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ASEAN and Vietnam Outlook – Key Drivers and Their Implications

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16 July 2024



Vietnam: Progress and Prospects

Vietnam – Key takeaways

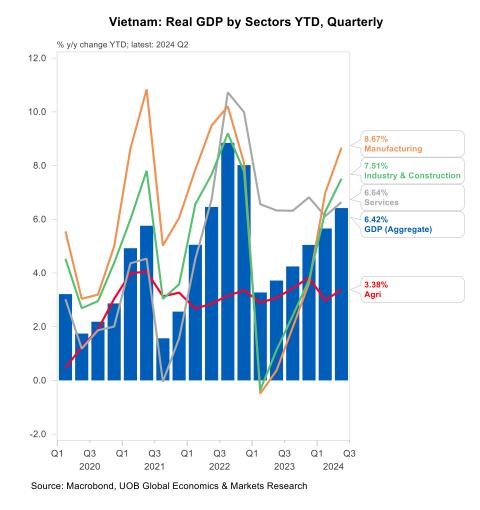


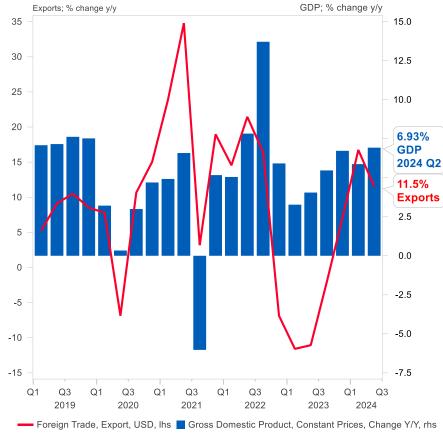
- **Positive view** for Vietnam in 2024 1H2024 achieved better-than-expected GDP growth of 6.42% y/y, 1.6x faster than 3.84% in 1H23.
- Key drivers: Double-digit gains in exports and imports in 1H24; rebound in manufacturing and services sector activities; accelerated domestic spending with increased tourist arrivals; FDI 13.1% y/y higher to USD15.2 bn in 1H24 on investors' confidence.
- Outlook: We are keeping growth forecast for Vietnam at 6.0% for 2024 (2023: 5%; official target 6.0-6.5%), riding on expansion of the electronics cycle, potential US Fed rate cuts and steady progress of China's economy. Watch for downside risks: High base effects from 2H23 (5.05% y/y) and potential disruptions to energy/food, shipping and supply chains from conflicts in Middle East and Eastern Europe.
- **SBV** to keep refinance rate steady at 4.5%; slightly stronger **VND** of 25,000/USD by end-2024

Vietnam: Growth momentum carried into 2Q24



...GDP growth +6.93% y/y in 2Q24, extending momentum from 1Q24 on exports' rebound

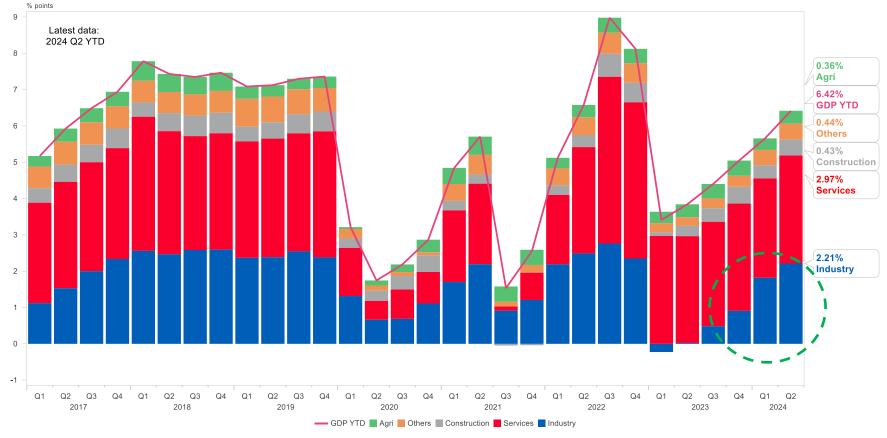




Vietnam: Real GDP and Export Growth

Source: Macrobond, UOB Global Economics & Markets Research

Vietnam: Services and manufacturing the major growth drivers ... manufacturing sector recovered further on the electronics cycle's resurgence



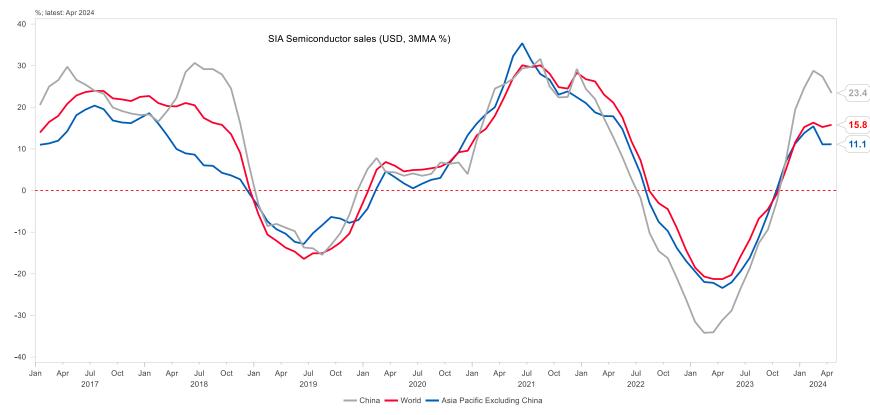
Vietnam: GDP YTD Growth Contributions by Main Sectors (% points)

Source: Macrobond, UOB Global Economics & Markets Research

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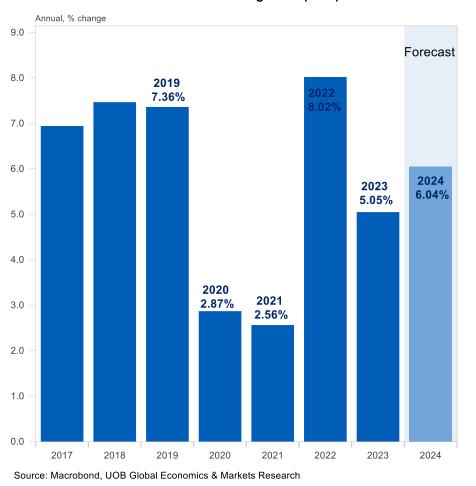
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Vietnam: Services and manufacturing the major growth drivers ... manufacturing sector continued to ride on the electronics cycle's upturn



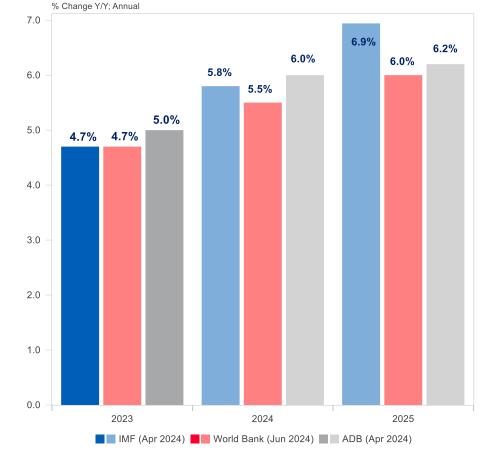
SIA Semiconductor Sales, 3 Month Moving Average (USD)

Vietnam: Better prospects in 2024; but momentum may slow in 2H24 **#UOB** GDP projection at 6% in 2024; official forecast 6.0-6.5%



Vietnam: Real GDP growth (VND)

Vietnam: Real GDP Growth Forecasts by Multilateral Agencies



Source: Macrobond, UOB Global Economics & Markets Research

Source: Vietnam: A positive start for the year, 1 April 2024 https://www.uobgroup.com/assets/web-resources/research/pdf/MN_240401A.pdf

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Vietnam: Manufacturing sector

Purchasing Managers Index: Vietnam's readings in Jun surged to highest since May 2022

				Man	utaci	turing	j Pur	cnasing	Manage	rs' index	(PMI)				
Above 50 = Expansion	Index		45	50			05	Latest	1M ago	2M ago	3M ago	12M ago	3Y	3Y	3Y
Data: S&P Global	30 35	5 40	45 I	50	55 I	60 I	65 I	6/2024	5/2024	4/2024	3/2024	6/2023	Mean	High	Low
World								50.9	51.0	50.3	50.6	48.7	51.0	55.4	48.6
Developed Mkts	5							49.7	50.0	48.6	49.3	46.3	51.1	59.8	46.3
Australia			•					47.2	49.7	49.6	47.3	48.2	52.1	59.2	47.2
Canada				•				49.3	49.3	49.4	49.8	48.8	51.7	58.9	45.4
EU			•					45.8	47.3	45.8	46.3	43.4	49.9	62.5	42.8
Japan								50.0	50.4	49.6	48.2	49.8	50.7	55.4	47.2
New Zealand								n/a	47.2	48.8	46.7	47.4	49.9	61.8	38.9
United Kingdom								50.9	51.2	49.1	50.3	46.5	50.7	60.4	43.0
United States				•				51.6	51.3	50.0	51.9	46.3	52.5	63.4	46.2
Emerging Mkts								52.1	52.0	52.0	52.0	51.1	50.7	52.1	48.1
China								51.8	51.7	51.4	51.1	50.5	50.0	51.8	46.0
India								58.3	57.5	58.8	59.1	57.8	56.1	59.1	52.3
South Korea								52.0	51.6	49.4	49.8	47.8	50.1	53.8	47.3
Taiwan					•			53.2	50.9	50.2	49.3	44.8	49.1	59.7	41.5
ASEAN								51.7	51.7	51.0	51.5	51.0	51.1	53.6	44.5
Indonesia								50.7	52.1	52.9	54.2	52.5	51.7	57.2	40.1
Malaysia								49.9	50.2	49.0	48.4	47.7	48.8	52.8	40.1
Myanmar								50.7	52.1	49.9	48.3	50.4	47.6	57.4	33.5
Philippines				e e	X			51.3	51.9	52.2	50.9	50.9	51.8	54.3	46.4
Singapore								50.4	50.6	50.5	50.7	49.7	50.2	51.0	49.5
Thailand								51.7	50.3	48.6	49.1	53.2	51.1	60.4	45.1
Vietnam					•			54.7	50.3	50.3	49.9	46.2	49.7	54.7	40.2

Manufacturing Purchasing Managers' Index (PMI)

Updated on: Wed 10 Jul 2024, 09:23AM SGT

■ 3Y Hi/Lo range • Latest (6/2024) 🔺 3Y Mean

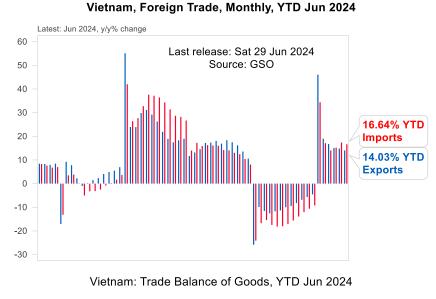
Source: Global Economics & Markets Research

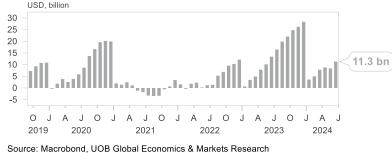
Source: Vietnam: Growth momentum extends into 2Q24, 1 July 2024 https://www.uobgroup.com/assets/web-resources/research/pdf/MN_240701.pdf



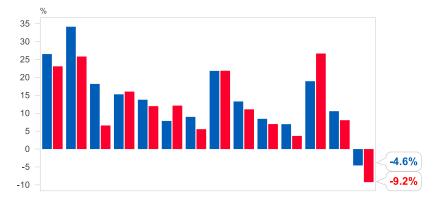
Vietnam: External trade

Trade momentum stays strong YTD in 2024, supported by electronics exports

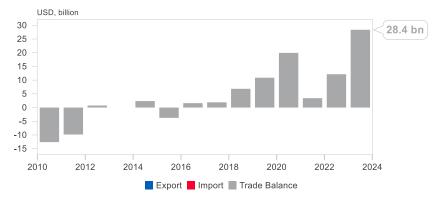




Vietnam: Annual Foreign Trade (latest: 2023)



Vietnam: Trade Balance, USD (Annual)



Source: Macrobond, UOB Global Economics & Markets Research



Vietnam: External trade

US is Vietnam's largest exports market; China remains the biggest source of imports

v	/iet	nan	n, F	ore	ign	Tra	de,	Laı	rge	st N	lark	ets, Expo	ort	
Latest: May 2024 Monthly	0	SD, 1	billio 2	n 3	4	5	6	7	8	9	10	Latest May 2024	Prev mth	1Y ago
United States		_	- 1					- 1		•		9.7	9.0	8.1
China												4.9	4.5	5.8
South Korea			•									2.0	1.9	1.9
Japan			•									1.9	1.9	2.0
Netherlands		•										1.0	1.0	0.9
Hong Kong		•										0.9	0.9	0.8
India		•										0.8	0.7	0.6
Australia												0.6	0.6	0.4
Thailand												0.5	0.5	0.5
Canada												0.5	0.5	0.5
Indonesia												0.5	0.5	0.4
Malaysia												0.5	0.4	0.4
Singapore												0.5	0.5	0.4
Taiwan												0.5	0.4	0.4
United Arab Emirates												0.5	0.4	0.3

VN General Department of Customs; Last release: 11 Jun 2024

📕 Latest 🔹 Prev mth

Source: Global Economics & Markets Research

	Vietna	m, Fo	oreigr	n Trac	le, La	rgest	Sour	ces, Impo	ort	
Latest: May 2024	US	D, billio	n					Latest	Prev mth	1Y ago
Monthly	0.0	2.5	5.0	7.5	10.0	12.5	15.0	May 2024		May
China						•		12.9	11.5	8.6
South Korea								4.9	4.3	4.3
Taiwan		•						1.9	1.7	1.4
Japan		•						1.6	1.7	1.9
United States								1.3	1.1	1.2
Thailand								1.0	0.9	0.9
Indonesia								1.0	0.8	0.9
Malaysia								0.8	0.8	0.6
Kuwait								0.8	0.7	0.5
Australia								0.6	0.7	0.9
India								0.5	0.5	0.4
Brazil								0.5	0.4	0.3
Singapore								0.4	0.5	0.4
Argentina								0.4	0.3	0.2
Germany								0.4	0.3	0.3

VN General Department of Customs; Last release: 11 Jun 2024

Latest Prev mth

Source: Global Economics & Markets Research

	Vie	etnan	1: To	р Ех	port l	Mark	ets, `	YTD	May 2024		
Latest: May 2024	ΥT	D, US	D, billi	ion					Latest YTD	1M ago	12M ago
Source: Customs	0	25	50	75	100	125	150	175	May 2024		May YTD
Total						•			156.2	123.9	136.0
United States									44.5	34.8	36.3
China		•							22.6	17.7	20.6
South Korea									10.2	8.2	9.2
Japan									9.4	7.6	9.1
Netherlands									5.0	4.0	4.0
Hong Kong									4.7	3.8	3.4
India									3.6	2.8	3.3
Thailand									3.0	2.5	3.1
Australia	•								2.6	2.0	2.0
Indonesia	•								2.5	2.0	2.1
Philippines	•								2.5	2.1	2.1
Canada	•								2.5	2.0	2.2
United Arab Emirates	٠								2.4	1.9	1.7
Singapore	•								2.3	1.8	1.6

Latest YTD • 12M ago

Source: Global Economics & Markets Research

Vietnam: Top Import Sources, YTD May 2024

Latest: May 2024	US	D, billic	on				L	atest YTD	1M ago	12M ago
Source: Customs	0	25	50	75	100	125	150 I	May 2024		May YTD
Total						•		147.8	115.1	125.9
China			•					54.9	42.0	41.4
South Korea		•						21.7	16.9	20.2
Japan								8.9	7.3	8.4
Taiwan								8.5	6.6	7.4
United States								5.8	4.5	5.6
Thailand								4.6	3.5	4.9
Malaysia								4.1	3.2	3.0
Indonesia								3.8	2.8	3.4
Kuwait	•							3.3	2.5	2.5
Australia	•							3.1	2.6	3.4
Cambodia	•							2.5	2.2	1.9
India	•							2.4	1.9	2.7
Brazil	•							2.4	1.9	1.7
Singapore	•							2.1	1.7	2.1

Latest YTD 🔹 12M ago

Source: Global Economics & Markets Research

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Vietnam: External trade

Trade balance: US the overwhelming contributor to trade surplus and China the main deficit source

Vietna	am,	Tra	de E	Bala	nce,	, Ma	in S	Surp	lus	So	urces (Me	onthly)	
Latest: May 2024	US	SD, b	illion								Latest	Prev month	1Y ago
Monthly	0	1	2	3	4	5	6	7	8	9	May 2024		
United States											8.4	7.9	6.4
Netherlands											0.9	1.0	0.8
Hong Kong											0.8	0.8	0.6
Canada											0.5	0.4	0.5
United Arab Emirates											0.4	0.4	0.2
Mexico											0.3	0.4	0.4
India											0.3	0.2	0.1
Philippines											0.3	0.4	0.2
Belgium											0.3	0.3	0.2
Japan											0.2	0.1	0.4

VN General Department of Customs; Last release: 11 Jun 2024

Source: Global Economics & Markets Research

Latest: May 2024	US	SD, bi	llion							Latest	Prev month	1Y ago
Monthly	-8 I	-7 I	-6	-5 I	-4 I	-3 I	-2 I	-1 I	0	May 2024		-
China										-8.0	-7.0	-4.0
South Korea										-2.9	-2.4	-2.5
Taiwan										-1.5	-1.3	-1.0
Kuwait										-0.8	-0.7	-0.7
Indonesia										-0.5	-0.3	-0.4
Thailand										-0.5	-0.4	-0.4
Malaysia										-0.3	-0.4	-0.2
Argentina										-0.3	-0.3	-0.1
Brazil										-0.2	-0.1	0.0
Ireland										-0.1	-0.1	-0.1

VN General Department of Customs; Last release: 11 Jun 2024 Source: Global Economics & Markets Research

Vietnam	i, Tra	ade	Bala	ince,	Ма	in Sı	ırplu	is So	ouro	ces, YTD	May 2024	
Latest: May 2024	US	D, bi	llion							YTD	Prev month	1Y ago
Monthly	0	5	10	15 I	20	25 I	30 I	35 I	40	May 2024		May YTD
United States										38.7	30.3	30.7
Netherlands										4.7	3.8	3.7
Hong Kong										4.2	3.4	2.5
Canada										2.2	1.8	2.0
United Arab Emirates										2.0	1.6	1.4
Mexico										1.9	1.5	1.5
Italy										1.4	1.2	1.3
Philippines										1.4	1.1	1.2
Spain										1.4	1.2	1.1
Belgium										1.3	1.0	1.0

VN General Department of Customs; Last release: 11 Jun 2024 Source: Global Economics & Markets Research

Latest: May 2024	US	D, bill	ion						YTD	Prev month	1Y ago
Monthly	-35	-30	-25	-20	-15	-10	-5	0	May 2024		May YTD
China									-32.4	-24.4	-20.9
South Korea									-11.5	-8.6	-11.0
Taiwan									-6.3	-4.9	-5.5
Kuwait									-3.3	-2.5	-2.5
Malaysia									-1.9	-1.6	-0.9
Thailand									-1.6	-1.1	-1.8
Indonesia									-1.3	-0.8	-1.3
Brazil									-1.2	-1.0	-0.6
Ireland									-1.2	-1.0	-0.8
Argentina									-1.0	-0.7	-0.3

Vietnam, Trade Balance, Main Deficit Sources, YTD May 2024

VN General Department of Customs; Last release: 11 Jun 2024 Source: Global Economics & Markets Research



Vietnam: External trade

Exports and imports trends: Electronics goods are Vietnam's key trade products

Vietnam, Fore	eign Tr	ade, ⁻	Тор Ех	port E	y Con	nmodi	ity (Latest: Jun	2024)		
Last release: 29 Jun 2024 Vietnamese General Statistics Office	Mor 0	nthly, U 1	SD, billio 2	on 3	4	5	Latest 6 Jun 2024	%y/y	1M ago USD bn	12M ago USD bn
Computers, Electric Products & Parts							5.9	16.5	5.9	5.1
Telephones, Mobile Phones & Spare Parts	;				•		4.8	19.7	4.4	4.0
Machines/Equipments/Tools/Instruments				•			4.2	29.2	3.8	3.2
Textiles & Garments				•			3.1	1.3	2.7	3.1
Footwear			•				2.2	24.7	2.0	1.8
Wood & Wooden Products		•					1.3	14.6	1.3	1.1
Other Means of Transportation & Spare Pa	arts 📃	•					1.1	-6.2	1.3	1.2
Fishery Products		•					0.8	5.4	0.8	0.8
Vegetables & Fruits		•					0.8	17.8	0.7	0.7
Iron & Steel		•					0.6	-21.8	0.6	0.8

Source: Global Economics & Markets Research

Last release: 29 Jun 2024	Мо	nthly እ	TD, U	SD, bi	llion				YTD	y/y %	1M ago	12M ago
Vietnamese General Statistics Office	0	5	10	15	20	25	30	35	Jun 2024		USD bn	USD bn
Computers, Electric Products & Parts						•			33.3	30.2	27.4	25.6
Telephones, Mobile Phones & Spare Parts						•			27.4	13.1	22.6	24.2
Machines/Equipments/Tools/Instruments					•				22.6	14.9	18.5	19.7
Textiles & Garments				•					16.2	3.4	13.1	15.7
Footwear									10.8	10.5	8.6	9.8
Wood & Wooden Products		•							7.4	22.1	6.1	6.1
Other Means of Transportation & Spare Pa	rts 📃	•							7.1	7.4	6.0	6.7
Iron & Steel		•							4.5	3.9	3.8	4.3
Fishery Products		•							4.3	3.9	3.5	4.2
Vegetables & Fruits									3.4	25.1	2.6	2.7

Minteres Franking Trade Tay Frances By Organizated VTD June 2004

		YTD	•	12M	ago
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Source: Global Economics & Markets Research

Vietn	am,	For	eıgr	Ira	ade,	тор	Imp	ort	ву (Con	imodity			
Data: Vietnamese General Statistics Office	U	SD, b	illion								Latest	%y/y	1M ago	12M ago
	0	1	2	3	4	5	6	7	8	9	USD bn		USD bn	USD bn
Electronic, Computer & Spare Parts								•			8.6	25.6	8.6	6.8
Electronic Goods, Computers & Their Part	s 📕						•				6.8	8.4	6.8	6.3
Machines/Equipments/Tools/Instruments											3.9	13.4	4.4	3.4
Textile Fabrics		•									1.2	2.7	1.2	1.2
Fabrics		•									1.2	10.5	1.6	1.1
Plastic in Primary Form		•									1.0	5.3	1.0	1.0
Iron, Steel		•									1.0	3.4	1.0	1.0
Iron & Steel		•									0.9	5.8	1.2	0.8
Plastics		•									0.9	5.6	1.1	0.8
Other Base Metals											0.8	46.1	0.9	0.5

Vistnem Fousing Trade Tax Import Dy Commodity

12M ago Latest

Source: Global Economics & Markets Research

Vietnam, Foreign Trade, Top Import By Commodity, YTD

Data: Vietnamese General Statistics Office	YTE), USD, bi	illion			YTD	y/y %	1M ago	12M ago
	0	10	20	30	40	USD bn		USD bn	USD bn
Electronic, Computer & Spare Parts					•	48.8	27.2	40.3	38.4
Machines/Equipments/Tools/Instruments			•			22.4	14.9	18.5	19.5
Fabrics						7.2	12.9	6.0	6.4
Electronic Goods, Computers & Their Par	ts 📃	•				6.8	8.4	6.8	6.3
Iron & Steel	1.00					5.9	24.3	5.0	4.8
Petroleum Products						4.6	10.4	3.9	4.2
Other Base Metals						4.4	19.1	3.6	3.7
Automobiles	•					3.6	-2.3	2.9	3.7
Textile Fabrics						1.2	2.7	1.2	1.2
Fishery Products						1.2	-6.2	1.0	1.3

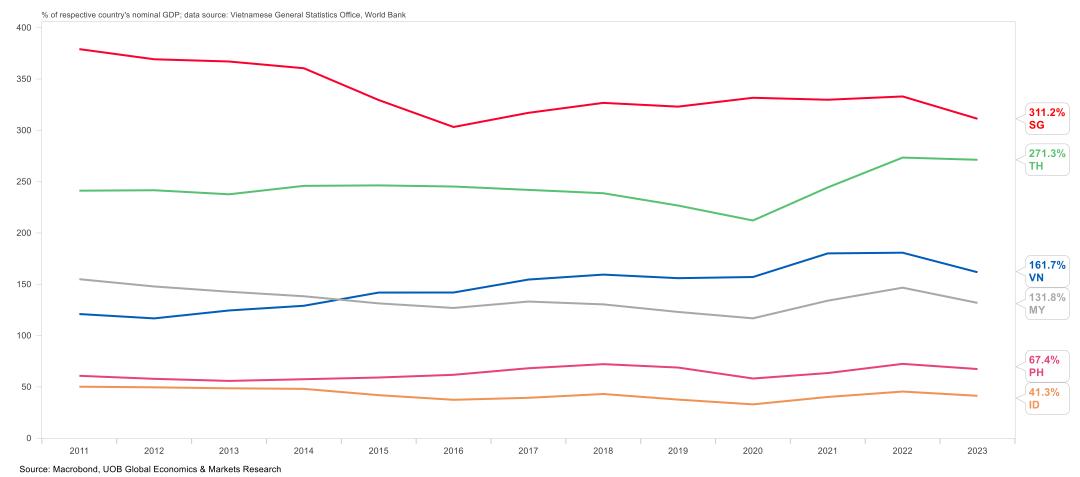
YTD • 12M ago

Source: Global Economics & Markets Research

Vietnam: External trade



High degree of trade openness means greater vulnerability when external demand is weak



ASEAN: Trade Openness (Total trade as % of GDP)

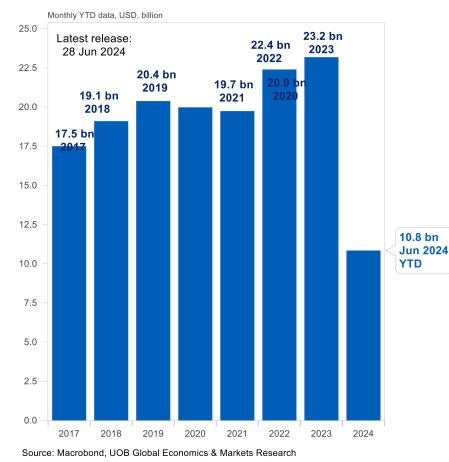
Vietnam: Foreign Direct Investment (FDI)



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FDI inflows continued in 1H24 as positive long-term prospects continue to attract investors

Vietnam, Foreign Direct Investment (Realized Capital)



Vietnam, FDI,	Registered Capital Top Sc	ources (YT	D Aggrega	ite)
Vietnam GSO	USD, billion	Latest	% y/y	1Y ago
Last: 28 Jun 2024		Jun YTD		Jun YTD
Registered Capital, Total		15.2	13.1	13.4
Singapore		5.6	86.0	3.0
Japan		1.7	-21.6	2.2
Hong Kong		1.7	83.8	0.9
Korea		1.4	15.8	1.2
China		1.3	-33.5	2.0
Taiwan		1.1	17.5	0.9
Turkey		0.8	317.3	0.2
Samoa		0.5	40.7	0.3
British Virgin Islands		0.2	89.2	0.1
Netherlands		0.1	-80.4	0.6

Latest

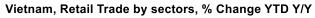
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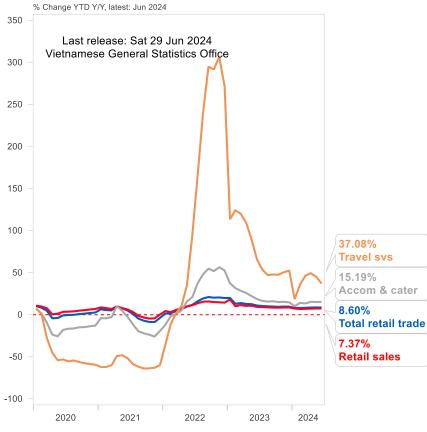
Source: Global Economics & Markets Research

Vietnam: Retail sales



Benefitting from return of visitors after borders reopened; 18 mn visitors for 2024 look attainable





Vietnam: Main Sources of Tourism & Transport Arrivals, YTD

Last release:	No. of Persons, million	Latest YTD	1Y ago	2021	2019
29 Jun 2024	0 1 2 3 4 5 6 7 8	Jun 2024	Jun YTD	mn	mn
Total int'l arriva	ls 🗕	8.83	5.57	0.16	18.01
South Korea	•	2.28	1.60	0.03	4.29
China		1.89	0.56	0.06	5.81
Taiwan		0.63	0.32	0.01	0.93
United States	•	0.42	0.37	0.00	0.75
Japan	•	0.34	0.24	0.01	0.95
Malaysia	•	0.25	0.23	0.00	0.61
Australia	•	0.24	0.18	0.00	0.38
Cambodia	•	0.23	0.20	0.00	0.20
Thailand	•	0.23	0.27	0.00	0.51

Latest YTD • 1Y ago

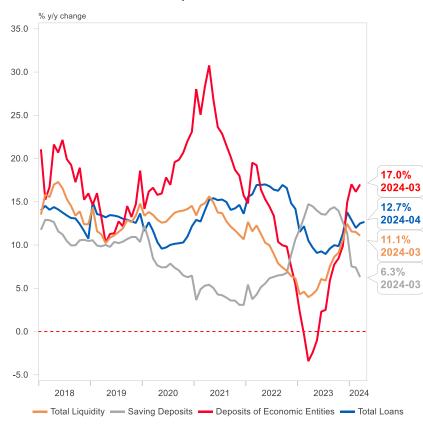
Source: Global Economics & Markets Research

Vietnam: Liquidity conditions and credit demand



Resurgence in both deposits and loans after the slump in early 2023 as activities improve

Vietnam: Deposits and Loans Trends

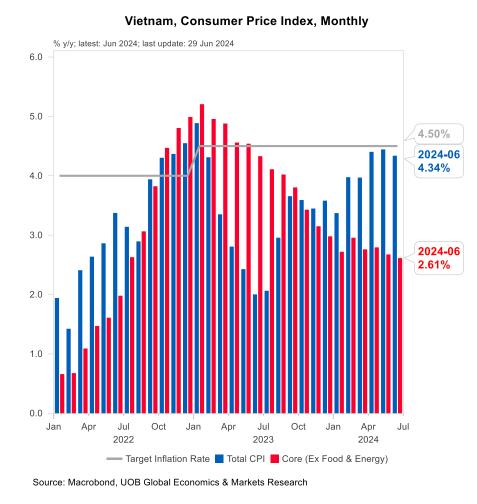


		V	ietn	am: Loans	By Sector,	% y/y cha	ange				
Source: State Bank of Vietnam			%	y/y change		Latest	1M ago	12m ago	2023	2022	2019
Last released: 2024-06-21	-2.5 0.0	2.5	5.0 I	7.5 10.0 12.5	15.0 17.5 20.	0 Apr 2024	-				
Total				•		12.7	12.5	9.7	13.8	14.2	13.6
Agri, Forestry & Fishery						6.1	6.5	4.1	7.0	7.9	7.4
Industry & Construction						11.4	11.1	5.9	12.1	7.9	10.7
Industry		•				13.4	12.9	2.9	12.6	6.1	8.8
Construction				•		7.2	7.2	12.8	10.9	11.9	14.5
Trade, Transport & Telecom				•		17.9	18.0	11.2	19.8	14.3	16.0
Trade				•		18.0	18.2	12.5	20.0	15.8	17.9
Transport & Telecom	•					16.6	15.8	-1.2	18.5	- 0.1	2.8
Other Activities				•		11.2	10.9	12.4	12.2	19.9	16.0

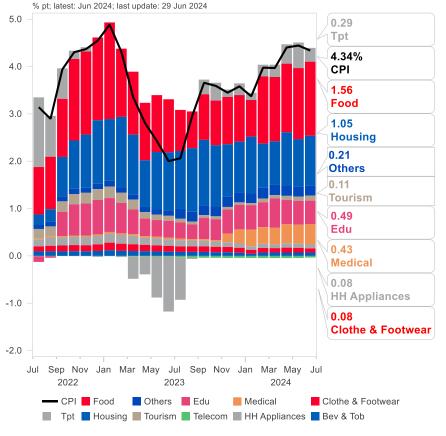
Latest 🗕 12m ago

Source: Macrobond, Global Economics & Markets Research

Vietnam: Inflation (forecast: 3.8%; 2023: 3.3%) Stronger inflation due to housing and food costs; limiting room for SBV to ease policy



Vietnam: Contributions to Inflation (latest: Jun 2024)

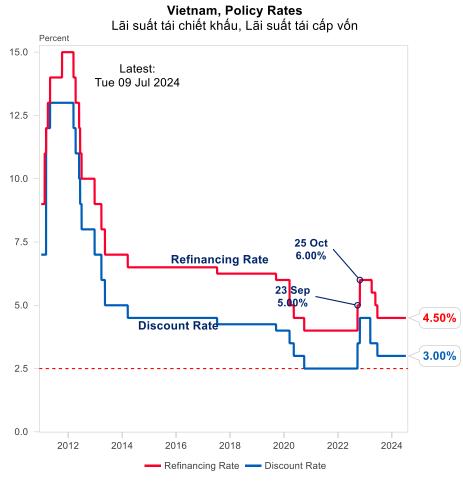


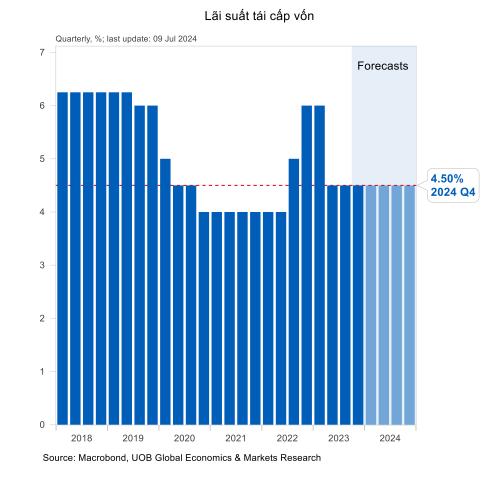
Source: Macrobond, UOB Global Economics & Markets Research

HUOB

Vietnam: Inflation and SBV rate trend

Keeping an eye on inflation and FX pressures, SBV to hold monetary policy steady for now





Vietnam, Policy Rates, Refinancing Rate

Source: Macrobond, UOB Global Economics & Markets Research

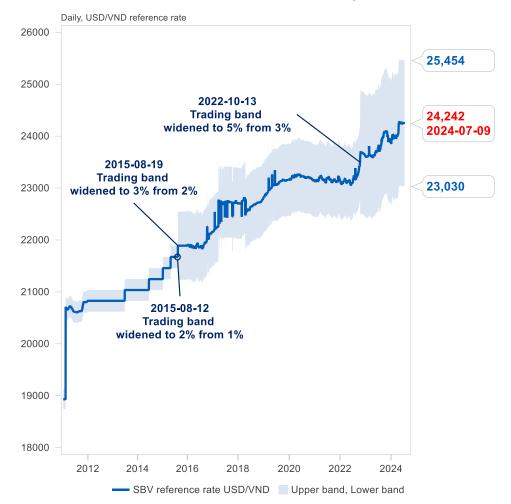
HUOB

Vietnam: FX trend and forecasts – weaker USD ahead?

VND/USD; last update: 09 Jul 2024 25500 2024 Q2 25,455 2024 Q4 2024 Q3 25,000 25,200 25000 2025 Q1 🔪 * 24,800 24500 2025 Q2 24,600 24000 23500 23000 Forecasts: https://www.uobgroup.com/web-resources/uobgroup/pdf/ research/FX Int Rate.pdf 22500 Q1 Q3 Q1 Q3 Q1 Q3 Q1 Q3 Q1 2022 2023 2024 2025 Source: Macrobond, UOB Global Economics & Markets Research

Vietnam: VND per USD Forecasts (end-Quarter)

USD/VND Reference Rate and Trading Bands



UOB

Growth forecasts

₩UOB

Steady growth in 2024 across Asia, with potential risks of (mild) recessions in US and Europe ...

				176	arc		GIUWU	n Rate (Al	muaij				
		y/y% ch	ange				2019	2020	2021	2022	2023	2024F	2025F
	0 1 2	3 4	56	7 1	8 I	9 I							
World GDP		*					2.8	- 2.7	6.5	3.5	3.2	3.2	3.2
US (q/q saar)	· 🔶 🔺						2.5	-2.2	5.9	2.0	2.5	1.2	2.5
UK	1 🛨 🔺						1.6	-10.4	9.6	3.4	0.1	0.7	1.3
Euro Area							1.6	-6.2	6.1	2.7	0.4	0.8	1.4
Japan	🚽 🔶						-0.4	-4.2	2.8	1.2	1.9	1.0	1.9
Australia	📩 📩						1.8	-2.1	5.6	3.8	2.1	1.2	2.2
New Zealand							3.2	-1.0	6.3	1.8	0.8	0.9	2.3
China			*				6.2	2.0	8.8	3.0	5.2	5.1	4.7
НК		*					-1.6	-6.6	6.5	-3.7	3.3	2.9	2.5
Taiwan		*					3.0	3.3	6.7	2.7	1.3	4.0	2.5
South Korea		*					2.3	-0.7	4.6	2.8	1.4	2.8	2.4
India (FY)					*		6.5	3.9	-5.8	9.7	7.0	8.2	6.7
ASEAN-6		*					4.4	-4.0	4.6	6.1	3.7	4.6	4.9
Indonesia			*				5.0	-2.0	3.7	5.3	5.1	5.2	5.3
Malaysia		*					4.4	-5.6	3.9	8.9	3.6	4.6	4.7
Philippines			*				6.1	-9.3	5.5	7.6	5.5	6.0	6.5
Singapore		*					1.3	-3.9	9.9	3.9	1.1	2.9	3.2
Thailand		*					2.1	-6.1	1.8	2.5	1.9	2.8	3.1
Vietnam							7.3	2.8	2.6	8.2	5.0	6.0	6.4

Real GDP Growth Rate (Annual)

Printed on: Tue 09 Jul 2024, 11:56 PM



US Fed policy outlook

US Fed: Rate cuts to start from Sep, 2x in 2024



Price-growth mandate vs financial stability: Fed's policy choices

Dec-2024 FFTR, %; as of 08 Jul 2024 8.00 US recession **UOB** forecasts Last FOMC: Thu, 13 Jun 2024 Next FOMC: Thu, 01 Aug 2024 7.00 2023-12 2023-07 2024-06 5.50% 05/2023 5.50% 5.50% 5.25% 6.00 2023-03 5.00% 2024-12 5.00 5.00% 2024-09 2022-12 5.25% 4.50% 4.00 3.00 2.00 2022-03 1.00 0.50% 0.00 Oct Jul Oct Jul Oct Oct Jan Apr Jul Oct Jan Apr Jul Oct Jan Apr Jan Apr Jul Oct Jan Apr Jan Apr Jul Jan Apr Jul Jan 2018 2019 2020 2021 2022 2023 2024

US: Federal Funds Target Rate Trajectory After 525bps Of Hikes In 11 Meetings since Mar 2022, Fed On Extended Paused Since Jul 2023; We still expect only two 25bps cuts, in Sep and Dec-2024

For further details: US Jun 2024 FOMC: Less rate cuts implied by Dotplot for 2024 https://www.uobgroup.com/assets/web-resources/research/pdf/MN_240613A.pdf

US Fed: : Rate cuts to start from Sep, 2x in 2024



5.50-5.75

Looking forward: What are the odds? What to watch reading these numbers?

US Fed Funds Rate: Futures Implied Probabilities (CME Group) Current Fed funds rate: 5.25-5.50% Fwd. rate 3.25-3.50 3.50-3.75 3.75-4.00 4.00-4.25 4.25-4.50 4.50-4.75 4.75-5.00 5.00-5.25 5.25-5.50 5.33 % Image: Color of the second second

2024-07-31	5.33 %							6.2 %	93.8 %	
2024-09-18	5.32 %						4.6 %	71.0 %	24.4 %	
2024-11-07	5.14 %					2.0 %	33.5 %	50.7 %	13.8 %	
2024-12-18	5.06 %				1.5 %	26.0 %	46.6 %	22.6 %	3.3 %	
2025-01-29	4.83 %			1.0 %	17.3 %	39.3 %	31.2 %	10.2 %	1.2 %	
2025-03-19	4.68 %		0.7 %	12.8 %	33.2 %	33.4 %	16.0 %	3.7 %	0.3 %	
2025-04-30	4.50 %	0.4 %	6.7 %	22.9 %	33.3 %	24.7 %	9.9 %	2.0 %	0.2 %	

Data source: CME Group, Macrobond; last update: Wed, 10 Jul 2024, 09:07

Meeting

4 07 04

Source: CME Fedwatch <u>https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html</u>

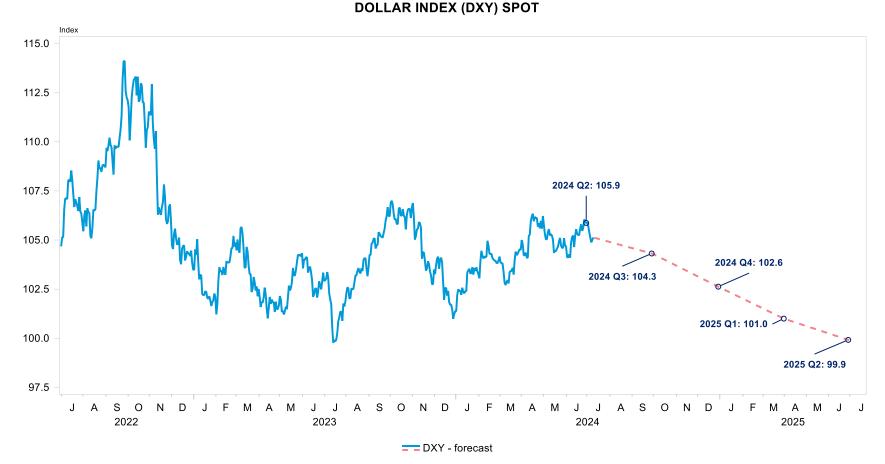


Fed's implications to US dollar trend

USD: Recent strength due to inflation and EUR/USD weakness



Still expects USD to weaken anew in 2H24



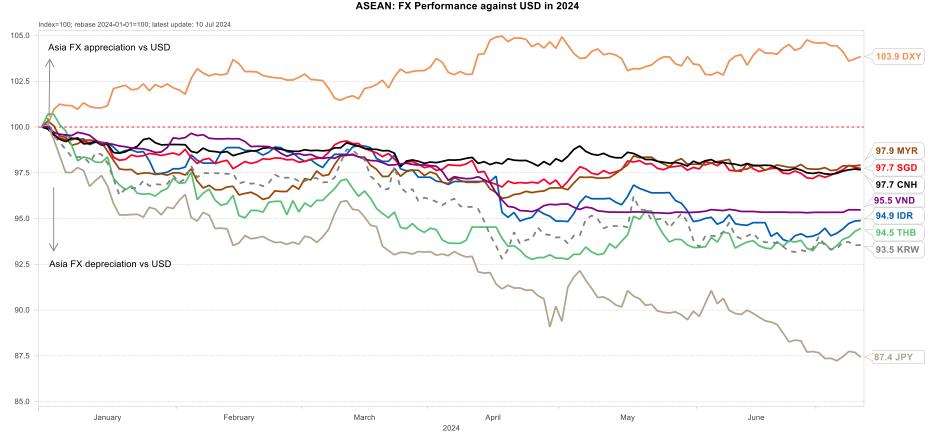
Source: Macrobond, UOB Global Economics & Markets Research

For further details: Monthly FX and Rates Strategy - Key risks for second half of 2024, 5 July 2024 https://www.uobgroup.com/assets/web-resources/research/pdf/FXRM_240705.pdf

USD/Asia may have peaked



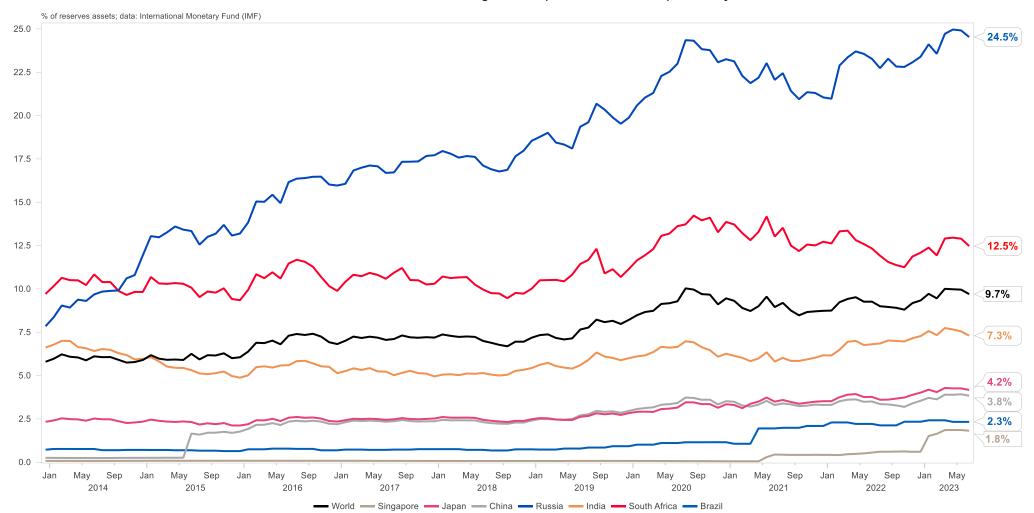
USD strength to fizzle off only in 2H24



Source: Macrobond, UOB Global Economics & Markets Research

For further details: Monthly FX and Rates Strategy - Key risks for second half of 2024, 5 July 2024 https://www.uobgroup.com/assets/web-resources/research/pdf/FXRM_240705.pdf

Rising share of gold in reserves due to geopol events and cenbank buy **#UOB**



Selected Central Banks' Holdings of Gold (% of reserves assets), Quarterly

Central banks' holdings of gold increase significantly



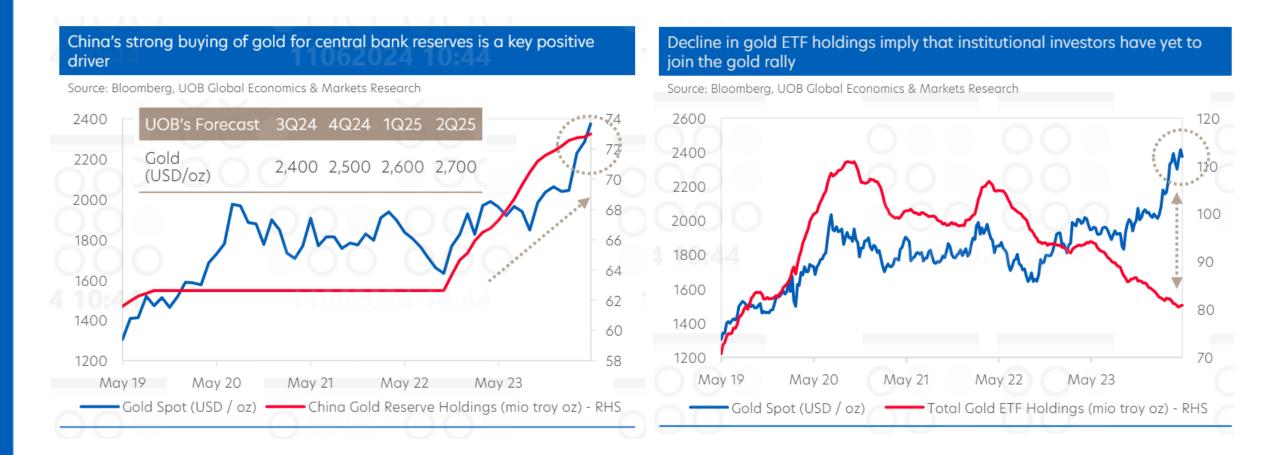
troy ounces, million 120 110 (107.8 million 100 90 80 75.1 million 72.8 million 70 60 50 40 30 27.2 million 26.7 million 20 10 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2009

Selected Central Banks' Holdings of Gold (troy ounce), Monthly

- Germany - India Japan - Russia - China

Gold: Lifting our positive forecast further to USD 2,700/oz by 2Q25

HUOB



Contributed by Heng Koon How <u>heng.koonhow@uobgroup.com</u> Gold: Lifting our positive forecast further to USD 2,700 / oz by 2Q25 https://www.uobgroup.com/assets/web-resources/research/pdf/QF-CS 3g24.pdf

WOB

FX, rates and commodities forecasts

FX	04 Jul	3Q24F	4Q24F	1Q25F	2Q25F	POLICY RATES	04 Jul	3Q24F	4Q24F	1Q25F	2Q25F
USD/JPY*	161	158	155	152	149	US Fed Funds Rate	5.50	5.25	5.00	4.75	4.50
EUR/USD*	1.08	1.09	1.11	1.13	1.14	JPY Policy Rate	0.10	0.10	0.25	0.25	0.25
GBP/USD*	1.28	1.29	1.31	1.33	1.35	EUR Refinancing Rate	4.25	4.00	3.75	3.50	3.25
AUD/USD	0.67	0.68	0.69	0.70	0.71	GBP Repo Rate	5.25	5.00	4.75	4.50	4.25
NZD/USD*	0.61	0.62	0.63	0.64	0.64	AUD Official Cash Rate	4.35	4.35	4.00	3.75	3.50
DXY*	105.09	104.3	102.6	101.0	99.9	NZD Official Cash Rate	5.50	5.50	5.25	5.00	4.75
USD/CNY*	7.27	7.23	7.16	7.08	7.00	CNY 1Y Loan Prime Rate	3.45	3.20	3.20	3.20	3.20
						HKD Base Rate	5.75	5.50	5.25	5.00	4.75
USD/HKD	7.81	7.80	7.80	7.80	7.80	TWD Official Discount Rate	2.00	2.00	2.00	2.00	2.00
USD/TWD	32.46	32.0	31.5	31.0	30.5	KRW Base Rate	3.50	3.25	3.00	2.75	2.50
USD/KRW	1,378	1,350	1,330	1,310	1,290	PHP O/N Reverse Repo	6.50	6.50	6.25	6.00	5.75
USD/PHP	58.54	58.0	57.5	57.0	56.5	MYR O/N Policy Rate	3.00	3.00	3.00	3.00	3.00
USD/MYR	4.71	4.65	4.60	4.55	4.50	IDR 7D Reverse Repo	6.25	6.25	6.25	5.75	5.50
USD/IDR*	16,330	16,100	15,900	15,700	15,500	THB 1D Repo	2.50	2.50	2.50	2.50	2.00
				-	-	VND Refinancing Rate	4.50	4.50	4.50	4.50	4.50
USD/THB*	36.59	36.0	35.6	35.2	34.8	INR Repo Rate	6.50	6.50	6.25	6.00	5.75
USD/VND	25,453	25,200	25,000	24,800	24,600	INTEREST RATES	04 Jul	3Q24F	4Q24F	1Q25F	2Q25F
USD/INR	83.50	83.0	82.0	81.0	80.5	USD 3M SOFR (compounded)*	5.35	5.21	4.97	4.72	4.47
USD/SGD	1.35	1.34	1.33	1.32	1.31	SGD 3M SORA (compounded)*	3.63	3.54	3.35	3.15	2.96
EUR/SGD*	1.46	1.46	1.48	1.49	1.49	10Y US Treasuries Yield	4.37	4.20	4.10	4.00	3.90
GBP/SGD*	1.72	1.73	1.74	1.76	1.77	SGD 10Y SGS	3.24	3.20	3.15	3.10	3.00
AUD/SGD	0.91	0.91	0.92	0.92	0.93	COMMODITIES	04 Jul	3Q24F	4Q24F	1Q25F	2Q25F
SGD/MYR	3.49	3.47	3.46	3.45	3.44	Gold (USD/oz)	2,359	2,400	2,500	2,600	2,700
SGD/CNY*	5.38	5.40	5.38	5.36	5.34	Brent Crude Oil (USD/bbl)	88	85	85	90	2,700 90
JPY/SGDx100*		0.85	0.86	0.87	0.88	Copper (USD/mt)	9,883	9,000	9,000	10,000	10,000
.,						copper (oob) my	7,000	,,	1000		

Source: <u>https://www.uobgroup.com/web-resources/uobgroup/pdf/research/FX_Int_Rate.pdf</u>

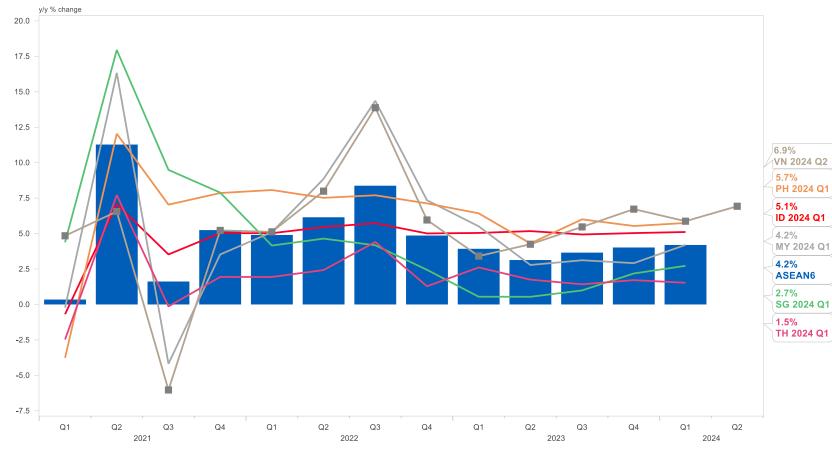


ASEAN: Recent trends and developments

HUOB

ASEAN: Key trends to watch

... upbeat GDP growth trend, heading towards 4.6% expansion in 2024

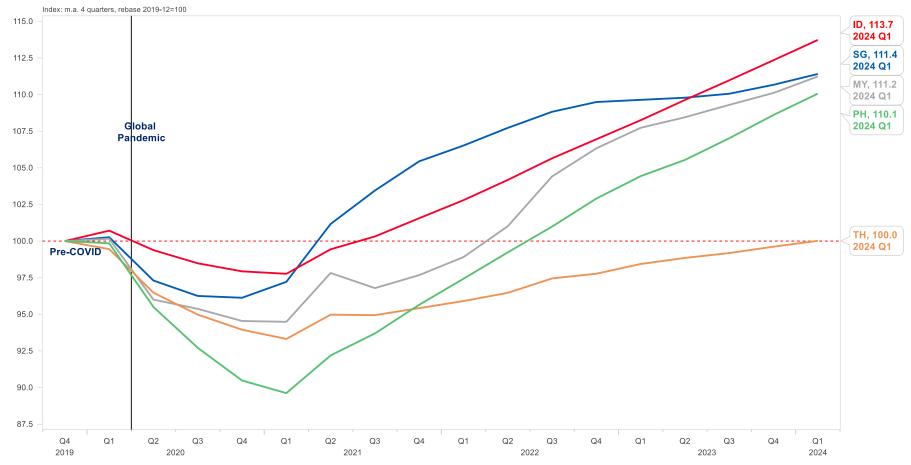


ASEAN6: Real Gross Domestic Product (GDP), Quarterly

HUOB

ASEAN: Key trends to watch

... Output levels are mostly back above pre-COVID levels ...

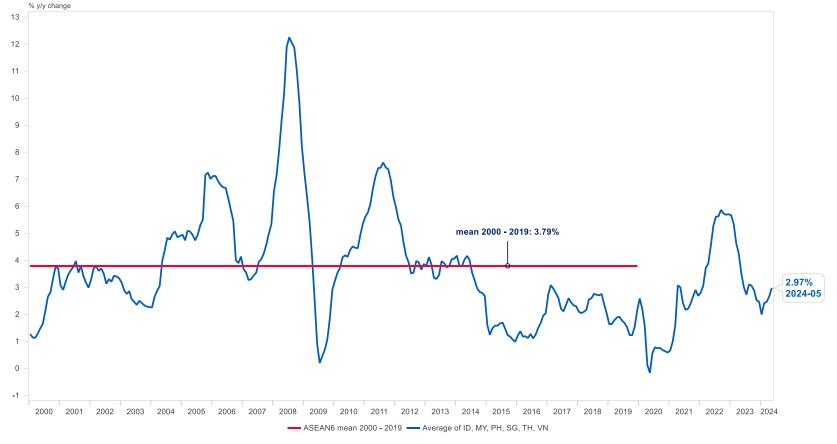


ASEAN: Real Economic Output Largely Above Pre-COVID level

ASEAN: Key trends to watch



... inflation stabilizing below long-term average after the 2022/23 peak



ASEAN6: Consumer Price Index % change (Latest: May 2024)

ASEAN: Key trends to watch

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... inflation pressures still present, especially for food and energy prices

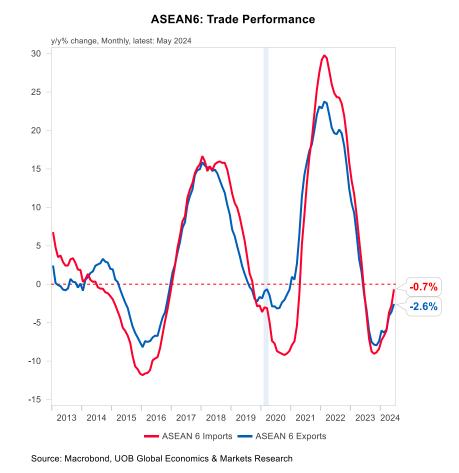


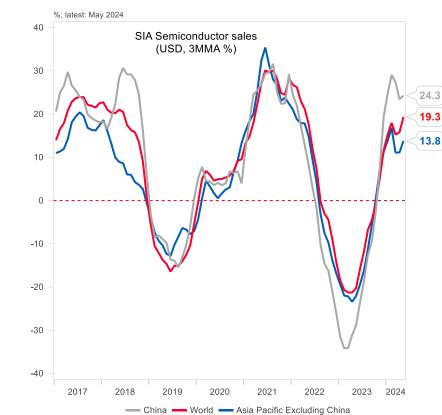
ASEAN: Consumer Price Index, % y/y change, Monthly

HUOB

ASEAN: Key trends to watch

... After the slump in 2023, external trade is on the uptrend along with electronics cycle





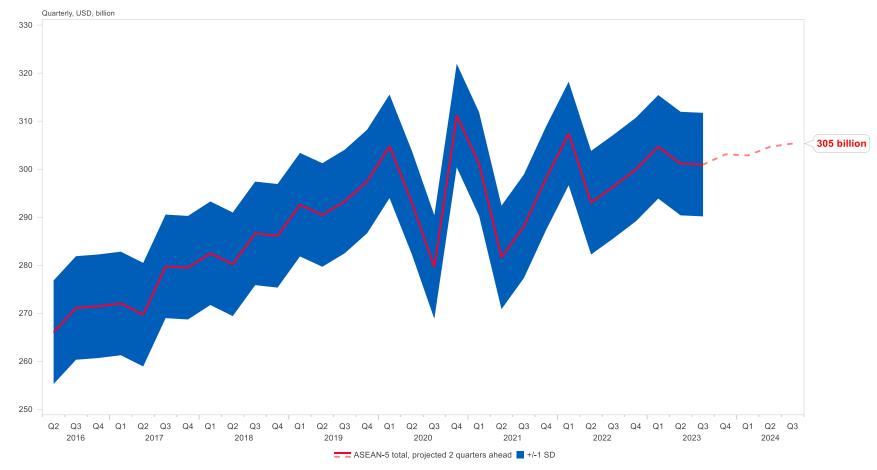
SIA Semiconductor Sales, 3 Month Moving Average (USD)

Source: Macrobond, SIA, UOB Global Economics & Markets Research

HUOB

ASEAN: Key trends to watch

... domestic demand is projected to trend up, providing further support to business activities



ASEAN-5: Private Consumption Exependiture, Constant Prices (latest: 2023 Q3)

Regionalization/de-globalization of supply chains



US: Shifts in trade flows dynamics in favour of ASEAN

Latest release:	% sł	nare of to	otal US ir	nports			Latest	2023	2022	2021	2019	2016
03 Jul 2024	0	5	10 I	15	20 I	25 I	YTD					
Mexico							15.9	15.4	14.0	13.5	14.3	13.4
Canada			l				13.2	13.6	13.5	12.6	12.8	12.7
China					•		12.6	13.9	16.6	17.8	18.0	21.1
ASEAN							10.3	10.1	10.4	6.9	8.3	7.2
Germany		•					5.2	5.2	4.5	4.8	5.1	5.2
Japan		•					4.7	4.8	4.6	4.8	5.8	6.0
South Korea							4.3	3.8	3.6	3.4	3.1	3.2
Vietnam							3.9	3.7	3.9	3.6	2.7	1.9
Taiwan							3.1	2.8	2.8	2.7	2.2	1.8
Ireland	•						3.0	2.7	2.5	2.6	2.5	2.1
India	•						2.9	2.7	2.6	2.6	2.3	2.1
Italy	•						2.5	2.4	2.1	2.2	2.3	2.1
United Kingdor	n 🗾						2.1	2.1	2.0	2.0	2.5	2.5
France							1.9	1.9	1.8	1.8	2.3	2.1
Thailand							1.9	1.8	1.8	1.7	1.3	1.3

United States: Top Import Sources, YTD (% share)

Latest • 2016

Source: Global Economics & Markets Research

Regionalization/de-globalization of supply chains



Large FDI inflows to the US and ASEAN: "near-shoring" and "friend-shoring" ...

Тор І	oreign Dir	ect Inv	vestm	nent (F	DI), I	nflows o	lestinatior	าร	
UNCTAD	An	nual, US	D, trill	ion		2023	y/y % chg	2022	2019
Last: 20 Jun 2024		0.6	0.9	1.2	1.5	USD bn	2023	USD bn	USD bn
World				•)	1,331.8	-1.8	1,355.7	1,729.2
United States	•					310.9	-6.4	332.4	229.9
ASEAN	•					226.3	1.4	223.1	164.8
China	•					163.3	-13.7	189.1	141.2
Singapore	•					159.7	13.1	141.1	97.5
Hong Kong	•					112.7	2.7	109.7	73.7
Brazil						65.9	-10.2	73.4	65.4
EU						58.6	169.1	-84.8	627.3
Canada						50.3	9.0	46.2	50.5
France						42.0	-44.7	76.0	20.4
Germany	•					36.7	33.9	27.4	52.7
Mexico	•					36.1	-0.7	36.3	34.6
Spain	•					35.9	-20.0	44.9	17.8
United Arab Emirates	•					30.7	35.0	22.7	17.9
Australia	•					29.9	-52.9	63.4	38.5

	1.			
UNCTAD USD, billion	Latest	2022	2019	2016
Last: 20 Jun 2024 0 25 50 75 100 125 150 175 200 225 250	2023	USD bn	USD bn	USD bn
ASEAN (est)	226.3	223.5	165.1	112.3
China 🗧	163.3	189.1	141.2	133.7
Singapore •	159.7	141.1	97.5	67.5
Brazil	65.9	73.4	65.4	53.7
Mexico	36.1	36.3	34.6	31.2
India 🛛 🚽 🗕	28.2	49.4	50.6	44.5
Argentina	22.9	15.4	6.6	3.3
Indonesia 📃	21.6	25.4	23.9	3.9
Vietnam 🧧	18.5	17.9	16.1	12.6
Turkey 🗾 📮	10.4	13.4	9.5	13.7
Malaysia 📕	8.7	16.9	7.8	11.3
Russia 🗧 🗕	8.4	-15.2	32.1	37.2
Philippines 🕨 🕨	6.2	5.9	8.7	8.3
South Africa 🧧	5.2	9.2	5.1	2.2
Thailand 🕴	4.5	11.1	3.8	2.5

Foreign Direct Investment (FDI), Inward Flows

2022 2023 🔶

Source: Global Economics & Markets Research

Latest • 2016

Source: Global Economics & Markets Research

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