Vietnam Economic Update

April 2023

Shinhan Securities

Prioritize economic growth goal

Policy pivot

"Inflation on decreasing trend, prioritize growth in consistent with macroeconomic stability goal"

Despite of world economic uncertainties, domestic monetary market has been stable with policy interest rates cut in 2 consecutive times, average lending rates have been adjusted down around 0.41% compared to the end of 2022. Trade surplus was estimated around USD6.35billion and exchange rates were flat in 4M2023. Inflation tends to decrease gradually over months and average CPI of 4M2023 increased by 3.84%YoY, under target of 4.5%. In the regular Government meeting in April 2023, Prime Minister has directed to "prioritize economic growth" with a series of decisions:

(1) Focus on removing difficulties and promoting securities market and corporate bond market (Decree 08/2023/NĐ-CP dated 5/3/2023), real estates market (Decision 33/NQ-CP dated 11/3/2023);
(2) Accelerate disbursement of public investment at key projects of the country (North-South expressway, Hanoi Ring Road No.4, HCM Ring Road No. 3, North-South high-speed railway…);
(3) Allow credit institutions to restructure debts, extend debt terms, buy back corporate bonds (Circular 02/2023/TT-NHNN and Circular 03/2023/TT-NHNN dated 23/4/2023);
(4) Extent the deadline for tax and land rent payment (Decree 12/2023/NĐ-CP dated 24/4/2023) and is submitting to competent authorities for consideration of reduction of taxes, fees, charges and land rents;
(5) Promote administrative reform, improve business investment environment (Decision 58/NQ-CP dated 21/4/2023);
(6) Focus on handling of loss business/projects, weak banks drastically and efficiently;
(7) In addition, handle problems related to procurement of drugs and medical equipment; implement Government programs such as investment promotion, nationwide online conference on implementation of planning, digital transformation, tourism, economic diplomacy...

New growth drivers

Production stagnated, boosting public investment and tourism

Vietnam industrial production index (IIP) of April 2023 inched 0.5%YoY but accumulated for 4M2023, this index still decreased 1.8%YoY due to the decline in consumption demand of major trading partners which affected production and exports. PMI decreased to 46.7 in April from 47.7 of last month, showing weaker business conditions and a sharper decline in both output and new orders. Manufacturers is facing difficulties in finding new orders and started to lower prices for stimulating demand.

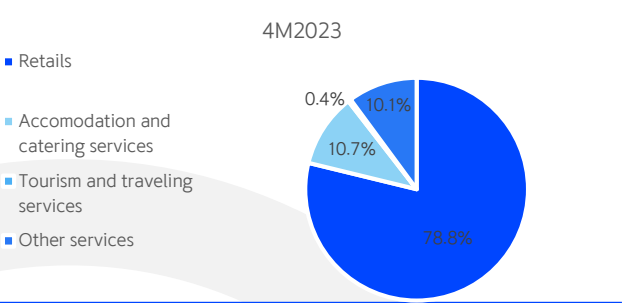
Meanwhile, public investment continued to be robust, estimated at VND131.2 trillion (+17.9%YoY) in 4M2023 and completed 19% of the year plan. Total retail sales of consumer goods and services in 4M2023 were estimated at VND 2,007 trillion (+12.8%YoY), notably, tourism and travelling services increased by 109.4%YoY, accommodation and catering services increased by 25.8%YoY, retails of goods increased by 10.5%YoY.

From the beginning of the year to 20/4/2023, total number of international visitors to Vietnam almost reached 3.7 million, 19.2 times higher than the same period last year but just equal 61.7% of the same period in 2019 – the year before Covid-19. Therefore, there is still huge room for tourism to breakthrough and reach the year target. Vietnam aims to welcome 110 million tourists this year, of which about 8 million are international visitors. Total revenue from tourists is about VND 650 trillion, directly contributing about 6.6% of GDP (if including indirect contributions and public investment equal to 13.9% of GDP, according to The World Travel & Tourism Council).

We expect recent measures of the Government in March & April will soon bring good impacts on the economy in remaining quarters of the year and keep our forecast on GDP growth at 6% and inflation under control of 4.5% in 2023.

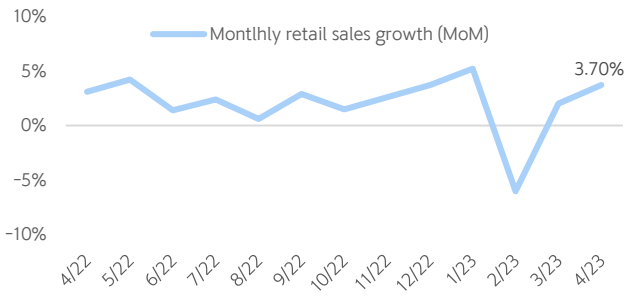
Charts of the month

Structure of retail sales of consumer goods and services



Sources GSO, Shinhan Securities Vietnam

Growth in retail sales of consumer goods and services



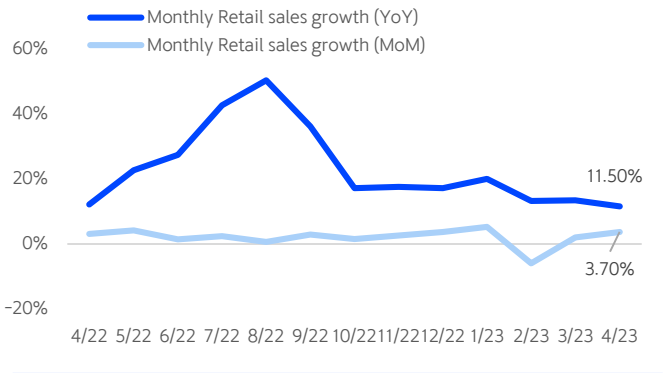
Sources: GSO, Shinhan Securities Vietnam

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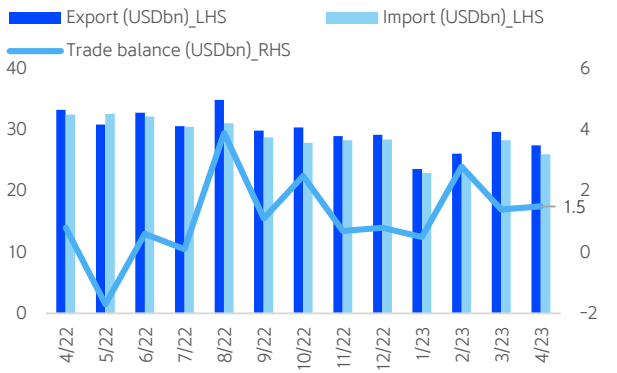
Retail continues recovery thanks to tourism & travelling services, import-export still faced difficulties.

Retail sales of goods and services



Source: GSO, Shinhan Securities Vietnam

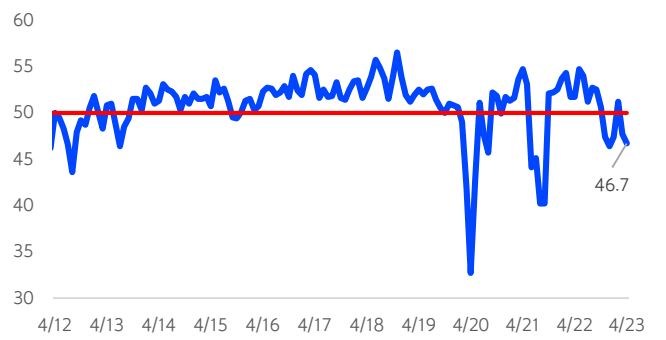
Import-Export turnover



Source: GSO, Shinhan Securities Vietnam

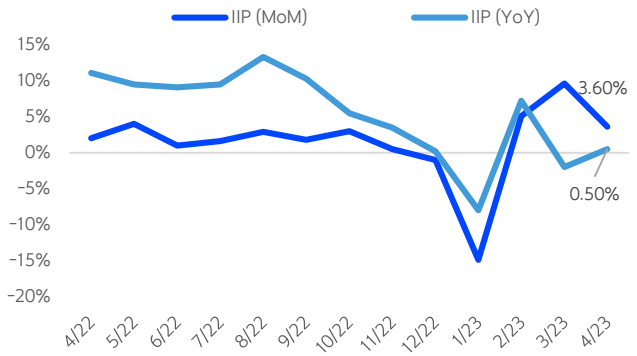
Industrial production still declined due to slow recovery of world economy and fast decrease of new orders

Purchasing Managers' Index (PMI)



Source: S&P Global PMI, Shinhan Securities Vietnam

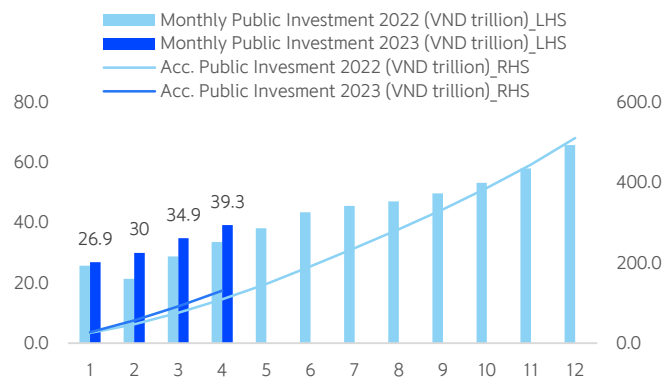
Index of industrial production (IIP)



Source: GSO, Shinhan Securities Vietnam

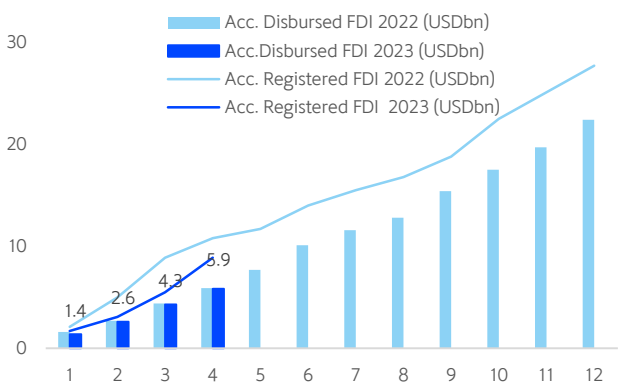
Public investment promoted continuously while disbursed FDI maintained.

Public investment



Source: GSO, Shinhan Securities Vietnam

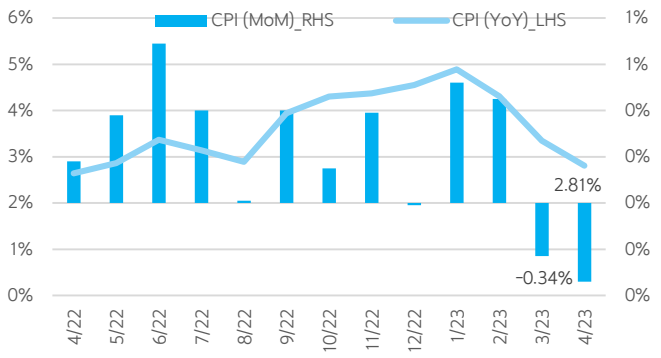
Foreign direct investment (FDI)



Source: MPI, Shinhan Securities Vietnam

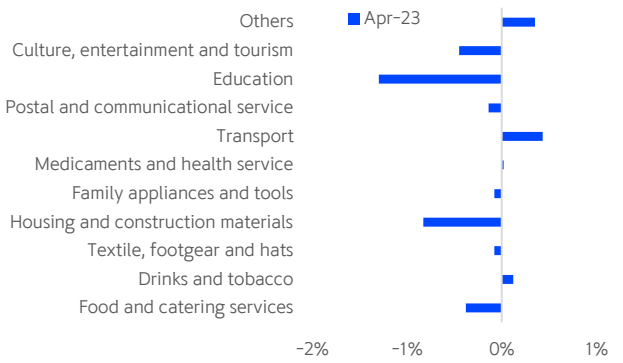
Inflation downed faster backed by lower prices of foodstuff and education services

CPI



Source: GSO, Shinhan Securities Vietnam

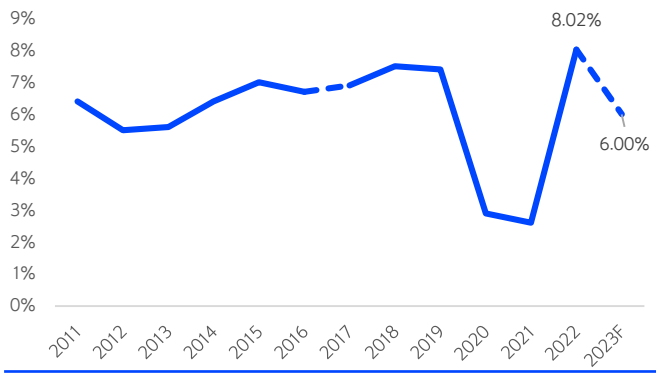
Changes in CPI categories (MoM)



Source: GSO, Shinhan Securities Vietnam

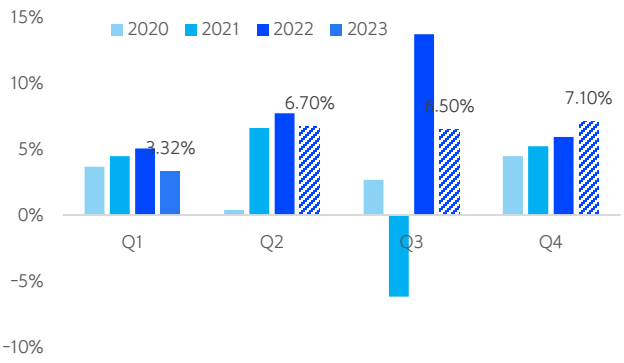
GDP Q1 2023 increased by 3.32%YoY, the second lowest in the 2011-2023 period (just higher than Q1 2020), challenging the year growth target of 6.5%.

GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

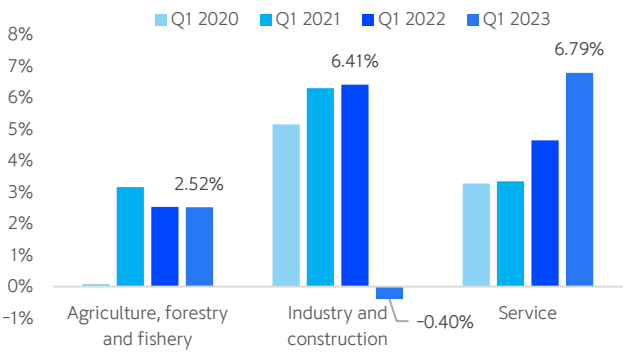
Quarterly GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

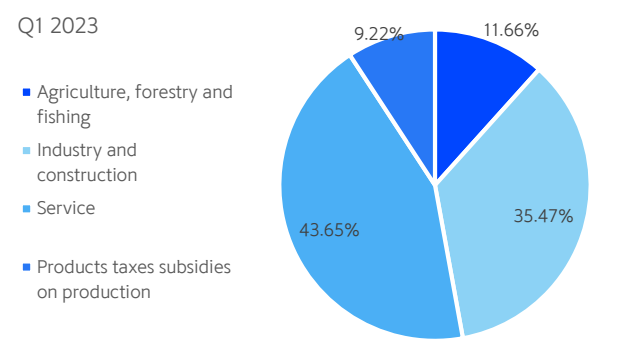
Service sector continues to recover while industry and construction grow negatively in Q1 2023

GDP by sectors, YoY growth



Source: GSO, Shinhan Securities Vietnam

% shares of GDP



Source: GSO, Shinhan Securities Vietnam

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