Vietnam Economic Update

July 14, 2023

Economic growth slowed significantly in the first half of 2023

GDP growth slowdown

GDP of 6M2023 grew at a slower pace in period 2011-2023

GDP grew by 4.14%YoY in Q2 2023 and 3.72%YoY in 6M2023, only higher than the growth rate of 1.74% in 6M2020 in the period of 2011-2023 due to slower growth of industrial and construction sector (37%GDP) and services sector (43%GDP) at 1.13%YoY and 6.33%YoY, respectively. The economy was heavily impacted by frozen real estates market and weak demand which pressured on manufacturing and export.

From consumption perspective, GDP growth in 6M2023 was backed by final consumption which grew at 2.68%YoY and contributed 30.27% while net exports contributed 63.45% to overall growth of the economy (due to export decreased by 10.0% but import decreased at higher pace of 13.2%).

Bright spots of the economy

Tourism recovered, public investment boosted and inflation under control

In the first half of 2023, international visitors to Vietnam were estimated at 5.6 million arrivals, 9.3 times higher than the same period last year and equivalent to 65.7% the same period in 2019 (before COVID-19 pandemic level), contributing to the growth of service sector, especially, travel and tourism which increased by 65.9%YoY.

Public investment continued to be promoted in 6M2023 and estimated to reach VND 232.2 trillion (+20.5%YoY), equaling 33% of the year plan and dragging on the investment from non-state sector and FDI, thereby, increasing total social investment capital to VND 1,357.7 trillion (+ 4.7%YoY).

Inflation is still under control despite rising food and electricity prices due to prolonged hot weather. On average, core inflation of 6M2023 increased by 4.74%YoY, higher than the increase of headline CPI at 3.29%YoY, mainly thanks to the decrease in petrol prices by 18.27%YoY.

Supportive measures

Continuing loose monetary policy, removing difficulties for businesses and unblock the capital flow

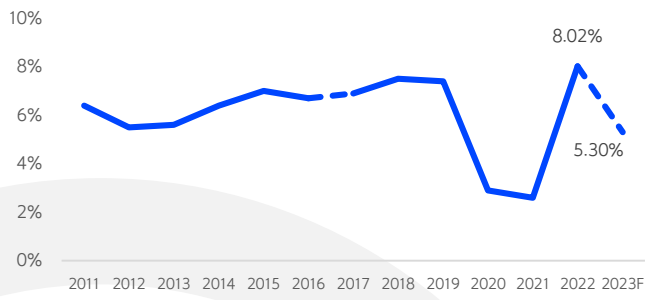
Thanks to controlling inflation, SBV has room to implement a loose monetary policy to support economic growth. From March to June 2023, SBV had 4 consecutive times of policy rate cut, in which, refinance rate and discounted rate have been reduced by 1.5% p.a while overnight electronic interbank rate has been reduced by 2% p.a. Thereby, average deposit rate and lending rate at commercial banks have also downed to 5.8% and 8.9% until now (lower around 0.7% and 1%, respectively compared to the end of 2022). However, capital absorption capacity of the economy is still weak, reflected by modest credit growth of 3.58% in 6M2023 (compared to 8.51% of the same period last year).

In addition, a series of policies have been issued to support businesses, notably, Decree 08/2023/NND-CP allowing payment of mature corporate bonds by other assets or extending repayment term for another 2 years; Circular 02 & 03/2023/TT-NHNN allowing credit institutions to restructure repayment terms, keeping debt group unchanged to support businesses facing difficulties as well as redeem unlisted corporate bonds. Tax cuts and credit support packages are also being promoted to stimulate economic growth.

Overall, due to a low result in the first half of 2023, we lower our GDP growth forecast for the whole year 2023 to 5.3% with an expectation of economic recovery in the second half of 2023 backed by effects of supportive measures.

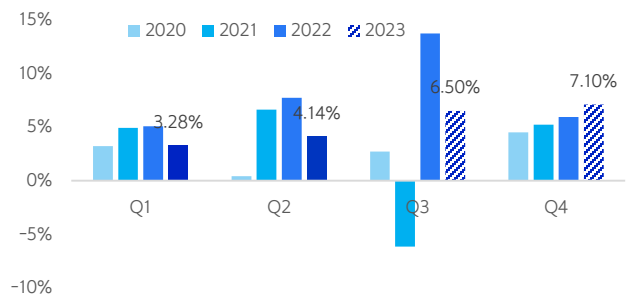
Charts of the month

GDP growth by year (YoY)



Sources: GSO, Shinhan Securities Vietnam

GDP growth by quarter (YoY)



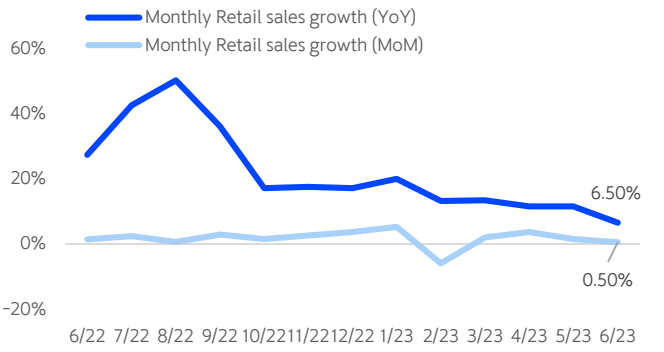
Sources: GSO, Shinhan Securities Vietnam

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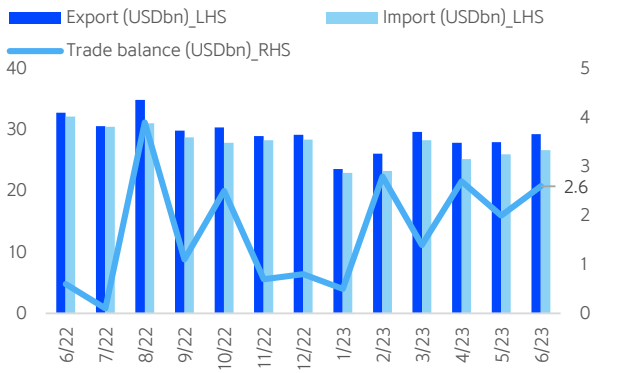
Retail growth slowdown, Import-Export continues decreasing over the same period last year

Retail sales of goods and services



Source: GSO, Shinhan Securities Vietnam

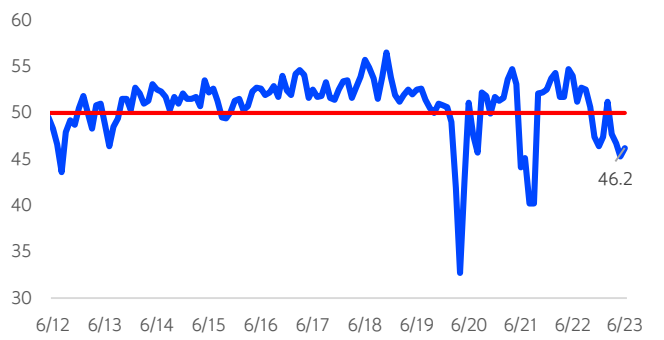
Import-Export turnover



Source: GSO, Shinhan Securities Vietnam

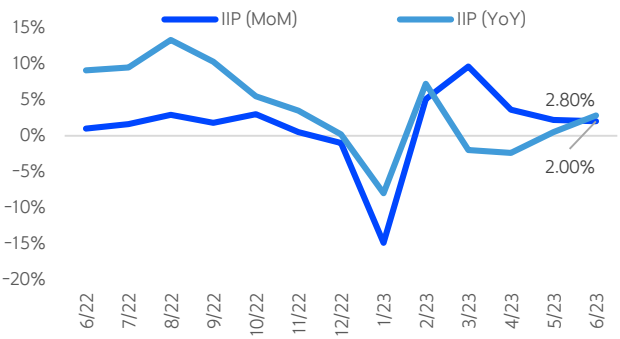
Industrial production was still weak despite of positive growth again, over the same period last year

Purchasing Managers' Index (PMI)



Source: S&P Global PMI, Shinhan Securities Vietnam

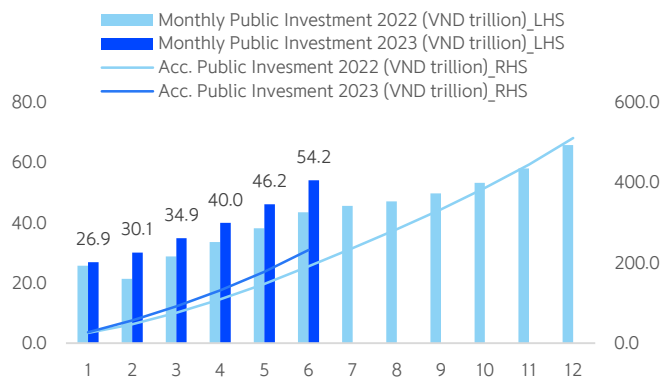
Index of industrial production (IIP)



Source: GSO, Shinhan Securities Vietnam

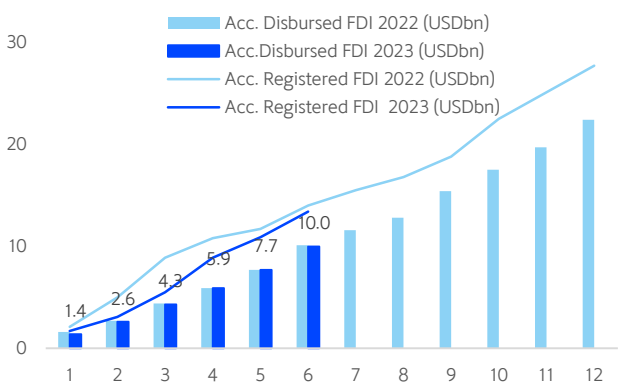
Robust public investment, maintained FDI disbursement

Public investment



Source: GSO, Shinhan Securities Vietnam

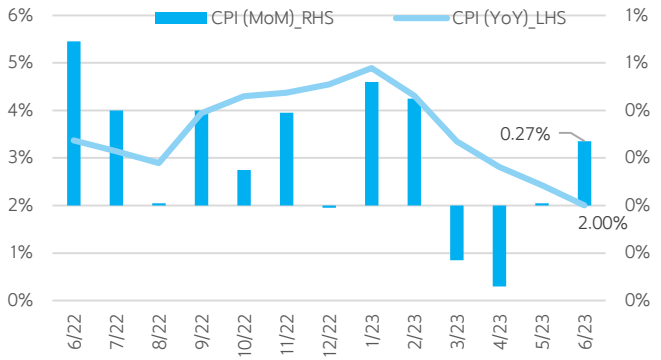
Foreign direct investment (FDI)



Source: MPI, Shinhan Securities Vietnam

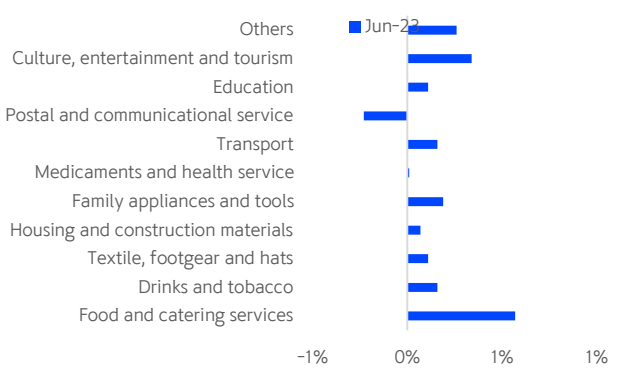
Inflation continues its downward trend despite rising foods and electricity prices in June 2023

CPI



Source: GSO, Shinhan Securities Vietnam

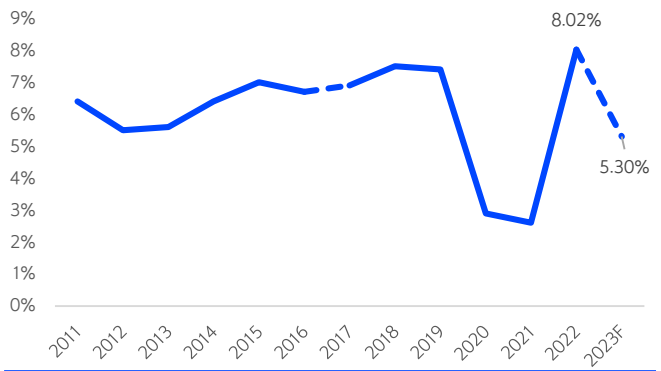
Changes in CPI categories (MoM)



Source: GSO, Shinhan Securities Vietnam

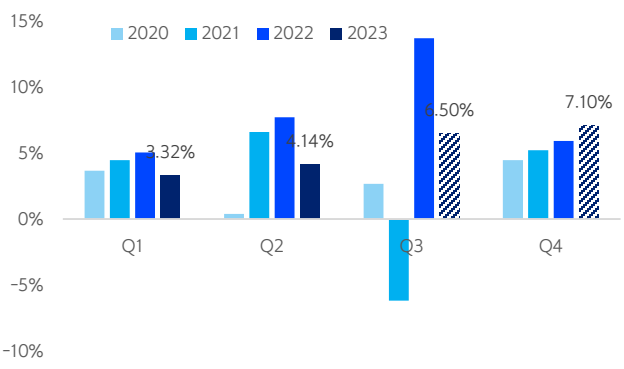
GDP 6M2023 increased 3.72%YoY, only higher than 1.74% of 6M2020 in period 2011-2023, lower GDP growth forecast for 2023 to 5.3%

GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

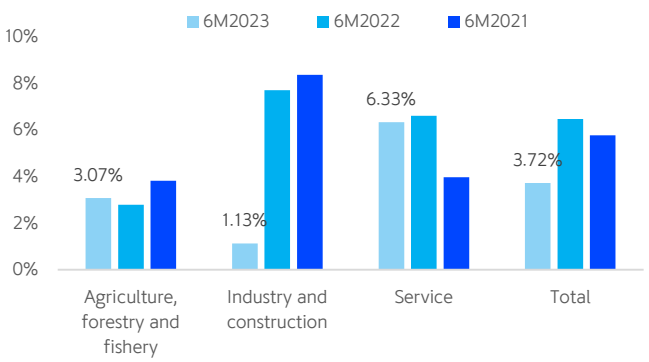
Quarterly GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

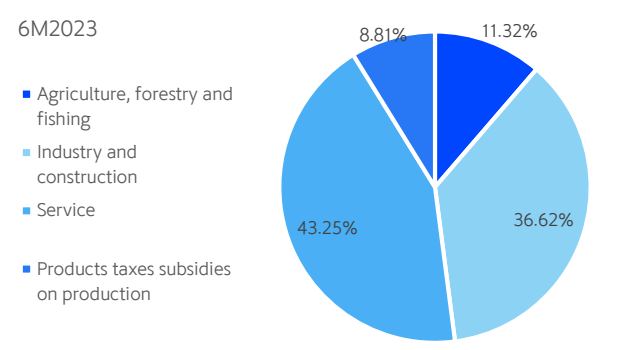
Industrial and construction sector growth slowed significantly, dragging down overall growth of the economy

GDP by sectors, YoY growth



Source: GSO, Shinhan Securities Vietnam

% shares of GDP



Source: GSO, Shinhan Securities Vietnam

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