Vietnam Economic Update

October 5th, 2023

Vietnam economy continues its recovery trend

Q3 GDP growth accelerated 5.33%

GDP growth in Q3 was faster than previous quarters

Q3 GDP is estimated to grow by 5.33%YoY, significantly lower than pre-pandemic level but in a positive trend (GDP grew by 3.28% in Q1, 4.05% in Q2, 5.33% in Q3). For 9M2023, GDP grew by 4.24%YoY with main contribution from services sector (+6.32%YoY and contributing 68.57% to overall growth).

Industry and construction sector (contributing 22.27%) only increased by 2.41% capped by weak global demand and seen the lowest level in the period 2011-2023 while agriculture sector maintained sustainable growth of 3.43% and contributing 9.16%.

We expect the economy continues to recover in Q4 with growth rate of 7%YoY thanks to lower level of interest rate and easing of capital flows to reach 5%YoY growth in 2023, corresponding with the scenario 1 of Ministry of Planning and Investment (MPI). Based on the result of 9M2023, MPI has proposed 3 scenario of GDP growth in Q4 and whole year 2023 including (1) 5% growth in 2023 backed by 7% growth in Q4; (2) 5.5% growth in 2023 backed by 8.8% growth in Q4; and (3) 6% growth in 2023 backed by 10.6% growth in Q4.

Public investment driving growth

Robust investment becoming growth driver of the economy

Public investment has been promoted strongly and reached VND 415.5 trillion in 9M2023, equivalent to 57.4% of the year plan and increased by 23.5%YoY (public investment in the same period of 2022 reached 56% of the year plan and increased by 20.3%).

Accumulated for 9M2023, total social investment capital at current price is estimated to reach VND 2,260.5 trillion (+5.9%YoY), including capital from State sector (acquired for 28.1%), non-State sector (55.3%) and FDI sector (16.6%) which increased by 15.1%, 2.3%, and 3.9%YoY, respectively.

FDI disbursed of 9 months has also recorded highest level in the period from 2019 until now and reached USD 15.91 billion (+2.2%YoY).

Inflation controlled below target of 4.5%

Average CPI of 9M2023 increased by 3.16%YoY, higher inflation pressure

Sept CPI increased strongly by 1.08%MoM and 3.66%YoY capped by increasing prices of rice, petroleum, housing rental and also school fees in some provinces. Average for 9M2023, CPI increased by 3.16%YoY, higher than 3.12%YoY of 8M2023, showing higher pressure of inflation. USD Index in Sept 2023 has also recorded a significant growth at 1.53%MoM and 2.43%YoY.

In Sept 2023, USD has rallied sharply in global market after FED announced to keep interest rate unchanged and maintained within the range of 5.25%-5.5% on Sept 20, 2023, pushing up US Dollar Index exceeded 105 points, the highest since Nov 2022. VND/USD exchange rate thereby was under a lot of pressure and surpassed VND 24,500, causing huge withdrawals of SBV on the open market (OMO) in many consecutives days since Sept 21, 2023. Accumulated net withdrawals from Sept 21 until Oct 3, 2023 was more than VND 110 trillion after 6 months without pumping activities.

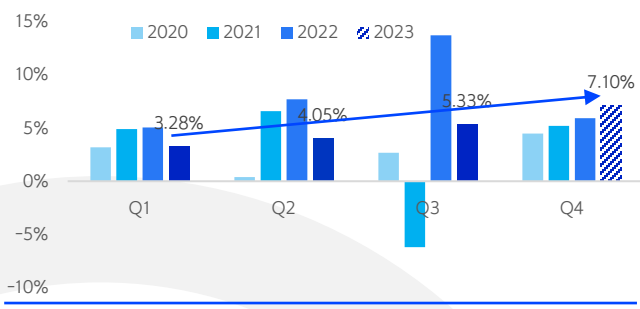
Solutions for best growth

Macro-coordination between 4 Ministers (Planning and Investment, Finance, Industry and Trade, State Bank)

In order to reach best growth target of 6% for 2023, the Government has proposed solutions, of which focus on (1) synchronous and harmonious coordination between policies, especially fiscal policy and monetary policy; (2) strongly promoting 3 growth drivers including export, investment and consumption; (3) drastically promoting public investment and social economic recovery and development programs; (4) strongly focus on developing key and emerging sectors, especially digital transformation; (4) continuing reform administrative procedures and removing difficulties for businesses.

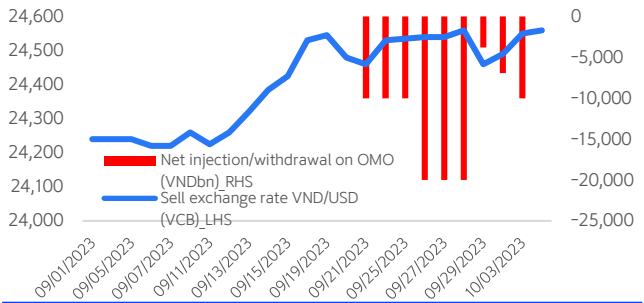
Charts of the month

GDP growth (%YoY) by quarters with a positive trend



Sources: GSO, Shinhan Securities Vietnam

SBV withdrawal on OMO to stabilize inflation and exchange rate



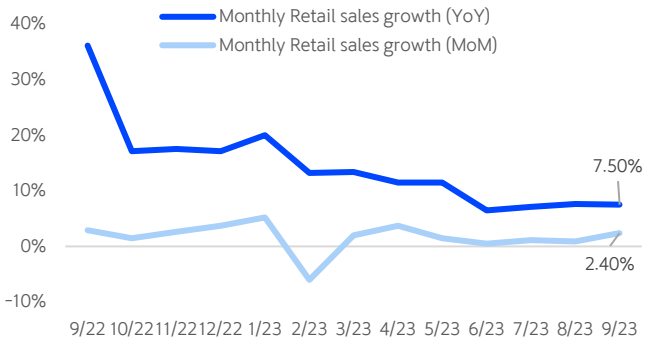
Sources: SBV, FiinPro, Shinhan Securities Vietnam

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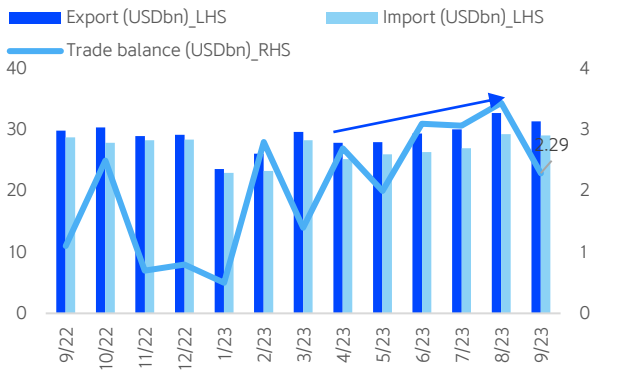
Vibrant commercial activities, import-export slowdown after increasing in 4 consecutive months

Retail sales of goods and services



Source: GSO, Shinhan Securities Vietnam

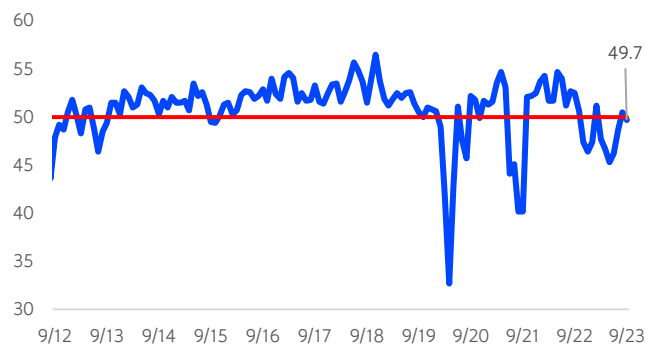
Import-Export turnover



Source: GSO, Shinhan Securities Vietnam

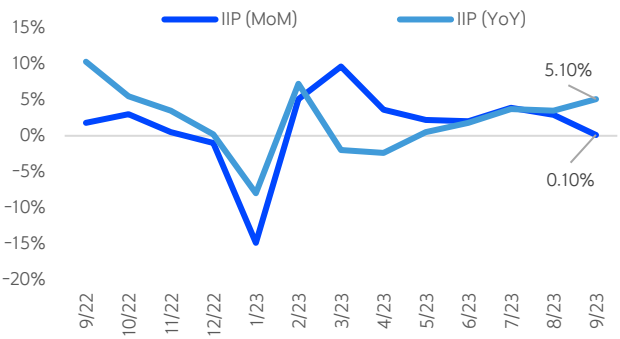
PMI fell below 50 again due to output decreased slightly but new orders still rose

Purchasing Managers' Index (PMI)



Source: S&P Global PMI, Shinhan Securities Vietnam

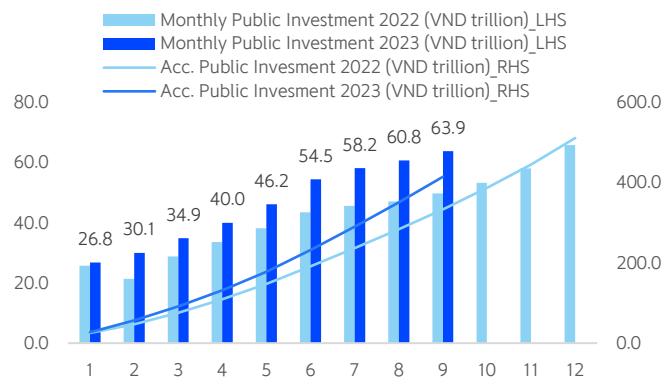
Index of industrial production (IIP)



Source: GSO, Shinhan Securities Vietnam

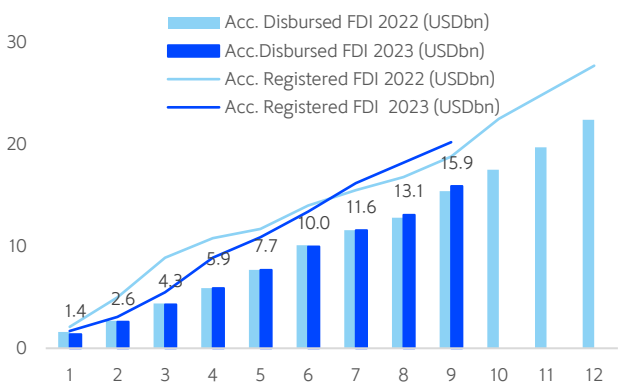
Disbursement of public investment promoted and FDI disbursed of 9 months also reached highest level in the period of 2019-2023

Public investment



Source: GSO, Shinhan Securities Vietnam

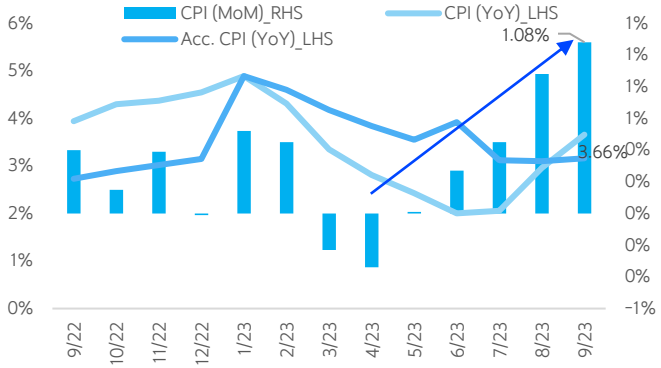
Foreign direct investment (FDI)



Source: MPI, Shinhan Securities Vietnam

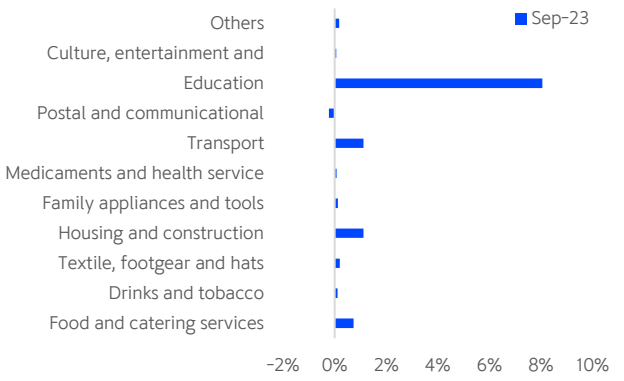
Headline CPI accelerated in Sept 2023, higher pressure of inflation

CPI



Source: GSO, Shinhan Securities Vietnam

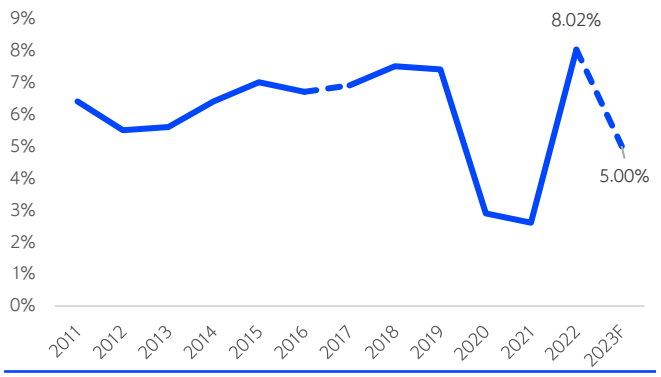
Changes in CPI categories (MoM)



Source: GSO, Shinhan Securities Vietnam

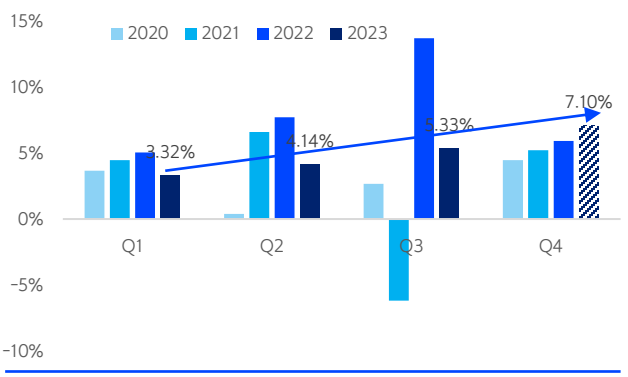
GDP grew by 5.33% in Q3 and expect to grow 5% for year 2023 if achieve a growth of 7% in Q4.

GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

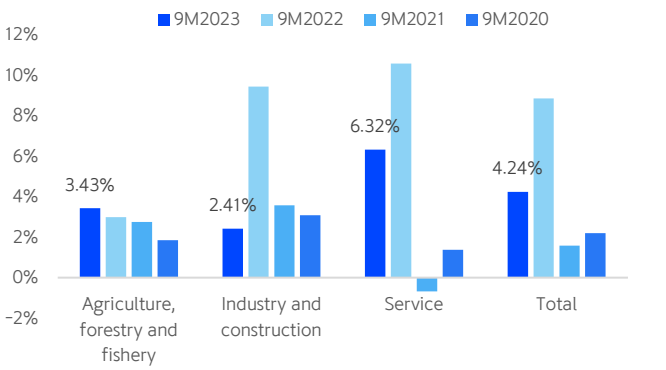
Quarterly GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

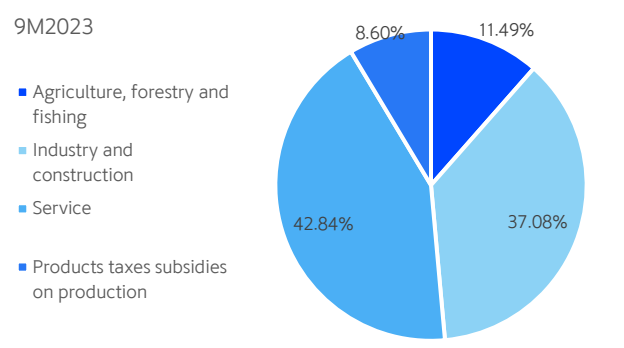
Agriculture sector was playing as supporting role of the economy with stable growth while industry and construction sector, services sector grew in a slower space over the same period last year.

GDP by sectors, YoY growth



Source: GSO, Shinhan Securities Vietnam

% shares of GDP



Source: GSO, Shinhan Securities Vietnam

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