

Economic Flash

Internal forces shield economic growth from global headwinds

Trade faces global headwinds

Trade activities in July slowed down with a contracted export value of smartphones and parts, following the output reduction of Samsung Electronics. The impact of the global slowdown on Vietnam's trade activities became visible this month. Accordingly, the overall import value grew less than the previous month as demand for electronic components for assembly declined. According to GSO, export and import were USD30.32bn and USD30.30bn, increasing by 8.87% YoY and 3.42% YoY, respectively. Consequently, the trade balance recorded a trivial surplus of USD0.02bn.

Industrial production remains strong

Industrial production remained strong in July thanks to domestic-oriented products while manufacturing of export-oriented products saw early signs of the global slowdown effect. According to GSO, the index of industrial production grew by 11.19% YoY this month, 2.09 percentage points higher than one in June.

Recovering tourism boosts retail sales

According to GSO's estimate, retail sales in July climbed to a new year-high this month and were much larger than that in the same period last year due to the past lockdown. Accordingly, the revenue from selling goods and services reached VND485.98tn this month, increasing by 2.39% MoM and 42.63% YoY.

KIS leading economic index

	3Q21	4Q21	1Q22	2Q22	2020	2021	2022F
GDP (%)	(6.02)	5.22	5.03	7.72	2.91	2.58	7.50
Trade balance (USD bn)	(1.00)	5.38	1.50	(0.75)	19.86	4.00	6.00
CPI (%)	2.51	1.89	2.50	2.96	3.24	1.84	3.50
Discount rate (%)	2.50	2.50	2.50	2.50	2.50	2.50	2.50
USD/VND	22,878	22,787	22,900	23,139	23,252	22,936	23,200
US GDP (% qoq, annualized)	2.30	6.90	(1.60)	3.00*	(3.40)	5.60	3.90*
China GDP (% yoy)	4.90	4.00	4.80	1.50*	2.20	8.00	5.20*

Source: KIS
* Bloomberg's estimate

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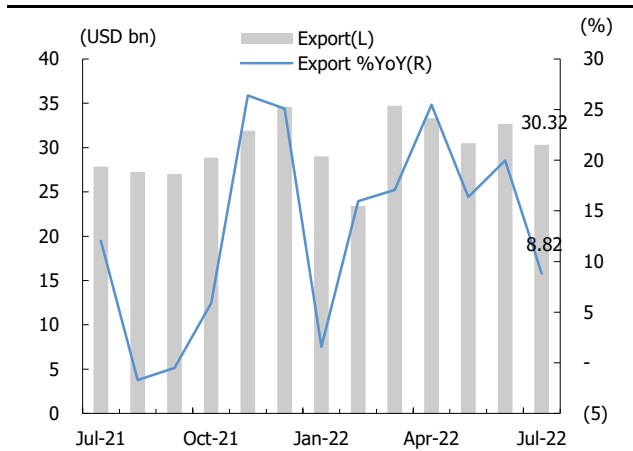
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I. Trade faces global headwinds

Trade activities slowed down on phones decline

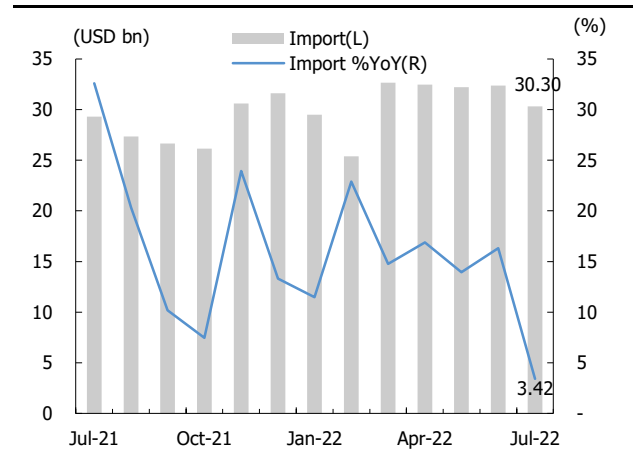
Trade activities in July slowed down with a contracted export value of smartphones and parts, following the output reduction of Samsung Electronics. The impact of the global slowdown on Vietnam's trade activities became visible this month. Accordingly, the overall import value grew less than the previous month as demand for electronic components for assembly declined. According to GSO, export and import were USD30.32bn and USD30.30bn, increasing by 8.87% YoY and 3.42% YoY, respectively. Consequently, the trade balance recorded a trivial surplus of USD0.02bn.

Figure 1. Vietnam monthly export



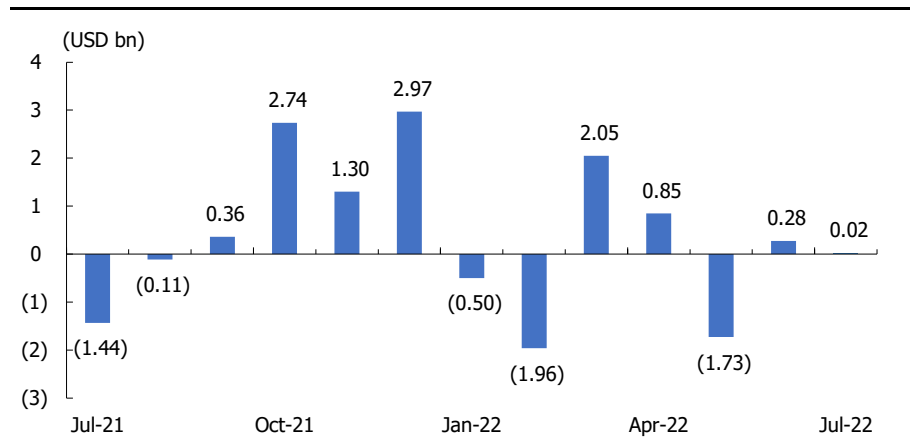
Source: KIS, GSO

Figure 2. Vietnam monthly import



Source: KIS, GSO

Figure 3. Vietnam monthly trade balance



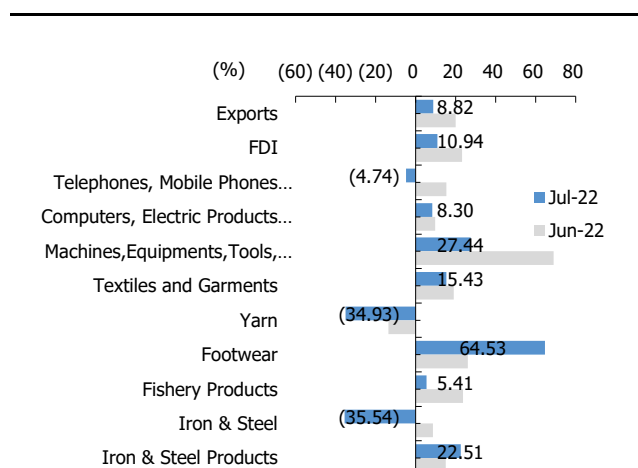
Source: KIS, GSO

In the export structure, the decline of telephones, mobile phones, and parts (TMPP), as a flagship product, mainly caused the overall export performance to slow down this month. Samsung electronics (SEC), according to people familiar with the matter, has recently announced its smartphone output adjustment for 2022 with a decline of around 20% compared to the initial amount. Smartphone volume from SEC's factories in Vietnam was around 60% of the whole group, the consequence of the output cut on trade and production activities was unavoidable. Furthermore, the global slowdown dampened the

export of other products, including computers, computers, electronic products & parts (CEPP), machines, equipment, tools, and instruments (METI), textiles and garments, and fishery with their respective growth rates of 8.30% YoY, 27.44% YoY, 15.43% YoY, and 5.41% YoY, lower by 1.52 percentage points(ppts), 41.50ppt, 3.67ppts, and 18.25ppts than previous one. More notably, exports of iron and steel (I&S) even turned into reductions of 34.93% YoY and 35.54% YoY after growing nearly at a double-digit rate in June.

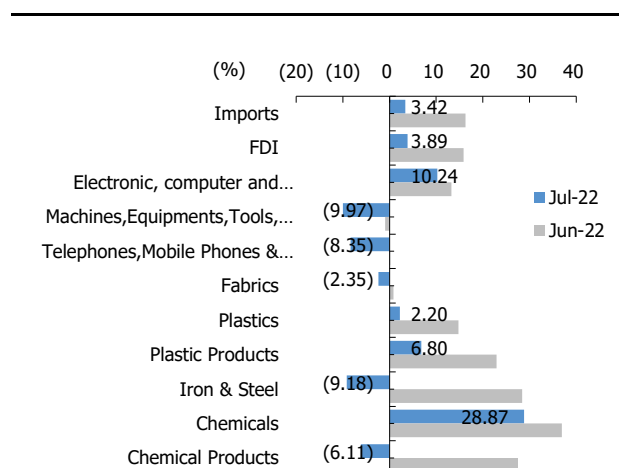
In import structure, most products grew less and several ones even recorded reductions. Among consumer electronics and parts, CEPP slowed down with a growth rate of 10.24% YoY while METI and TMPP worsen with their declines of 9.97% YoY and 8.35% YoY. Similarly, import activities of other major products, such as plastics, plastic products, and chemicals were less impressive this month under the weaker demand for raw material and assembled components with growth rates of 2.20% YoY, 6.80% YoY, and 28.87% YoY, 12.55ppts-, 16.18ppts-, and 8.10ppts-lower than ones in June, respectively. In a more severe situation, imports of fabrics, I&S, and chemical products even declined by 2.35% YoY, 9.18% YoY, and 6.11% YoY though their growth rates were positive in June.

Figure 4. Top export item: growth rates (% YoY)



Source: KIS, GSO

Figure 5. Top import item: growth rates (% YoY)



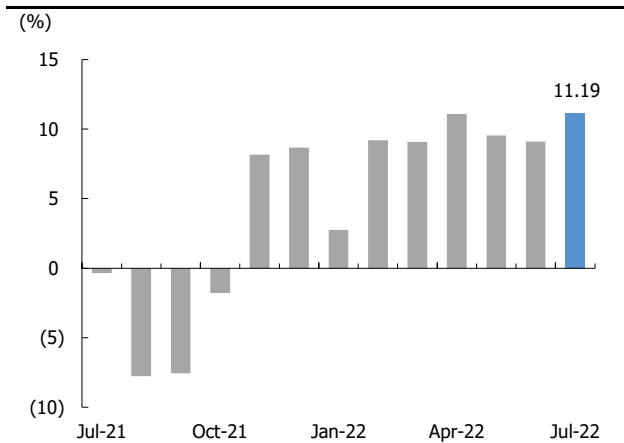
Source: KIS, GSO

II. Industrial production remains strong

Growth engine of IIP tends to switch to domestic-oriented production

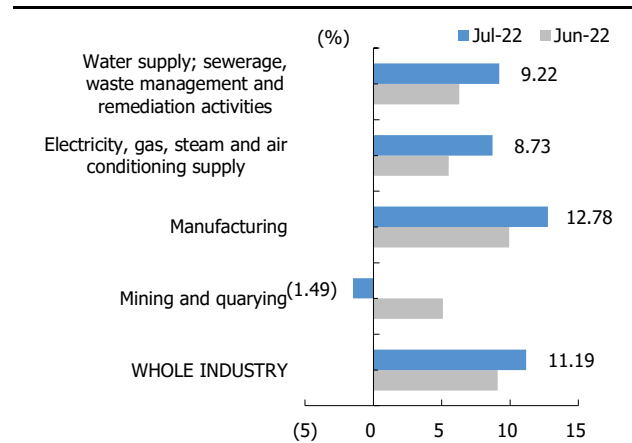
Industrial production remained strong in July thanks to domestic-oriented products while manufacturing of export-oriented products saw early signs of the global slowdown effect. According to GSO, the index of industrial production (IIP) grew by 11.19% YoY this month, 2.09 percentage points (ppts) higher than one in June. Regarding sub-sector performance, electricity, gas, steam, and air-conditioning supply (EGSA), manufacturing, and water supply; sewerage, waste management, and remediation activities (WSWM) accelerated while mining and quarrying activities (M&Q) worsen. In more detail, manufacturing, EGSA, and WSWM grew by 12.78% YoY, 8.73% YoY, and 9.22% YoY, 2.84ppts-, 3.22ppts-, and 2.94ppts-higher than ones in June, respectively. Oppositely, M&Q turned into a reduction of 1.49% YoY after growing by 5.09% in the previous month.

Figure 6: IIP % YoY by month



Source: GSO, KIS

Figure 7. Movements of 1st tier sectors



Source: GSO, KIS

Regarding second-leveled industries, export-oriented products, especially ones in the electronics chain, saw early signs of global headwinds as giant leaders have adjusted their plans under weaker demand concerns. Manufacture of computer, electronic and optical products slowed down with its growth rate of 8.61% YoY, 6.10ppts-lower than one in June. On the other side, manufacturing of domestic-oriented production emerged strongly under impressive recovery of domestic consumption. Specifically, food and beverage productions accelerated impressively at high growth rates of 16.95% YoY and 57.27% YoY, respectively. Besides, the manufacture of wearing apparel witnessed an acceleration for a similar reason.

In the extreme movements, mining support service activities (MSSA) and manufacture of pharmaceuticals, medicinal chemical and botanical products (PHARMA) continued growing at extraordinary rates of 68.62% YoY and 33.33% YoY this month. Oppositely, the extraction of crude petroleum and natural gas and the manufacture of basic metals performed poor as reducing by 10.45% YoY and 6.36% YoY, respectively.

Table 1. Movements of notable 2nd tier sectors

Sector	Classification	Jun-22 (% YoY)	Jul-22 (% YoY)
Manufacture of food products		6.43	16.95
Manufacture of beverages		36.08	57.27
Manufacture of textiles	Key	(1.51)	6.84
Manufacture of computer, electronic and optical products		14.71	8.61
Manufacture of electrical equipment		19.93	19.29
Manufacture of machinery and equipment		3.02	11.79
Mining support service activities		112.82	68.62
Manufacture of beverages		36.08	57.27
Manufacture of pharmaceuticals, medicinal chemical and botanical products	Best	22.72	33.33
Manufacture of wearing apparel		17.05	28.90
Manufacture of leather and related products		13.23	25.50
Extraction of crude petroleum and natural gas		(0.76)	(10.45)
Manufacture of basic metals		(4.03)	(6.36)
Manufacture of rubber and plastics products	Worst	11.33	(4.52)
Manufacture of other transport equipment		(18.80)	(4.02)
Mining and quarrying		5.09	(1.49)

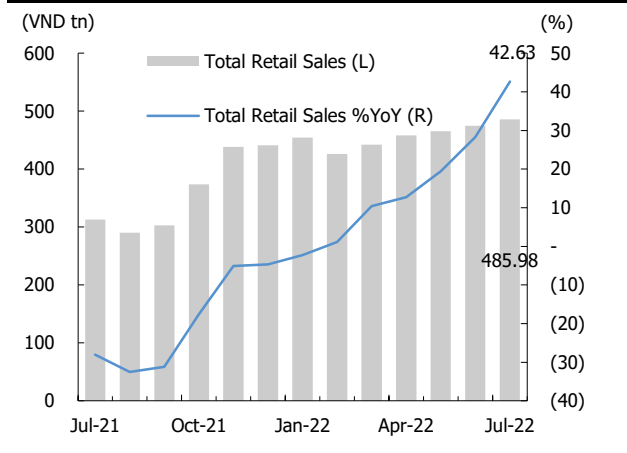
Source: GSO, KIS

III. Recovering tourism boosts retail sales

Retail sales accelerated significantly

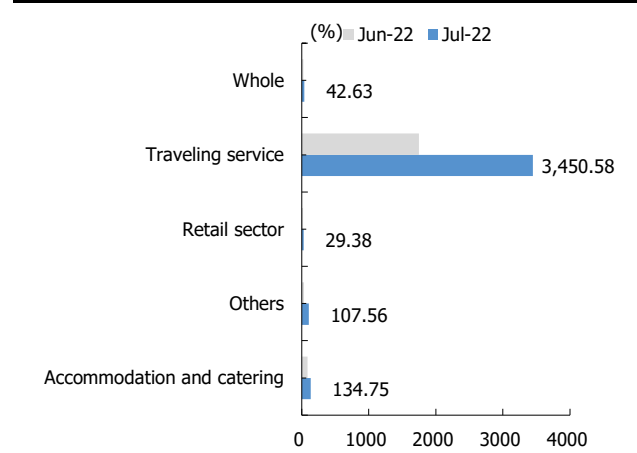
According to GSO's estimate, retail sales in July climbed to a new year-high this month and were much larger than one in the same period last year due to the past lockdown. Accordingly, the revenue from selling goods and services reached VND485.98tn this month, increasing by 2.39% MoM and 42.63% YoY. Regarding the development of specific components, the retail sector mainly contributed to the overall acceleration by growing by 29.38% YoY to reach VND381.45tn this month. More notably, accommodation and catering (A&C) and traveling services performed strongly when their revenues nearly recovered to the pre-pandemic level. Revenue from traveling service was VND3.45tn, roughly equaling 95% and 87% of average revenue per month in 2018 and 2019, and revenue from A&C exceeded 2018's and 2019's average by around 20% and 10%, respectively. Therefore, the normalized traveling and A&C services contributed significantly to the development of the whole industry.

Figure 8. Monthly retail sales



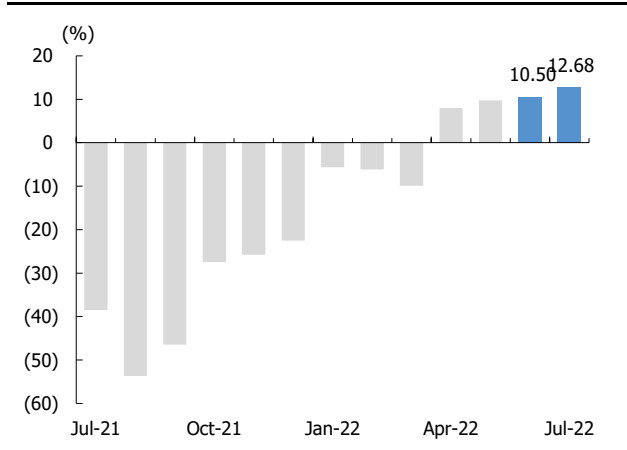
Source: GSO, KIS

Figure 9. Components of retail Sales



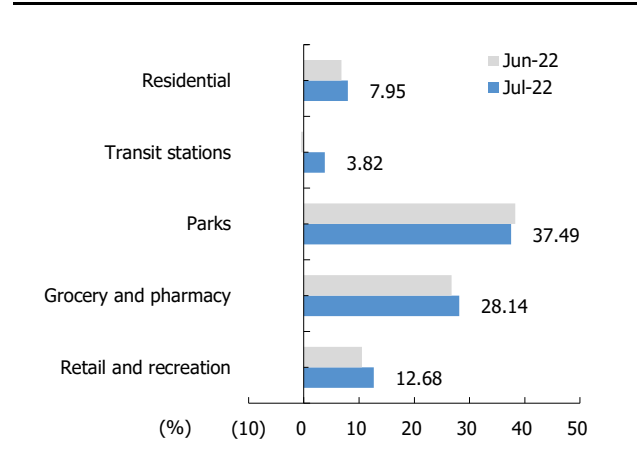
Source: GSO, KIS

Figure 8. Mobility of retail and recreation



Source: GSO, KIS

Figure 9. Mobility by category



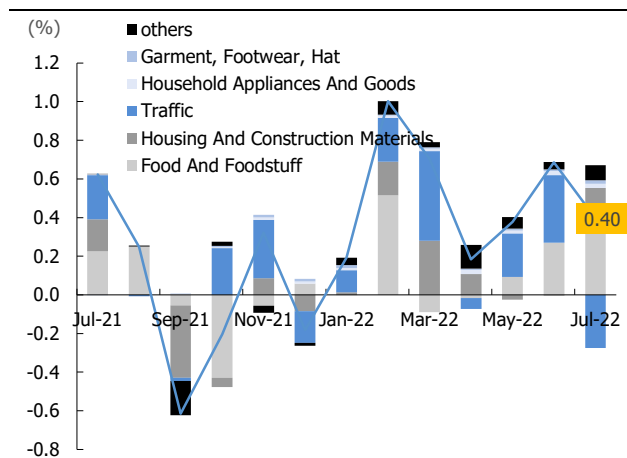
Source: GSO, KIS

IV. CPI slows down due to traffic

Higher food and foodstuffs push CPI

According to GSO's release, the Consumer Price Index (CPI) increased further this month mainly due to higher food and foodstuffs (FFS), and housing and construction materials prices (HCM). In more detail, CPI in July 2022 rose by 0.4% MoM, making the fourth consecutive increase. Regarding sectoral contributions, FFS and HCM rose by 1.37% MoM and 0.49% MoM, adding 46 basis points (bps) and 9bps to CPI's increase, respectively. By contrast, traffics experienced a decline with reductions of 2.85% MoM due to declines in domestic fuel prices.

Figure 10. Monthly CPI change and its contributor



Source: GSO, KIS

Table 2. Monthly CPI change by item

Item	Weight (%)	% MoM	% YoY
Food and foodstuff	33.56	1.37	2.98
Beverage and cigarette	2.73	0.39	3.43
Garment, Footwear, hat	5.70	0.32	1.84
Housing and construction materials	18.82	0.49	1.13
Household appliances and goods	6.74	0.32	2.25
Medicine and health care	5.39	0.05	0.40
Traffic	9.67	-2.85	15.22
Postal services & Telecommunication	3.14	0.26	-0.20
Education	6.17	0.20	-1.97
Culture, entertainment and tourism	4.55	0.79	4.32
Other goods and services	3.53	0.43	2.65
Consumer Price Index	100.00	0.40	3.14

Source: GSO, KIS

Taking CPI's contributors at the product-level into consideration, the upward pressure from the F&Fs index mainly came from the live pork price with an increase of 12.2% MoM. The reason behind this development was the rise in animal feed, for instance, the corn import price had no sign of cooling down yet. In July, corn import price was USD384/tonne, growing by 6% MoM.

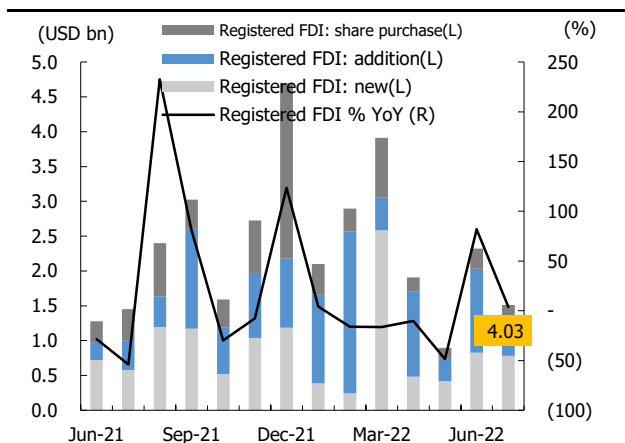
Regarding the yearly change, CPI rose by 3.14% YoY this month, 0.86%-lower than the government's target proposed in Resolution 01/NQ-CP on social-economic development plan and tasks in 2022.

V. FDI registration reduces

Registered FDI witnessed a decrease

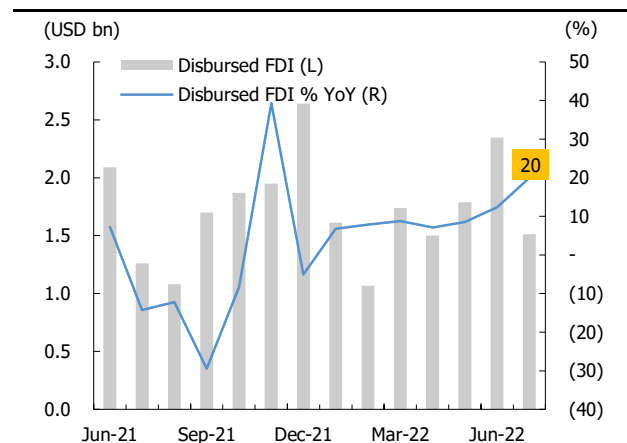
According to GSO, July's registered FDI witnessed a decrease after a significant recovery in the previous month. The registration value from foreign investors in this month was USD1.51bn, including USD0.78bn of new, USD0.42bn of the addition, and USD0.31bn of the share purchase, and was 4.06% higher than same period last year. Compared to June, not only did the registered value this month decrease dramatically by 34.86% but also the disbursed value fell by 35.60%. Besides, the disbursement of foreign capital this month was USD1.51bn, increasing by 20% YoY and falling 35.60%MoM. Regarding the cumulative performance, registered FDI and disbursed FDI witnessed a decline of 7.07% YoY and an increase of 10% YoY, respectively. By industry, FDI inflows remain stable in some key sectors, including the manufacturing and real estate sectors.

Figure 13. Monthly registered FDI



Source: MPI, KIS

Figure 11. Monthly disbursed FDI



Source: MPI, KIS

Accumulated to July 20th, 2022, the country had 35,367 valid projects with a total registered FDI of nearly USD429.04bn. The accumulated disbursed FDI projects was roughly USD263.17bn, equaling 61.3% of the total valid FDI. Regarding of industry, the manufacturing industry accounted for the highest proportion with over USD254.40bn (accounting for 59.3% of total investment capital). Second place was the real estate business with USD65.40bn (accounting for 15.3% of total investment capital); electricity production and distribution took the third place with USD36.50bn (accounting for 8.5% of total investment capital).

Table 3. Notable projects in the first seven months of 2022

Project	Origin country	7-month of 2022 registration (USD bn)	Accumulated registration (USD bn)	Location
Lego	Denmark		1.30	Binh Duong
Thermal Project O Mon II	Japan		1.33	Can Tho
VSIP Bac Ninh	Singapore	0.94	1.70	Bac Ninh
Samsung Electro-mechanism	Korea	0.92	2.27	Thai Nguyen
GoerTek	China	0.40	0.50	Nghe An
LG Display VietNam	Korea	1.40	4.65	Hai Phong

Source: GSO, MPI, KIS

Macro scorecard

	22-Mar	22-Apr	22-May	22-Jun	22-Jul	3Q21	4Q21	1Q22	2Q22	2018	2019	2020	2021
Real GDP growth (%)						-6.02	5.22	5.03	7.72	7.08	7.03	2.91	2.58
Registered FDI (USD bn)	2.89	3.91	0.98	2.32	1.51	6.88	9.01	8.91	5.12	35.47	38.02	28.53	31.15
GDP per capita (USD)										3,202	3,398	3,521	3,725
Unemployment rate (%)										2.21	2.25	2.48	3.22
Export (USD bn)	34,061	33,258	30,480	32,650	30,323	82.12	95.26	86.01	96.83	243.5	263.6	282.7	335.7
Import (USD bn)	32,672	32,189	32,210	32,370	30,302	83.12	88.72	87.45	97.58	236.7	254.4	263	331.1
Export growth (%)	14.84	24.98	16.38	19.98	8.82	2.99	20.43	13.43	21.02	13.19	8.16	7.02	18.74
Import growth (%)	14.64	15.45	12.85	16.32	3.42	18.85	15.42	15.17	15.72	11.01	7.41	3.81	25.9
Inflation (%)	2.41	2.64	2.86	3.37	3.14	2.51	1.89	1.92	2.96	3.54	2.79	3.24	1.84
USD/VND	22,837	22,968	23,195	23,254	23,343	22,761	22,790	22,837	23,139	23,175	23,173	23,126	22,790
Credit growth (%)	4.13	6.37	7.62	8.51	9.14	7.88	12.97	4.13	8.51	10.77	13.75	12.17	12.97
10Y gov't bond (%)	2.46	3.11	3.25	3.38	3.50	2.14	2.11	2.40	3.24	5.07	3.37	2.01	2.11

Source: GSO, Bloomberg, FIA, IMF

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