

# Economic Flash

## Domestic output exceeds expectations

### GDP growth beats all expectations

Vietnam's real gross domestic product (GDP) recorded an impressive acceleration in 2020Q4, resulting in a whole-year growth rate higher than all market expectations. According to the latest GSO's estimate, Vietnam's economy increased by 4.48% YoY in 4Q20, 1.78 percent point-higher than 3Q20. Consequently, 2020's real GDP growth posted 2.91% YoY, outperforming estimates setting by major international economic institutions such as IMF (1.60%), World Bank (2.80%), ADB (1.80%).

### Trade makes a big move

In December, trade activities witnessed a significant acceleration, while the trade balance turned into a deficit after a surplus streak lasting seven months. According to GSO, trade value rose by 20.16% YoY, 7.03%-higher than November, while export and import rose by 17.63% YoY and 22.70% YoY to post USD26.50bn and USD27.50bn, respectively.

### FDI disbursement ends 2020 at record high

December marked a new record for foreign investment activity as FDI disbursement reached the highest level by the end year even the COVID-related investment risk still lingering. Meanwhile, restrictions on global mobility, due to the outbreak in early December, continued to drag on the FDI registration, down to a 3-month low.

### Production ramps up for the year-end season

After slowing down in November, based on revised data, the industrial production again climbed nearly to its all-time high recorded in October, even under pressure from a slump in the electronics industry. As of December end, IIP increased by 1.68% MoM and 9.52% YoY

### KIS leading economic index

(USD bn, %, % QoQ, % YoY)

	1Q20	2Q20	3Q20	4Q20F	2019	2020F	2021F
GDP	3.82	0.36	2.62	4.48	7.02	2.91	5.94
Trade balance	3.82	1.92	10.72	2.54	10.42	19.01	1.77
CPI	4.87	3.17	2.98	0.19	5.23	3.24	2.41
Discount rate	3.50	3.00	3.00	3.00	4.00	3.00	3.00
VND/USD	23,264	23,206	23,188	23,252	23,231	23,255	23,246
US GDP	(4.80)	(34.20)	NA	7.90	2.3	(5.70)	3.90
China GDP	(6.80)	1.10	NA	6.00	6.10	1.80	8.00

Source: KIS

### Contents

I. GDP growth beats all expectations .....	1
II. Trade makes a big move.....	2
III. CPI modestly increases .....	3
IV. Retail sales sustains upturn .....	4
V. FDI disbursement ends 2020 at record high .....	5
VI. Production ramps up for the year-end season .....	6
<b>Macro scorecard .....</b>	<b>7</b>

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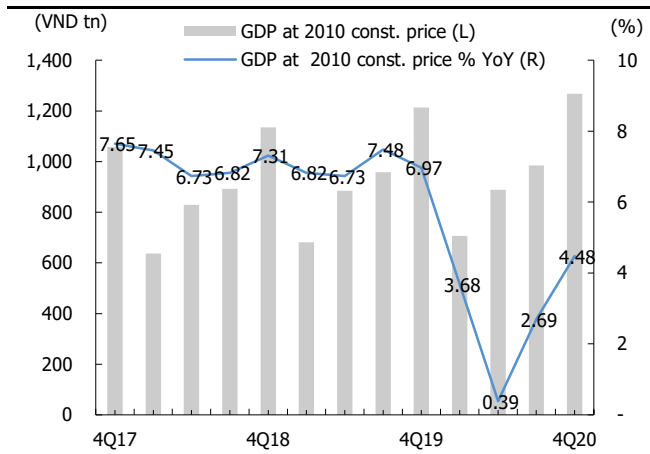
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# I. GDP growth beats all expectations

## Impressive GDP growth in 4Q20

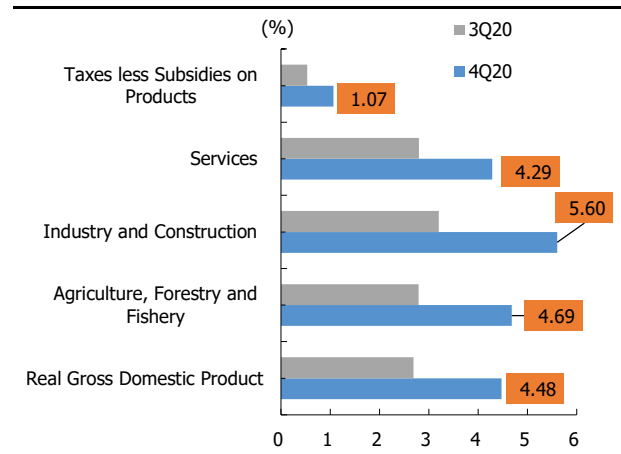
Vietnam's real gross domestic product (GDP) recorded an impressive acceleration in 2020Q4, resulting in a whole-year growth rate higher than all market expectations. According to the latest GSO's estimate, Vietnam's economy extends its upward momentum as real GDP increasing by 4.48% %YoY in the last quarter of 2020, 1.78 percent point-higher than 2020Q3. Consequently, the corresponding GDP growth rate in 2020 post 2.91%, outperforming estimates setting by major international economic institutions such as IMF (1.60%), World Bank (2.80%), ADB (1.80%).

**Figure 1. Quarterly GDP at 2010 constant price**



Source: KIS, GSO

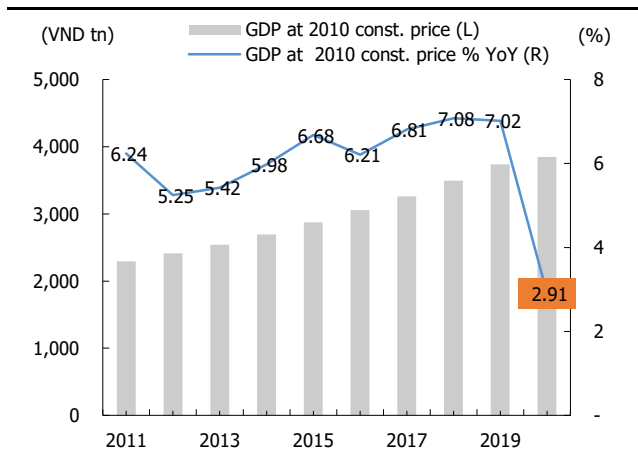
**Figure 2. Quarterly GDP growth by sector**



Source: KIS, GSO

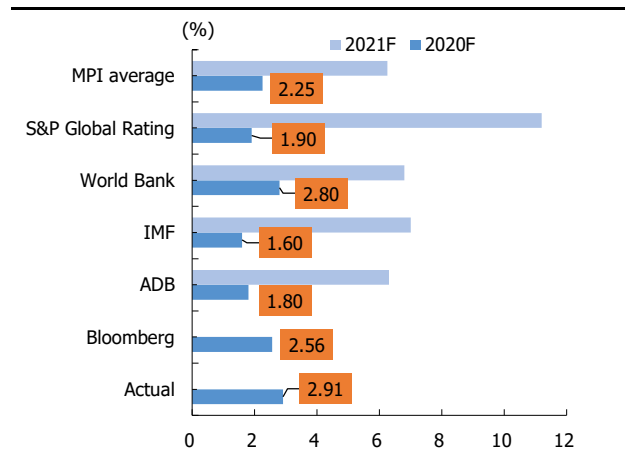
Regarding sectoral contributions, this period witnessed significant accelerations across all GDP's components, including the agriculture, forestry, and fishery (AFF), industry and construction (I&C), services and taxes less subsidies on products (TLS). Specifically, AFF, I&C, services, and TLS rose by 4.69%, 5.60%, 4.29% and 1.07%, 1.89%-, 2.40%-, 1.49%-, and 0.53%- higher than the previous quarter, respectively

**Figure 3. Yearly GDP at 2010 constant price**



Source: KIS, GSO

**Figure 4. Yearly GDP growth and estimates**



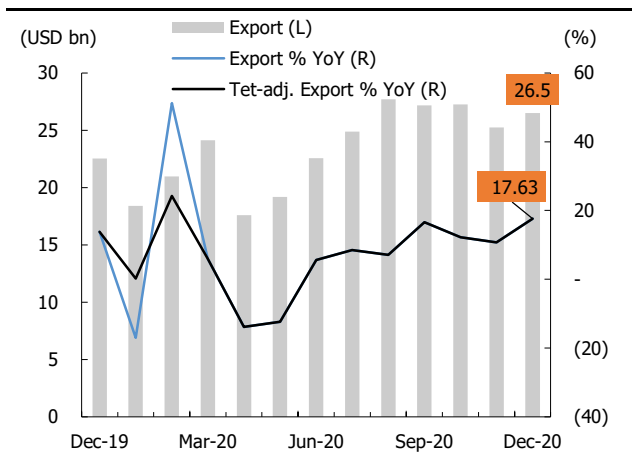
Source: KIS, GSO

## II. Trade makes a big move

### Trade growth continued accelerating

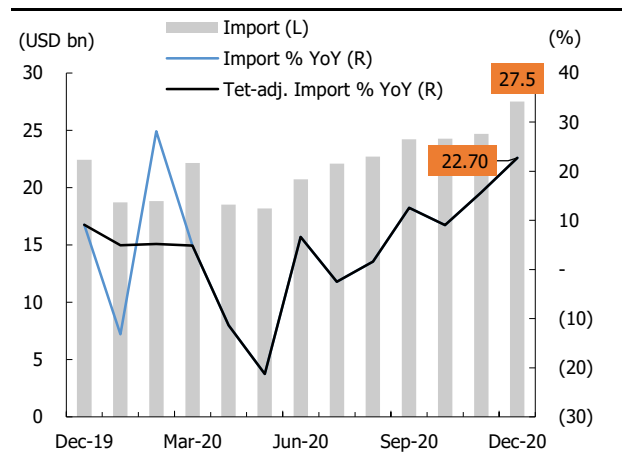
In December, trade activities witnessed a significant acceleration, while the trade balance turned into a deficit after a surplus streak lasting seven months. According to GSO, trade value magnified its upward momentum in this period by rising by 20.16% YoY, 7.03%-higher than November due to material accelerations in both export and import value. In detail, export and import rose by 17.63% YoY and 22.70% YoY, 6.90%- and 7.01%- higher than previous growths, to post USD26.50bn and USD27.50bn, respectively. Therefore, the trade balance recorded a deficit of USD1.00bn this month, marking a break in the surplus chain starting from May.

Figure 5. Vietnam monthly export



Source: KIS, GSO

Figure 6. Vietnam monthly import



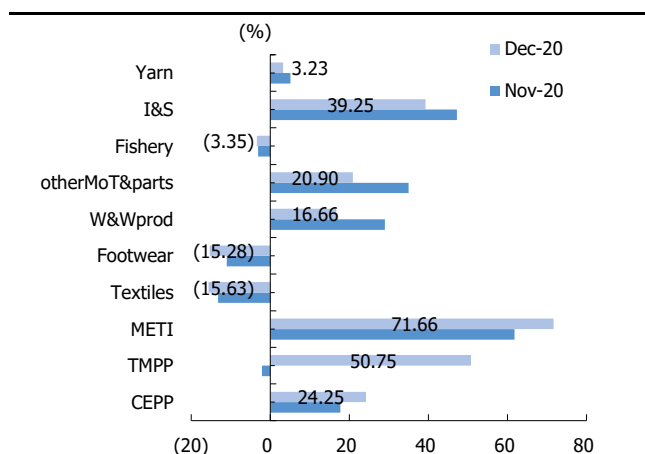
Source: KIS, GSO

Although most of the essential items witnessed slowdowns (four over ten) and even deteriorations (three over ten), the impressive growth in the overall export value this month was determined by striking improvements in three items, including computers, electrical products and parts (CEPP), machines, equipment, tools and instruments (METI), and telephones, mobile phones and parts (TMPP). In detail, METI and CEPP strengthened their upward momentums by rising by 71.66% YoY and 24.25% YoY, 9.89%- and 6.54%-higher than November, while TMPP even made an outstanding turnaround by surging by 50.75% YoY, much higher than the previous contraction to post USD4.40bn in this period. These improvements mitigated not only slowdowns from yarn, iron and steel (I&S), other means of transportation and parts (otherMoT&parts) and wood and wooden products (W&Wprod) but also deteriorations from fishery, footwear, and textiles. More specifically, yarn, I&S, otherMoT&parts, and W&Wprod slowed their uptrend by increasing by 3.23% YoY, 39.25% YoY, 20.09% YoY, and 16.66% YoY, while fishery, footwear, and textiles were deteriorating as decreasing by 3.35% YoY, 15.28% YoY, and 15.63% YoY.

General accelerations in most essential items, especially in METI and CEPP, characterized the move of import activity this month. Eight over ten items in the major basket experienced improvements in December when their growth rates became more positive or less negative. Given the two biggest weights in import structure, accelerations of CEPP and METI were the main

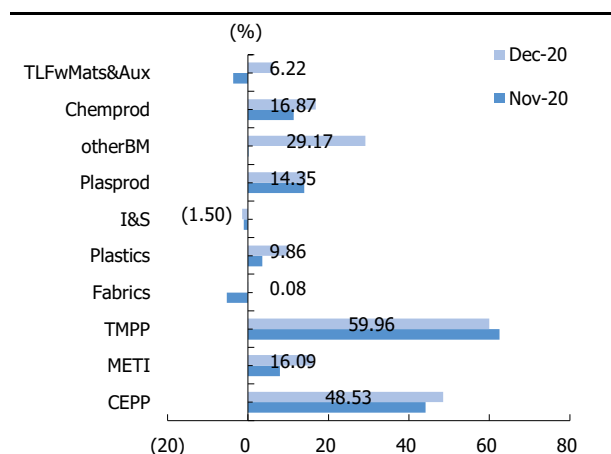
reasons for enlarging overall upward momentum. In detail, CEPP and METI rose by 48.53% YoY and 16.09% YoY, 4.42%- and 8.21%- higher than previous growth rates and posted USD6.40bn and USD4.20bn, respectively. Also, some other items made noticeable progress and contributed considerably to overall acceleration in this month, such as chemical products (Chemprod +16.87% YoY), other base metals (otherBM +29.17% YoY), plastic products (Plasprod +14.35% YoY), and plastics (+9.86% YoY).

**Figure 7. Top 10 export item: growth rates (% YoY)**



Source: KIS, GSO

**Figure 8. Top 10 import item: growth rates (% YoY)**



Source: KIS, GSO

TMPP: telephones, mobile phones and parts, CEPP: computers, electrical products and parts, METI: machine, equipment, tools and instruments, otherMoT&parts: other means of transportation parts and accessories thereof, W&Wprod: wood and wooden products, F&V: fruits and vegetables, I&S: iron and steel, Plasprod: plastic products, TLFwMats&Aux: textile, leather and foot-wear materials and auxiliaries, otherBM: other base metals, Chemprod: chemical products.

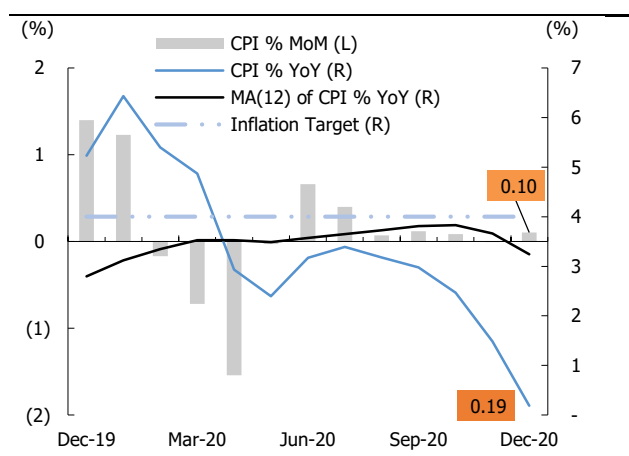
### III. CPI modestly increases

#### High energy prices boosted CPI

According to GSO's release, the Consumer Price Index (CPI) witnessed a modest increase compared to the previous month due to opposition between food and foodstuff (F&Fs) and traffic moves. After a short halt in November, CPI returned to its recent upward momentum by rising by 0.10% MoM. The opposition between the upward pressure from F&Fs and downward pressure from traffic mainly contributed to the overall increase this period. More specifically, while F&Fs turned into a reduction of 0.41% MoM from a slight increase in November, the traffic sub-index made a significant rebound, after a 3-month declining streak, by soaring by 2.45% MoM.

Regarding the comparison to the price level in the same period last year, the CPI sustained its slowdown starting from July. Specifically, CPI increased by 0.19% YoY in this period, 130bps-lower than the previous month. Hence, the 12-month rolling inflation rate posted 3.24%, 76bps-lower than the authority target rate of 4%.

**Figure 9. CPI Changes**



Source: GSO, KIS

**Table 1. Inflation by Sectors**

Item	Weight (%)	% MoM	% YoY
Food and foodstuff	36.12	(0.41)	2.68
Beverage and cigarette	3.59	0.13	1.14
Garment, Footwear, hat	6.37	0.15	0.37
Housing and construction materials	15.73	(0.03)	0.19
Household appliances and goods	7.31	0.01	0.67
Medicine and health care	5.04	0.01	0.51
Traffic	9.37	2.45	(11.68)
Postal services & Telecommunication	2.89	(0.00)	(0.52)
Education	5.99	0.00	4.15
Culture, entertainment and tourism	4.29	(0.10)	(2.43)
Other goods and services	3.3	0.12	2.10
<b>Consumer Price Index</b>		<b>0.10</b>	<b>0.19</b>

Source: GSO, KIS

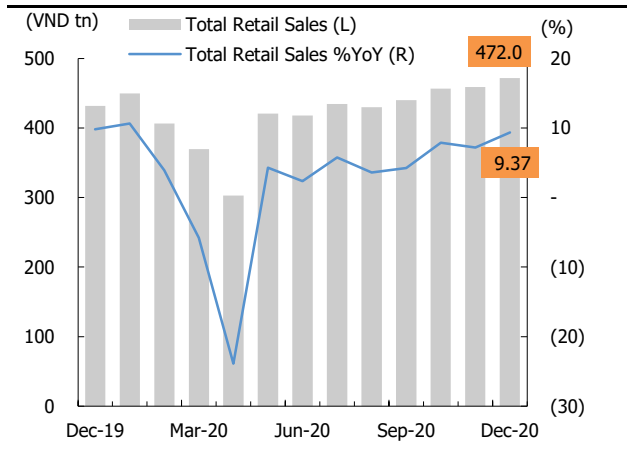
## IV. Retail sales sustains upturn

### *Retail sales growth gained momentum*

The upward momentum of retail sales became more robust in this period due to the acceleration in the retail sector and softening downturns in accommodation and catering (A&C) and traveling activities. According to GSO's estimates, the retail sales in December witnessed an acceleration by rising by 9.37%, 218bps-higher than the previous month and posting VND472.04tn. The general improvements across all sectors determined this progress of retail sales in this period. Given the largest share, the retailing activity was the most contributor as increasing by 13.79% YoY, 251-bps higher than previous and added 10.37 percent point to the overall growth. Besides, despite the laggard role in recent months, A&C and traveling activities were warming up as contracting at rates 84bps- and 19bps-lower than November, respectively.

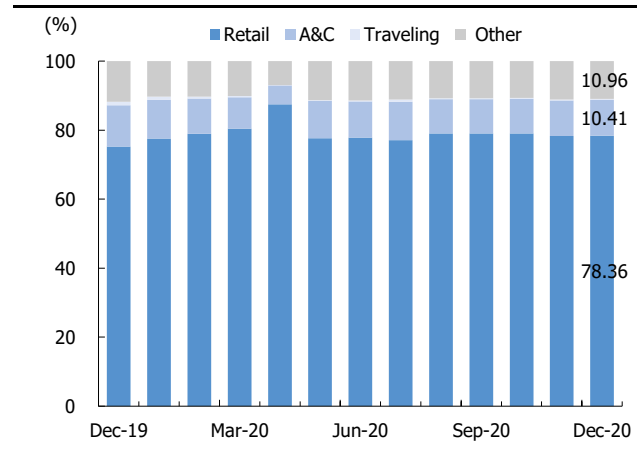
Regarding the structure, the retail value kept overwhelming with the largest share at 78.36% of the total, while A&C and traveling sectors jointly consisted of 21.37% of total revenue.

**Figure 10. Monthly retail sales**



Source: GSO, KIS

**Figure 11. Components of retail Sales**



Source: GSO, KIS

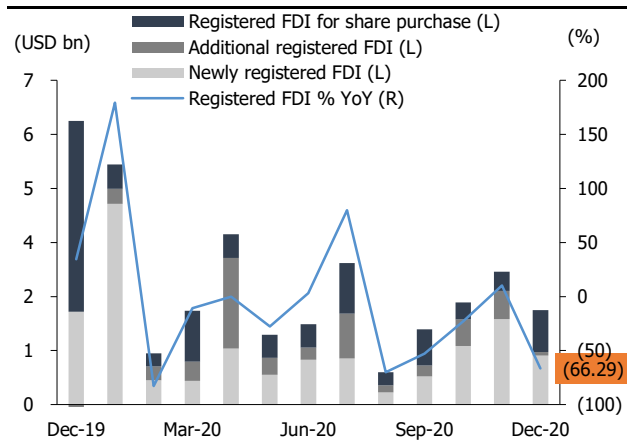
## V. FDI disbursement ends 2020 at record high

### Disbursed FDI reached a new high record

December marked a new record for foreign investment activity as FDI disbursement reached the highest level by the end year even the COVID-related investment risk still lingering. Meanwhile, restrictions on global mobility, due to the outbreak in early December, continued to drag on the FDI registration, down to a 3-month low.

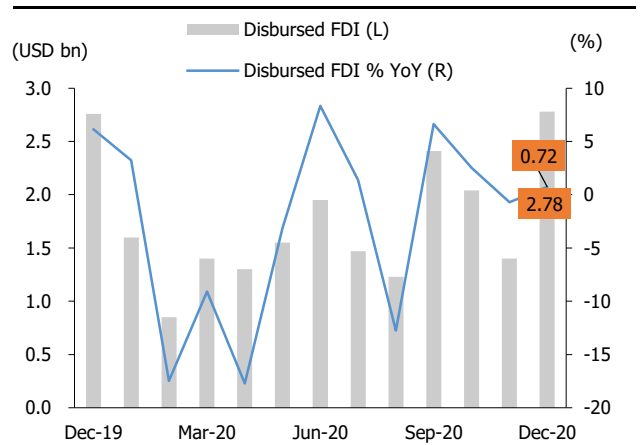
More specifically, about USD1.09bn being registered for new projects in the month, recording a 3-month low, while raising capital for existing projects plunged to a 1-year low of just USD0.08bn. On the contrary, a total amount of share purchase accelerated to a 5-month high of USD0.93bn, pushing the total registered capital to USD2.10bn in the month, decreasing by 66.29% YoY. On the other hand, FDI disbursement ended the year at its all-time high level, at USD2.78bn, increasing by 0.72% YoY, respectively.

**Figure 12. Registered FDI**



Source: MPI, KIS

**Figure 13 Disbursed FDI**



Source: MPI, KIS

## VI. Production ramps up for the year-end season

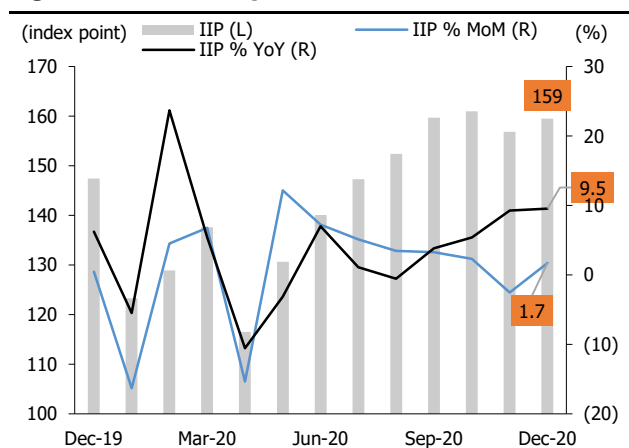
### ***IIP bounced back from November's reduction***

After slowing down in November, based on revised data, the industrial production again climbed nearly to its all-time high recorded in October, even under pressure from a slump in the electronics industry. As of December end, IIP increased by 1.68% MoM and 9.52% YoY.

Most notably, expansion in the manufacturing sector continued further, reaching the second-highest level and increasing 13.13% YoY. Meanwhile, with a noticeable recovery in the extraction of crude oil and natural gas, production in the mining sector reached a 4-month high, although still plunging 10.41% YoY.

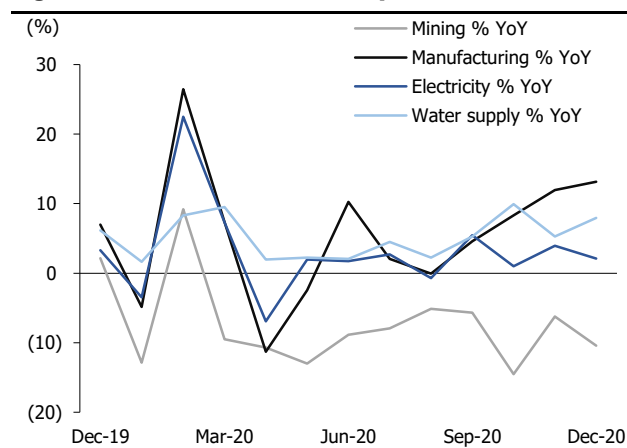
Besides, electricity production & distribution and water supply expanded at a modest pace by 2.12% YoY and 7.95% YoY, respectively.

**Figure 14. Industrial production index**



Source: GSO, KIS

**Figure 15. Level-1 sectoral components**



Source: GSO, KIS

## Macro scorecard

(USD bn, USD, %, % YoY)

	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	1Q20	2Q20	3Q20	4Q20	2016	2017	2018	2019
Real GDP growth			2.62			4.48	3.82	0.36	2.62	4.48	6.21	6.81	7.08	7.03
Registered FDI	3.15	0.72	1.67	2.27	2.95	2.10	8.55	7.12	5.54	7.32	20.95	35.88	35.47	38.02
GDP per capita											2,172	2,353	2,551	2,730
Unemployment rate											2.33	2.21	2.21	2.25
Export	23.00	27.70	27.16	27.26	25.24	26.50	63.52	59.33	79.74	79.00	176.6	215.1	243.5	263.6
Import	22.00	22.72	24.20	24.27	24.69	27.50	59.69	57.41	69.02	76.46	175.0	213.2	236.7	254.4
Export growth	8.47	7.14	16.57	12.21	10.73	17.63	7.99	(6.81)	10.61	13.48	8.99	21.82	13.19	8.16
Import growth	(2.52)	1.58	12.58	9.00	15.69	22.70	4.03	(9.46)	3.74	15.81	5.55	21.85	11.01	7.41
Inflation	3.39	3.18	2.98	2.47	1.48	0.19	3.53	3.57	3.81	3.24	2.66	3.53	3.54	2.79
USD/VND	23,167	23,175	23,188	23,181	23,141	23,126	23,637	23,206	23,184	23,126	22,761	22,698	23,175	23,173
Credit growth	4.05	4.16	6.10	6.15	8.46	10.14	1.30	3.26	6.10	10.14	18.25	18.24	13.89	13.70
10Y gov't bond	2.88	2.88	2.52	2.21	2.26	2.01	3.24	3.07	2.65	2.01	6.23	5.14	5.07	3.37

Source: GSO, Bloomberg, FIA, IMF



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