Vietnam Economic Update

September 8th, 2023

Manufacturing and export improved slightly

More positive signs of macro in August 2023

Manufacturing returned to growth

Vietnam Purchasing Managers' Index (PMI) of August 2023 increased to 50.5 from 48.7 of July 2023, first time moving back to above threshold of 50 points in a half of year, showing a slight improvement of business conditions in the manufacturing sector. New orders and output increased again backed by some signs of demand recovery. However, employment continued to fall marginally as firms were reluctant to take on extra staff given still fragile demand. Both input costs and output prices rose due to higher oil prices.

Export recovered gradually

Export turnover of August 2023 was estimated at USD 32.37 billion (+7.7%MoM), recorded a continuing improvement in the last 4 months with an average growth rate of 3.8%MoM, expected a full recovery in next one or two quarters.

Accumulating for 8M2023, total export turnover was around USD 227.71 billion (-10%YoY) while import value was estimated at USD 207.52 billion (-16.2%YoY), bringing a trade surplus of USD 20.19 billion.

Domestic consumption maintained upward momentum

Total retail sales of consumer goods and services in August 2023 increased by 0.9%MoM and 7.6%YoY thanks to higher demand for essential consumer goods, especially things for the new school year. For 8M2023, total retail sales at current price reached VND 4,043.9 trillion, increased by 10%YoY (if excluding price factor, increased by 7.7%YoY). Tourism sales continued to grow significantly by 47%YoY to reach VND 22.4 trillion in 8M2023. International visitors to Vietnam in 8M2023 reached 7.8 million arrivals, 5.4 times higher than the same period last year but just equal to 69.2% of pre-pandemic level (same period in 2019).

Investment activities flourished

Ministries and localities have made efforts to promote the implementation of public investment to support economic growth. Total investment from the State Budget in August 2023 was estimated at VND 61.3 trillion (+29.1%YoY) and accumulated amount for 8M20232 reached VND 352.1 trillion (+23.1%YoY), equal to 49.4% of the year plan.

Total foreign direct investment (FDI) registered until August 20th, 2023 was USD 18.15 billion (+8.2%YoY), in which, newly registered FDI grew strongly by 39.7%YoY to USD 8.87 billion. Disbursed FDI of 8M2023 reached USD 13.1 billion (+1.3%YoY), the highest value of disbursed FDI of 8M in the last 5 years.

Challenges

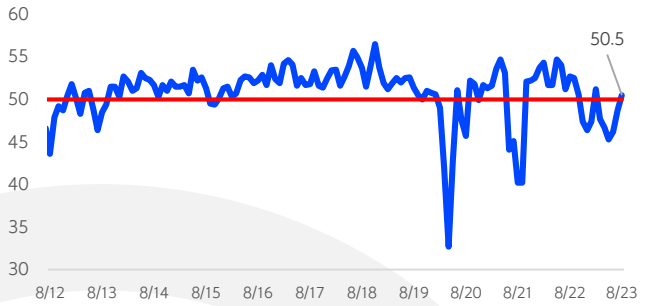
Inflation and exchange rate skyrocketed

Headline CPI of August 2023 skyrocketed by 0.88%MoM and 2.96%YoY, mainly due to soaring prices of gasoline (+9.85%), oil (+15.9%) and rice (+4.41%) in line with world prices. Besides, higher domestic housing rental prices (+0.8%) caused by increasing demand along with higher school fees and textbook prices before starting a new school year have contributed to the increase of headline CPI. On average of 8M2023, headline CPI increased by 3.1%YoY, moving sideways compared to the increase of 3.12%YoY in 7M2023 while core inflation increased by 4.57%YoY, maintaining downward momentum.

US dollar price tends to increase strongly after FED's decision on key interest rate hike to 22-year high (5.25%-5.5%) on July 26th, 2023 along with investors' concerns on weak health of global economy. From this date, US dollar index has soared 4% from 100.89 to 105 (September 8th, 2023). Accordingly, the domestic exchange rate has also fluctuated strongly and SBV quite often raised its selling price to above 25,000VND/USD during this period. At the current, selling price listed at Vietcombank is 24,240 VND/USD, implied an increase of 2.15%YTD.

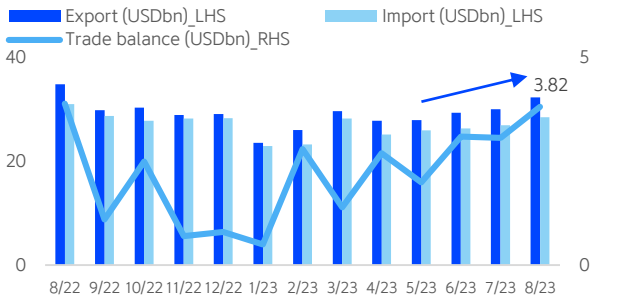
Charts of the month

Purchasing Managers' Index (PMI)



Sources: GSO, Shinhan Securities Vietnam

Import-Export turnover



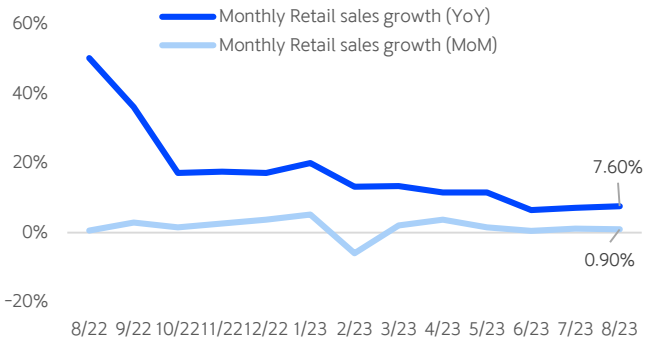
Sources: GSO, Shinhan Securities Vietnam

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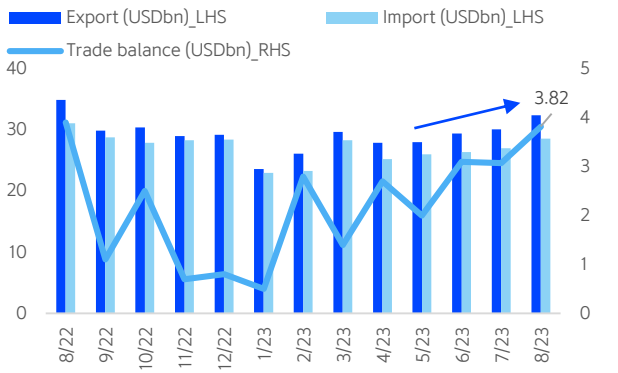
Vibrant commercial activities, import - export gradually inched up

Retail sales of goods and services



Source: GSO, Shinhan Securities Vietnam

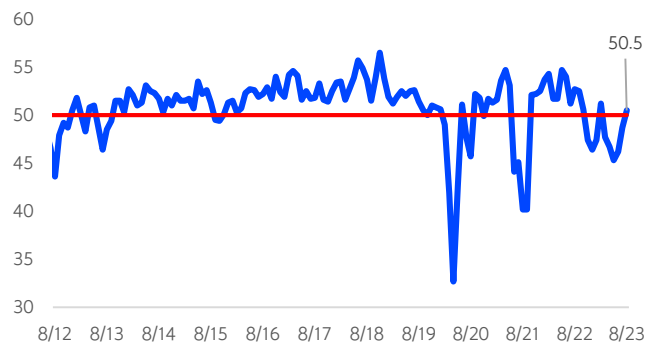
Import-Export turnover



Source: GSO, Shinhan Securities Vietnam

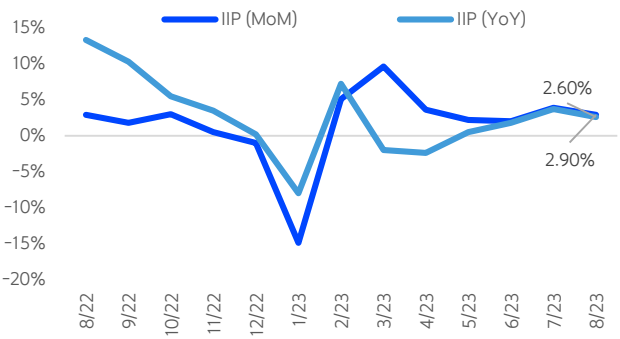
PMI first time rose back above the 50 threshold in six months, showed slight improvement of business conditions in manufacturing sector

Purchasing Managers' Index (PMI)



Source: S&P Global PMI, Shinhan Securities Vietnam

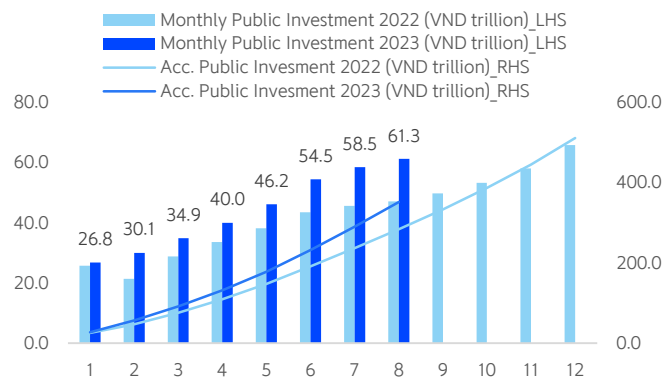
Index of industrial production (IIP)



Source: GSO, Shinhan Securities Vietnam

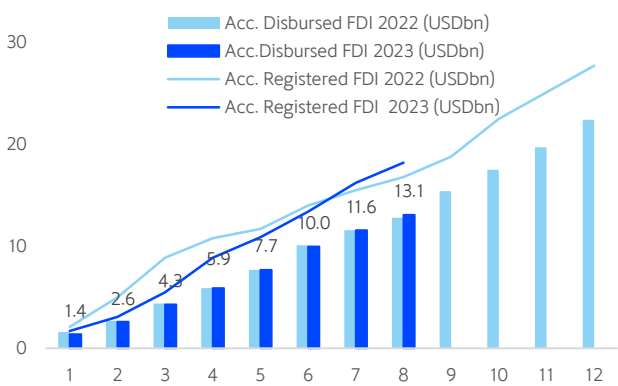
Both public and foreign direct investment flourished

Public investment



Source: GSO, Shinhan Securities Vietnam

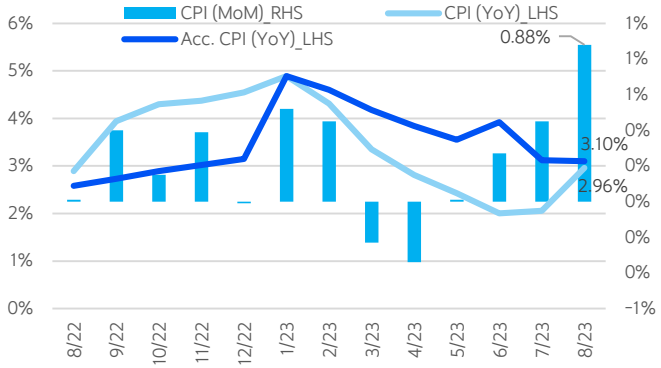
Foreign direct investment (FDI)



Source: MPI, Shinhan Securities Vietnam

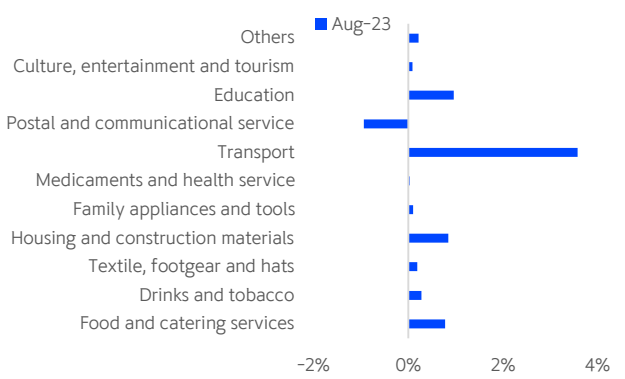
Headline CPI soared Aug 2023 due to higher price of oil, rice and housing rental while core inflation kept downward trend

CPI



Source: GSO, Shinhan Securities Vietnam

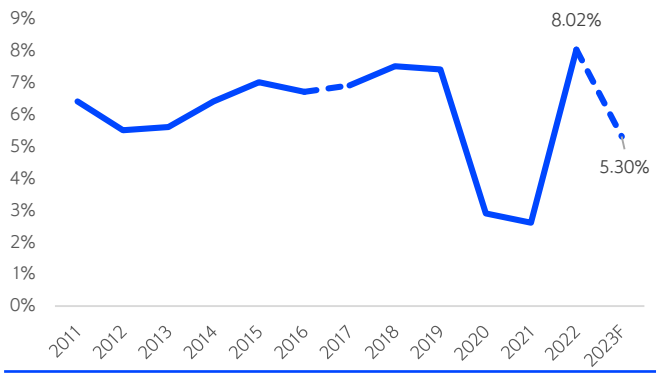
Changes in CPI categories (MoM)



Source: GSO, Shinhan Securities Vietnam

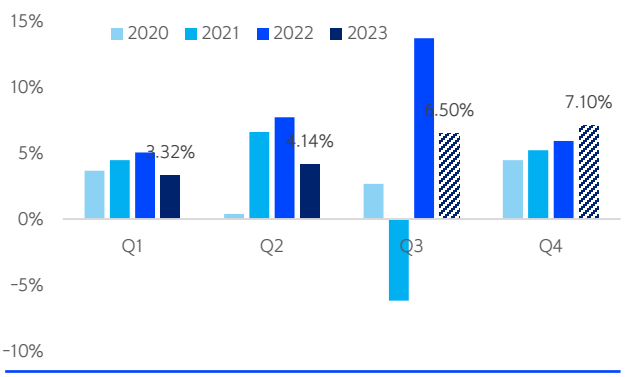
GDP 6M2023 increased 3.72%YoY, only higher than 1.74% of 6M2020 in period 2011-2023, lower GDP growth forecast for 2023 to 5.3%

GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

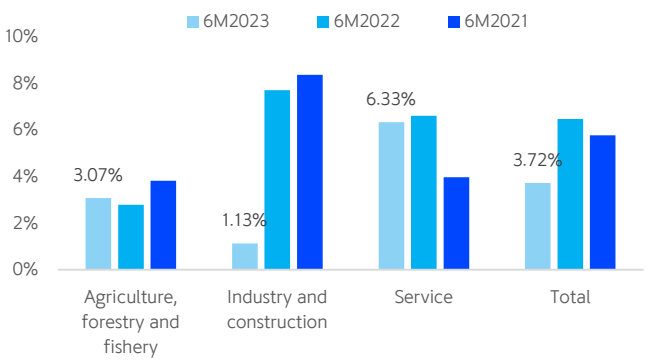
Quarterly GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

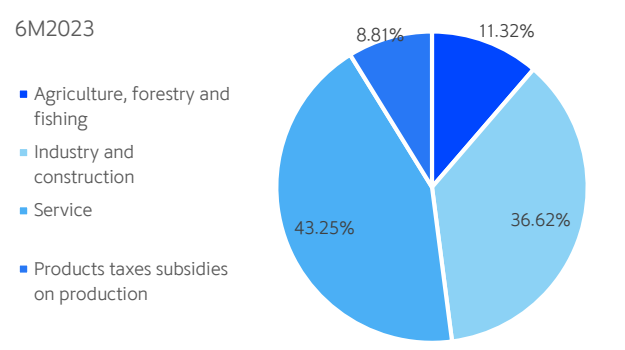
Industrial and construction sector growth slowed significantly, dragging down overall growth of the economy

GDP by sectors, YoY growth



Source: GSO, Shinhan Securities Vietnam

% shares of GDP



Source: GSO, Shinhan Securities Vietnam

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