Vietnam Economic Update

December 13th, 2023

Shinhan Securities

The economy added bright colours

The economy regained growth momentum...

Industrial production continues improving

The index of industrial production (IIP) in Nov 2023 continues its positive trend, estimated to increase by 3%MoM and 5.8%YoY thanks to efforts of manufacturing enterprises in finding orders to complete the business plan of the year and prepare goods for seasonal consumption demand at the year end. Accumulated for 11M2023, IIP inched up 1% YoY, of which, manufacturing increased by 1.1%YoY and contributed 1.1 percentage points to overall growth.

Import-export continues narrowing its decline, recorded trade surplus of USD 25.83 billion after 11 months

For 11M2023, total import-export turnover reached USD 619.17 billion, only down 8.3% YoY (positive than 10% decrease of 10M2023), of which export turnover decreased by 5.9% and import turnover decreased by 10.7% . Agricultural and forestry products were the only export commodity group with positive growth of 12.3% YoY, reaching USD 25.43 billion and accounting for 7.9% of total export value, while the main product group, industrial manufacturing goods (reaching USD 284.87 billion, accounting for 88.3%) down 6.6% YoY. After 11 months, trade surplus saw a new record of USD 25.83 billion.

Retail sales grow positively, maintain policy of 2% VAT cut until June 2024

Trading activities have been vibrant to serve the year end festival and welcome new year. Total retail sales of goods and consumer services in Nov 2023 increased by 1.4% MoM and 10.1% YoY. For 11M2023, total retail sales were estimated to reach VND 5,667 trillion, increased by 9.6% YoY and better than the increase of 9.4% in 10M2023. The demand for food, cultural items, education, accommodation, catering, and travel services continues to maintain an increasing trend compared to the same period last year. On November 29, the National Assembly approved the Resolutions of the 6th Meeting of National Assembly XV to continue the 2% value added tax (VAT) cut until June 30, 2024, helping businesses reduce production costs to increase profits and stimulate demand to support retail sales growth in the coming months.

Public investment reached 75% of the year plan, last effort to complete the target

Public investment in 11M2023 was estimated to reach VND 549.1 trillion (+22.1% YoY), equal to 75% of the year plan according to data of the General Statistics Office. On December 8, 2023, the Government Office issued notice 511/TB-VPCP on public investment review in 2023 and continues to drastically direct, urge and solve difficulties and obstacles for ministries, central and local agencies, to disburse at least 95% of the assigned capital plan.

Upgrading comprehensive strategic partnership with the US and Japan, new expectations for FDI

Newly registered FDI as of November 20, 2023 is estimated at USD 16.41 billion (+42.4% YoY). Including adjusted registered capital, capital contribution and share purchase, total registered FDI reached USD 28.85 billion (+14.8% YoY). Disbursed FDI was USD 20.25 billion (+2.9% YoY), which was the highest disbursement of 11 months in the past 5 years. Of which, the manufacturing and processing industry still dominated with USD 16.67 billion, accounting for 82.3% of total disbursed FDI. In November 2023, Vietnam officially upgraded its comprehensive strategic partnership with Japan and previously with the US in September 2023, opening many new opportunities for attracting FDI, especially in the fields of technology, semiconductor, AI. Tech giants such as Apple, Intel, and recently Nvidia…want to set up bases in Vietnam.

Inflation and exchange rate remains stable

Headline CPI of Nov 2023 increased by 0.25%MoM due to higher price of rice and increasing tuition fees and medial services according to the roadmap. Average of 11M2023, headline CPI increased by 3.22%YoY, just small difference with 3.2% increase of 10M2023 while core inflation continues its downward. Fed fund rate kept at 5.25%-5.5% to bring inflation back to 2% along with weakening outlook of global economy have made USD depreciation to other major currencies in Nov 2023. Hence, average price of USD on OTC market has been stabilized around 24,605 VND/USD, increased 1.53% YTD. On the open market, after 35 consecutive issuance sessions since September 21 with a scale of over VND 360 trillion, the State Bank of Vietnam stopped offering T-bills on November 9 and pumped back all withdrawals to the banking system until December 6, 2023.

… but the outlook remains uncertain

Unexpected fall of new orders in Nov 2023

Vietnam Manufacturing Purchasing Managers' Index (PMI) sent opposite signal when falling to 47.3 in Nov from 49.6 of Oct 2023 which was the lowest level of 5 months. New orders fell for the first time in 4 months, led accelerating contraction in output, renewed fall in employment and purchasing. The fall of new orders was in part attributed to some resistance among customers to price rise when manufacturers increased selling price to respond to sharpest rise of input cost since Feb, made the outlook of manufacturing sector recovery turning unstable.

Approval of Land Law (amended) and Credit Institutions Law (amended) have been delayed

On November 27-28, the National Assembly passed Housing Law (amended) and Real Estate Business Law (amended), but due to mixed opinions on some important issues, Land Law (amended)) and Law on Credit Institutions (amended) will be considered for approval in the earliest meeting in January 2024. These laws are expected to complete the legal system related to real estate market and increase the safety of banking system. They are expected to take effect on January 1, 2025 which delay supports for the recovery of real estate sector.

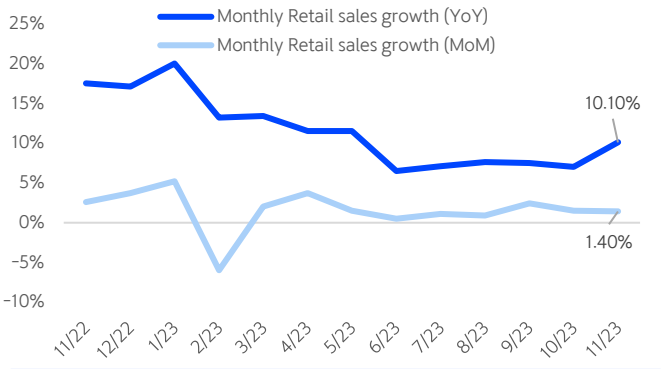


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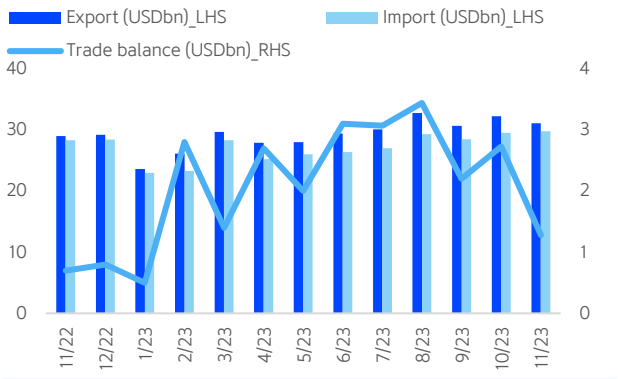
Retail and import-export continue to improve

Retail sales of goods and services



Source: GSO, Shinhan Securities Vietnam

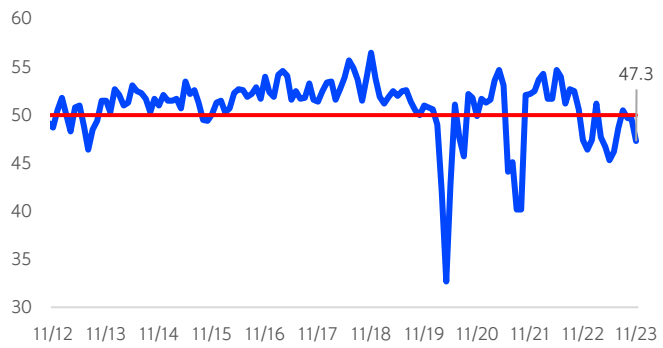
Import-Export turnover



Source: GSO, Shinhan Securities Vietnam

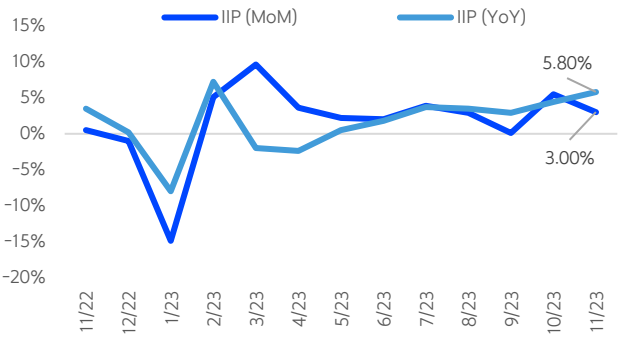
Industrial production maintained upward but PMI suddenly dropped sharply due to new orders fall, signaling difficulties in the coming months

Purchasing Managers' Index (PMI)



Source: S&P Global PMI, Shinhan Securities Vietnam

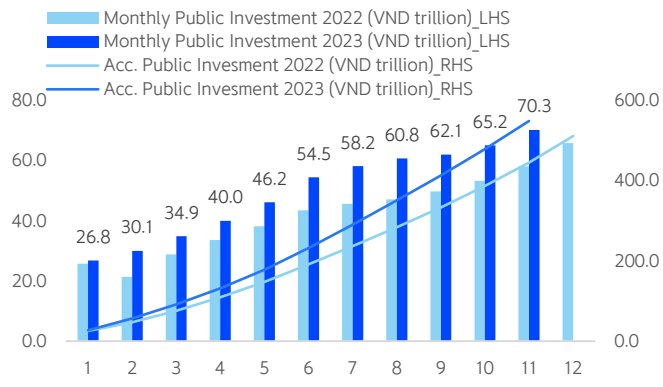
Index of industrial production (IIP)



Source: GSO, Shinhan Securities Vietnam

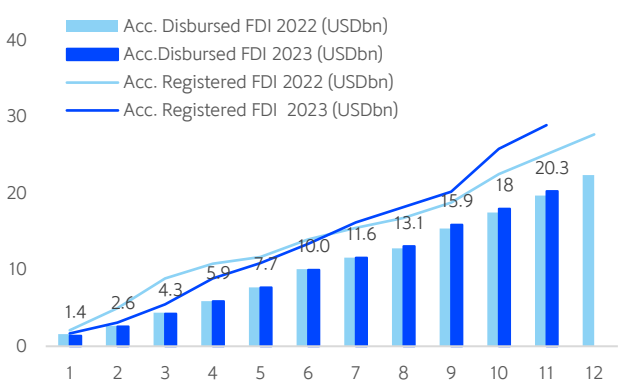
Public investment activities were strongly promoted, adding new expectations for foreign direct investment

Public investment



Source: GSO, Shinhan Securities Vietnam

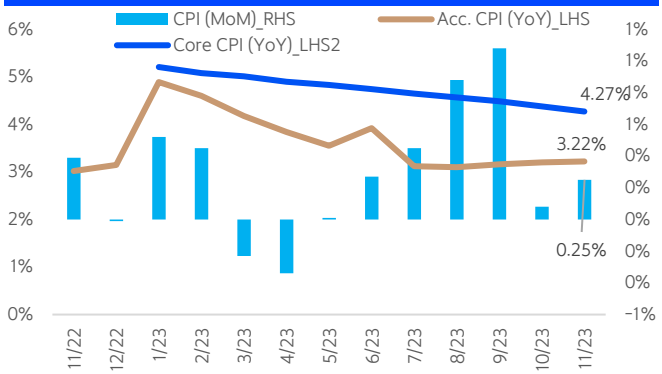
Foreign direct investment (FDI)



Source: MPI, Shinhan Securities Vietnam

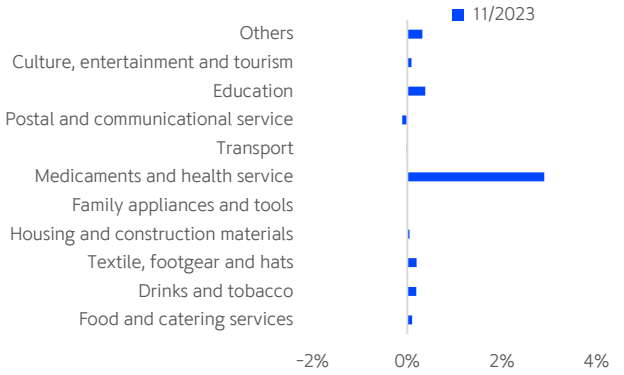
Headline CPI had little change while core inflation maintained its downward positively

CPI



Source: GSO, Shinhan Securities Vietnam

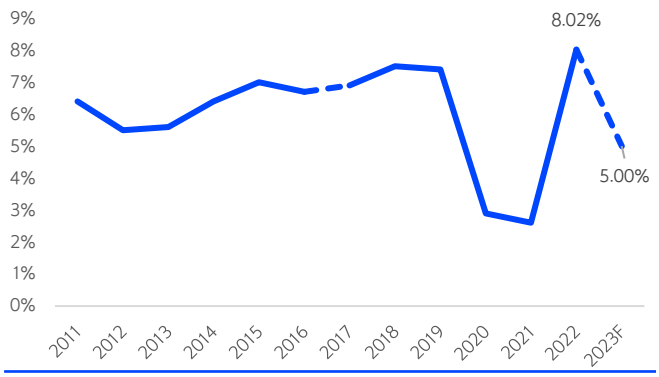
Changes in CPI categories (MoM)



Source: GSO, Shinhan Securities Vietnam

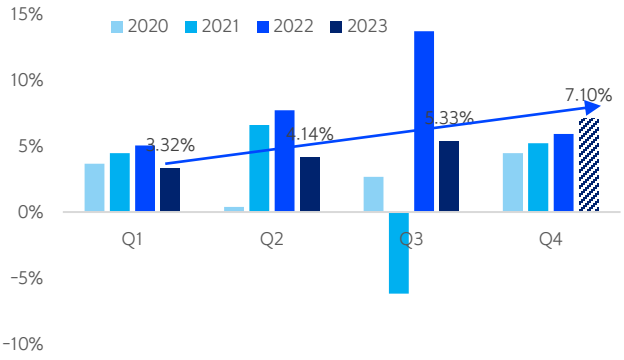
GDP grew by 5.33% in Q3 and expect to grow 5% for year 2023 if achieve a growth of 7% in Q4.

GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

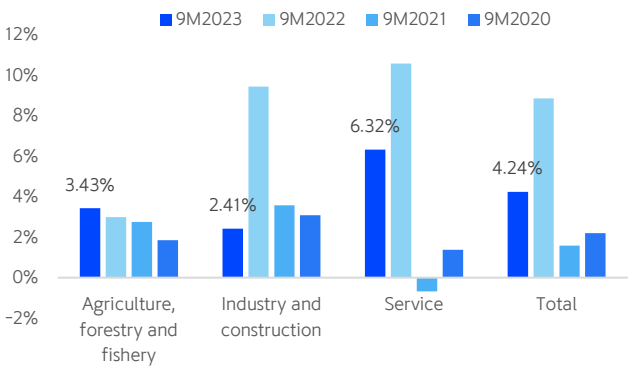
Quarterly GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

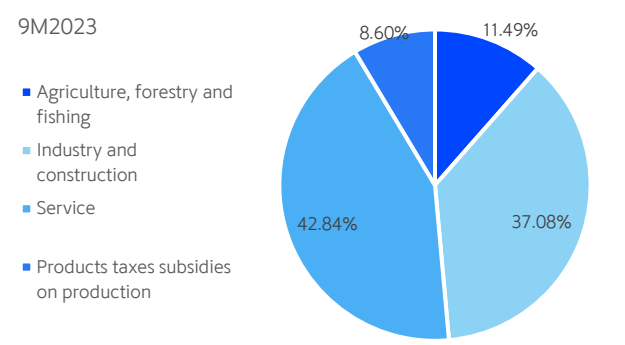
Agriculture sector was playing as supporting role of the economy with stable growth while industry and construction sector, services sector grew in a slower space over the same period last year.

GDP by sectors, YoY growth



Source: GSO, Shinhan Securities Vietnam

% shares of GDP



Source: GSO, Shinhan Securities Vietnam

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