Vietnam Economic Update

August 1st, 2023

Industrial production prospered in July 2023

Positive signals from the economy

Sign of stabilized demand, industrial production prospered

Index of industrial production (IIP) in July 2023 increased by 3.9%MoM and 3.7%YoY, in which, manufacturing sector inched 3.6%YoY. 49/63 provinces had higher IIP over the same period last year and some localities even have had significant increase such as Phu Tho (+15.8%YoY), Bac Giang (+15.6%YoY), Tra Vinh (+14.7%YoY%)…Accumulated for 7M2023, IIP slightly decreased by 0.7%YoY (it increased by 8.6% in the same period of 2022).

Purchasing Managers' Index (PMI) also recovered to 48.7 in July from 46.2 of last month with slowest decline in new orders in five months, a sign of stability although Vietnam manufacturing still remained in the contraction territory.

Robust public and foreign direct investment

Public investment disbursement was estimated at VND 58.5 trillion (+28.4%YoY) in July 2023 and reached VND 291 trillion (+22.1%YoY) for 7M2023, completed 41.3% of the year plan. This continues being as the key driver of economic growth.

Besides, foreign direct investment (FDI) attraction has been flourished with newly registered FDI until July 20th, 2023 surged 38.6%YoY to USD7.94 billion. Manufacturing was still the main sector which acquired for 85.3% of total newly registered FDI. As for disbursement of FDI in 7M2023, it is still maintained the same level of last year at USD11.58 billion (+0.8%YoY).

Domestic consumption maintained upward momentum

Total retail sales of consumer goods and services in July 2023 increased by 1.1%MoM and 7.1%YoY thanks to vibrant activities in summer tourist season. For 7M2023, total retail sales at current price reached VND 3,529.8 trillion, increased by 10.4%YoY (if excluding price factor, increased by 9.6%YoY) and tourism sale became bright spot with an increase of 53.6%YoY. International visitors to Vietnam reached 6.6 million arrivals in 7M2023, 6.9 times higher than the same period last year but just equal to 67.5% of pre-pandemic level (same period in 2019).

Many challenges still ahead

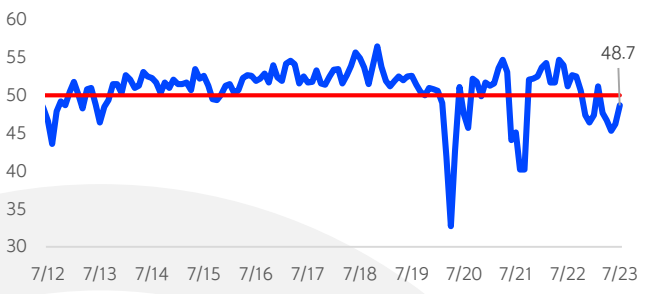
Import-Export are still under difficulty despite of trade surplus over USD 15 billion after 7M2023 backed by 10.6%YoY decrease of export but bigger decrease of import at 17.1%YoY. Total import-export turnover of 7M2023 decreased by 13.9%YoY to USD 374 billion. Some key export products of Vietnam recorded a deep decline such as phones and components (-18.3%YoY), textile and garment (-15.1%YoY), footwear (-17.1%YoY)… Apart from weaker global demand, increasing competition has been also affected to new orders of Vietnam.

Rising world foods price is a challenge for inflation control. In order to ensure of food security against the impact of El Nino, India, Russia and UAE have banned rice export which pushed up rice price. Current export price of Vietnam rice has increased 35%YoY to 12-year high which may drag on the increase of rice price at domestic market. CPI of July 2023 showed sign of reverse with an increase of 0.45%MoM and 2.06%YoY which were higher than the increase in June 2023 of 0.27%MoM and 2%YoY, respectively. Average CPI of 7M2023 increased by 3.12%YoY, still under control.

Limited room for further loose monetary policy when FED continued its policy rate hike on July 26th, 2023 by 0.25% to 22-year high while SBV has had interest rate cut for 4 times, causing pressure on the value of Vietnam dong. On the other hand, despite of lower level of domestic interest rate, credit growth in 1H2023 was modest at 4.73%YTD and has not been stimulated economic growth as expected.

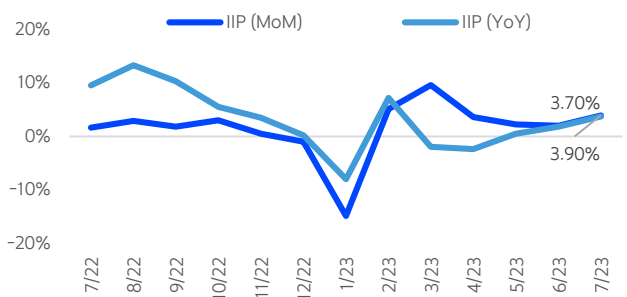
Charts of the month

Purchasing Managers' Index (PMI)



Sources: GSO, Shinhan Securities Vietnam

Index of industrial production (IIP)



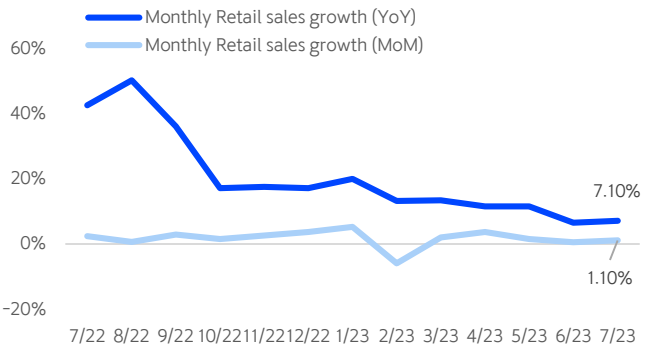
Sources: GSO, Shinhan Securities Vietnam

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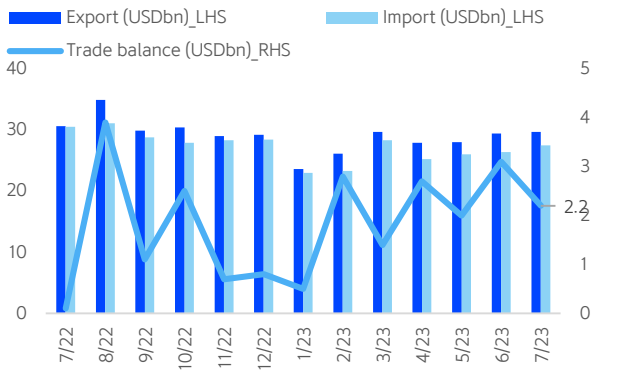
Tourism prospered to maintain retail growth while import-export still struggled

Retail sales of goods and services



Source: GSO, Shinhan Securities Vietnam

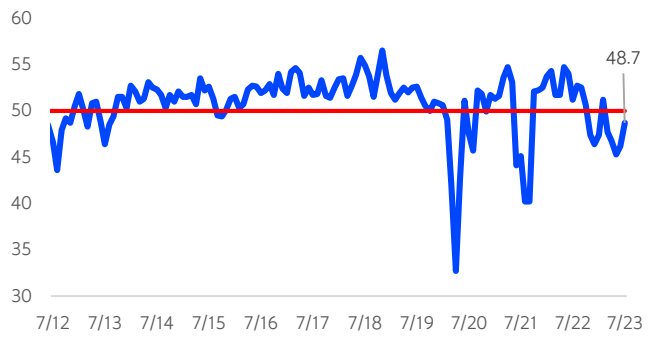
Import-Export turnover



Source: GSO, Shinhan Securities Vietnam

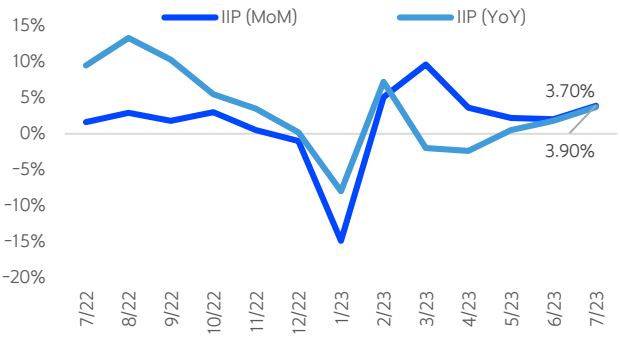
Industrial production recovered more clearly in July, IIP of 7M2023 only decreased 0.7%YoY

Purchasing Managers' Index (PMI)



Source: S&P Global PMI, Shinhan Securities Vietnam

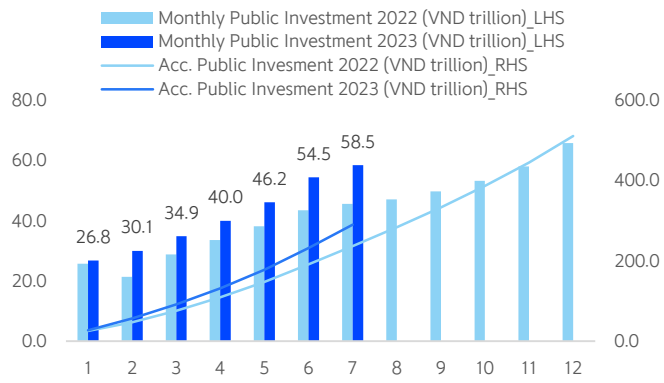
Index of industrial production (IIP)



Source: GSO, Shinhan Securities Vietnam

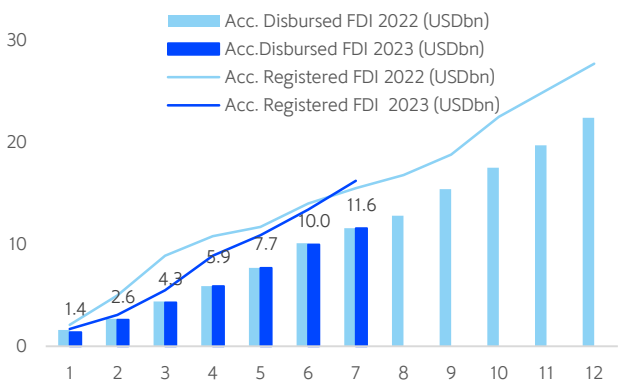
Both public and foreign direct investment are flourishing

Public investment



Source: GSO, Shinhan Securities Vietnam

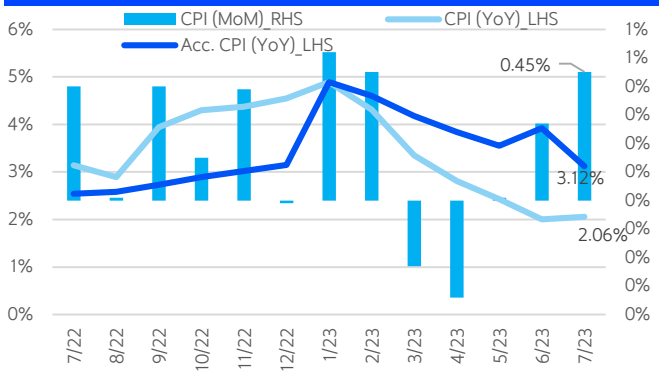
Foreign direct investment (FDI)



Source: MPI, Shinhan Securities Vietnam

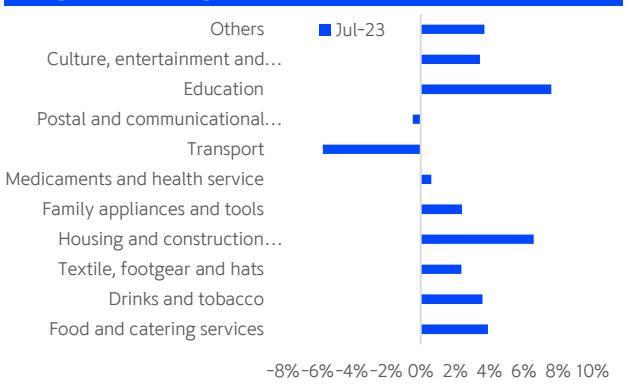
Monthly CPI continues to increase in July 2023 under the impact of rising foods and electricity prices in the traveling season

CPI



Source: GSO, Shinhan Securities Vietnam

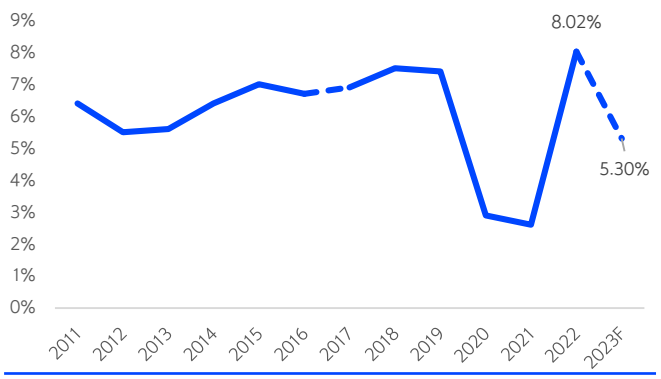
Changes in CPI categories (MoM)



Source: GSO, Shinhan Securities Vietnam

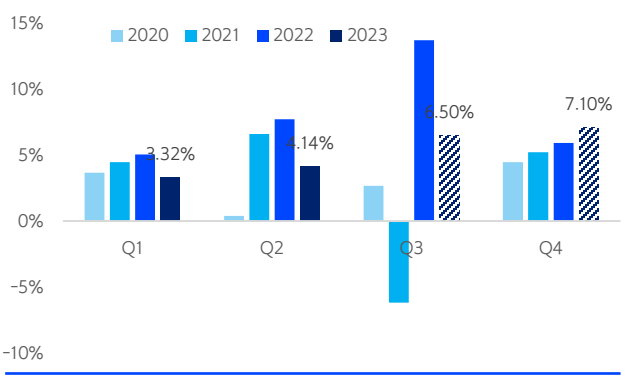
GDP 6M2023 increased 3.72%YoY, only higher than 1.74% of 6M2020 in period 2011-2023, lower GDP growth forecast for 2023 to 5.3%

GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

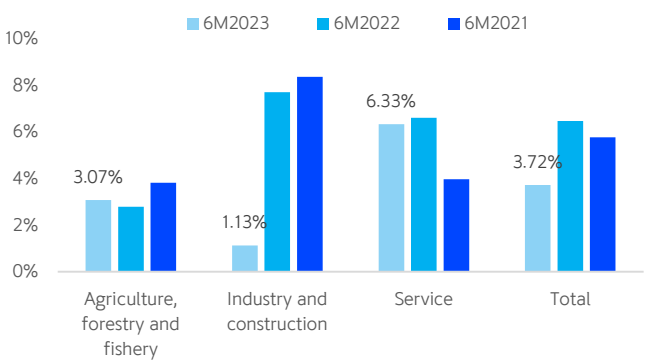
Quarterly GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

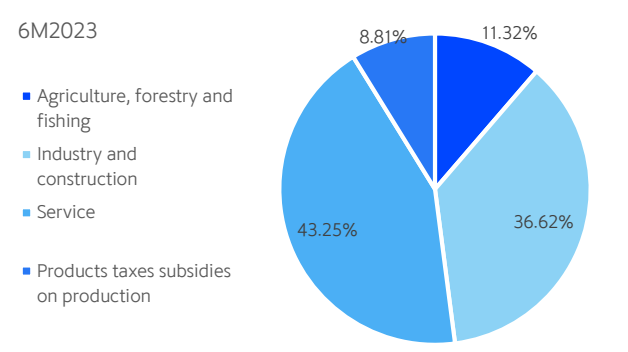
Industrial and construction sector growth slowed significantly, dragging down overall growth of the economy

GDP by sectors, YoY growth



Source: GSO, Shinhan Securities Vietnam

% shares of GDP



Source: GSO, Shinhan Securities Vietnam

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