

# Economic Flash

## Recovery in domestic consumption was the headlight

### Trade rebounds impressively

August recorded an impressive trade performance with the bounce back of the consumer electronics group when the latest economic indicators of the U.S., our largest trading partner, showed that the consumption remained strong. Furthermore, Vietnam's new order component of manufacturing PMI persistently expanded in recent months, partly justifying the bright picture of trade activity in August. According to GSO, export, and import this month grew by 22.14% YoY and 12.42% YoY to USD33.38bn and USD30.96bn, resulting in a significant surplus of USD2.42bn.

### Retail sales recover steadily

Retail sales in August recovered steadily when accommodation, catering, and tourism services returned to their pre-pandemic levels. Specifically, according to GSO's estimate, retail sales this month recorded another persistently high value of VND481.23tn, growing by 0.64% MoM or by 50.19% YoY.

### CPI remained stable due to a decline in traffics

According to GSO's release, the Consumer Price Index (CPI) increased slightly this month mainly due to higher food and foodstuffs (FFS), and education. In more detail, August's CPI slightly rose by 0.01% compared to July. Traffics witnessed a dramatic decline with reductions of 5.41% MoM due to adjustments in domestic fuel prices while FFS and education rose by 1.05% MoM and 1.46% MoM, respectively.

### 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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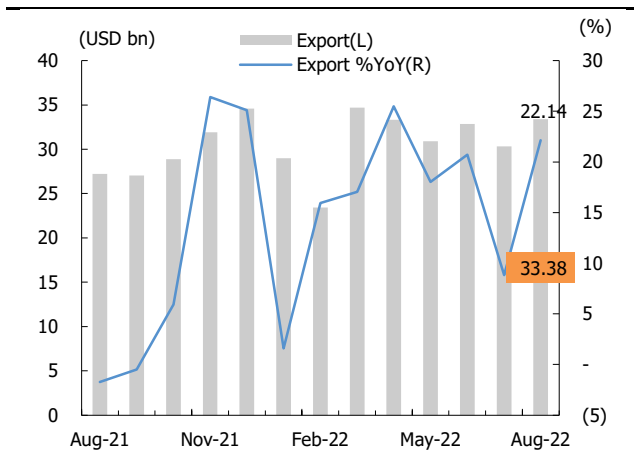
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# I. Trade rebounds impressively

## Trade performance remained strong

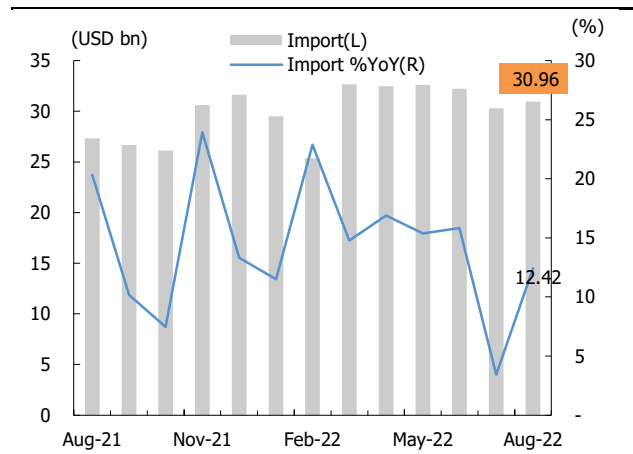
August recorded an impressive trade performance with the bounce back of the consumer electronics group when the latest economic indicators of the U.S., our largest trading partner, showed that the consumption remained strong. Furthermore, Vietnam's new order component of manufacturing PMI persistently expanded in recent months, partly justifying the bright picture of trade activity in August. According to GSO, export, and import this month grew by 22.14% YoY and 12.42% YoY to USD33.38bn and USD30.96bn, resulting in a significant surplus of USD2.42bn.

**Figure 1. Vietnam monthly export**



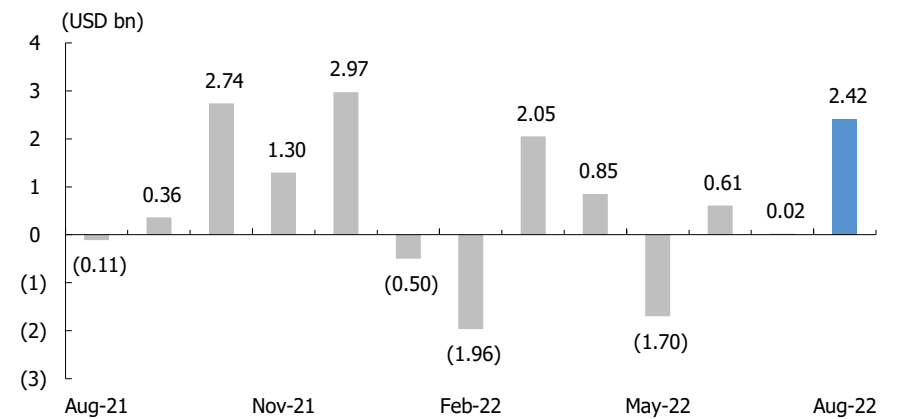
Source: KIS, GSO

**Figure 2. Vietnam monthly import**



Source: KIS, GSO

**Figure 3. Vietnam monthly trade balance**



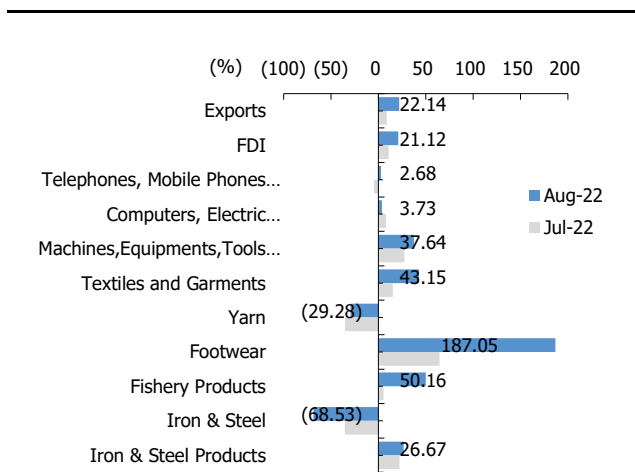
Source: KIS, GSO

In the export structure, most items accelerated this month with higher growth rates than those in July except computers, computers, electronic products & parts (CEPP), and iron and steel (I&S). Specifically, telephones, mobile phones, and parts (TMPP) returned to the expansion of 3.73% YoY after contracting by 4.74% in the previous month. Machines, equipment, tools, and instruments (METI) also witnessed a similar improvement by recording a value of USD4.30bn, increasing by 37.64% YoY. In the extreme development, textile and

garments (T&G) and footwear impressively re-accelerated this month with export values of USD3.80bn and USD2.40bn, growing by 43.15% YoY and 187.05% YoY. These growth rates were 27.72 percentage points (ppts) and 122.52ppts higher than those in July.

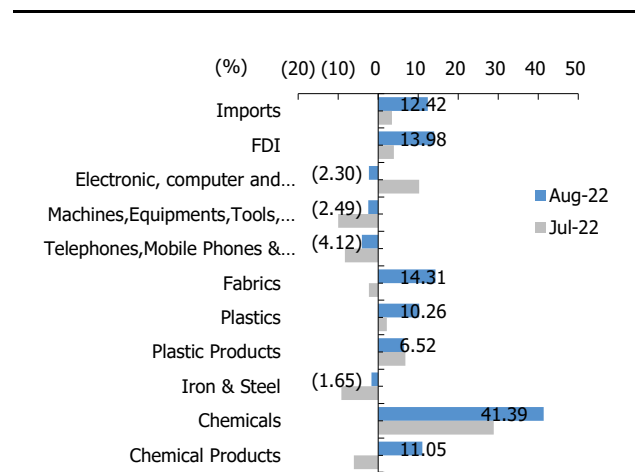
In the import structure, most items performed better while several flagship products in the electronics chain, including METI and TMPP, remained contracting this month. In more detail, import values of METI and TMPP were USD3.90bn and USD1.80bn, reducing by 2.49% YoY and 4.12% YoY, respectively. Their growth rates were respectively 7.48ppts- and 4.24ppts-higher than those in July. In the opposite direction, CEPP, another electronic flagship, recorded a reduction of 2.30% YoY from an expansion of 10.24% YoY in July, partly preventing the overall acceleration this month. More notably, the import value of chemicals grew by 41.39% YoY this month, 12.52ppts-higher than July.

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



Source: KIS, GSO

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



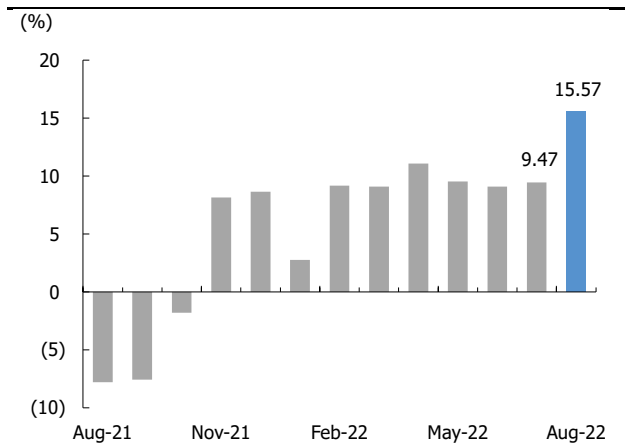
Source: KIS, GSO

## II. Industrial production accelerate strongly

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

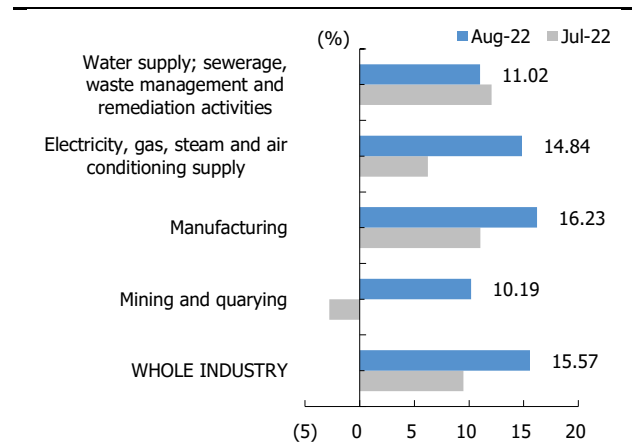
In August, industrial production persisted its recovery momentum with the engine growth of favorable domestic-oriented manufacturing. Specifically, IIP accelerated strongly this month with a growth rate of 15.57%, 6.10 percentage points (ppts) higher than the previous month. Regarding sectoral development, manufacturing continued to be the leading sector with the highest growth rate of 16.23% YoY, but the impressive turnaround of the mining and quarrying sector (M&Q) primarily contributed to the acceleration of the whole industry. M&Q witnessed a growth of 10.19% YoY from a contraction of 2.78% in July. Besides, electricity, gas, steam, and air-conditioning supply (EGSA) contributed partly to the overall acceleration by increasing by 14.84% YoY, 8.62ppts-higher than the previous month. Oppositely, water supply; sewerage, waste management, and remediation activities (WSWM) slightly decelerated with a 1.05ppts-lower-than-July growth rate.

Figure 6: IIP % YoY by month



Source: GSO, KIS

Figure 7. Movements of 1<sup>st</sup> tier sectors



Source: GSO, KIS

Regarding second-leveled industries, while key domestic-oriented manufacturing accelerated further this month, the performance of export-oriented sectors mixed under the global uncertainty. Specifically, food and beverage productions strongly accelerated this month with growth rates of 22.80% YoY and 101.45% YoY, nearly doubling those in July. Among flagship products for export, the manufacture of computer, electronic and optical products slowed down when mobile phone giants recently reduced their planned outputs for 2022 due to lower demand. Oppositely, the manufacture of textile and the manufacture of the machinery and equipment group re-accelerated this month by growing by 15.11% YoY and 69.54% YoY.

In the extreme movement, besides beverage and machinery-related manufactures, manufacture of leather and related products, mining support service activities, and manufacture of other transport equipment performed strongly by recording growth rates of 56.99% YoY, 48.49% YoY, and 46.68% YoY.

**Table 1. Movements of notable 2<sup>nd</sup> tier sectors**

Sector	Classification	Previous (% YoY)	Current (% YoY)
Manufacture of food products		11.39	22.80
Manufacture of beverages		59.82	101.45
Manufacture of textiles		5.08	15.11
Manufacture of computer, electronic and optical products	Key	12.88	9.85
Manufacture of electrical equipment		14.05	4.67
Manufacture of machinery and equipment		7.62	69.54
Manufacture of beverages		59.82	101.45
Manufacture of machinery and equipment		7.62	69.54
Manufacture of leather and related products	Best	19.02	56.99
Mining support service activities		57.58	48.49
Manufacture of other transport equipment		(3.78)	46.68
Manufacture of basic metals		(11.30)	(7.19)
Manufacture of electrical equipment		14.05	4.67
Water collection, treatment and supply	Worst	3.26	5.27
Extraction of crude petroleum and natural gas		(4.87)	5.95
Manufacture of rubber and plastics products		(1.78)	6.63

Source: GSO, KIS

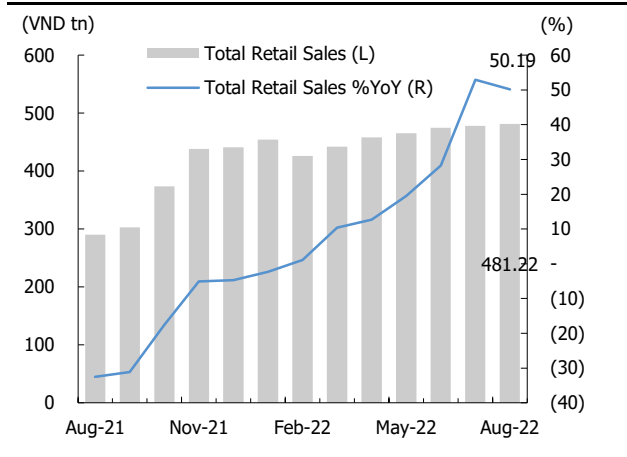
### III. Retail sales recover steadily

#### *The recovery of retail sales remained steady*

Retail sales in August recovered steadily when accommodation, catering, and tourism services returned to their pre-pandemic levels. Specifically, according to GSO's estimate, retail sales this month recorded another persistently high value of VND481.23tn, growing by 0.64% MoM or by 50.19% YoY. Retail sector mainly drove the impressive growth of the whole industry when its revenue reached VND376.59tn, increasing by 31.90% YoY. Besides, accommodation and catering (A&C) service grew impressively by 185.29 % YoY to VND53.47tn under the normalized mobility. More notably, revenue from traveling service was returning to the pre-pandemic level when government facilitated activities for attracting foreign visitors. Accordingly, traveling service revenue this month was VND3.30tn, 64.36 times higher than the same period last year.

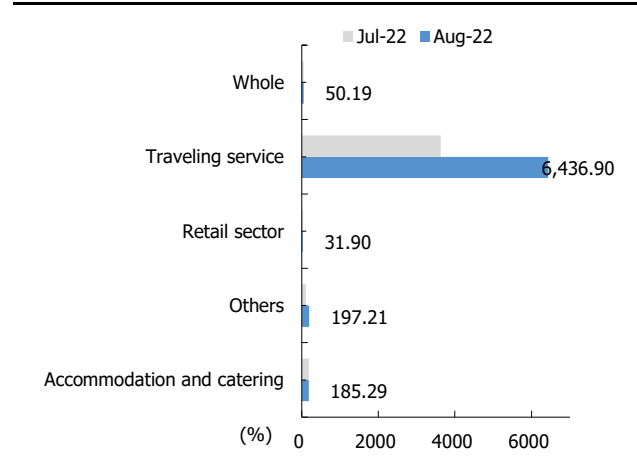
Regarding the structure of retail sales, the retail sector was dominant with a share of 78.26% while A&C and traveling services jointly accounted for 11.80% of the total revenue.

**Figure 8. Monthly retail sales**



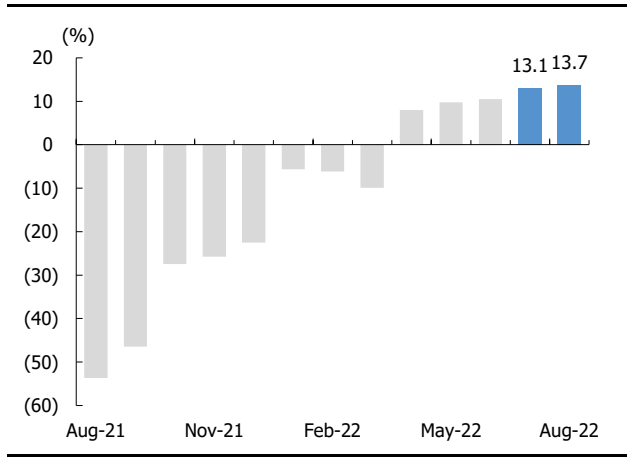
Source: GSO, KIS

**Figure 9. Components of retail Sales**



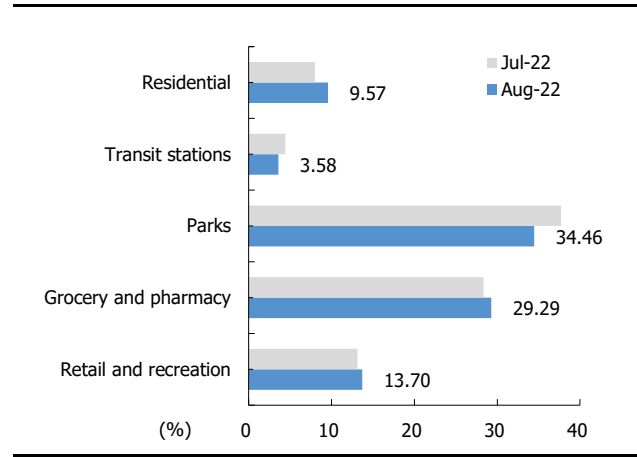
Source: GSO, KIS

**Figure 8. Mobility of retail and recreation**



Source: GSO, KIS

**Figure 9. Mobility by category**



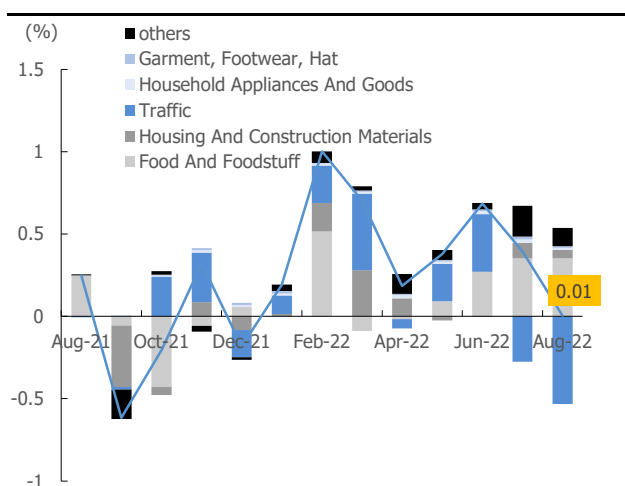
Source: GSO, KIS

## IV. CPI remained stable due to a decline in traffics

### Lower traffics keeps CPI remained stable

According to GSO's release, the Consumer Price Index (CPI) increased slightly this month mainly due to higher food and foodstuffs (FFS), and education. In more detail, August's CPI slightly rose by 0.01% compared to July. Regarding sectoral contributions, FFS and education rose by 1.05% MoM and 1.46% MoM, adding 35 basis points (bps) and 9bps to the overall increase, respectively. By contrast, the traffic index witnessed a dramatic decline with reductions of 5.41% MoM due to downward adjustments 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	1.05	3.30
Beverage and cigarette	2.73	0.27	3.48
Garment, Footwear, hat	5.70	0.18	2.05
Housing and construction materials	18.82	0.26	1.40
Household appliances and goods	6.74	0.21	2.47
Medicine and health care	5.39	0.09	0.47
Traffic	9.67	-5.51	8.94
Postal services & Telecommunication	3.14	-0.01	-0.16
Education	6.17	1.46	-0.57
Culture, entertainment and tourism	4.55	0.43	4.80
Other goods and services	3.53	0.20	2.86
<b>Consumer Price Index</b>	<b>100.00</b>	<b>0.01</b>	<b>2.89</b>

Source: GSO, KIS

Taking CPI's contributors at the product-level into consideration, the upward pressure from the F&Fs index mainly came from live pork price with an increase of 5.37% MoM. In more detail, the average pork price in August rose to VND66,000 per kilogram from VND62,638 in July. Besides, education increased significantly as the back-to-school period has come. By contrast, traffics declined as the Ministry of Industry and Trade (MoIT) and the Ministry of Finance (MoF) continued to reduce domestic petroleum prices in August. August's average petroleum price witnessed a decrease of 14% MoM.

Regarding the yearly change, CPI rose by 2.89% YoY this month, 1.11%-lower than the government's target proposed in Resolution 01/NQ-CP on social-economic development plan and tasks in 2022.

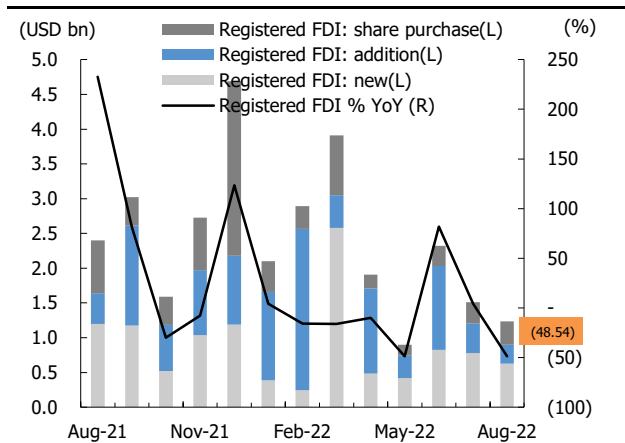
## V. FDI registration decelerates

### Registered FDI witnessed a decrease

According to the Ministry of Planning and Investment (MPI), August's registered FDI witnessed a significant decrease, making two consecutive decreases. The registration value from foreign investors this month was USD1.23bn (13.89%YoY), including USD0.63bn of new, USD0.27bn of the addition, and USD0.34bn of the share purchase. Total disbursed FDI and registered FDI for 8 months of 2020 rose 10.54% YoY to USD12.80 and fell 12.27% YoY to USD16.76bn, respectively.

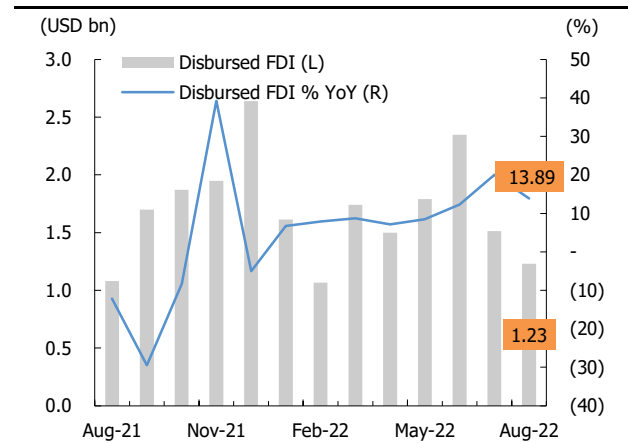
Accumulated to August 20th, 2022, the country had 35,539 valid projects with a total registered FDI of nearly USD430bn. The accumulated disbursed FDI projects were roughly USD264.40bn, equaling 61.5% of the total valid FDI.

**Figure 11. Monthly registered FDI**



Source: MPI, KIS

**Figure 12. Monthly disbursed FDI**



Source: MPI, KIS

Regarding of industry, the manufacturing industry accounted for the highest proportion with over USD255.20bn (accounting for 59.40% of total committed FDI). Second place was the real estate business with USD65.50bn (accounting for 15.20%); electricity production and distribution took the third place with USD36.40bn (accounting for 8.5%). By location, Ho Chi Minh City is still the leading locality in attracting foreign investment with over USD 55.40bn (accounting for 12.90% of the total committed FDI); followed by Binh Duong with over USD39.60bn (accounting for 9.2%); Hanoi with over USD37.90bn (accounting for 8.8%).

**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	22-Aug	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	1.23	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	33,380	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	30,960	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	8.87	22.14	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	12.42	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	2.89	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	23,417	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	9.62	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	3.37	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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