

SENIOR ANALYST

Bui Thi Quynh Nga

ngabui@phs.vn

Embrace a wholesome ending after a challenging year

- The Vietnamese economy in 2023 registered a growth rate lower than both the government's target and market expectations set at the beginning of the year.
- However, with positive data in December as well as the fourth quarter of 2023, we believe that the most challenging period seems to have passed. Vietnam has been ready for recovery from both internal forces (public investment and consumer spending) and external forces (FDI) in 2024.

CPI The average inflation in 2023 increased by 3.3% compared to 2022, lower than the target set by the National Assembly and in line with our earlier forecasts. Low inflation is one of the key factors that has supported the government's management policies over the past year.

IIP The IIP in 2023 increased by only 1.5% YoY – this is the lowest level compared to the historical period of 2019 – 2022. The PMI recorded 48.9 points in December and remained below the threshold of 50 for most of 2023, reflecting the challenges in the manufacturing sector of Vietnam amid weak global demand

The retail sales of goods and services maintained a growth rate of 9.6% compared to 2022, with international tourist arrivals recording a 1.6 times increase compared to the target set at the beginning of the year (8 million visitors) and a 3.4 times increase from 2022. This will be one of the positive factors contributing to the growth in 2024

Vietnam's trade recorded a record surplus of 28 billion USD. The export turnover decreased by 4.8%, while imports declined by 8.9%. Weak demand was observed in most major trading partners such as the United States, South Korea, and Japan. However, both export and import figures in December and the fourth quarter have begun to show positive signs, indicating new bright spots in the trade sector.

Foreign direct investment concluded the year with a notable highlight in both registered and realized capital, especially in the fourth quarter. This has, to some extent, demonstrated Vietnam's more attractiveness compared to peers in the region. It will be one of the main driving forces for 2024 (*PHS Strategy Report 2024*).

Public investment remains a key driver sustaining Vietnam's GDP growth momentum, especially when other growth factors are sluggish in 2023. However, despite ambitious plans set at the beginning of the year, the year-end cumulative public investment only reached 80%, decreasing by 9.1% YoY. The government has made considerable efforts to support the economy through this fiscal policy channel; but, it has only been significantly pushed from the middle of the year.

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
GDP (YoY)			3.3			3.7			4.2			5
CPI (YoY)	4.9	4.3	3.4	2.8	2.4	2.0	2.1	3.0	3.7	3.6	3.4	3.6
Retail sales (YTD YoY)	20	13	13.9	12.8	12.6	10.9	10.4	10	9.7	9.4	9.6	9.6
Export (YoY)	-23.5	-9	-11	-12.5	-11.6	-11.4	-3.5	-7.6	4.6	5.9	6.7	13.1
Import (YoY)	-22.1	-16.2	-15	-17	-17.9	-16.9	-9.9	-8.3	2.6	5.2	5.1	12.3
Trade Bal (Bil USD)	0.7	2.8	1.4	2.7	2.1	3.2	3.6	3.4	1.7	3	1.3	2.28
Realized FDI (Bil USD)	1.4	1.2	1.8	1.5	1.8	2.4	1.6	1.5	2.8	2.1	2.3	2.9
IIP (YTD YoY)	-8	-6.3	-2.3	-1.8	-2	-1.2	-0.7	-0.5	0.3	0.5	1	1.5
PMI manufacturing	47.4	51.2	47.7	46.7	45.3	46.2	48.7	50.5	49.7	49.6	47.3	48.9

Sources: PHS compilation and estimation