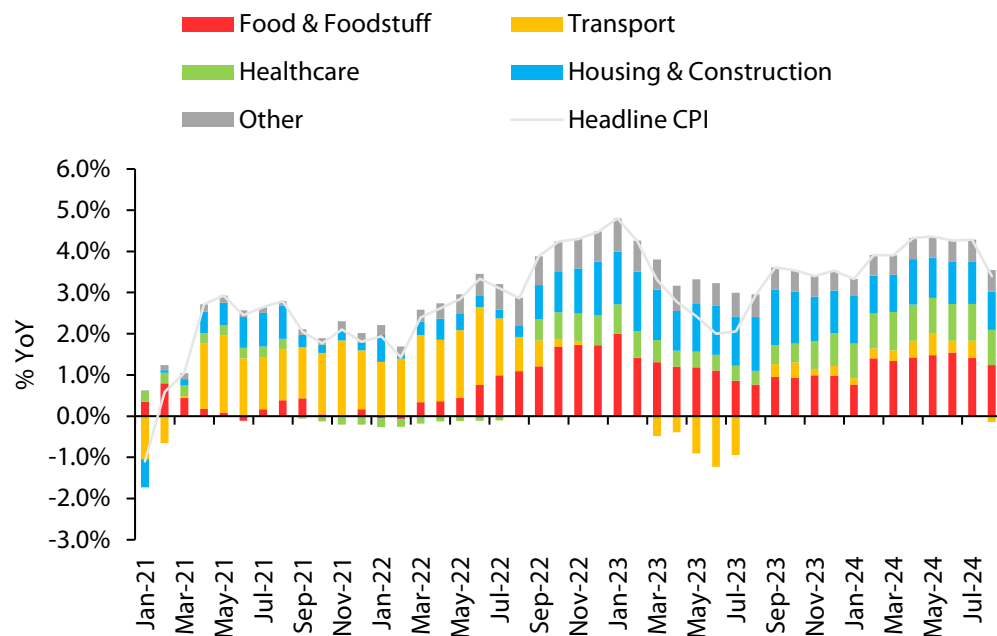
Figure 20: Except for the improvement in means of transport, growth in other consumer goods has not recovered



Source: GSO, RongViet Securities

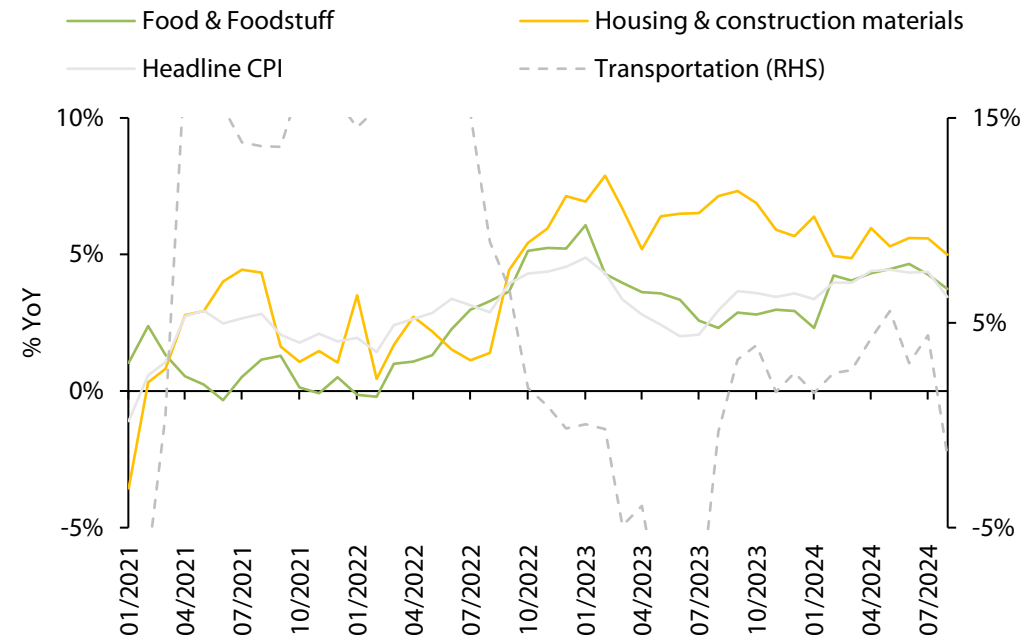
- Although retail sales of goods and services improved month-on-month (+1.4% compared to the previous month), the annual growth rate was only 7.9%, lower than the 9.4% increase in the previous month. The reason came from the decline in growth of both goods and services, which increased by 7.5%/5.3%, respectively, compared to the same period in August 2024.
- In 8M2024, the growth in retail sales of goods and services after excluding price factors only reached 5.3%, lower than the increase of 5.7% in the first half of the year. Therefore, the economic growth momentum in Q3 still largely depends on the manufacturing and export sectors.

Figure 21: Contribution to headline CPI



Source: GSO, RongViet Securities

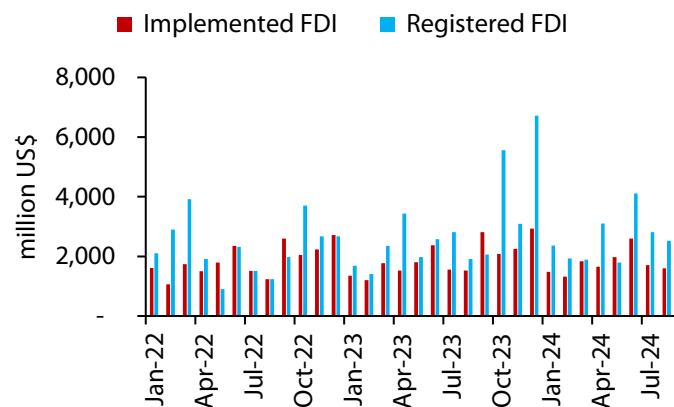
Figure 22: The transport price index grows negatively in August 2024 due to a sharp drop in global oil prices



Source: GSO, RongViet Securities

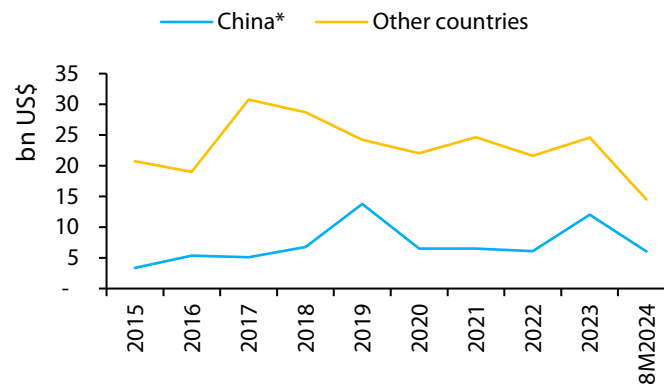
- Headline inflation was unchanged from the previous month, the lowest increase since March 2024. Meanwhile, annual inflation eased to 3.5% from 4.4% in the last month, as the low base effect of food prices gradually faded and gasoline prices fell sharply in August 2024.
- In early September 2024, Brent crude oil prices continued to fall sharply to only USD73/barrel, with the prospect of a supply surplus returning in Q4/2024. In response, many financial institutions have proactively adjusted their crude oil price forecasts for the end of the year and 2025 to an average of around USD75/barrel, demonstrating the market's adaptability despite persistent geopolitical risks.
- The expected decline in oil prices will facilitate domestic price movements in the coming months.

Figure 23: Monthly FDI capital maintained in 8M2024



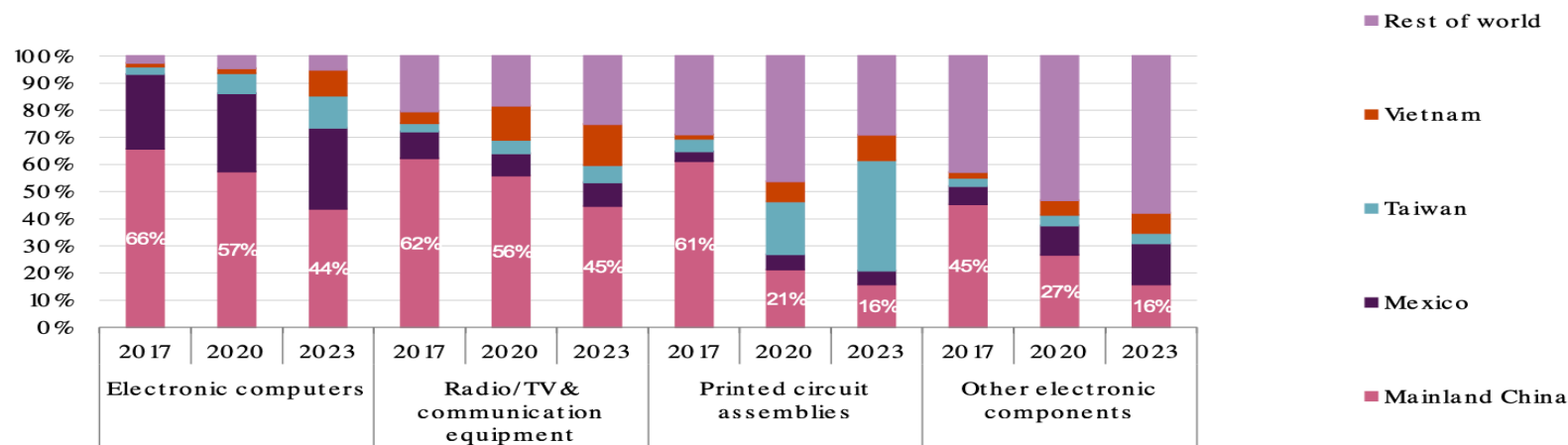
Source : GSO, RongViet Securities

Figure 24: Investment from China increased by 11.3% over the same period



Source : GSO, RongViet Securities, *: China, Taiwan & Hong Kong

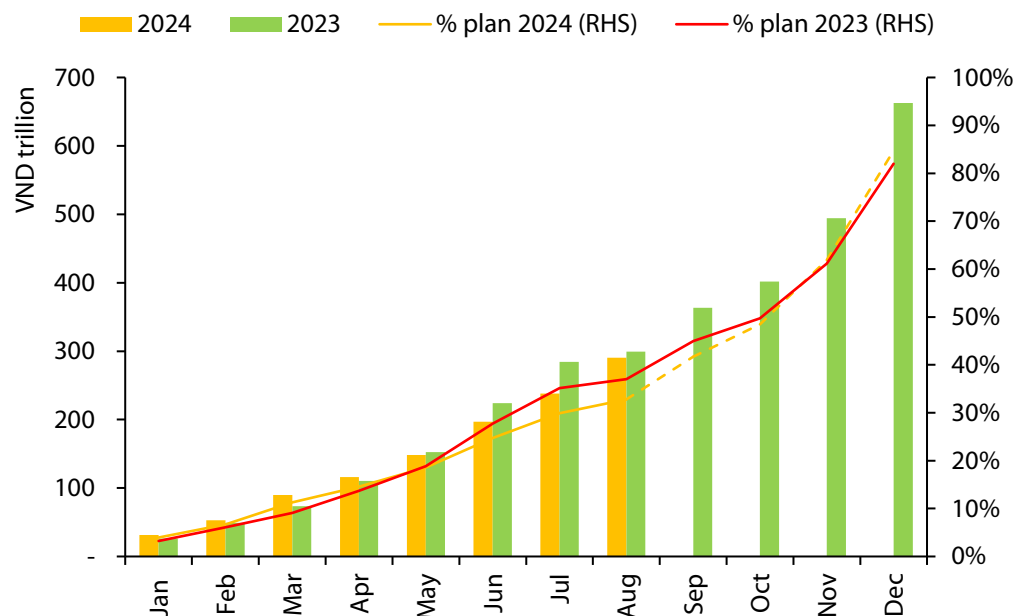
Figure 25: Vietnam's export market share to the US market compared to other countries by some electronic products



Source : S&P Global, RongViet Securities

- Vietnam's FDI attraction in 8M2024 reached USD20.5 billion, up 7.0% over the same period in 2023.
- Of which, newly registered and increased capital reached USD17.7 billion, up 22.7% over the same period. Disbursed FDI capital also grew at 8.0% over the same period.
- The proportion of investment capital from China, Taiwan, and Hong Kong remains high, at about 42% of total registered capital.
- In the wave of shifting the supply chain of electronic products out of China, Vietnam has increased its export market share to the US in most product groups in the midstream segment of the production chain (Figure 25).
- Vietnam not only benefits in the downstream segment (assembly, testing, packaging) but has also moved deeper into the midstream segment that requires investment in machinery and equipment and the use of skilled labor in the global electronics production chain.

Figure 26: Public investment disbursement in 2024 compared to 2023



Source: MoF, RongViet Securities

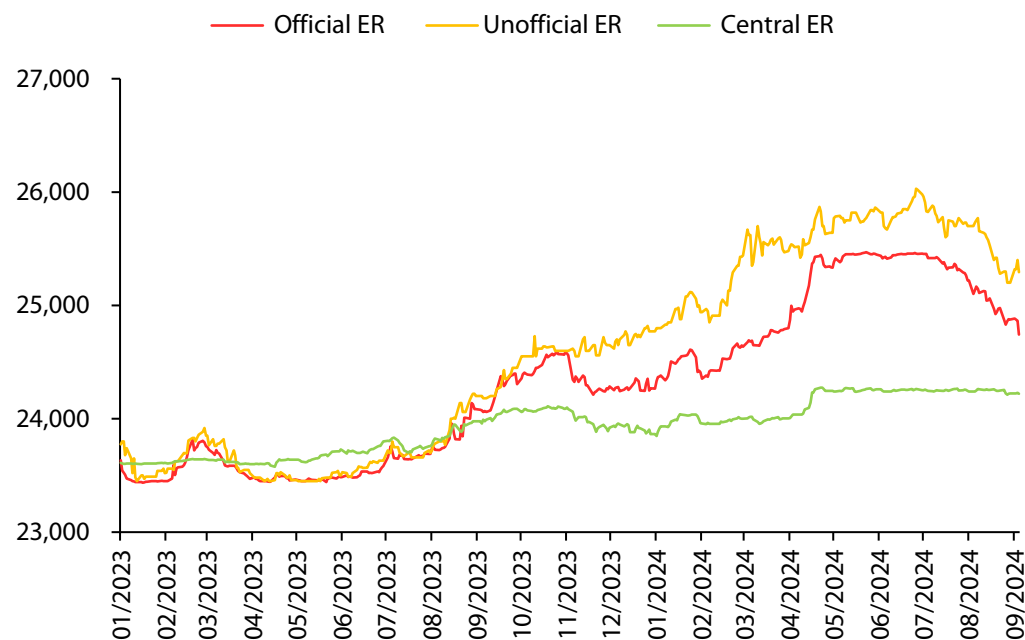
Figure 27: Disbursement progress of some key transport projects as of the end of July 2024

Unit: bn VND	Total investment	2024 plan	As of 31/07/2024	
			Disbursed	% Plan
North South Expressway (2016-2020)	97,290	6,534	2,560	39.2%
North South Expressway (2021-2025)	146,986	30,099	16,837	55.9%
Khanh Hoa - Buon Ma Thuot	22,234	4,697	1,680	35.8%
Bien Hoa - Vung Tau	17,826	6,489	1,286	19.8%
Chau Doc - Soc Trang - Can Tho	44,814	10,734	4,636	43.2%
Ring Road 4 Ha Noi	85,813	9,805	1,642	16.7%
Ring Road 3 HCM	75,378	21,540	2,234	10.4%
HCM Road	9,983	4,575	1,868	40.8%

Source: MoF, RongViet Securities

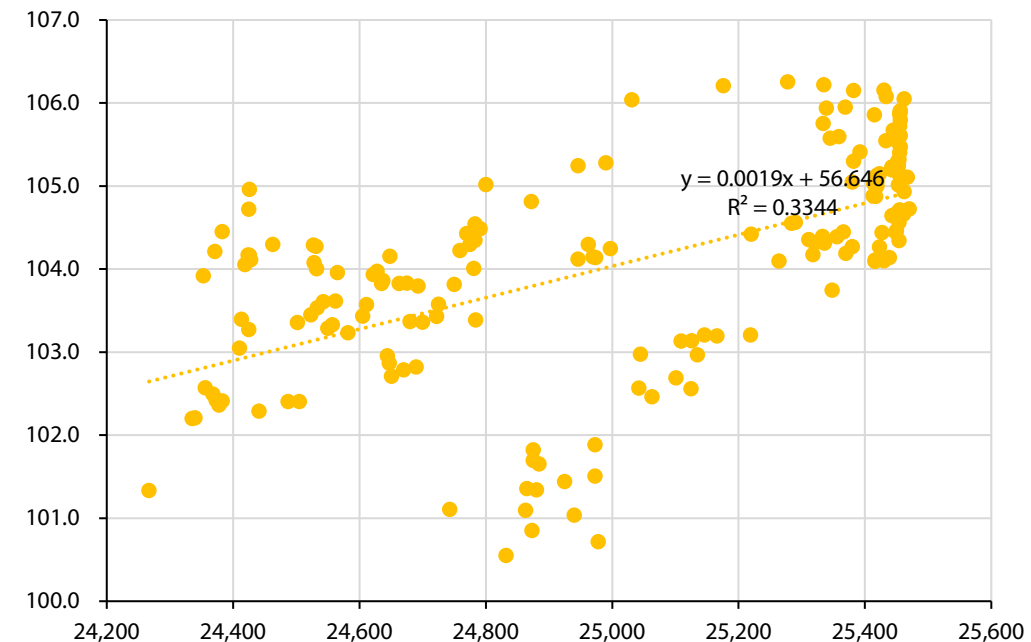
- Public disbursement has been sluggish since Q2 but has begun to improve since August 2024. In 8M2024, estimated public investment capital payment reached VND290.6 trillion, down 3.0% over the same period in 2024, equivalent to 32.8% of the total capital plan (including capital from the previous year extended to this year).
- Problems in the progress of public investment disbursement come from localities with large capital plans in 2024 such as Ho Chi Minh City and Hanoi, but the disbursement rate only reached 16.6% and 35.2% of the assigned plan, respectively, lower than the completion rate of 37.0% of the plan for the whole year of 2024.

Figure 28: The USDVND exchange rate fall sharply during August 2024



Source: Bloomberg, SBV, RongViet Securities

Figure 29: The correlation between USD index and USDVND exchange rate



Source: Bloomberg, RongViet Securities

- The average USD/VND exchange rate on the official market decreased to 24,743 VND/USD on September 5, down 2.1% compared to the end of July 2024. The selling rate at VCB also decreased to 24,840 VND/USD on August 26, 580 VND/USD lower than the end of July.
- Meanwhile, in the free market, the selling rate on September 5 was reduced to 25,295 VND/USD, down 1.7% compared to the end of July. Thus, the USD/VND exchange rate decreased faster than we expected due to the weakening of the USD.
- Accordingly, the pressure on the demand for USD to increase again in late Q3 and early Q4 will not pressure the exchange rate outlook. The USD/VND exchange rate at the end of 2024 may fluctuate around VND25,000/USD, an increase of about 3.0% compared to the end of last year.

Figure 30: Credit growth in 8M2024

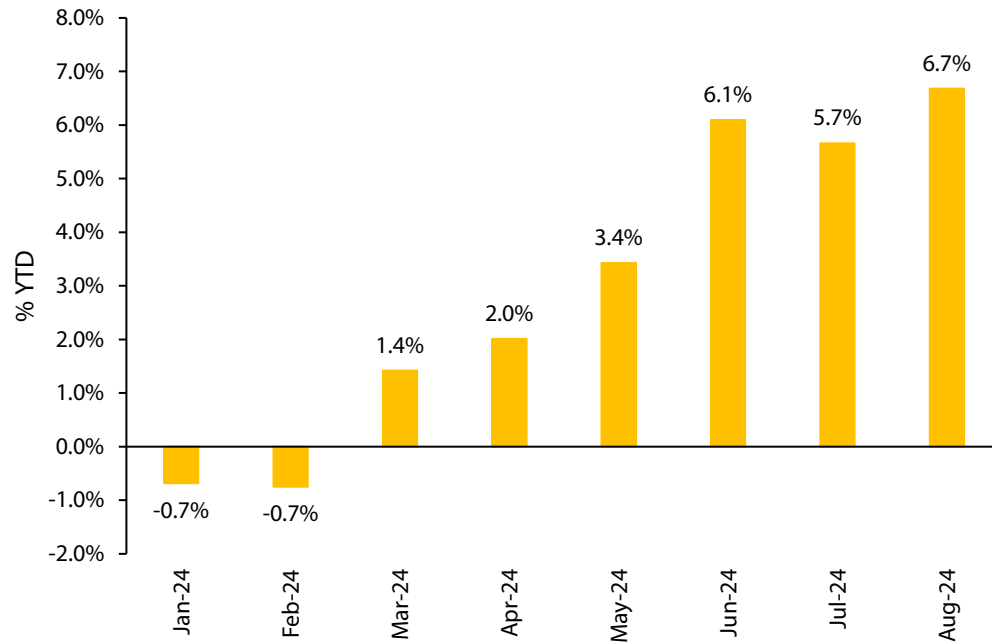
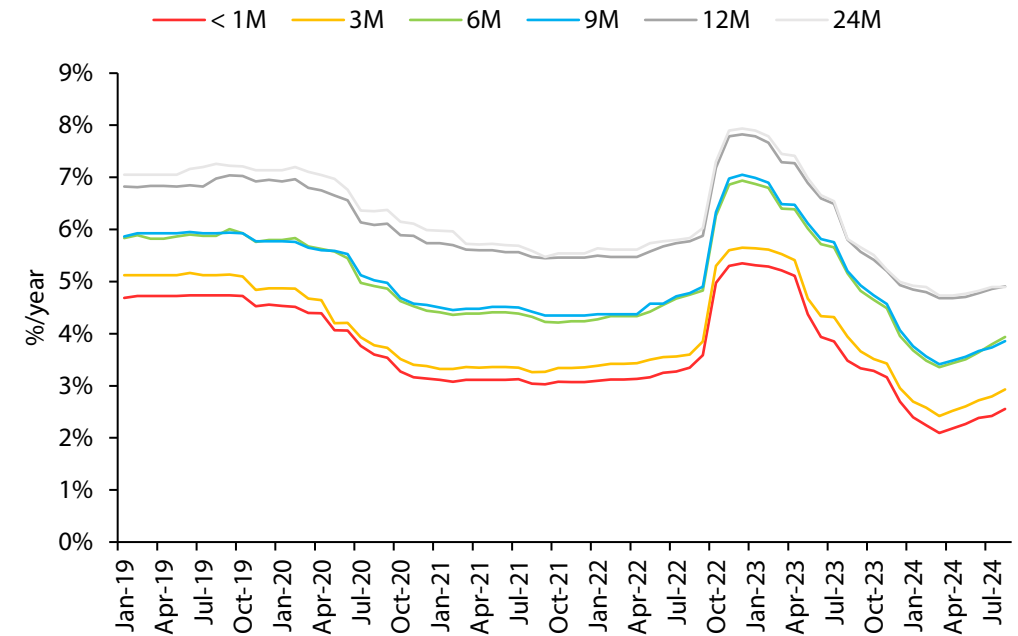


Figure 31: Deposit rate continued to pick up in August 2024

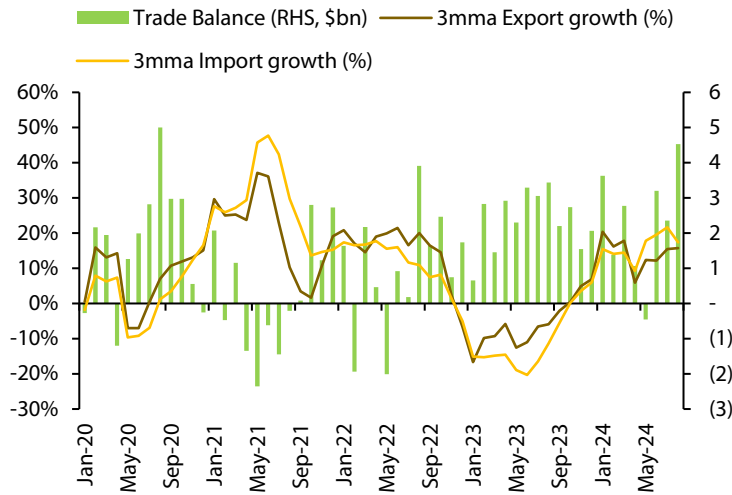


Source: SBV, RongViet Securities

Source: RongViet Securities, 4 State Bank and 4 private commercial banks

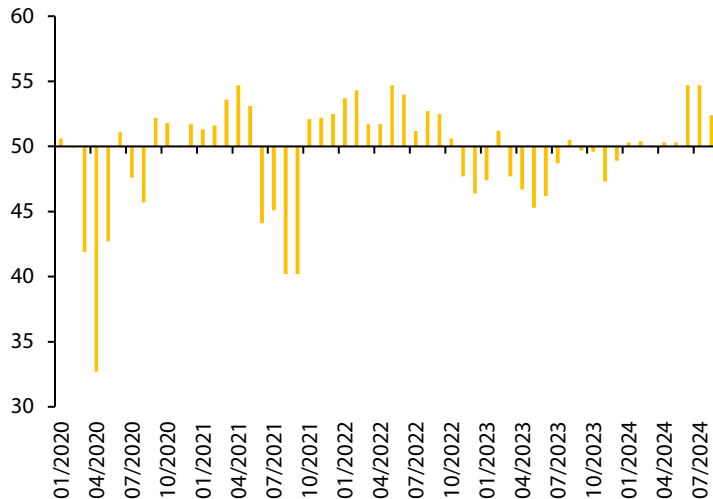
- Credit growth in 8M2024 is estimated at 6.7%YTD, higher than last year. According to the latest data from the SBV, as of September 7, 2024, credit growth continued to improve to 7.2%YTD. With the current growth momentum, credit for 2024 is poised to exceed the target of 15%.
- The SBV has recently announced an adjustment to increase credit growth for banks that have achieved 80% or more of the target set at the beginning of the year. This policy will, on the one hand, encourage banks that have achieved high credit growth to continue lending more, while at the same time, banks that still need to attain ed their credit growth target will have to compete for credit market share.
- This will help banks compete more in meeting loan demand, but it may also cause deposit interest rates to continue increasing in the final months of the year.

Trade balance



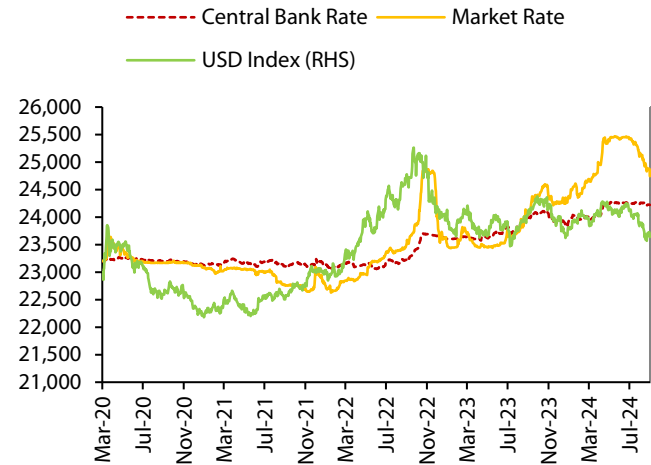
Source: Customs, RongViet Securities

Vietnam PMI Index



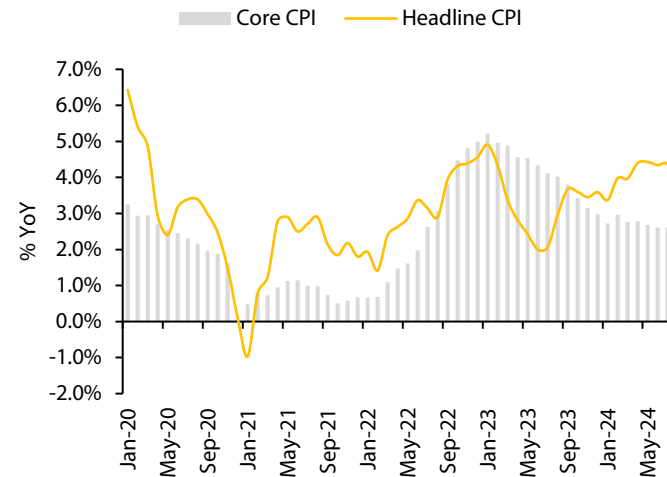
Source: S&P Global, RongViet Securities

Exchange rate movement



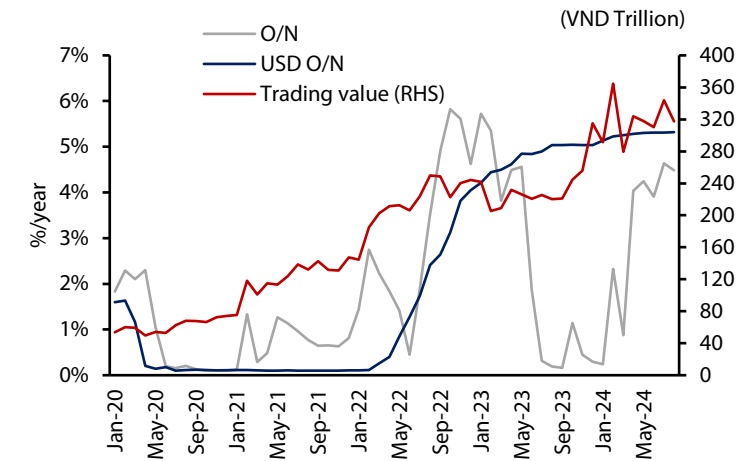
Source: SBV, Bloomberg, RongViet Securities

Vietnam inflation



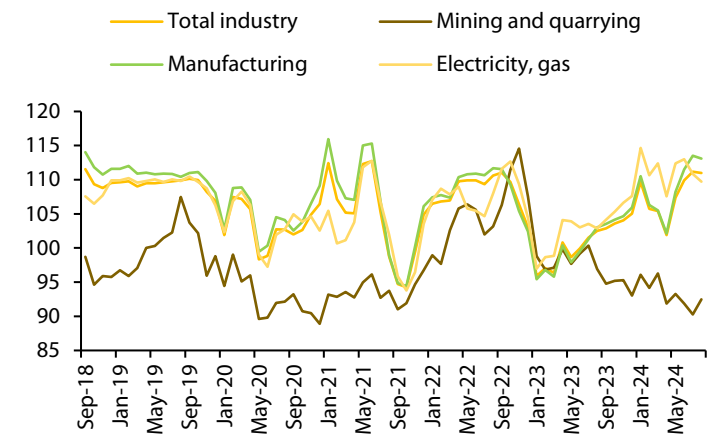
Source: GSO, RongViet Securities

Interbank interest rate



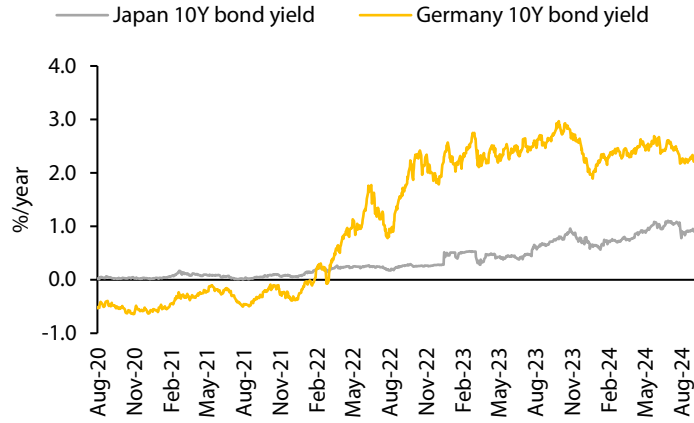
Source: SBV, RongViet Securities

Industrial production index 3MMA



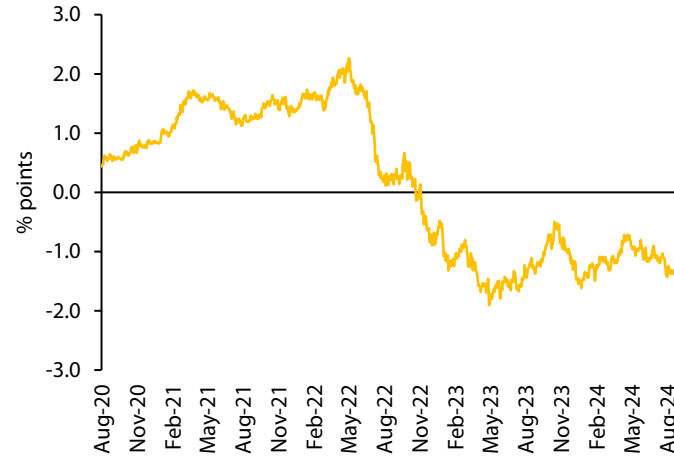
Source: GSO, RongViet Securities

German and Japanese G-Bond Yields



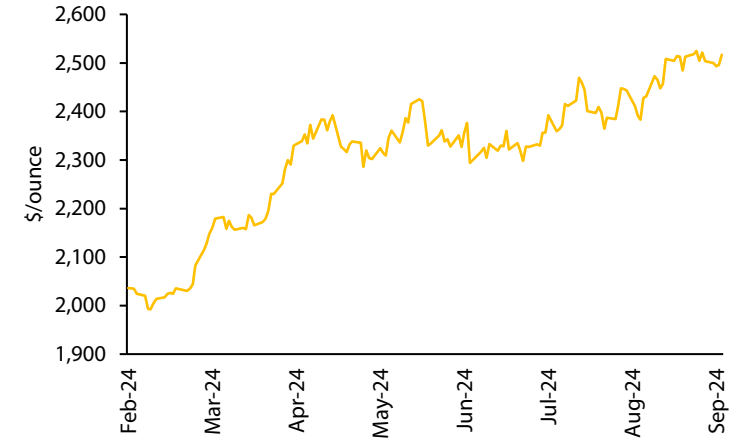
Source: Bloomberg, RongViet Securities

US Treasury Yield Spread (10Y and 3M)



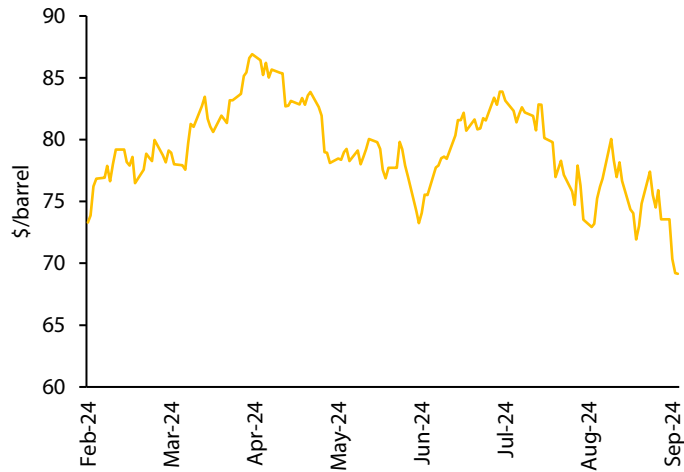
Source: Bloomberg, RongViet Securities

Gold prices



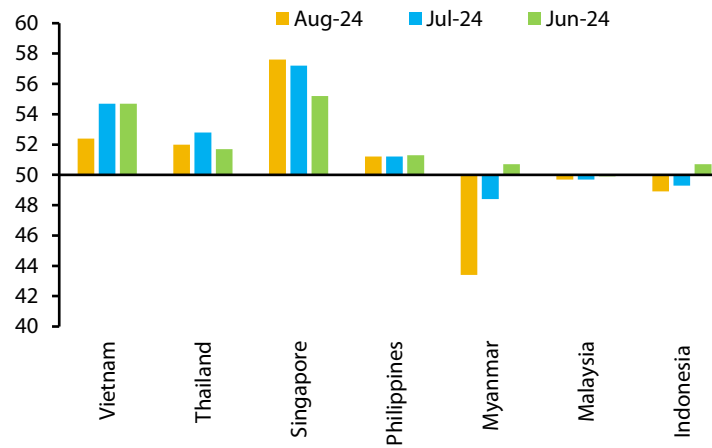
Source: Bloomberg, RongViet Securities

WTI oil price



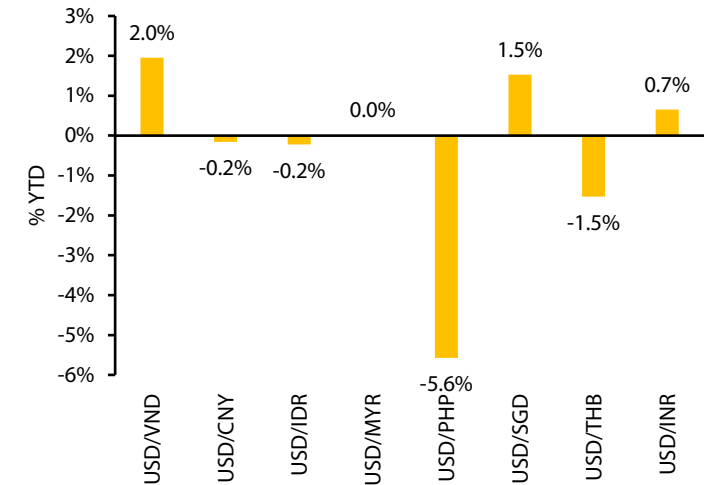
Source: Bloomberg, RongViet Securities

PMI in ASEAN



Source: Bloomberg, RongViet Securities

Exchange rate fluctuations



Source: Bloomberg, RongViet Securities



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