



# MACRO REPORT OCTOBER 2024

**RESILIENT GROWTH**



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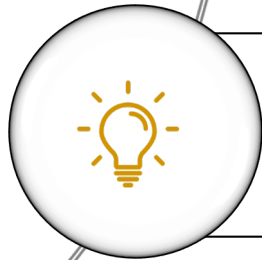
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**VIETNAM ECONOMY – 3Q GDP growth beats expectation**



**GLOBAL ECONOMY – Fed rate cut path, US Election and China's stimulus package**



**MACRO DATA IN SEP 2024 AND APPENDIX**

- Vietnam's economic growth in Q3/2024 reached 7.4%, higher than the adjusted growth rate of 7.1% in the previous quarter. In addition to the driving force of exports and industrial production, private consumption and investment are also gradually improving.
- In 9M2024, Vietnam's GDP growth reached 6.8%, and was in line with the positive scenario we mentioned in the July 2024 macroeconomic outlook report. Accordingly, GDP growth for 2024 could reach 7.0%, higher than the forecast in Rong Viet's base scenario of 6.5%.
- Industrial production and consumption growth have narrowed slightly in recent months. Economic growth in Q4 may only improve slightly to 7.6% compared to the increase of 7.4% in Q3/2024.
- In 9M2024, FDI attraction reached \$24.8 billion, up 11.6% over the same period. FDI attraction in the processing and manufacturing industry mostly stayed the same compared to the same period. Accordingly, the overall growth rate is mainly due to the recovery in FDI attraction in the real estate sector.
- However, we highly appreciate the speed of FDI disbursement. In 9M2024, realized FDI capital reached \$17.3 billion, up 8.9% over the same period and significantly higher than the 3.5% increase in 2023. Positive FDI disbursement comes from capital injection of manufacturing projects, creating a premise for export growth in the coming year.
- We are optimistic about the export outlook next year thanks to Vietnam's position in attracting foreign investment in the trend of shifting global supply chains. However, the outcome of the November US election may influence short-term business and investment confidence.
- The SBV's monetary policy in Q3/2024 is relatively favorable due to reduced exchange rate pressure. Thanks to expectations of a Fed rate cut, the SBV has room to lower interest rates in the open market and support system liquidity.
- The VND depreciated again in early October 2024. However, the recovery of the USD is still uncertain when considering policy and expectations that the Fed will continue to maintain the interest rate cut roadmap. The Bank of Japan's interest rate hike may only be a matter of time. Therefore, exchange rate fluctuations in the coming time are not a cause for concern.

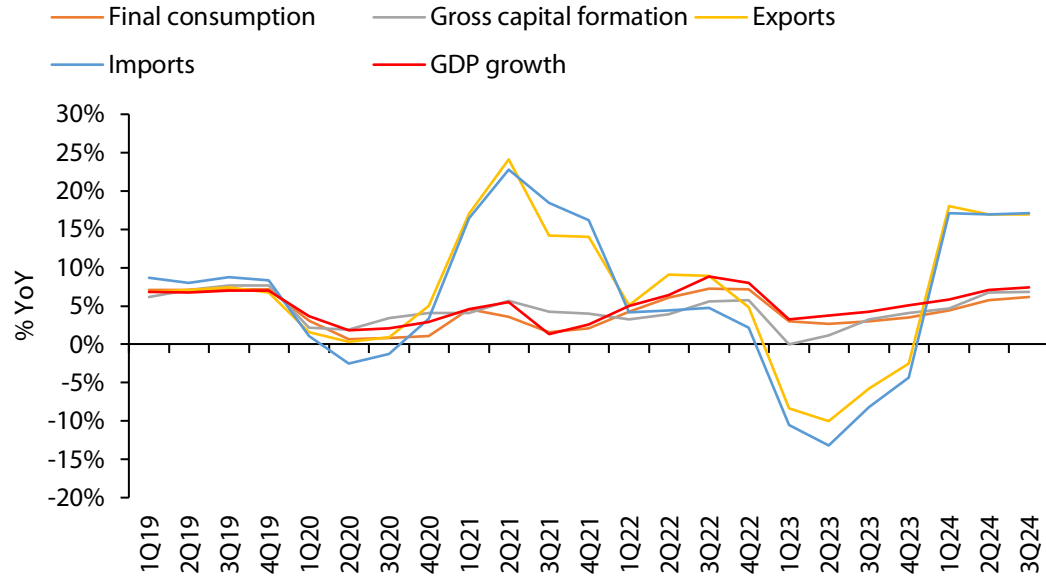
- Vietnam's economic growth in Q3/2024 reached 7.4%, higher than the revised growth of 7.1% in the previous quarter.
- Industrial production remained the mainstay of economic growth, increasing by 11.4% year-on-year in Q3, expanding from 10.4% in the previous quarter and contributing 2.7 percentage points to overall growth.
- Agriculture, forestry, and fisheries were affected by Typhoon Yagi, resulting in the lowest quarterly growth since Q1/2022.
- The remaining service sectors maintained steady growth, except for transportation, accommodation & catering, which grew more slowly than the previous quarter. In contrast, GDP growth in retail, financial services, and real estate expanded. In particular, the financial services and real estate sectors recorded the highest increase since 2022.

## Vietnam GDP by economic activities

	3Q23	4Q23	1Q24	2Q24	3Q24	3Q23	4Q23	1Q24	2Q24	3Q24
	% yoy					% ppt contribution				
<b>Real GDP</b>	<b>5.5</b>	<b>6.7</b>	<b>5.9</b>	<b>7.1</b>	<b>7.4</b>	<b>5.5</b>	<b>6.7</b>	<b>5.9</b>	<b>7.1</b>	<b>7.4</b>
Agriculture	4.3	4.1	3.4	3.6	2.6	0.5	0.5	0.4	0.4	0.3
Mining	(5.5)	(4.2)	(5.3)	(8.6)	(7.1)	(0.1)	(0.1)	(0.2)	(0.3)	(0.2)
Manufacturing	5.6	8.0	7.2	10.4	11.4	1.3	1.9	1.6	2.3	2.7
Construction	8.0	9.3	7.7	7.8	7.1	0.6	0.7	0.4	0.5	0.5
Wholesale & Retail Sales	8.7	9.9	7.0	7.7	8.0	0.8	0.8	0.7	0.7	0.7
Transportation & Storage	9.7	10.0	10.5	11.5	11.1	0.5	0.5	0.6	0.7	0.6
Accommodation & Food	9.4	8.9	8.7	11.1	8.8	0.2	0.2	0.2	0.3	0.2
Financial services	4.8	6.4	4.6	6.1	8.4	0.3	0.4	0.3	0.3	0.5
Real estate	(0.2)	2.1	1.8	2.4	3.9	(0.0)	0.1	0.1	0.1	0.1
Other	5.6	5.8	6.5	7.1	6.9	1.5	1.8	1.8	2.0	2.0

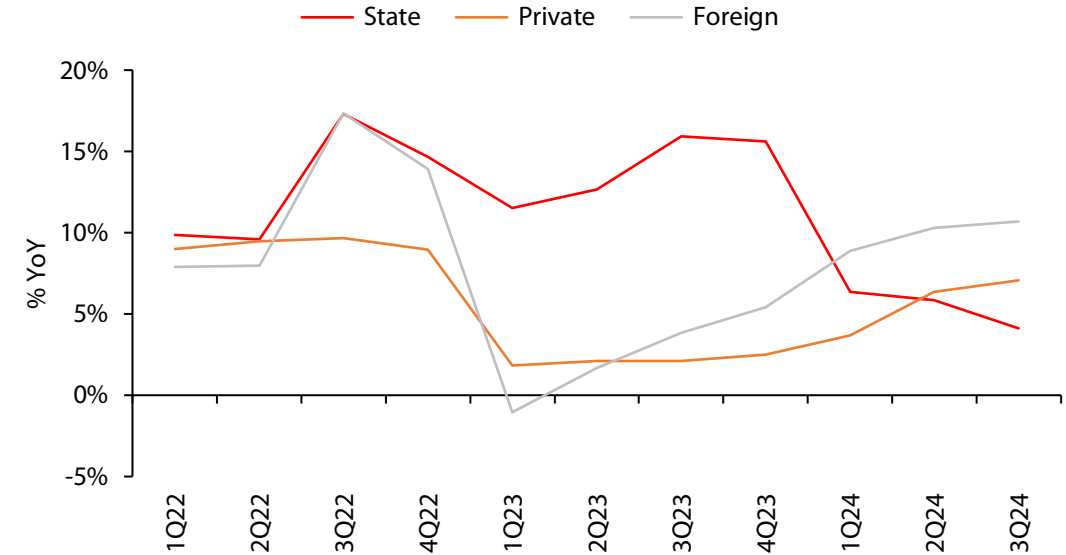
Source: GSO, RongViet Securities

**GDP growth by usage**



Source: GSO, RongViet Securities

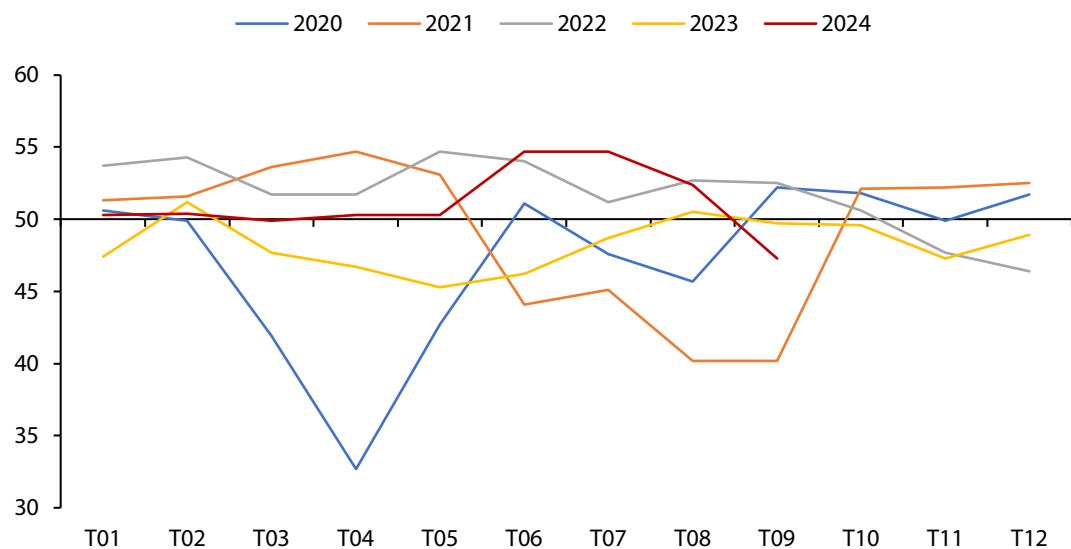
**Investment by sector**



Source: GSO, RongViet Securities

- In terms of usage, import-export growth remained high in Q3/2024. Meanwhile, final consumption and asset accumulation growth rates improved to 7.0% and 7.1%, respectively, higher than the 5.8% and 6.7% growth rates in 1H2024.
- In terms of investment, investment capital growth continued to improve in the private and FDI sectors, while investment capital growth in the State sector declined. In the first nine months of 2024, the total social investment capital growth reached 6.8%, unchanged from 1H2024.
- Thus, in addition to the driving force of export and industrial production, private consumption and investment are also gradually improving. In 9M2024, Vietnam's GDP growth reached 6.8%, and entered the positive scenario we mentioned in the July 2024 macroeconomic outlook report. Accordingly, GDP growth for 2024 could reach 7.0%, higher than the forecast in Rong Viet's base scenario of 6.5%.

## Vietnam PMI (monthly)



Source: GSO, RongViet Securities

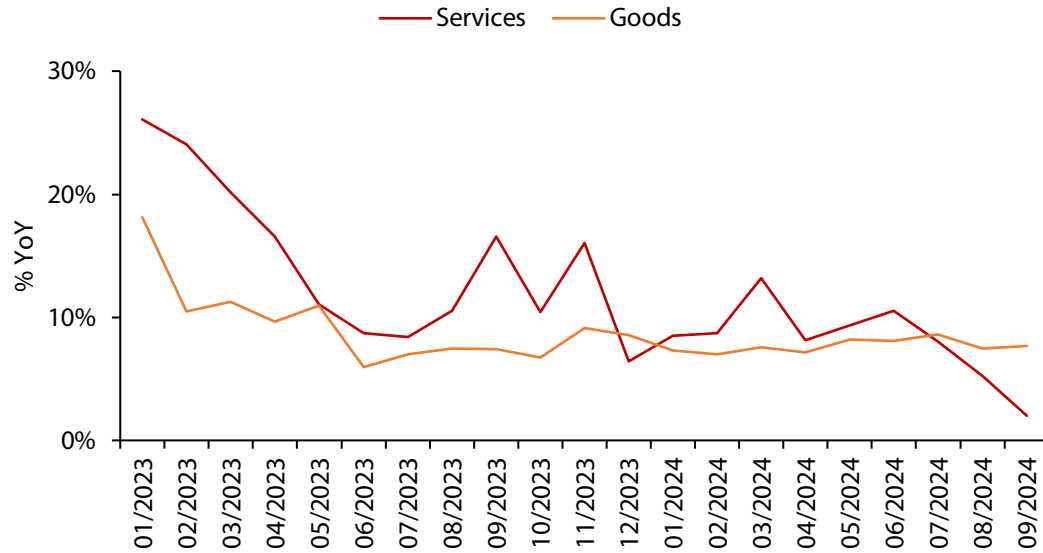
## Major manufacturing growth

% YoY, 3MMA	01/24	02/24	03/24	04/24	05/24	06/24	07/24	08/24	09/24
Food processing	11.8	5.3	4.4	1.4	6.6	7.7	8.9	9.7	10.5
Beverage	(1.7)	(4.2)	(2.7)	(2.4)	4.2	4.8	1.4	0.1	0.2
Textile	9.3	2.7	4.0	(2.0)	6.1	6.5	10.6	13.6	18.2
Leather	15.3	6.9	5.3	(0.7)	8.3	10.6	13.8	15.5	17.3
Wood processing	14.4	3.6	3.1	(0.5)	16.4	19.3	14.7	7.2	2.3
Chemical	23.5	25.5	22.0	11.5	7.5	9.1	8.8	10.5	13.1
Medicine	33.3	17.8	13.1	(1.1)	7.1	2.9	6.6	9.4	15.4
Rubber, plastic	34.3	22.6	25.4	20.5	30.4	31.5	30.2	31.5	28.1
Metal production	37.7	27.4	17.9	7.2	8.8	9.2	10.2	11.8	11.4
Electronics	4.0	1.2	0.0	3.3	11.9	20.9	22.3	14.8	7.1
Motor vehicles	9.8	3.8	(4.3)	(6.8)	1.6	6.3	14.9	22.5	32.2
Other manufacturing sectors	8.5	1.7	1.7	(4.2)	3.0	3.4	5.0	6.2	7.5
Electric production and distribution	14.7	10.7	12.4	7.6	12.4	13.0	10.9	10.1	8.0

Source: GSO, RongViet Securities

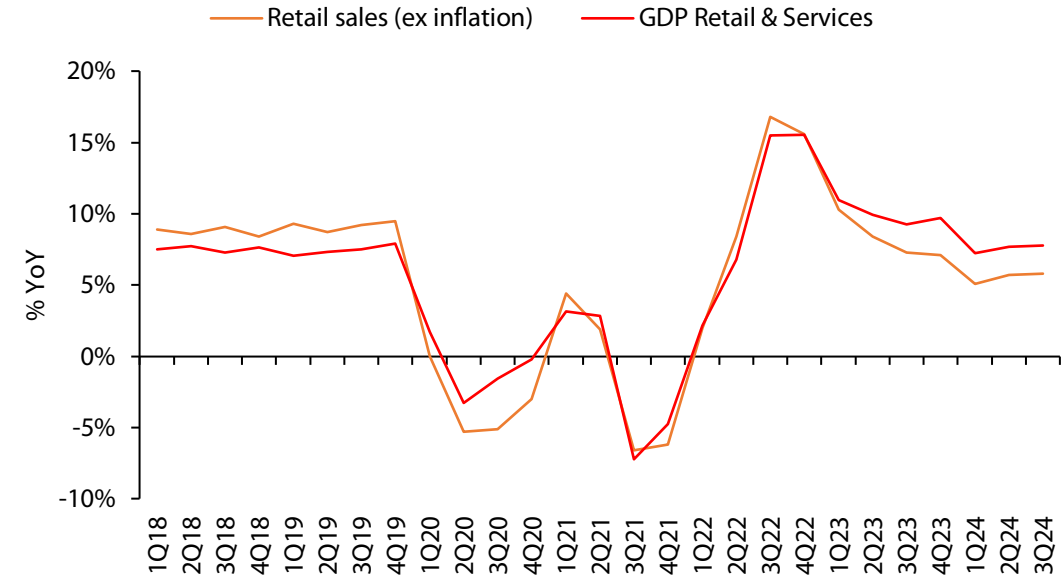
- The growth of the manufacturing and processing industry index in Q3/2024 reached 11.9%, slightly up from the 11.6% increase in Q2.
- However, growth in some industries has tended to narrow in recent months. Specifically, the growth momentum narrowed in the electronics and wood processing groups but improved in the textile, footwear, and motor vehicles groups.
- The PMI data for September was not positive, falling sharply from 52.4 points to 47.3 points. According to S&P Global, the PMI decline is considered temporary due to the impact of Typhoon Yagi. However, the high growth rate of Q3 is unlikely to be maintained in Q4 due to the high base level of the same period and the narrowing growth in the key export industries (electronics).

## Retail sales growth of goods and services



Source: GSO, RongViet Securities

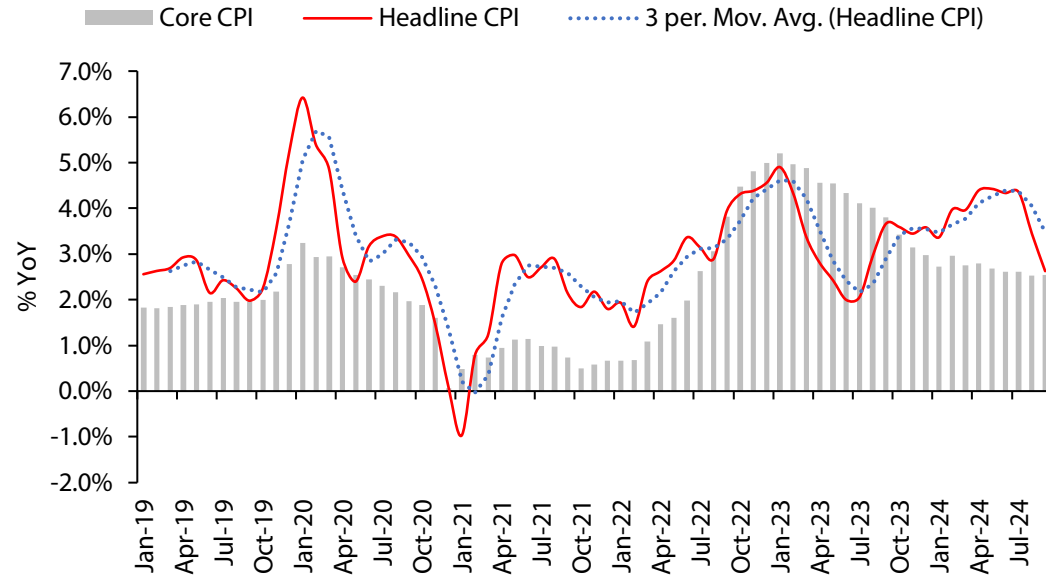
## Retail growth by two measures



Source: GSO, RongViet Securities

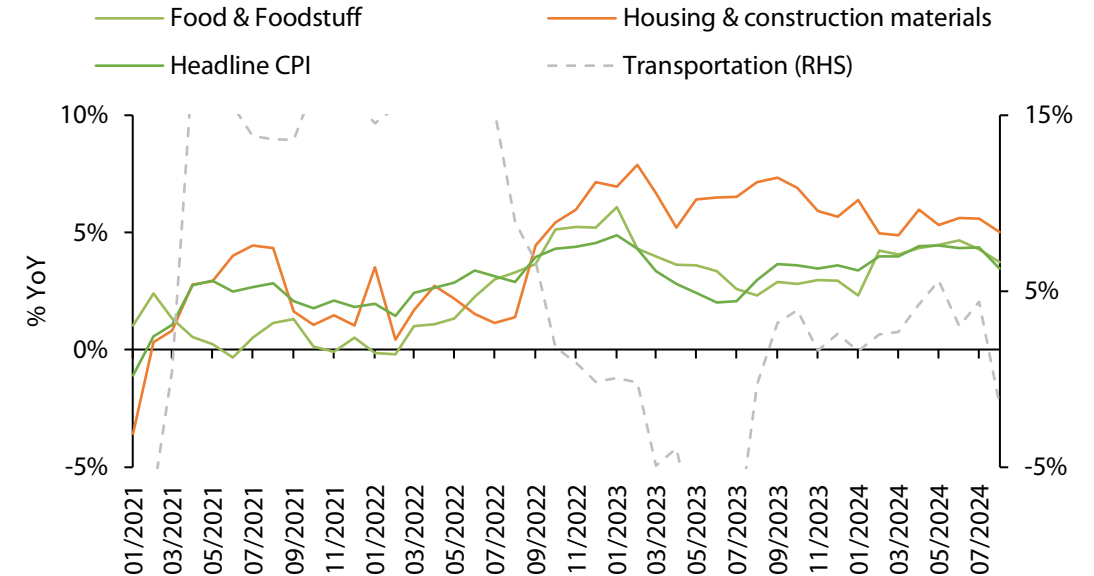
- Total retail sales of goods and services in Q3/2024 increased by 8.4% year-on-year, lower than the 9.1% increase in the previous quarter.
- Although the growth of retail sales of goods remained unchanged at 8.0%, retail sales of services increased by only 9.8% in Q3, lower than the 13.2% increase in Q2. Typhoon Yagi caused consumer spending to improve in September, rising by 1.6% month-on-month and 7.7% year-on-year. On the contrary, consumption of accommodation, food and beverage, and tourism services decreased by 1.2% and 3.8% month-on-month, respectively.
- Service retail sales growth was only 2.0% year-on-year in September, significantly lower than the 5.2% and 8.0% increases in July and August, respectively. The overall growth momentum of consumption was less strong than shown in the Q3 GDP growth results.

## Vietnam's inflation



Source: GSO, RongViet Securities

## Inflation of key components

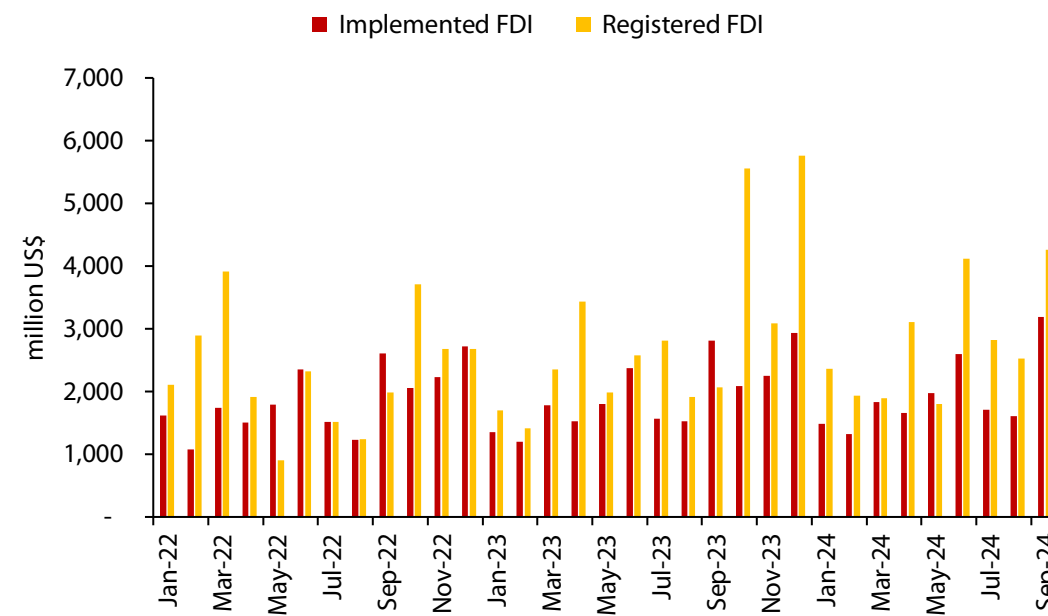


Source: GSO, RongViet Securities

- Year-on-year inflation moved as expected as the upward trend narrowed towards the year's end. CPI in September 2024 increased by only 2.6% year-on-year, lower than the 3.5% increase in the previous month.
- However, the monthly increase was strongly affected by the rise in prices of the foodstuff group. The national CPI increased by 0.3% compared to the previous month, of which the price index of the food and foodstuff group increased by 0.9% (the highest increase since February 2024).
- Notably, the substantial increase in the food and foodstuff group was offset by a 2.8% decrease in the transport price index. Average inflation in 9M2024 decreased from 4.1% in 6M to 3.9%. Storms and floods in the last months of the year may impact commodity prices, but they are under control. We maintain our forecast for average headline inflation this year at 3.8%.

- FDI results in September 2024 were positive, with a record-high disbursement scale (~\$3.2 billion) and capital attraction reaching \$4.3 billion (up 106.6% over the same period).
- Regarding FDI attraction in September, in addition to continuing to attract investment capital in the processing and manufacturing industry (~\$1.4 billion), the real estate business sector saw a sudden increase with an adjusted capital scale of more than \$1.0 billion.
- In 9M2024, FDI attraction reached \$24.8 billion, up 11.6% over the same period. Registered FDI in the processing and manufacturing industry mostly stayed the same compared to the same period. Accordingly, the overall growth rate was mainly due to the recovery in registered FDI in the real estate sector.
- However, we highly appreciate the speed of FDI disbursement. Accumulated in 9M2024, realized FDI capital reached \$17.3 billion, up 8.9% over the same period and significantly higher than the 3.5% increase of the whole year of 2023. Positive FDI disbursement comes from capital injection of manufacturing projects, creating a premise for export growth next year.

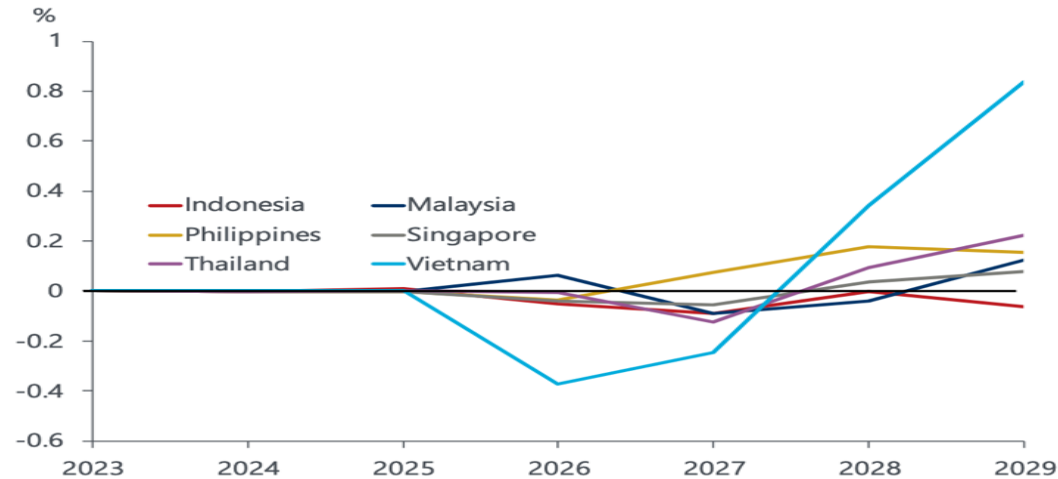
## Registered and implemented FDI



Source: GSO, RongViet Securities

## Full-blown tariff of Trump scenario impacts on ASEAN

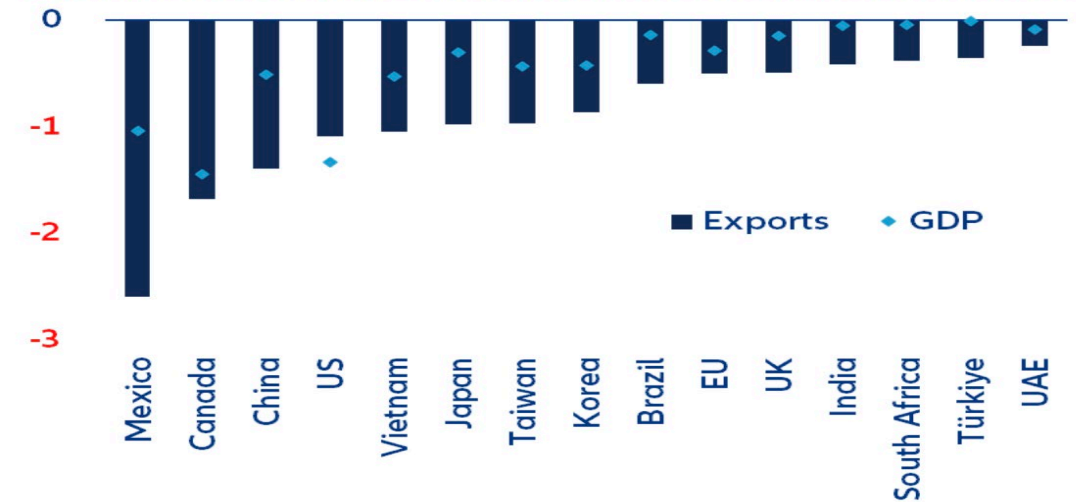
ASEAN-6: % diff of GDP in Trump scenario from baseline



Source: Oxford Economics, RongViet Securities

## Full-blown tariff, first-year hikes implementation impacts

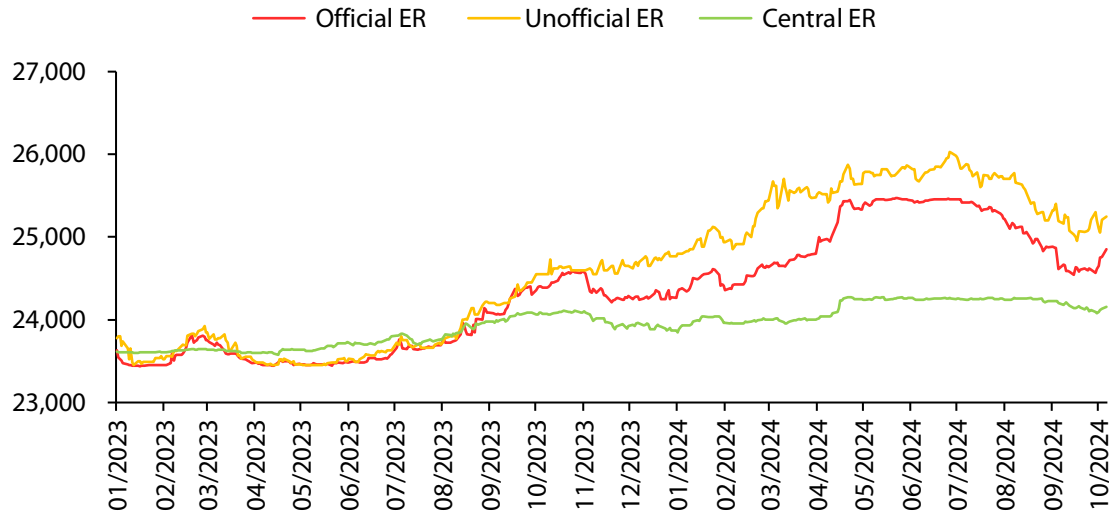
% change relative to projected level, first year of tariff hikes implementation



Source: Oxford Economics, Allianz RongViet Securities

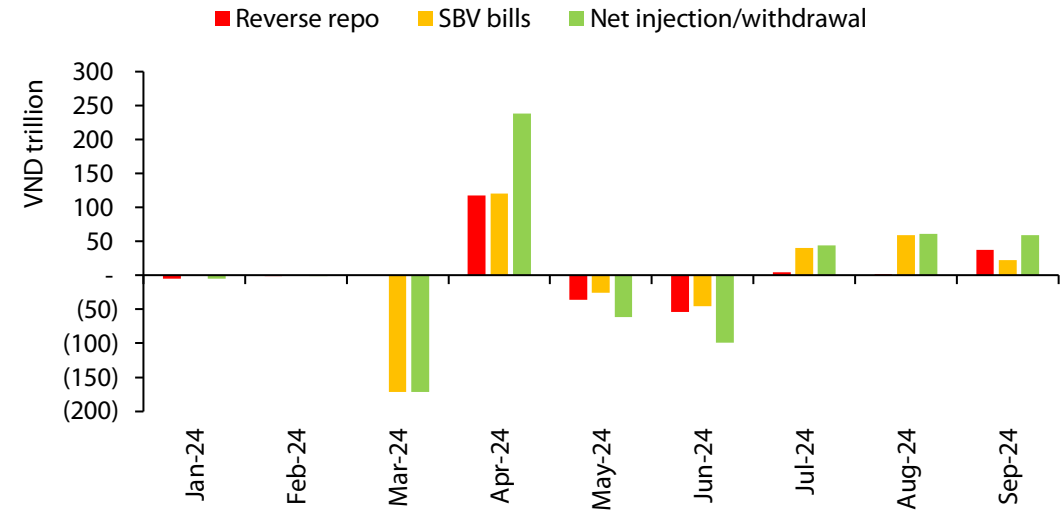
- We are optimistic about the export outlook next year thanks to Vietnam's position as a foreign investor in the global supply chain shift. However, the outcome of the November US election may influence short-term business and investment sentiment.
- Oxford Economics estimates that if Donald Trump is re-elected as President with a comprehensive tariff scenario on imported goods (including 60% for Chinese goods and 10% for other countries), it will hurt Vietnam's exports and growth. (See Appendix: Policies of the two US presidential candidates).
- Among ASEAN countries, Vietnam's GDP growth will negatively affect if Trump imposes comprehensive import tariffs. GDP growth is estimated to decrease by 0.3-0.4 percentage points compared to the baseline scenario in 2026-2027 but recover strongly in the following years. Regarding exports, export growth is estimated to decrease by about 1% compared to the baseline scenario of 2026.

## USDVND exchange rate



Source: Bloomberg, Fiinpro, RongViet Securities

## The SBV's operation in OMO market



Source: SBV, RongViet Securities

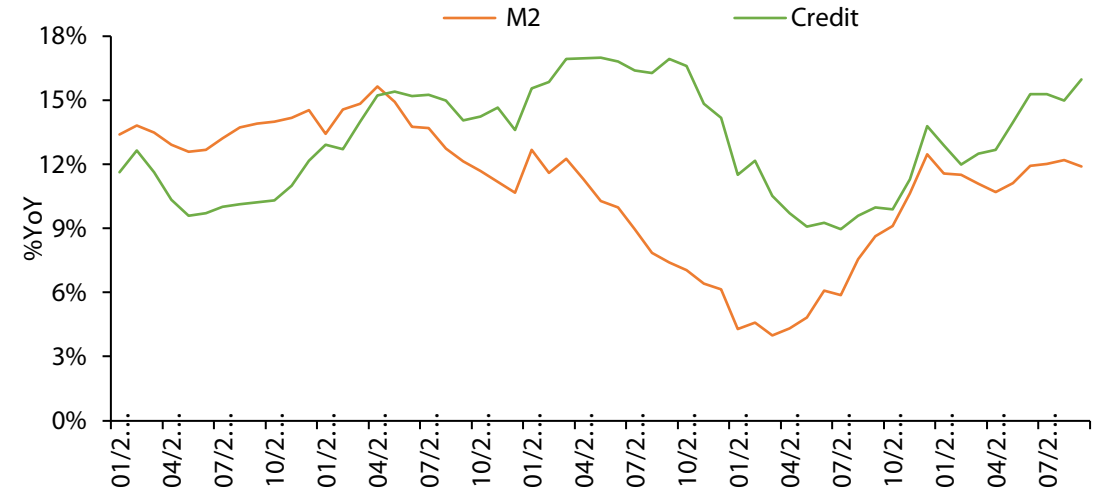
- SBV's monetary policy management in Q3/2024 is relatively favorable due to the reduced exchange rate pressure thanks to expectations of the Fed's interest rate cut, SBV has room to reduce interest rates in the open market and support liquidity for the system.
- In Q3/2024, SBV net injected money through the open market for 3 consecutive months with a total scale of about 165 trillion VND. From the beginning of September 2024, when there were clearer signals of the Fed's interest rate cut and the exchange rate cooled down, SBV stopped issuing treasury bills and reduced 50 basis points for lending rates in the mortgage channel.
- At the end of Q3/2024, the exchange rates in the official and unofficial markets decreased by 3.5% and 2.8%, respectively, compared to the end of the previous quarter. Overnight lending rates in the interbank market increased sharply at the end of the quarter due to credit growth pressure but stabilized back below 4.0% in early October.

**DXY index**



Source: Bloomberg, RongViet Securities

**Credit and M2 growth**



Source: GSO, SBV, RongViet Securities

- The market's reception of more positive economic data than expected from the US economy, combined with the new Japanese Prime Minister's latest statement on the interest rate policy expectations of the Bank of Japan, has created a boost for the recovery of the USD in the early days of October 2024.
- Accordingly, the VND has depreciated again, but the recovery of the USD is still uncertain when considering the policy, the expectation that the Fed will continue to maintain the interest rate cut roadmap, and the Bank of Japan's interest rate hike may only be a matter of time. Therefore, exchange rate fluctuations in the coming time are not a cause for concern.
- According to SBV, credit growth by the end of September 2024 is estimated to reach 9% compared to the beginning of the year and increase by 16% over the same period, exceeding the credit growth target for the whole year. With the exchange rate pressure not being high, the SBV can continue to support liquidity for the system (if needed) in Q4/2024.

**US:**

- Fed cuts rates by 50 basis points at the September 2024 meeting to manage risks and expectations for the future.
- The latest “dot plot” chart shows the median forecast of two more 25-basis-point rate cuts in 2024 and another 100 basis points in 2025.
- The latest jobs data supports the Fed’s proposed rate cut path.
- According to Oxford Economics estimates, US economic growth could change from the baseline by 0-0.5% in the new presidential term if Trump wins. Meanwhile, the change in GDP growth could be on a broader range of 0-0.7% in the baseline if Ms. Harris wins. Meanwhile, inflation is expected to increase by 0.2-0.6% compared to the baseline scenario if Trump wins the election and lower inflationary pressures by 0-0.2% in the scenario where Ms. Harris wins.

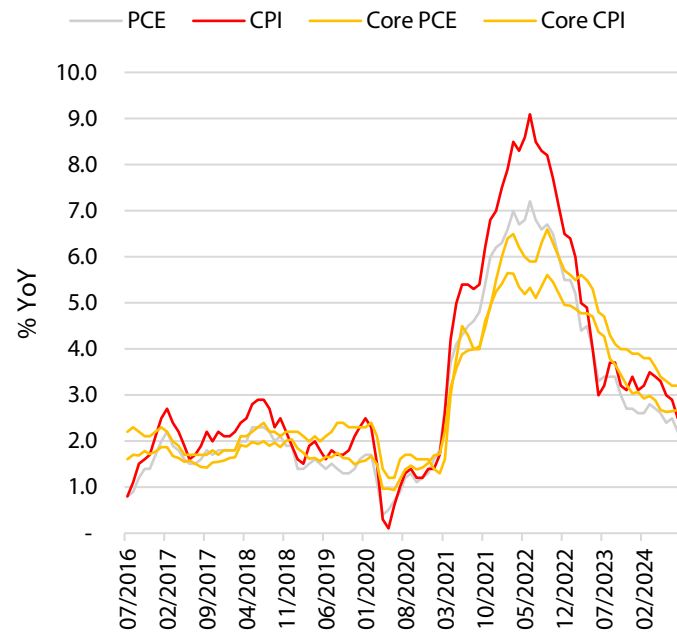
**China:**

- On September 24, the Chinese government announced a new economic stimulus package to support the real estate market and economic growth. The three most prominent points of the support measures are 1) reducing borrowing costs, 2) increasing money supply, and 3) improving affordability for homebuyers.
- While the newly announced stimulus measures represent a multi-faceted approach to restoring the economy, their effectiveness will depend on the economy's ability to absorb capital and address existing structural challenges in the housing market, employment, and consumer incomes.
- Chinese leaders reportedly consider issuing about 2 trillion yuan of special government bonds to stimulate household consumption and help local governments tackle debt. The direct impact of the fiscal support may not be felt until next year. The indirect effect of the new fiscal support package could be to boost confidence in the support policies of businesses and households, thereby promoting investment and consumption in the coming period.

Implications of a 50bp Fed rate cut at the September 2024 meeting:

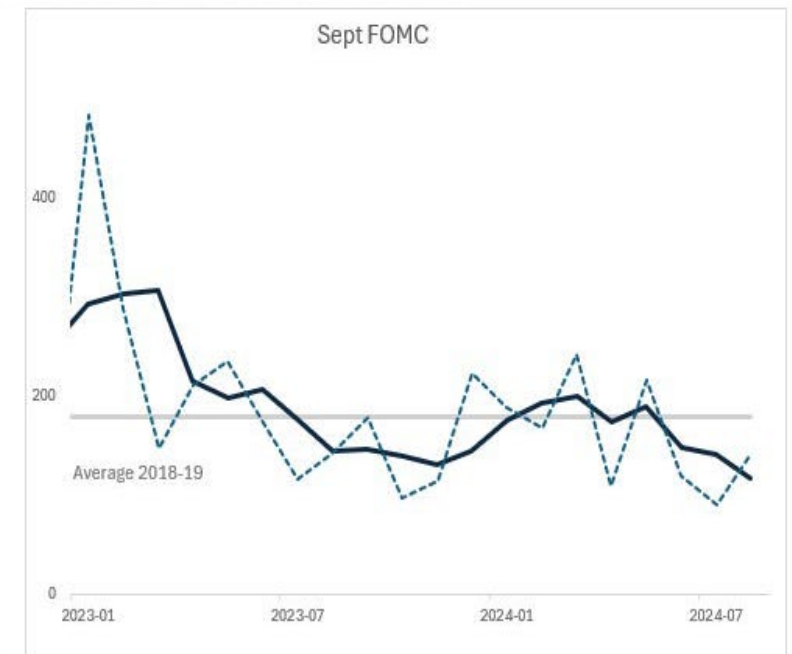
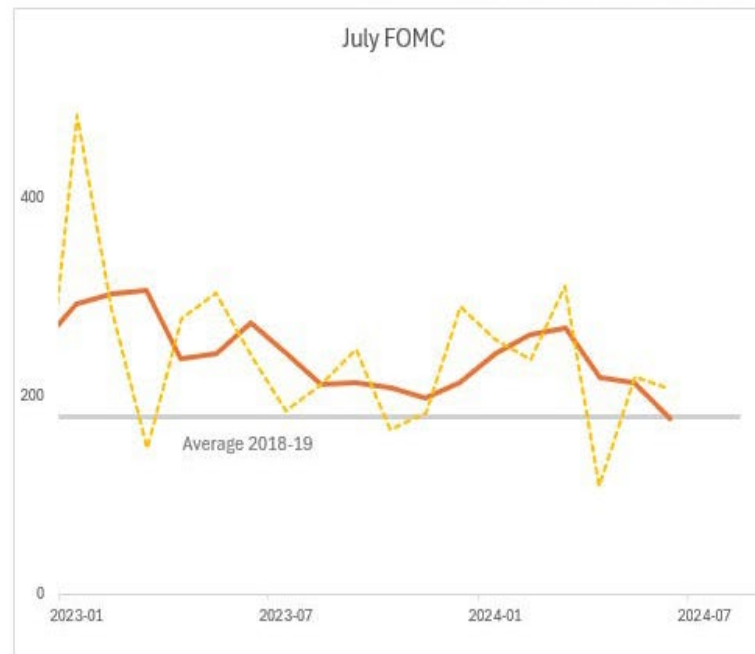
1. MANAGING FUTURE RISKS about a possible policy error if the upcoming economic and labor market figures are worse than expected.
2. Confidence that inflation will fall back to the 2% target and that ACTION IS REQUIRED TO SUPPORT A DEGRADING LABOR MARKET.
3. The 50bp cut is a MONETARY POLICY NORMALIZATION rather than a response to an economic crisis.

## US inflation



Source: Bloomberg, RongViet Securities

## Nonfarm payroll in July meeting vs. Sep meeting



Source: Claudia Sahm, RongViet Securities, Dashed line: monthly new jobs, solid line: three-month average

- The forecast for the labor market is more negative, raising the unemployment rate at the end of 2024 and 2025 to 4.4%, from 4.0% and 4.2%, respectively, in the forecast issued in June 2024.
- The Fed's forecasts for PCE and core PCE inflation in 2024 were revised to 2.3% and 2.6%, respectively, down 0.3 and 0.2 percentage points from the June forecasts. The forecasts for PCE and core PCE inflation in 2025 are 2.1% and 2.2%, respectively, and then approach 2.0% in 2026.
- The "soft landing" outlook for 2024 economic growth is 2.0%, down 0.1 percentage point from the June forecast. Meanwhile, the median economic growth forecast for 2025 remained unchanged at 2.0%, with the lowest and highest forecast ranges of 1.3% and 2.5%, respectively.

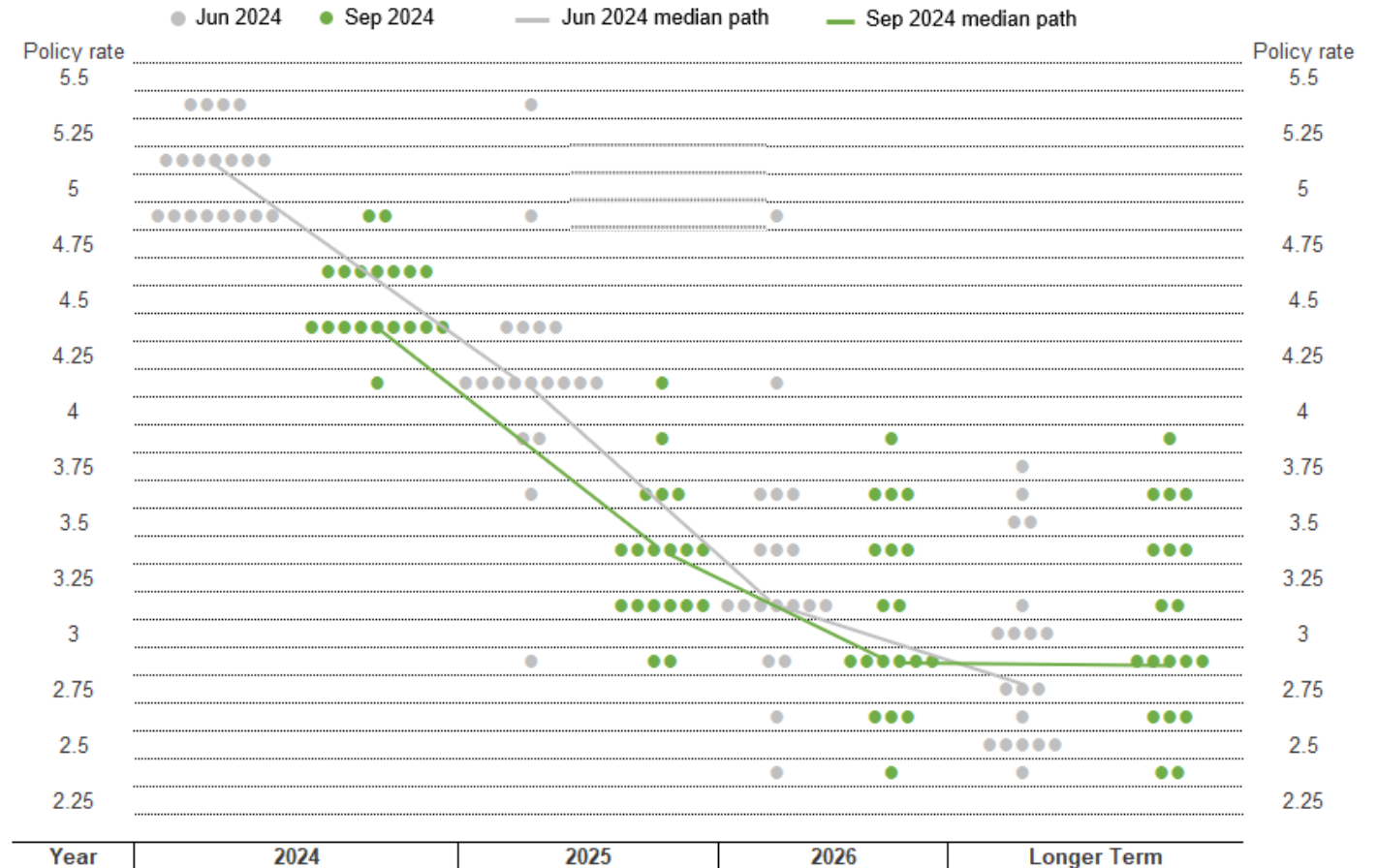
## Fed's economic outlook projection

	Median					Range				
	2024	2025	2026	2027	Dài hạn	2024	2025	2026	2027	Dài hạn
GDP	2.0	2.0	2.0	2.0	1.8	1.9-2.1	1.8-2.2	1.9-2.3	1.8-2.1	1.7-2.0
<i>June's forecast</i>	2.1	2.0	2.0		1.8	1.9-2.3	1.8-2.2	1.8-2.1		1.7-2.0
Unemployment rate	4.4	4.4	4.3	4.2	4.2	4.3-4.4	4.2-4.5	4.0-4.4	4.0-4.4	3.9-4.3
<i>June's forecast</i>	4.0	4.2	4.1		4.2	4.0-4.1	3.9-4.2	3.9-4.3		3.9-4.3
PCE	2.3	2.1	2.0	2.0	2.0	2.2-2.4	2.1-2.2	2.0	2.0	2.0
<i>June's forecast</i>	2.6	2.3	2.0		2.0	2.5-2.9	2.2-2.4	2.0-2.1		
Core PCE	2.6	2.2	2.0	2.0		2.6-2.7	2.1-2.3	2.0	2.0	
<i>June's forecast</i>	2.8	2.3	2.0			2.8-3.0	2.3-2.4	2.0-2.1		
Fed fund rate	4.4	3.4	2.9	2.9	2.9	4.4-4.6	3.1-3.6	2.6-3.6	2.6-3.6	2.5-3.5
<i>June's forecast</i>	5.1	4.1	3.1		2.8	4.9-5.4	3.9-4.4	2.0-3.6		2.5-3.5

Source: Fed, RongViet Securities

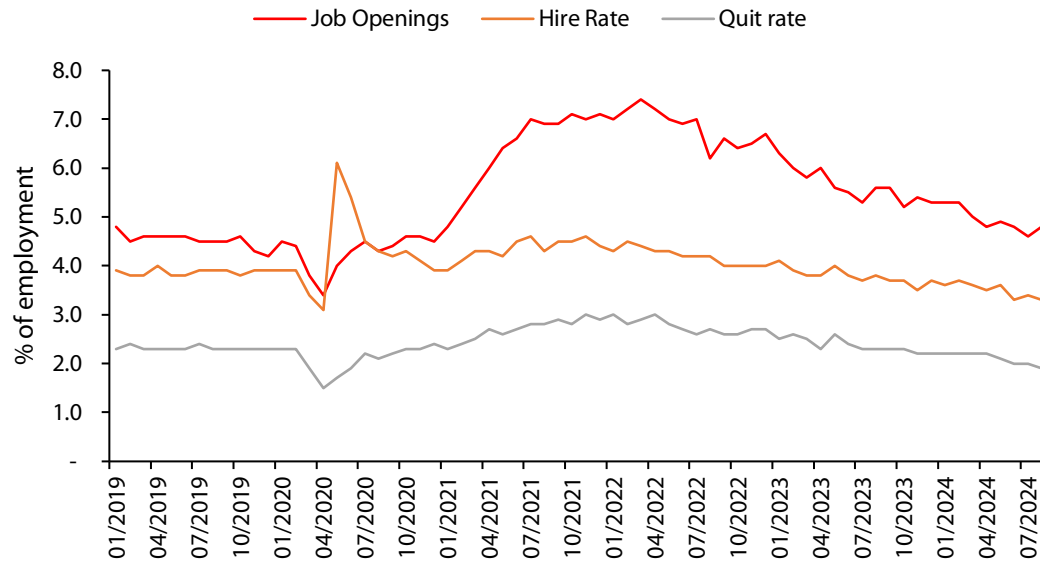
**Dotplot – FOMC members’ policy rate expectations for September meeting vs. June meeting**

- The latest “dotplot” shows the median forecast of two more 25 basis point rate cuts in 2024 and another 100 basis points in 2025.
- Members broadly agreed on the outlook for rates through 2024 but divided on the outlook for rates through 2025.
- The Fed maintains a data-driven, meeting-by-meeting approach to setting rates.
- This 50 basis point rate cut should not be viewed as a new pace of easing, but rather as a gradual adjustment to NEUTRAL.
- The Fed’s policy rate will remain relatively high for longer.



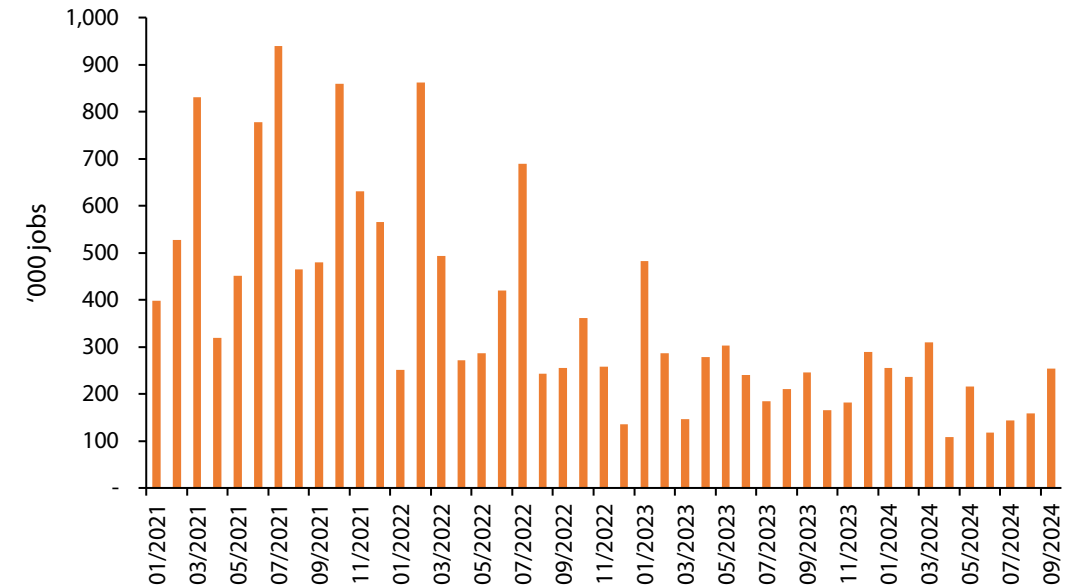
Source: Bloomberg, RMS US, RongViet Securities

## Job openings, hire rate and quit rate



Source: Bloomberg, RongViet Securities

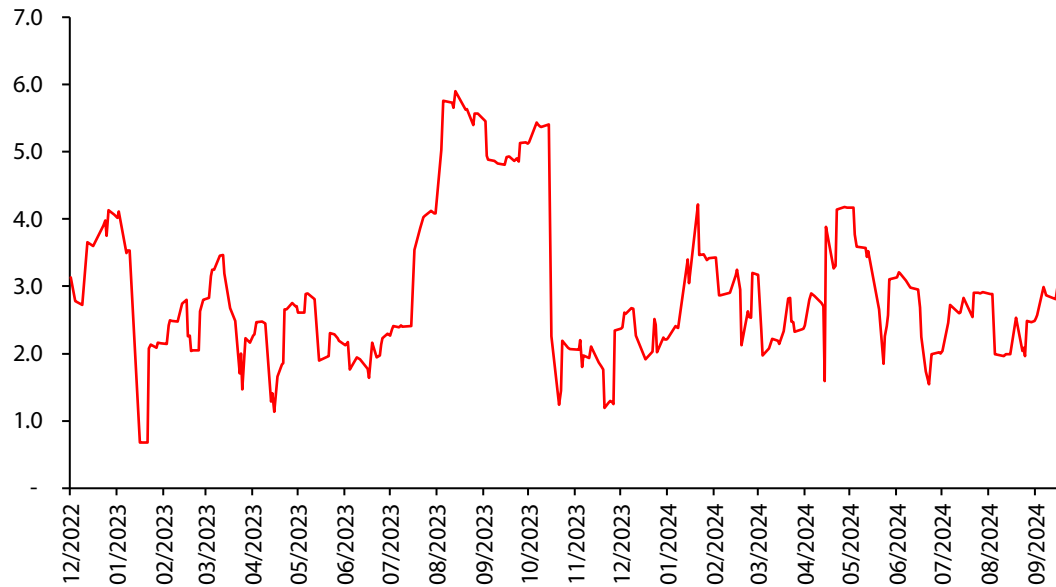
## Non farm payroll (monthly)



Source: Bloomberg, RongViet Securities

- According to the US Department of Labor, the number of new job openings rose to 8 million in August, up from 7.7 million the previous month, although it was still down 1.3 million from a year ago. Meanwhile, hiring activity was steady, with the new hiring rate at 3.3% and the jobless rate falling to 3.1%.
- The non-farm payrolls report also showed that 254,000 new jobs were created in September, higher than the average of 203,000 jobs over the past 12 months. At the same time, the US economy's unemployment rate fell to just 4.1% last month.
- The US port strike ended after three days, so the impact on the October job outlook will also be limited. Therefore, the US employment picture may be stable before the election and the next Fed meeting in November.

## Atlanta Fed's short term economic growth forecast



Source: Bloomberg, RongViet Securities

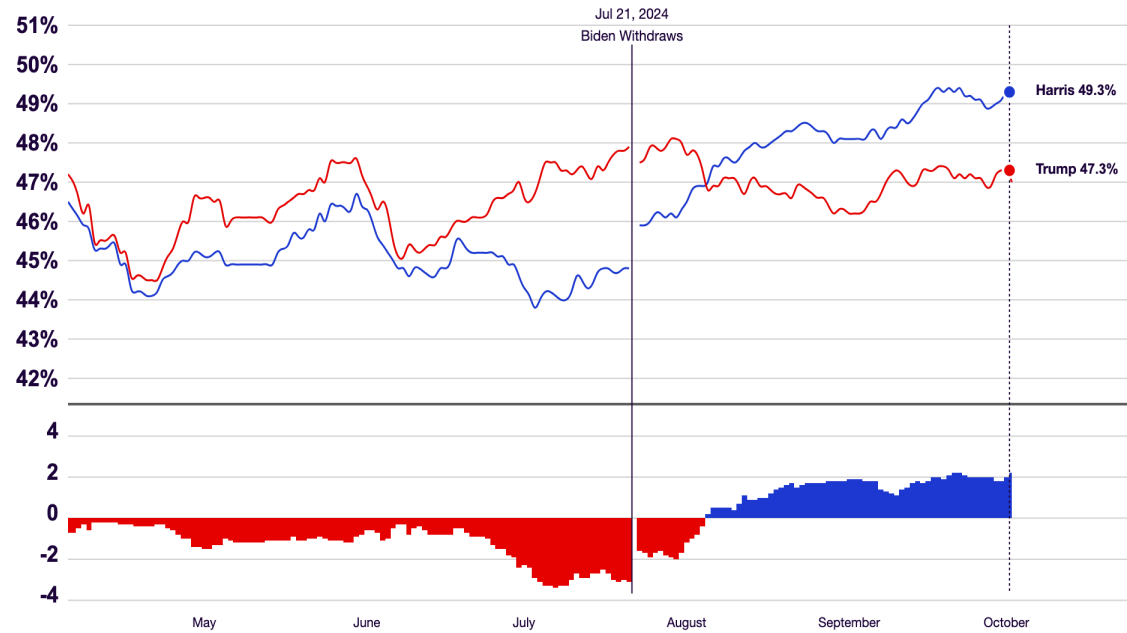
## Some latest US GDP growth forecasts

	2024	2025	2026	2027
Fed	2.0	2.0	2.0	2.0
S&P Global	2.7	1.8	1.9	1.8
OECD	2.6	1.6	na	na
Fitch Ratings	2.5	1.6	na	na
BEA	2.7	1.8	2.2	2.9
EY	2.7	1.8	na	na
EIU	2.4	1.7	2.0	na
Average	2.5	1.8	2.0	2.2

Source: RongViet Securities compiled, latest forecast in Sep 2024

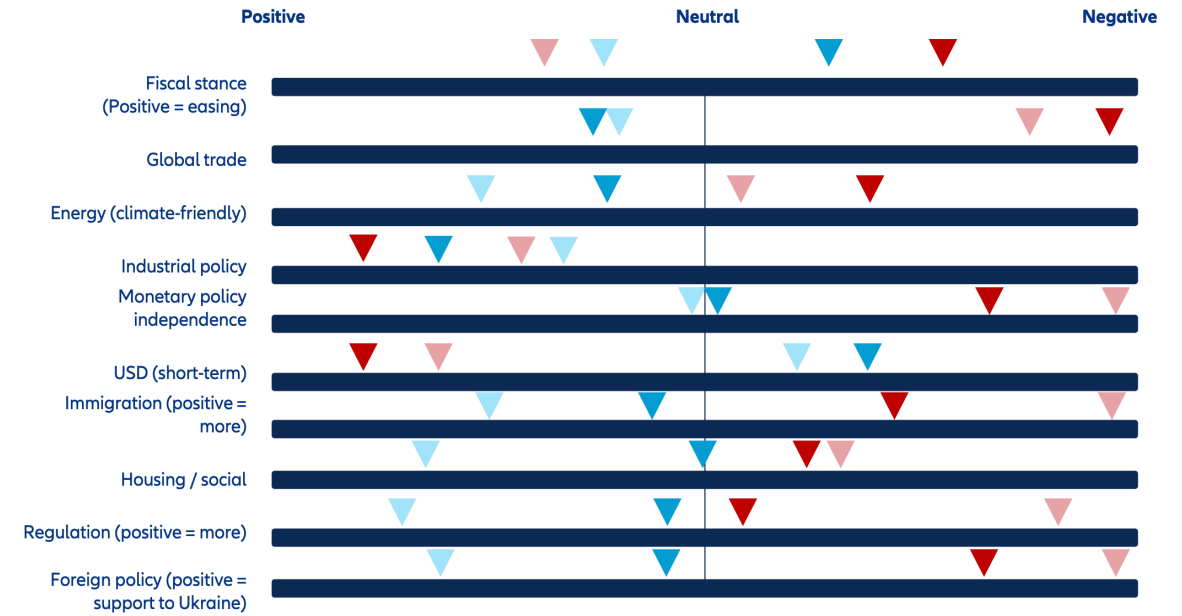
- The US economic growth forecast for Q3 remains high after the latest updates on new home construction, personal income and spending, manufacturing and employment, forecasting an annual GDP growth of 2.54% in Q3, higher than the forecast of 2.04% in early September.
- The risk of a US recession is looming, but the US economy is still in a soft landing scenario. In its September economic outlook report, the OECD revised down its US economic growth forecast to 1.6% in 2025 from the previous forecast of 1.8%. Meanwhile, S&P Global recently raised its forecast for US economic growth in 2025 to 1.8%, 0.1 percentage point higher than the previous forecast, and kept the probability of an economic recession at 25% in the next 12 months.

## Poll results for two candidates Kamala Harris and Donald Trump in the 2024 US Presidential election



Source: Real Clear Polling, RongViet Securities

## Comparing the policies of two presidential candidates Kamala Harris and Donald Trump

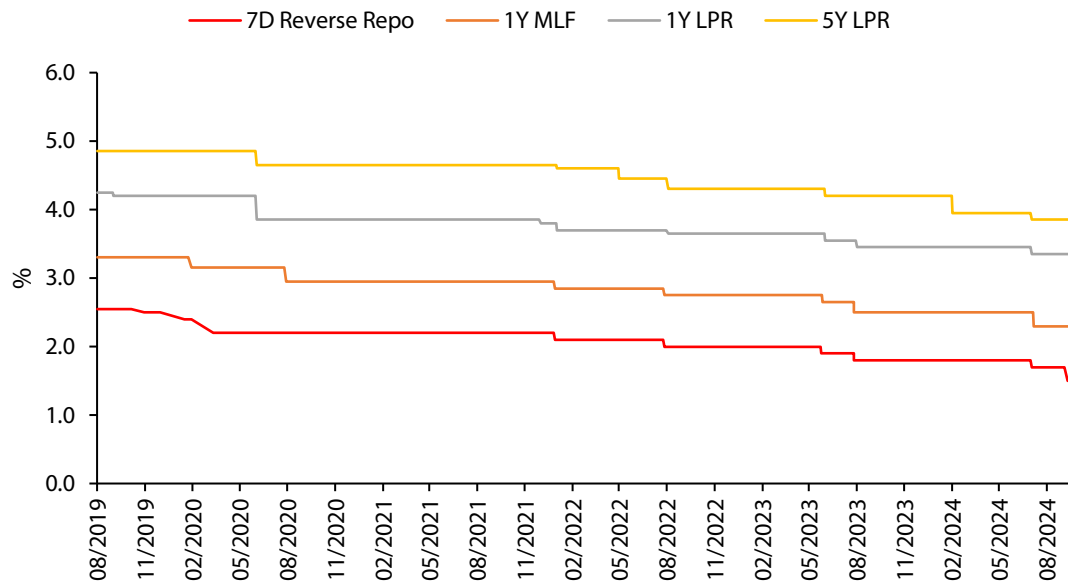


Source: Allianz, RongViet Securities

Note: Kamala Harris, Donald Trump, Light Blue and Light Red show impact in case of divided Congress

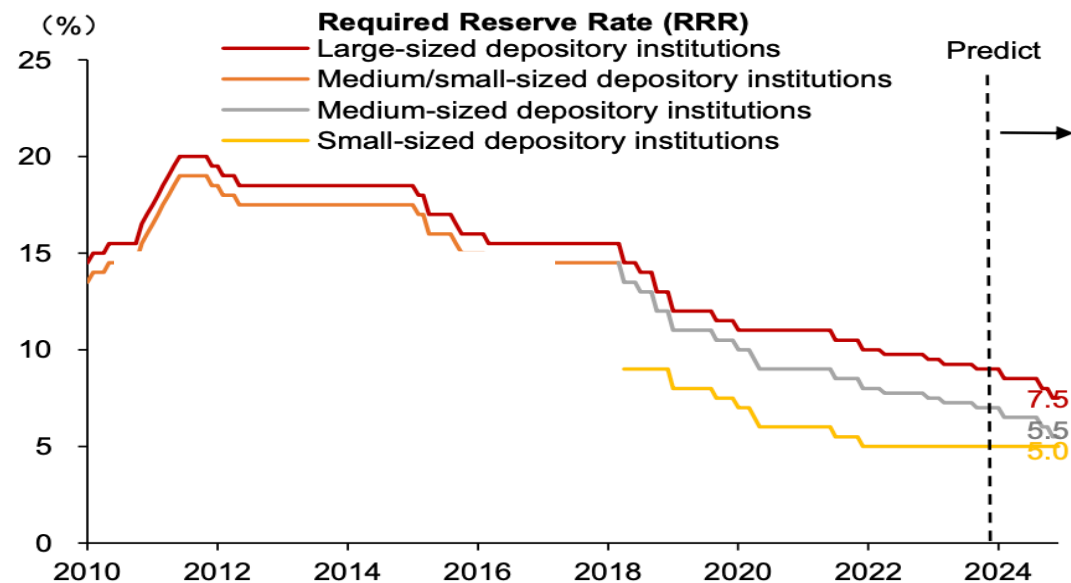
- Currently, polling results show that Kamala Harris maintains a support rate about two percentage points higher than Donald Trump, with only about one month until the election.
- According to Oxford Economics' estimates, US economic growth could change by 0-0.5% compared to the baseline scenario in the new presidential term if Trump wins. Meanwhile, the change in GDP growth could be in a broader range of 0-0.7% compared to the baseline scenario if Harris wins. Meanwhile, inflation is expected to increase by 0.2-0.6% compared to the baseline scenario if Trump wins, and inflationary pressures are lower by 0-0.2% in the scenario where Harris wins. (See also Appendix: Policies of the two US presidential candidates)

**PoBC's policy rate**



Source: Bloomberg, RongViet Securities

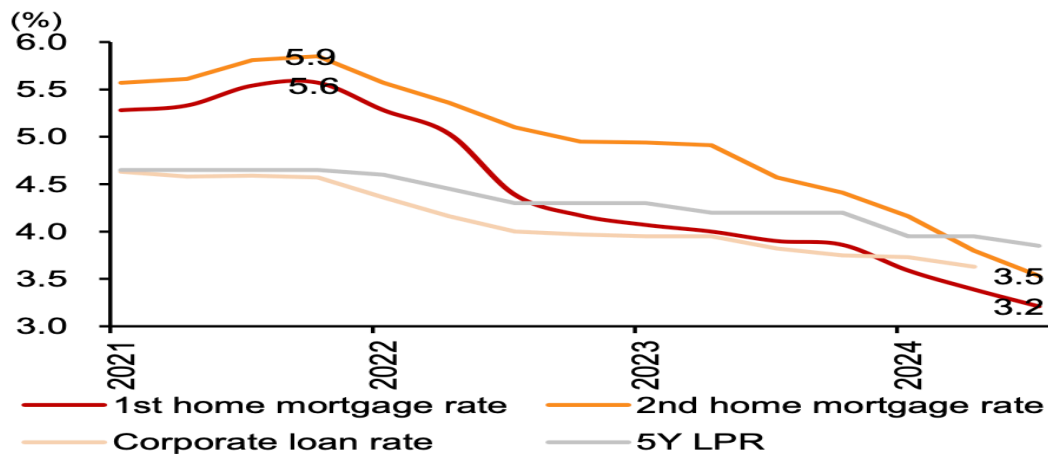
**Required reserve ratio by banks' size**



Source: Huatai Financial Group, RongViet Securities

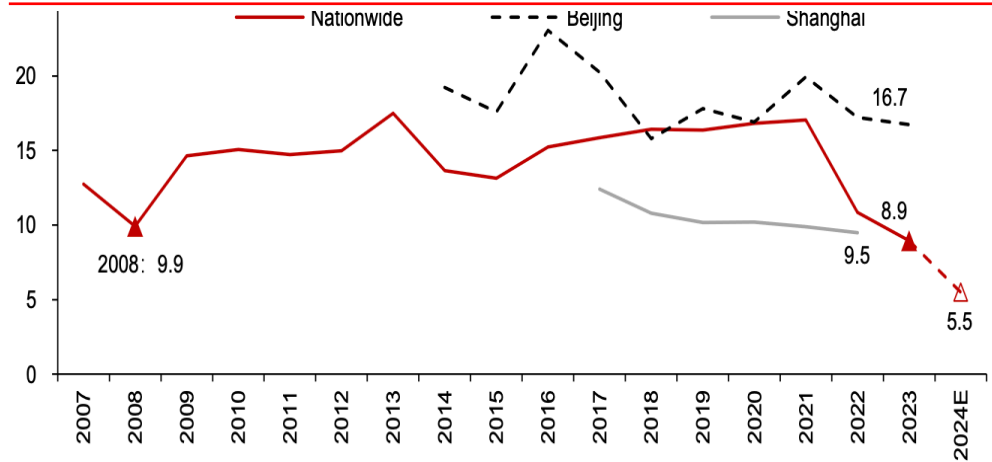
- On September 24, the Chinese government announced a new economic stimulus package to support the real estate market and economic growth. The three most prominent points of the support measures are 1) reducing borrowing costs, 2) increasing money supply, and 3) improving affordability for homebuyers.
- Instead of rolling out policies in small increments and one-offs as before, this stimulus package expects the combined power of many policies launched simultaneously. At the same time, some tools are being used for the first time, which can help improve the confidence of people and businesses (See Appendix: China's Economic Stimulus Measures).
- The newly announced stimulus measures represent a comprehensive approach to restoring the economy. While their effectiveness hinges on the level of capital absorption and addressing existing structural challenges, the breadth of these measures should provide reassurance to the public and businesses.

## Mortgage rate in China



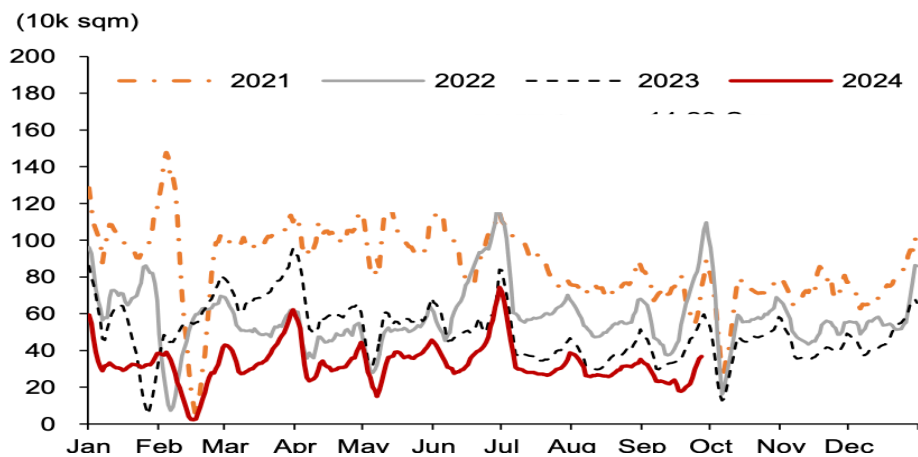
Source: Huatai Financial Holdings, RongViet Securities

## Property down payment as percent of disposal income



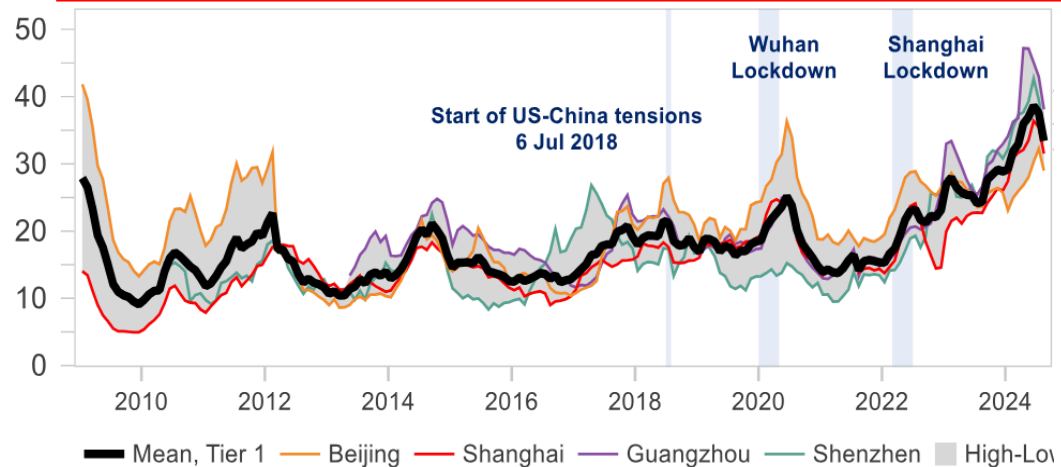
Source: Huatai Financial Holdings, RongViet Securities

## New home sales in 60 cities in China



Source: Bloomberg, RongViet Securities

## Months of inventory in Tier 1 cities



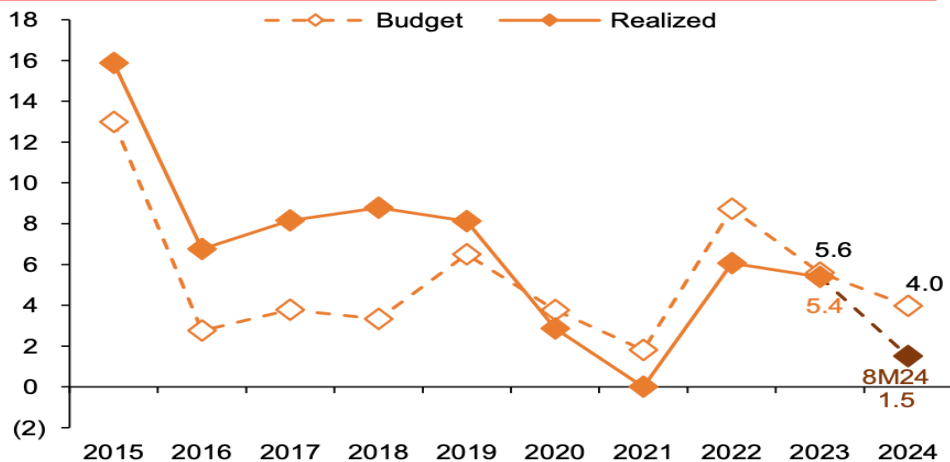
Source: UOB, RongViet Securities

- Lowering home loan interest rates: This policy aims to narrow the interest rate gap between existing and new loans, which is expected to reduce the financial burden by 150 billion yuan (equivalent to 0.1% of GDP). However, the improvement in household cash flow due to savings in interest expenses may be offset by the reduction in deposit interest rates for households holding savings due to the decrease in deposit interest rates. The ultimate impact of this measure on household consumption in China will take time to monitor.
- Improving home buyer affordability: Although there is no longer a distinction in minimum down payments for first-time and second-time home buyers (for the first time since 2008), the core factors influencing housing demand are expectations about home price trends and consumer purchasing power, so it may take time for the increase in leverage to take effect.
- Extending the time and strengthening financial support for the release of real estate inventory: The People's Bank of China's social housing repurchase loan program has two bottlenecks: 1) the profit is not attractive enough to finance the repurchase of social housing due to the low rental yield of social housing, and 2) the scale of inventory is significant, especially in third- and fourth-tier cities; meanwhile, the average time to absorb housing inventory in first-tier cities in China is 33.4 months, down slightly from the peak of 35 months around the beginning of the year but still at a very high level.

**Overall impact:**

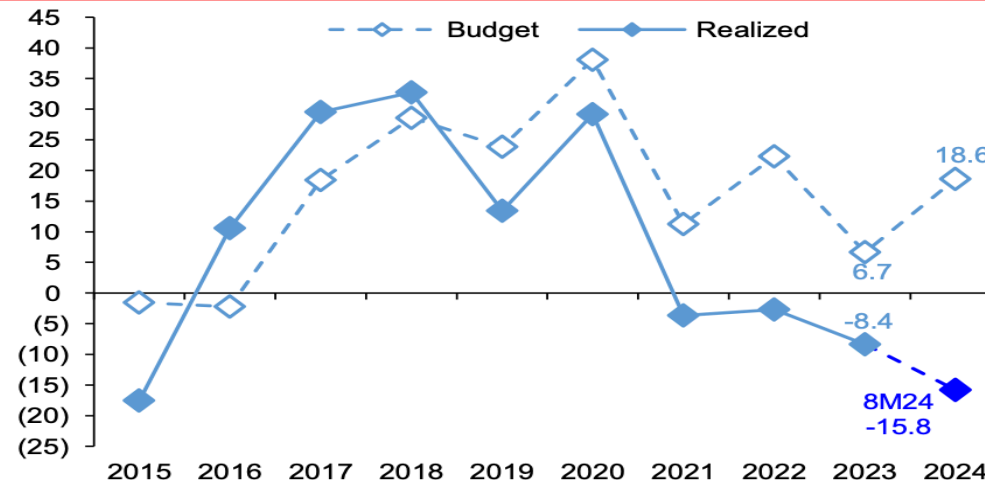
- Stimulate short-term real estate sales, especially home sales in major cities.
- Major cities in China continue to loosen home purchase restrictions.
- However, as household sentiment on employment, income, and property prices remains relatively weak, further fiscal policies, inventory reduction, and employment support are needed to stimulate home purchase demand.

**Central budget expenditure lagged the plan**



Source: Huatai Financial Holdings, RongViet Securities

**Local budget expenditure decreased sharply**



Source: Huatai Financial Holdings, RongViet Securities

- The message from the Politburo meeting on September 26 also showed a change in the Chinese government's important policy direction in promoting growth, such as "stabilizing the real estate market and promoting the stock market", "ensuring necessary fiscal spending and increasing support for low-income households", implying that there will be fiscal easing in the coming period.
- Chinese leaders are considering issuing additional special government bonds worth about 2 trillion yuan to stimulate household consumption and help local governments solve debt problems. However, any adjustment in budget spending (if any) can only be made after the National People's Congress (NPC) meeting in late October.
- In 8M2024, central and local budget spending in China fell short of the plan. Therefore, the direct impact of fiscal support may only appear next year. The indirect effect of the new fiscal support package may be to help increase confidence in support policies among businesses and households, thereby boosting investment and consumption in the coming period.

	Fiscal policy	Trade policies	Industrial policy / Energy	Regulation	Foreign policy
<b>Kamala Harris</b>	<ul style="list-style-type: none"> <li>• <b>Tax cuts for middle- class</b>, elimination of taxes on tips, extension of the child credit limit to \$6K</li> <li>• Partial extension of the Trump 2017's <b>personal tax cuts</b></li> <li>• <b>Raise corporate tax</b> from 21% to 28%</li> <li>• <b>Raise the corporate alternative minimum tax</b> (Inflation Reduction Act) from 15% to 21%</li> <li>• <b>Raise stock buyback tax</b> (Inflation Reduction Act) from 1% to 4%.</li> <li>• Levy <b>new 25% minimum tax on wealthiest</b> (on income &amp; unrealized gains).</li> <li>• <b>Raise the personal tax</b> rate from 37% to 39.6% on income above \$400,000 for single filers and \$450,000 for joint filers.</li> <li>• <b>Raise capital gains tax</b> rates from 0-20% to 44.6% and create an unrealized capital gains tax at 25%.</li> <li>• <b>Tax long-term capital gains</b> and qualified dividends at 28 percent (as opposed to 39.6 percent as in the Biden budget) for taxable income above \$1 million and tax unrealized capital gains at death above a \$5 million exemption (\$10 million for joint filers)</li> </ul>	<p>Harris stated that she is “not a protectionist Democrat”. She has also been a vocal supporter of the <b>current trade policy</b>.</p>	<ul style="list-style-type: none"> <li>• Strengthening anti-pollution <b>regulation &amp; phase out fossil fuel subsidies</b>.</li> <li>• Promote economy-wide <b>net-zero emissions by 2050</b>.</li> <li>• Continue <b>Inflation Reduction Act</b> and <b>Chips Act</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ban “hidden” and “surprise” fees by banks</b> and other companies</li> <li>• <b>Cap “unfair” rent</b> increases</li> <li>• Expand <b>cap on prescription drugs</b> costs.</li> <li>• Strengthen <b>antitrust drive</b>: pass a federal “price gouging” ban on food and groceries.</li> <li>• <b>Cut red tape on energy projects</b> – particularly obstacles to building green infrastructure (transmission lines, etc).</li> </ul>	<p>Harris strongly expressed <b>support for both Ukraine and Israel</b></p>
<b>Donald Trump</b>	<ul style="list-style-type: none"> <li>• Extend all the Trump’s 2017 <b>personal tax cut</b></li> <li>• <b>Cut the corporate tax</b> rate from 21% to 15% for companies that produce in the US.</li> <li>• <b>Non-green industrial subsidies</b></li> <li>• <b>Defence &amp; security</b></li> <li>• <b>Repeal</b> or reduction of some <b>green subsidies and social spending</b> from IRA/BBB</li> <li>• <b>Discretionary budget cuts</b> (following federal government spending audit)</li> </ul>	<ul style="list-style-type: none"> <li>• 10% across-the-board <b>tariffs on US imports</b>.</li> <li>• 50-60% on imports from <b>China</b>.</li> <li>• 100-200% tariff rate on <b>Mexican auto imports</b> if they are built in Chinese-owned factories.</li> <li>• Linking <b>tariffs to currency</b> valuation.</li> <li>• Countries trying to drop use of the <b>USD</b> to face <b>severe tariff hikes</b> (up to 100%).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Exit Paris climate accord</b>.</li> <li>• Promote oil/gas/coal exploration and extraction (restart <b>oil drilling</b>).</li> <li>• Pump <b>gas price target</b> of \$1.87 per gallon.</li> <li>• Substantial <b>new non-green industrial subsidies</b> through the channeling of customs receipts into a National Sovereign Wealth Fund (NSWF) which would invest in manufacturing hubs.</li> </ul>	<ul style="list-style-type: none"> <li>• Unwind <b>Basel III rules</b> for regional banks.</li> <li>• <b>Eliminate 10 regulations</b> for every new regulation.</li> </ul>	<p>Promises to resolve the Russia-Ukraine war swiftly; <b>cut financial aid to Ukraine</b></p>

Source: Allianz, RongViet Securities

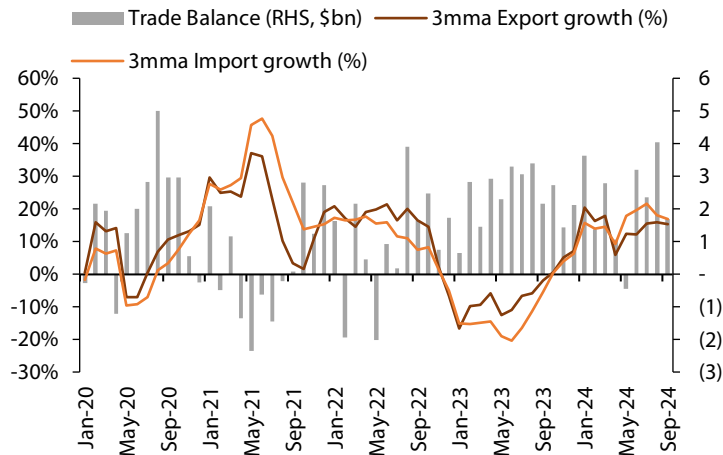
I. MONETARY POLICY	IMPACTS	RELEASED DATE
<b>1. RRR</b>		
Cut Banks' RRR by 50 bps from 5 Feb (excluding financial institutions with RRR at 5%).	The RRR cut is expected to release CNY 1 tn (0.8% GDP) of long-term liquidity in the banking system.	25/1/24
RRR lowered by 0.5% pt effective from 27 Sep.	Similar to the last RRR cut, this RRR cut is expected to release another CNY 1 tn (0.8% GDP) of liquidity and reduce the bank's funding costs. The PBOC for the first time provided a guidance of potential cut by another 0.25-0.5% pt later this year.	24/9/24
<b>2. 7D Reserve Repo</b>		
Cut the key 7D reverse repo rate by 10 bps to 1.7%.	The first cut to the 7D reverse repo rate since a 10 bps cut in Aug 2023. The 1Y and 5Y LPR could be reduced by a similar quantum to 3.35% and 3.85%, respectively.	22/7/24
The key 7D reverse repo rate by 20 bps to 1.5%.	The 1Y and 5Y LPR could be reduced to 3.15% and 3.65%, respectively by end-2024	24/9/24
<b>3. Loan Prime Rate (LPR)</b>		
Lower the 5Y LPR by 25 bps to 3.95% from 4.20%, but keep the 1Y LPR unchanged at 3.45%	The first change to the 5Y LPR since the 10 bps reduction in Jun 2023. The 5Y LPR is used to determine the home mortgage rates, so this cut is expected to support the housing market.	20/2/24
Lower the 1Y LPR and 5Y LPR to 3,35% and 3,85%, respectively.	LPR is a tool used by the Chinese central bank to influence lending rates in the household and business lending markets.	22/7/24
Lower the 1Y LPR and 5Y LPR to 3,15% and 3,65%, respectively.		24/9/24
<b>4. MLF</b>		
MLF was cut by 20 bps to 2.3%	Commercial banks and policy banks may borrow from the central bank at the MLF rate, for their medium-term funding. Banks need to hold G-bonds as collateral for MLF needs, thus a decline of MLF could increase the scale of tradable bonds.	25/7/24
MLF was cut by 30 bps to 2.00% on 25 Sep	The biggest cut to MLF since 2016. To protect banks' NIM, banks' deposit rates will also be reduced by 20-25 bps across tenors.	24/9/24
<b>5. Other measures</b>		
Lower the interest rates of relending and rediscount supporting agriculture and small firms by 25 bps to 1.75%		25/1/24

II. REAL ESTATE MARKET SUPPORTS	IMPACTS	RELEASED DATE
<b>1. Down-payment ratio</b>		
Lower the minimum down-payment ratio for first time buyers to 15% (from 20%), and to 25% (from 30%) for second homes.	The downpayment ratios vary across cities and remain higher in Tier 1 where there is higher buying interest.	23/5/24
The minimum down-payment ratio for second homes will be lowered to 15% from 25%, to be the same as for first home.	The previous cut had done little to revive demand. Falling prices and structural factors such as reduced demand for investment purposes and aging population may continue hold back home purchases. If the nationwide down payment ratio drops by 10 pp, the proportion of down payment in income to drop from 8.9% in 2023 to a record low of 5.5%, which might enhance housing affordability.	24/9/24
<b>2. Mortgage rate</b>		
Removal of mortgage rate floor.	The mortgage floors were previously set by the PBOC referenced to the 5Y LPR (first home at 5Y LPR - 20 bps and second homes at 5Y LPR + 20 bps).	23/5/24
Cut mortgage rates by an average of 0.5% pt on existing mortgages.	Mortgage rates are determined by the respective cities and banks. The cut is expected to ease mortgage burden for homeowners by CNY150 bn (0.1% GDP or 4-5% of households' total mortgage expenditures or 0.3% total retail sales of consumer goods). Impact on households would be limited as it might offset a possible reduction in deposit rates amid weak consumer sentiment.	24/9/24
<b>3. Relending programme</b>		
CNY300bn relending program for social housing, at an interest rate of 1.75% with the PBOC funding at 60%.	Local SOEs can purchase completed but unsold housing units from developers to be used for social housing.	23/5/24
Ramping up the CNY30bn program in May to increase its funding proportion to 100% from 60%.	The program is a "voluntary basis" and the take-up was slow due to the low rental yields. As of Jun 2024, the balance of affordable housing relending was CNY12.1bn, leaving significant room given the overall quota of CNY300bn.	24/9/24
The relending facility for operating property and the 16-step guideline rolled out by China's financial authorities will be extended to end-2026.	The relending amount only equals to 1/5 of the fund required to clear the oversupply situation.	
<b>4. Other measures</b>		
For projects under construction, the government launched the "Whitelist" program where projects are nominated for funding.	As of 24 Sep, commercial banks had reportedly provided CNY1.4 tn to projects under the whilelist with 5,700 "white list" projects.	26/1/24
Cut minimum home provident fund loan (HPF) rate by 25bps.	First HPR loan rate cut to 2.35% (< 5 years) and 2.85% (> 5 years) and second HPF cut to 2.775% (< 5 years) and 3.325% (> 5 years).	23/5/24

III. FINANCIAL MARKET SUPPORTS	IMPACTS	RELEASED DATE
<b>1. Swap Programme</b>		
Initial scale of CNY500bn - eligible securities firms, funds and insurance companies will be allowed to pledge assets as collateral for highly liquid assets (government bonds and central bank bills) from PBOC, to acquire funds for purchasing stocks	New tool for the first time to prop up the capital market. The swap program does not directly provide funds for non-bank institutions or increase base money supply.	24/9/24
<b>2. Relending Programme</b>		
Initial scale of CNY300bn at and interest rate of 1.75% for commercial banks to provide loans to listed companies and major shareholders at 2.25% to buy back shares or increase their holding of shares of listed companies.	New tool for the first time to prop up the capital market, the relending program should fuel base money expansion and shore up liquidity of the stock market.	24/9/24
<b>3. Tier-1 capital</b>		
To increase the core Tier-1 capital at six major commercial banks by as much as CNY1tn.	Boost banks' capacity to increase lending	24/9/24
<b>4. M&amp;A</b>		
CSRC will release six measures to promote M&A, and work with various parties to facilitate the circulation of private equity and venture capital funds in the process of fundraising, investment, management and withdrawal.	Committed to actively supporting listed companies to pursue M&A activities focusing on strategic emerging industries and future industries. Encourage listed companies to strengthen the consolidation of enterprises in the industry through various M&A forms.	24/9/24

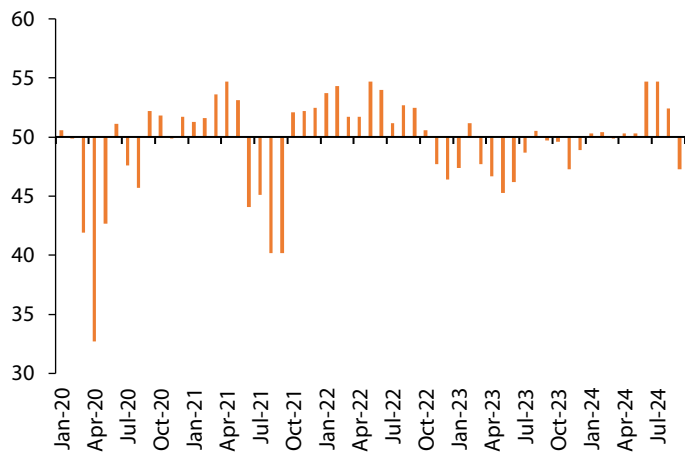
Source: RongViet Securities compiled, Red colors are measures under the latest economic stimulus package.

## Trade balance



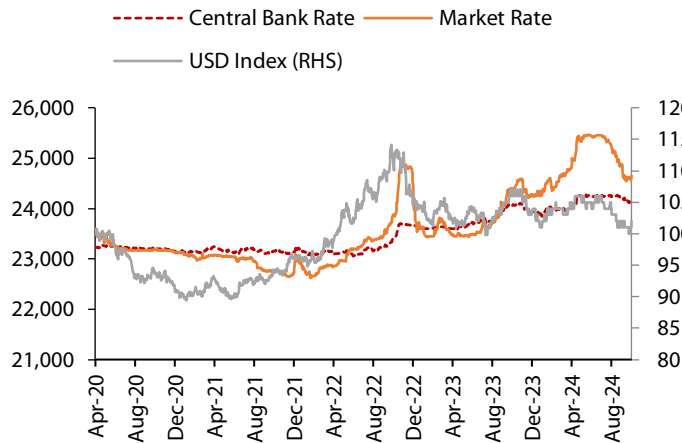
Source: Customs, RongVlet Securities

## Vietnam PMI Index



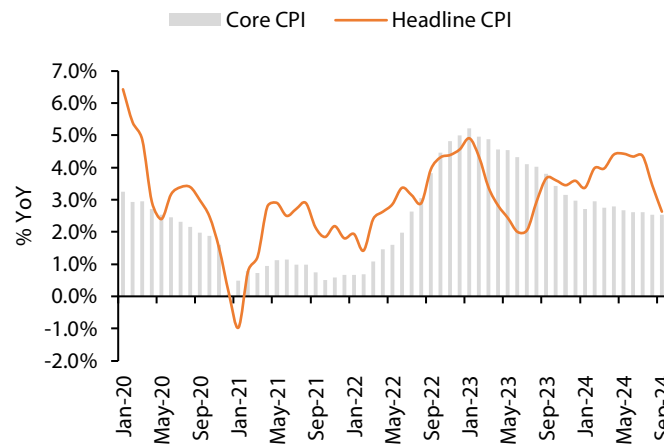
Source: S&P Global, RongVlet Securities

## Exchange rate movement



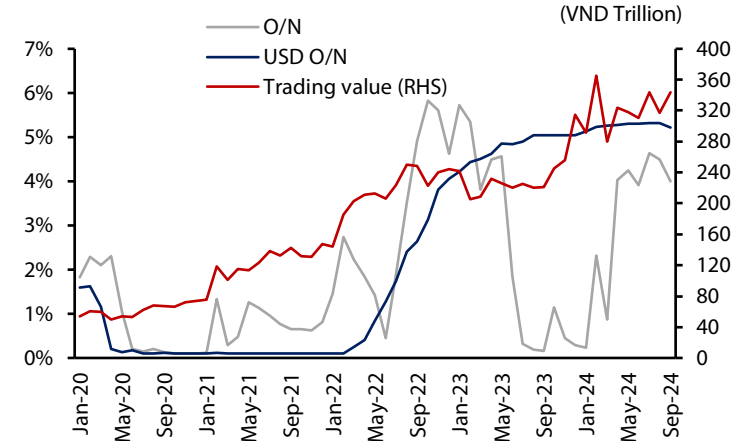
Source: SBV, Bloomberg, RongVlet Securities

## Vietnam inflation



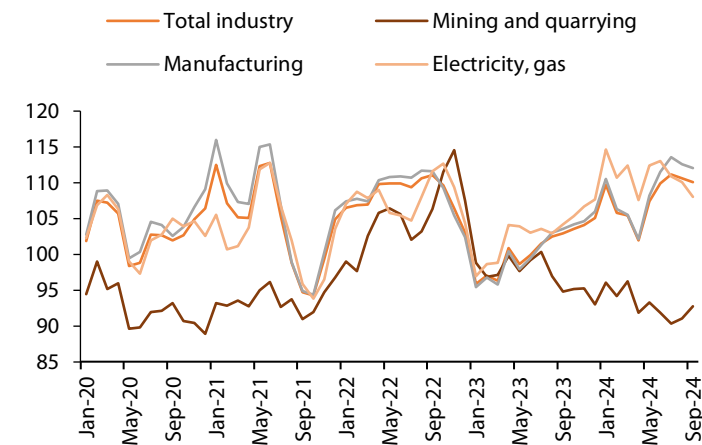
Source: GSO, RongVlet Securities

## Interbank interest rate



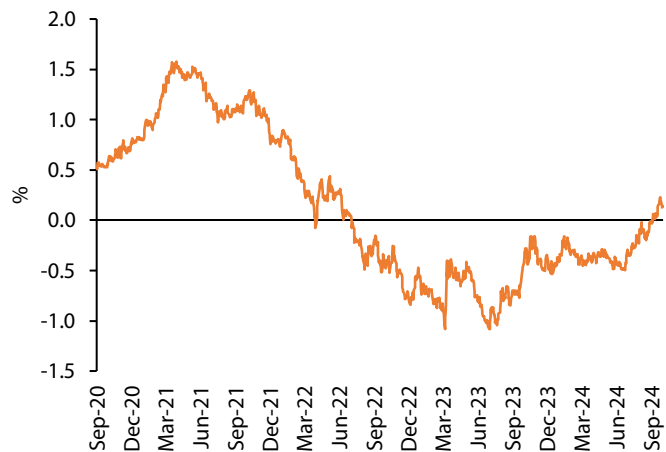
Source: SBV, RongVlet Securities

## Industrial production index 3MMA



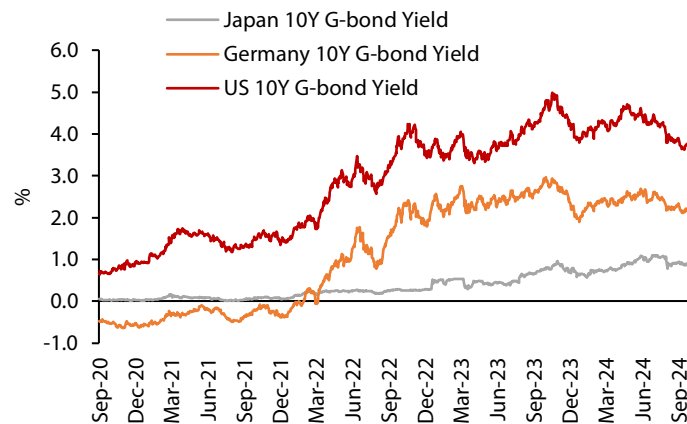
Source: GSO, RongVlet Securities

## US Treasury Yield Spread (10Y and 2Y)



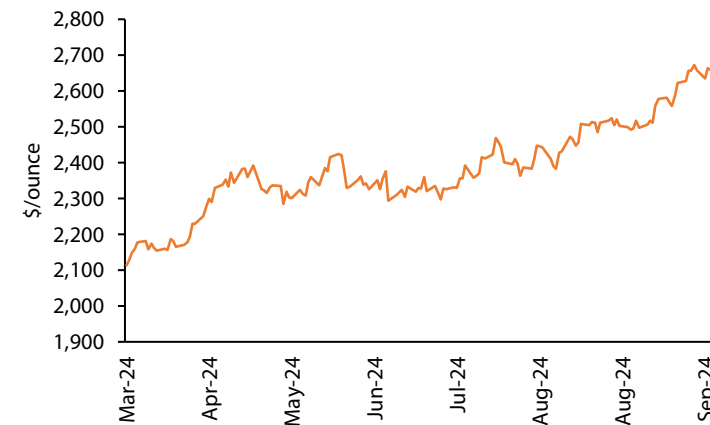
Source: Bloomberg, RongViet Securities

## 10Y G-Bond Yield



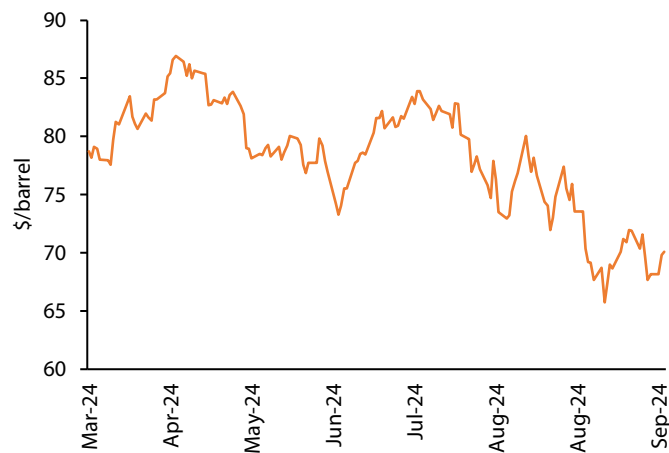
Source: Bloomberg, RongViet Securities

## Gold prices



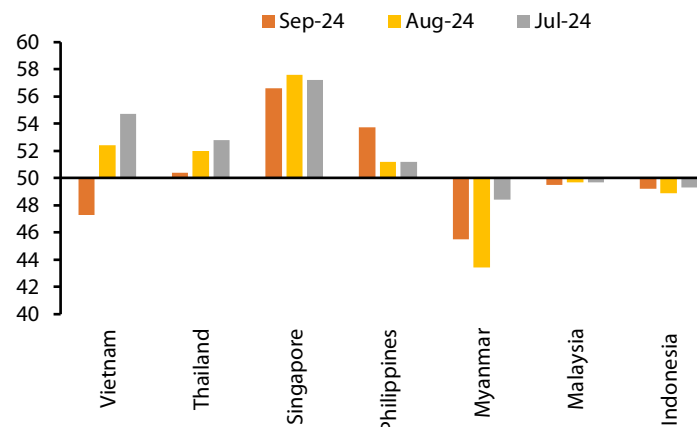
Source: Bloomberg, RongViet Securities

## WTI oil price



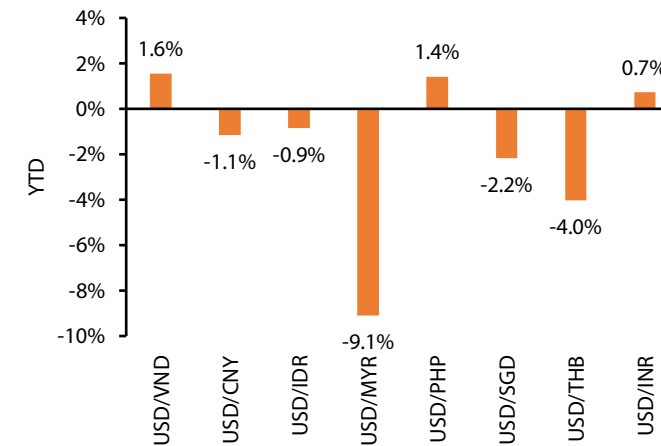
Source: Bloomberg, RongViet Securities

## PMI in ASEAN



Source: Bloomberg, RongViet Securities

## Exchange rate fluctuations



Source: Bloomberg, RongViet Securities



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