Vietnam Economic Update

February 2023

Manufacturing and export still weak, bright spot of public investment

Macroeconomic stability maintained

Manufacturing showed sign of recovery. The S&P Global Vietnam Purchasing Managers' Index (PMI) rose back above 50 in February and reached 51.2 from 47.4 of last month, signaling renewed strengthen of manufacturing health following a three-month period of decline thanks to the rise of output, new orders and also employment. However, inflation is still the biggest concern of manufacturers when both input cost and selling prices have risen at the fastest rate in eight months in February which may hurt the improving demand. The index of industrial production (IIP) in February increased 5.1%MoM and 3.6%YoY, but accumulated IIP of 2M2023 still decreased by 6.3%YoY due to weak global demand.

Import – export turnover lower, trade surplus of USD2.82bn. In the 2M2023, total turnover of import and export activities was estimated to reach USD96.06bn (-13.2%YoY), in which, export decreased by 10.4%YoY and import decreased by 16%YoY, then trade balance is estimated to be surplus of USD2.82bn. The decline has appeared at all key exporting markets of Vietnam such as US (-21%YoY), EU (-4.2%YoY), Asean (-7.9%YoY)..., except for China with an increase of 4.2% thanks to this country has been reopened since the beginning of 2023.

Retail sales maintained positive growth over the same period last year. Total retail sales of February reached VND481.8 trillion, decreased 6%MoM but increased 13.2%YoY. For 2M2023, total retail sales were still higher than last year by 13% and the year before Covid-19 (2019) by 24.9%, but just equal to 77.7% of its estimated scale in the normal condition without Covid-19 outbreak since 2020 up to now.

Inflation cooled down but challenges remained. February CPI increased by 0.45%MoM and 4.31%YoY, lower than its recent peak of 4.89% in Jan 2023. Core inflation also had the same move in February with an increase of 4.96%YoY from 5.21%YoY of last month. Average CPI of 2M2023 increased by 4.6%YoY, in which, core inflation increased 5.08%YoY. Notably, the increase of electricity price (if any) following the new price tariff regulated by Decision No. 02/2023/QĐ-TTg dated February 3rd , 2023 has not been reflected in the price index of electricity in Feb 2023 due to one-month lag in electricity price compared to other commodities' price, therefore, it would be a great pressure on inflation in the coming months.

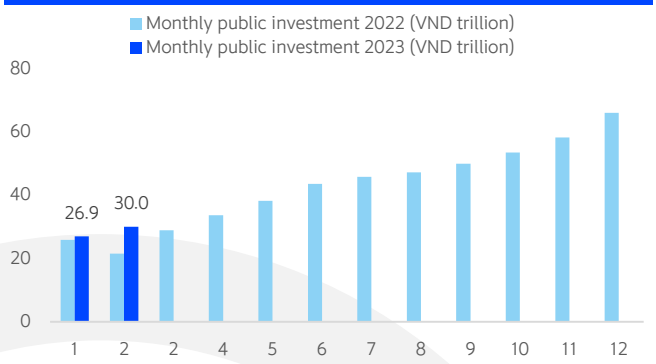
Bright spot of public investment

Public investment is promoted. Investment capital from State budget has been disbursed around VND56.9 trillion in 2M2022, equal to 8.3% of the year target and increased by 18.3%YoY thanks to speed up the implementation of the projects, especially carry forward projects.

The Government aims to disburse at least 95% of total State budget investment capital for 2023 (nearly VND711.7 trillion), equivalent to an increase of more than 32% compared to the disbursement in 2022, and this will help GDP to grow further around 2%. Therefore, public investment is expected to be a key driver of economic growth in 2023 when manufacturing and export are still weak and FDI slow down (FDI registered and disbursed in 2M2023 were USD3.1bn (-38%YoY) and USD2.55bn (-4.9%YoY), respectively).

Charts of the month

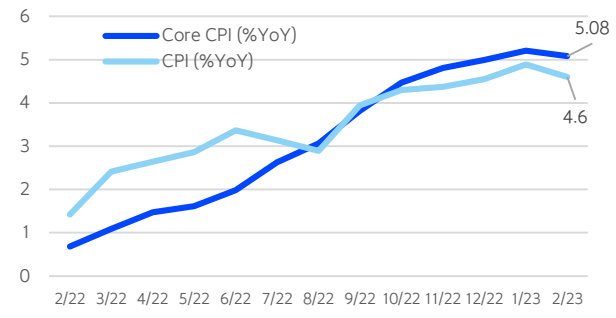
Public investment accelerated



Source: GSO, Shinhan Securities Vietnam

Has inflation peaked?

*CPI after excluding foods, fresh foods, energy and goods managed by the State including healthcare and education services.



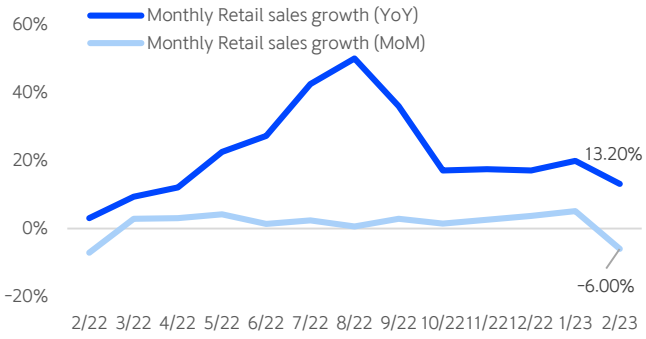
Sources: GSO, Shinhan Securities Vietnam

Ly Bui
Head of Research
☎ (84-28) 6299-8029
✉ ly.btt@shinhan.com

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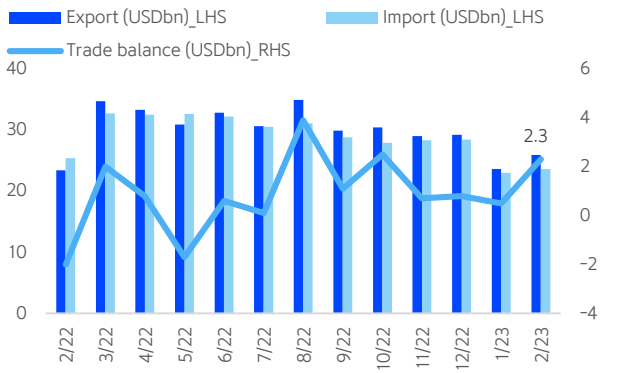
Retails and Export

Retail sales of goods and services



Source: GSO, Shinhan Securities Vietnam

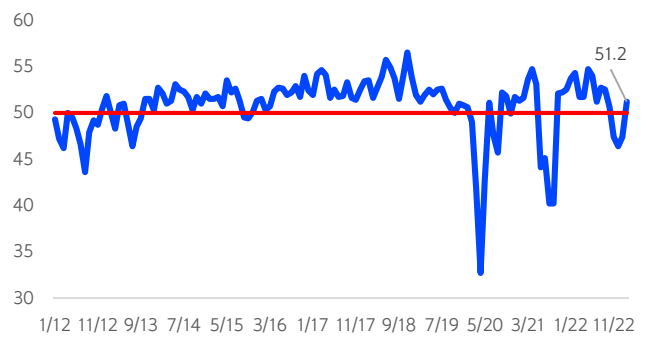
Import-Export turnover



Source: GSO, Shinhan Securities Vietnam

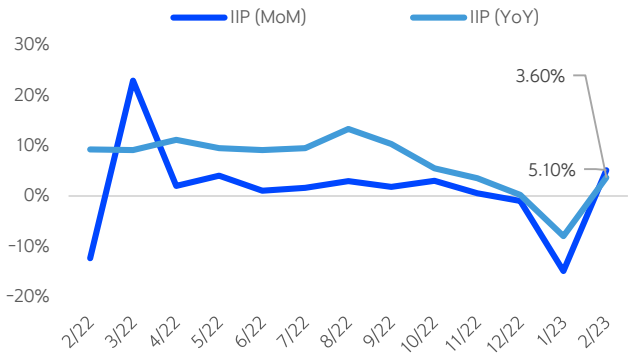
Industrial production

Purchasing Managers' Index (PMI)



Source: S&P Global PMI, Shinhan Securities Vietnam

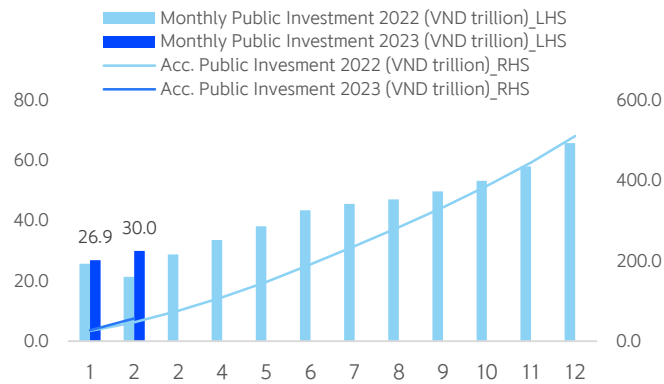
Index of industrial production (IIP)



Source: GSO, Shinhan Securities Vietnam

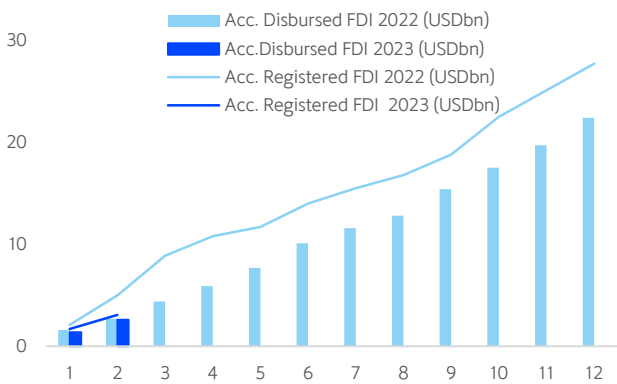
Investment

Public investment



Source: GSO, Shinhan Securities Vietnam

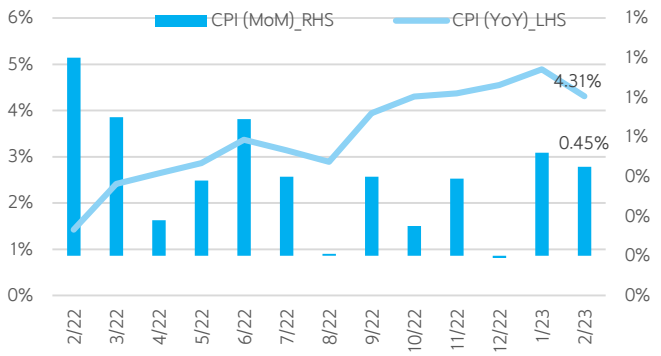
Foreign direct investment (FDI)



Source: MPI, Shinhan Securities Vietnam

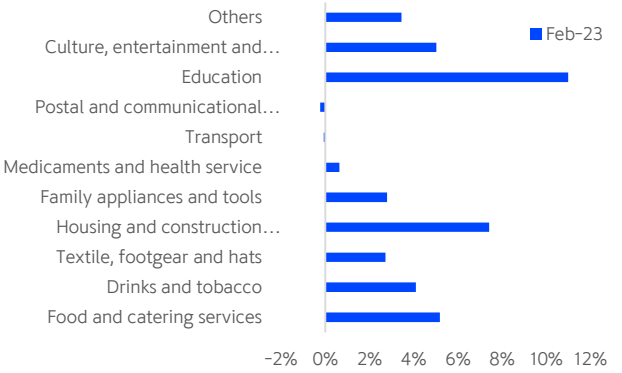
Inflation

CPI



Source: GSO, Shinhan Securities Vietnam

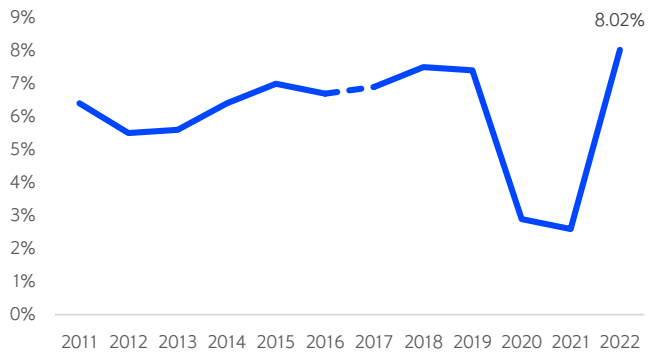
Changes in CPI categories (MoM)



Source: GSO, Shinhan Securities Vietnam

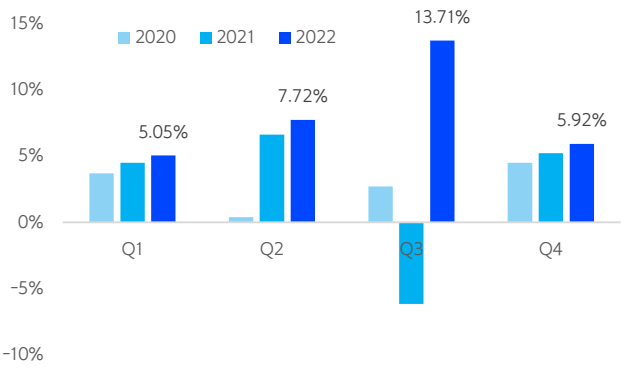
GDP growth

GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

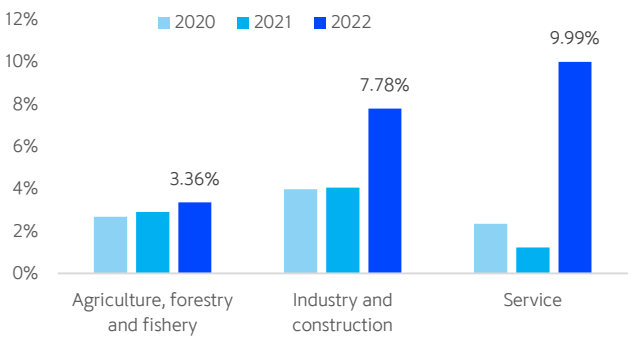
Quarterly GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

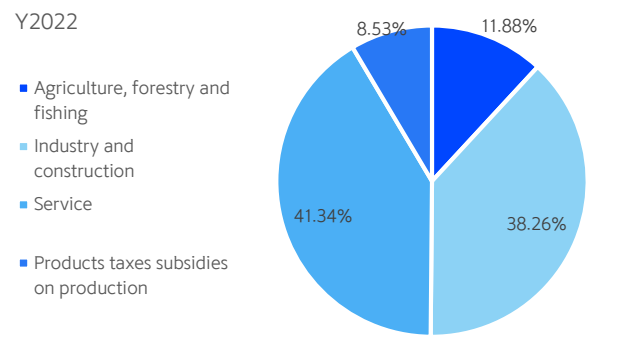
GDP breakdown

GDP by sectors, YoY growth



Source: GSO, Shinhan Securities Vietnam

% shares of GDP



Source: GSO, Shinhan Securities Vietnam

Shinhan Investment Network

Shinhan Securities

SEOUL

Shinhan Securities Co., Ltd
Shinhan Investment Tower
70, Youido-dong, Yongdungpo-gu,
Seoul, Korea 150-712
Tel : (82-2) 3772-2700, 2702
Fax : (82-2) 6671-7573

SHANGHAI

Shinhan Investment Corp.
Shanghai Representative Office
Room 104, Huaneng Union Mansion No.958,
Luijiazui Ring Road, PuDong, Shanghai, China
Tel : (86-21) 6888-9135/6
Fax : (86-21) 6888-9139

NEW YORK

Shinhan Investment America Inc.
1325 Avenue of the Americas Suite 702,
New York, NY 10019
Tel : (1-212) 397-4000
Fax : (1-212) 397-0032

HO CHI MINH

Shinhan Securities Vietnam Co., Ltd.
22nd Floor, Centec Tower, 72-74 Nguyen Thi Minh Khai Street,
District 3, Ho Chi Minh City, Vietnam
Tel : (84-8) 6299-8000
Fax : (84-8) 6299-4232

HONG KONG

Shinhan Investment Asia Ltd.
Unit 7705 A, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
Tel : (852) 3713-5333
Fax : (852) 3713-5300

HA NOI

Shinhan Securities Vietnam Co., Ltd.
Hanoi Branch
2nd Floor, Leadvisors Building, No. 41A Ly Thai To,
Ly Thai To Ward, Hoan Kiem District,
Hanoi, Vietnam.
Tel : (84-8) 6299-8000

INDONESIA

PT Shinhan Sekuritas Indonesia
30th Floor, IFC 2, Jl. Jend. Sudirman Kav.
22-23, Jakarta, Indonesia
Tel : (62-21) 5140-1133
Fax : (62-21) 5140-1599



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