

## READY TO CONQUER HIGHER GOALS

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- Manufacturing activities have recovered after the storm, in line with forecasts in last month's PHS report, indicating that short-term impacts are gradually subsiding. The manufacturing sector is regaining strength thanks to growth in output and new orders.
- PHS maintains a positive outlook on Vietnam's bright spots in manufacturing, trade, and foreign investment amidst global economic challenges. We expect manufacturing activities to continue their growth momentum in Q4, helping Vietnam achieve its GDP target of over 6.5%. This requires robust efforts from the government to disburse public investment in the remaining months of the year.
- Tax policies concerning China are likely to be a priority for Mr. Trump when he takes office, and PHS Research leans towards the possibility that Vietnam will benefit more in terms of both trade and investment. During his previous term, Mr. Trump had a favorable view of Vietnam. Additionally, Vietnam's flexible "bamboo diplomacy", maintained across generations by the Government and the state, will be foundational in upgrading diplomatic relations between the two nations, avoiding unfavorable policies during Trump 2.0.

**CPI** October CPI increased by 0.33% compared to the previous month, driven by several factors, including continued rises in food prices due to the impacts of storms in the northern and central regions. Additionally, domestic fuel prices followed the upward trend of global oil prices, and rental housing costs became more "expensive." PHS maintains its view that inflation for 2024 will remain around 3.6-3.7%. Inflationary pressures may rise further in 2025 but the government is expected to keep it tightly controlled below 4%.

**Retail sales** continued to grow in October, up 2.4% compared to the previous month, but year-over-year growth was only 7.1%. Meanwhile, the number of international visitors to Vietnam in October 2024 saw a significant increase, reaching 1.42 million arrivals, up 27.6% YoY.

**Industrial production** rebounded in October after short-term disruptions caused by Typhoon Yagi in September. The Industrial Production Index (IIP) for October rose 4% compared to the previous month and 7% YoY, with the main driver being the manufacturing sector, which grew by 8.8% YoY. The PMI index also climbed back above the 50-point threshold, reaching 51.2 points (up from 47.3 points in September), reflecting improvements in new orders. This suggests that the manufacturing sector is poised for remarkable growth by year-end, as many producers resume operations at full capacity.

**Import and export** activities showed strong recovery after Typhoon Yagi, with trade turnover in October increasing nearly 5% compared to the previous month and nearly 12% YoY, reaching approximately \$70 billion USD. Of this, export turnover accounted for nearly \$36 billion USD. Vietnam's export performance is expected to achieve solid growth in the remaining months of 2024, driven by positive signals from import demand and PMI reports reflecting new export orders. However, trade risks in 2025 remain unpredictable, particularly with Donald Trump's return as US

president for a second term, potentially reshaping trade policies.

**Foreign direct investment (FDI)** remained stable at around \$2.48 billion USD, with FDI disbursement also steady at the same level in October. This indicates that foreign enterprises continue to channel capital into the Vietnamese market. As long as there is no significant decline, maintaining stable inflows demonstrates Vietnam's potential and ability to absorb foreign investment. Vietnam's relationships with the rest of the world are also increasingly being oriented toward further expansion.

**Public investment spending** With the goal of achieving 7.5% growth in Q4 and 7% for the full year of 2024—nearly double the average growth rates of ASEAN and the global economy—Vietnam will need to focus even more on disbursing public investment in the remainder of the year. This will also act as a catalyst for stimulating private investment and domestic consumption activities.

**Table 1: Vietnam economic indicators**

	Unit	2023A	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
GDP	%YoY	5.1		6.9			7.4	
CPI	%YoY	3.3	4.4	4.3	4.4	3.5	2.6	2.9
Retail sales	%YoY	9.6	8.7	8.6	8.7	8.5	8.8	8.5
Export	%YoY	-4.5	15.1	17	19.6	15.9	11.1	10.8
Import	%YoY	-9.1	25.9	18.9	25.8	15.6	10	13.2
Trade Bal	Bil USD	28.3	-0.4	3.2	2.7	4.1	2.2	2.5
Realized FDI	Bil USD	23.2	2	2.6	1.7	1.6	3.2	2.2
IIP	%YTD YoY	1.5	6.8	7.7	8.5	8.6	8.6	8.3
PMI manufacturing		48.9	50.3	54.7	54.7	52.4	47.3	51.2

Sources: PHS compiled