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GLOBAL ECONOMIC OUTLOOK

Highlights:

IMF expects the world economy to grow by 6% in 2021, up 5.5% from the January forecast. Global GDP in 2022 is expected to grow by 4.4%, higher than the previous estimate of 4.2%.

Global oil market last month had significant volatility and the sell-off caused Brent futures prices to drop from USD 70/barrel to USD 62/barrel, before stabilizing around the USD 64/barrel level in early April.

The US unemployment rate fell to 6% in March 2021 from 6.2% in previous month, the lowest level in a year and in line with market expectations. This rate has steadily declined in recent months after reaching an all-time high of 14.8% last April.

With the rapid increase of inflation rate in China, factory prices rose the strongest in nearly three years since March as manufacturers were affected by the rising prices. US's PPI in March rose more than expectation, lead to the largest annual increase in more than nine years, in line with the expectation of high inflation when the economy reopened.

Recently, Federal Reserve signaled that economic supporting policies would not soon be tighten until at least 2023. During the Fed's latest monetary policy meeting in mid-March, the Federal Open Marketing Committee has voted to continue maintaining the interest rate at 0-0.25% level, along with the program of buying assets worth of USD 120bn monthly.

The "American Jobs Plan" program includes the construction of an infrastructure investment package worth of USD 2,300bn. In order to pay for this program while facing the national twin deficit, President Joe Biden proposed to increase corporate tax from 21% to 28%.

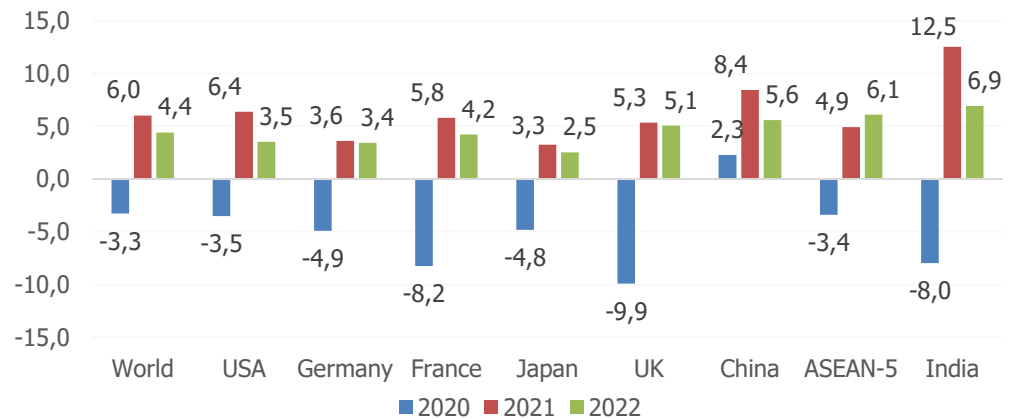
World Economic Outlook

Economic growth

Despite the tough struggle against the Covid-19 pandemic, European Central Bank President Christine Lagarde believes that the European Union will make economic progress by the end of this year. At the same time, IMF's latest forecast also showed that the US can manage to afford a solid economic recovery in 2021, in contrast with most of the world economies, where much more time will be needed in order to reach the pre-pandemic stage.

IMF expected the world economy to grow by 6% in 2021, up 5.5% from the January forecast. Global GDP in 2022 is expected to grow by 4.4%, higher than the previous estimate of 4.2%. IMF estimated that 5.1% will be the growth for the advanced economies this year. The Eurozone growth was forecasted to reach 4.4% by 2021, close to the average rate of other advanced economies, but much lower than the US estimate of 6.4%. The GDP growth forecasts for emerging and developing economies were 6.7% in 2021, of which India was forecast to grow by 12.5% and China 8.4%. This forecast is supported by information on Q1 GDP growth such as China up by 18.3% YoY, Singapore up by 0.2% YoY.

GDP growth forecast (%)



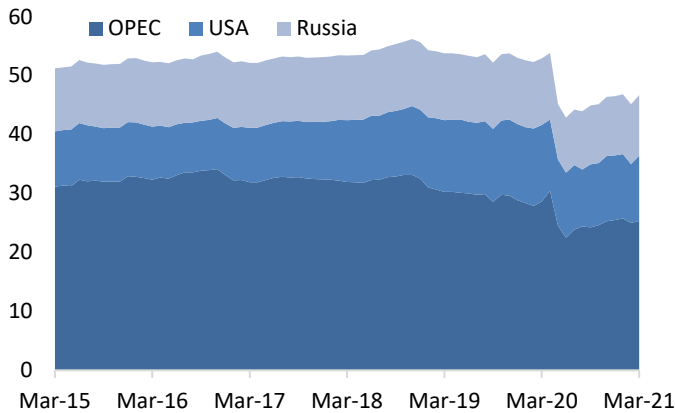
Source: Bloomberg

Oil Market

Global oil market last month had significant volatility and the sell-off caused the Brent future prices to drop from USD 70/barrel to USD 62/barrel, before stabilizing around USD 64/barrel level in early April. With the effort of raising prices and reducing oversupply, the OPEC+ alliance was currently cutting by more than 7mn barrels a day. The Suez Canal incident in Egypt, which congested the world's busiest shipping route, also helped prevent oil prices from slipping.

Crude oil production of non-OPEC is estimated to average at 62.9mn barrels/day by 2020, down by 2.6mn barrels/day YoY. Non-OPEC oil supplies in 2020 decreased in Canada, Colombia, Kazakhstan, Malaysia, the UK and Azerbaijan, but increase in Norway, Brazil, China and Guyana. Non-OPEC crude oil for 2021 was forecasted to increase by nearly 1mnbarrels/day to an average of 63.8mn barrels/day. The US crude supply forecast remained unchanged, with the growth of 0.16mn barrels/day in 2021.

Crude oil output (million barrels/day)



Source: Bloomberg

Brent oil price (USD/barrel)



Source: Bloomberg

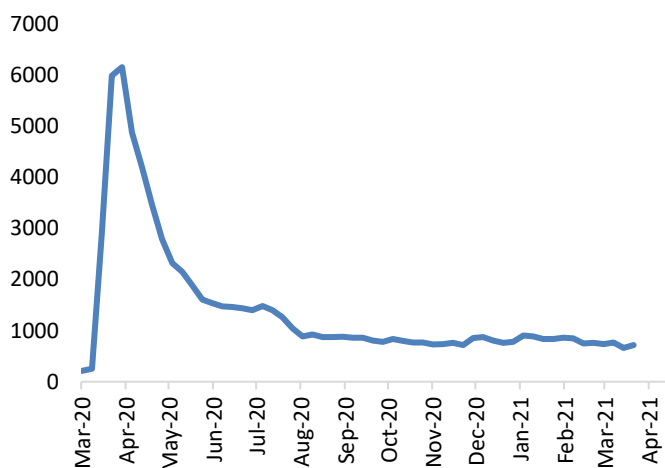
Labor Market

The United States has successfully deployed the vaccine after receiving active financial support from Congress in the form of more than USD 5tn in stimulus packages, along with a massive infrastructure program to be implemented. Europe is lagging in vaccinations, with only 14% of people living in EU received at least one dose, compared to 33.5% in the US.

A great vaccination progress implemented the reopening economy. The US unemployment rate fell to 6% in March 2021 from 6.2% in previous month, the lowest level in a year and in line with market expectations. This rate has steadily declined in recent months after reaching an all-time high of 14.8% last April.

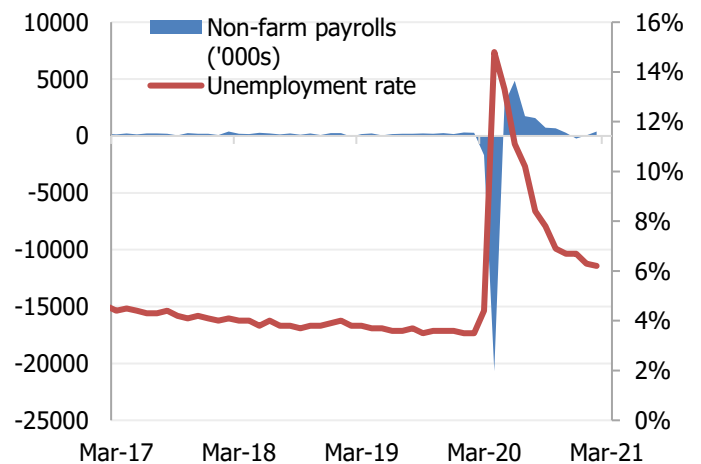
The number of unemployment decreased by 262,000 people to 9.71mn people while the number of employments increased by 609,000 to 150.85mn people. The labor force participation rate rose to the 3-month high of 61.5% from 61.4%.

Initial weekly jobless claims in the U.S. ('000)



Source: Bloomberg

US unemployment rate and non-farm payrolls



Source: Bloomberg

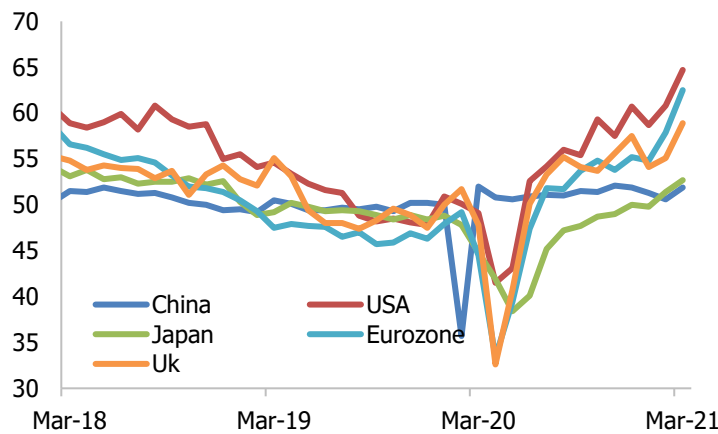
Manufacturing and consumption

PMI index in major countries around the world increased strongly at the end of Q1, showing that the health of manufacturing sector is improving strongly. Productions, new orders and exports all increased significantly, leading to a sharp increase in employment and purchasing activities. This movements made raw materials scarce quickly, causing an increase in global production costs.

With the rapid increase of inflation rate in China, factory prices rose the strongest in nearly three years since March as manufacturers were affected by the rising prices. China's PPI rose by 4.4% YoY in March, compared to 1.7% YoY in February. CPI rose by 0.4% YoY in March, compared to -0.2% YoY in February. This is a large difference from Bloomberg's forecasts about PPI and CPI at 3.6% YoY and 0.3% YoY, respectively.

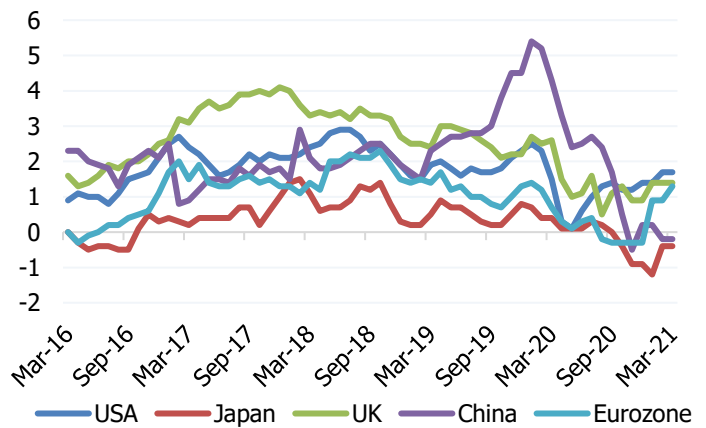
The US's PPI in March rose more than expectation, lead to the largest annual increase in more than 9 years, in line with the expectation of a high inflation when the economy reopened amid the public health environment is improved and the government is heavily funded. PPI increased by 1.0% MoM in March after increasing by 0.5% MoM in February. In the 12 months period to March, PPI increased by 4.2% YoY, reaching the largest same period YoY increase since September 2011. The CPI could increase by 0.5% MoM in March, which will drive the same period YoY growth to 2.5% from 1.7% YoY in February.

Manufacturing PMI of major countries



Source: Bloomberg

Inflation rate (% YoY) in major economies



Source: Bloomberg

Policies

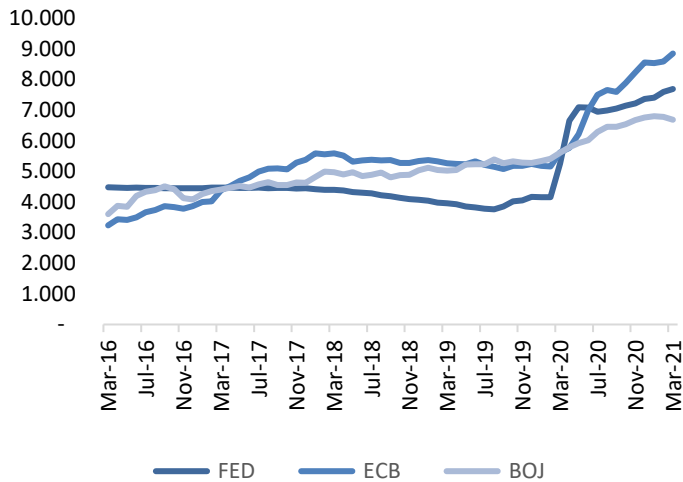
Monetary policy

Along with the rise of 10-year US Treasury yields, the Dollar Index rose by 3.5% in the first quarter of 2021. Recently, Federal Reserve signaled that economic supporting policies would not soon be tighten until at least 2023. During the Fed's latest monetary policy meeting in mid-March, the Federal Open Market Committee has voted to continue maintaining the interest rate at 0-0.25% level, along with the program of buying assets worth of USD 120bn monthly.

In the context that many central banks are maintaining negative interest rates, such interest rate differentials are considered beneficial for the US Dollar, following the 3.5% growth in Q1 of the Dollar Index. Additionally, the new US Minister of Finance, Janet Yellen, pledged not to interfere

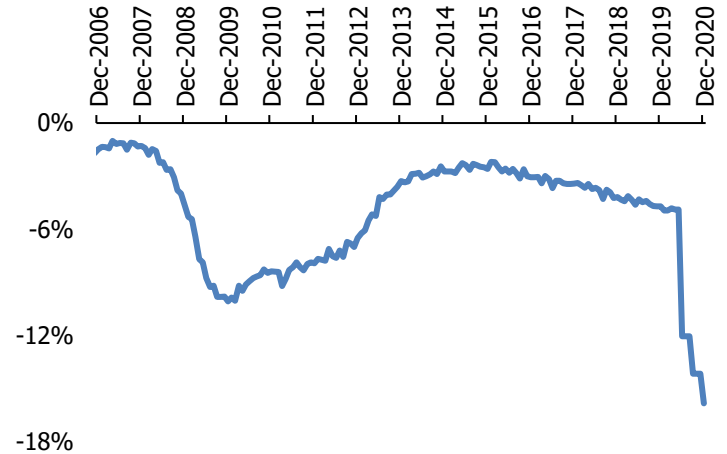
with the value of US dollar by letting the market decide itself. This action reduced the risk of the government's hand trying to weaken the USD in order to boost exports.

Total assets on major CB's balance sheets (USD bn)



Source: Bloomberg

US budget deficit (%GDP)



Source: Bloomberg

Fiscal Policy

Thus, only from December 2020 up to now, the US Government has spent nearly USD 3.0tn for pandemic recovery, equivalent to 14% of the national GDP pre-pandemic. Since the beginning of the pandemic, the US government has spent about USD 6.0tn to revive the economy.

Immediately after the "USD 1.9tn Financial Aid Package", President Joe Biden proposed his second "Trillion US Dollars" bill since taking the office. The "American Jobs Plan" program includes the construction of an infrastructure investment package worth USD 2.3tn, calls for using the power of government to reshape the largest economy in the world and heading up with the rise of China. Public spending will contribute at least 20% to the US total annual economic output.

However, the US budget deficit has reached nearly 15% of national GDP and the current account deficit is already at nearly 3.5% of national GDP in 2020. In order to pay for this program while facing the national twin deficit, President Joe Biden proposed to increase corporate tax from 21% to 28%. This action will have significant impact on the US stock market. An analysis by Goldman Sachs said that this program will cause the EPS of many large companies in the S&P 500 index to drop by 9% next year.

Economic indicators of selected countries

Countries	GDP (% YoY)		CPI (% YoY)		Unemployment rate (%)	
	Latest		Latest		Latest	
US	-3.5	Q4	2.6	Mar	6.0	Mar
EU	-7.2	Q4	1.3	Mar	8.3	Mar
Germany	-4.9	Q4	1.7	Mar	4.5	Mar
France	-8.3	Q4	1.1	Mar	8.0	Mar
Italy	-8.8	Q4	0.8	Mar	10.2	Mar
Spain	-11.1	Q4	1.3	Mar	16.1	Mar
UK	-10	Q4	0.4	Feb	5.0	Mar
Japans	-5.1	Q4	-0.4	Feb	2.9	Mar
China	2.5	Q4	0.4	Mar	5.5	Feb
Russia	-3.6	Q4	5.8	Mar	5.7	Feb

Source: OECD, MBS summarized.

Economic indicators forecast of selected countries

Countries	GDP (% YoY)		CPI (% YoY)		Unemployment rate (%)	
	2020	2021F	2020	2021F	2020	2021F
US	-3.5	6.4	1.2	2.3	8.1	5.8
EU	-6.6	4.4	2.0	3.1	8.3	8.5
Germany	-4.9	3.6	0.4	2.2	4.2	4.4
France	-8.2	5.8	0.5	1.1	8.2	9.1
Italy	-8.9	4.2	-0.1	0.8	9.1	10.3
Spain	-11.0	6.4	-0.3	1.0	15.5	16.8
UK	-9.9	5.3	0.9	1.5	4.5	6.1
Japan	-4.8	3.3	0.0	0.1	2.8	2.8
China	2.3	8.4	2.4	1.2	3.8	3.6
World	-3.3	6.0	2.1	2.5		

Source: OECD, MBS summarized.

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