

Economic Flash

Slowing Vietnam's economy under the weak external demand

Trade reduces under the slowing global demand

Vietnam's trade activity has stepped into the red territory, although November was likely the high time to ship goods to our partners for the shopping season. The export value of this period was lower than the previous month and the same period last year. The weak global demand and fewer new orders posted in recent PMI readings were mainly attributable to the trade performance this month. According to GSO, export and import declined by 7.40% YoY and 2.04% YoY to USD29.50bn and USD30.00bn, resulting in a trade deficit of USD0.50bn this month.

Retail sales remains favorable on the seasonality

Retail sales in November remained bright due to the upcoming shopping season. However, the low-base effect was fading, resulting in a less impressive growth rate in the year-over-year comparison. According to GSO's estimate, revenue from selling goods and services to customers this period grew by 17.46% YoY this month, 3.25pts-lower than in October and reached VND514.11tn.

The rise in traffics accelerates CPI

According to GSO's release, housing construction materials (HCM), traffics, and household appliances and goods (HAG) simultaneously act as a driving force behind the rise of CPI in November. Specifically, CPI in November 2022 rose by 0.39% compared with last month. In addition, CPI rose by 4.37% YoY this month, 0.37%-higher than the government's target proposed in Resolution 01/NQ-CP on social-economic development plan and tasks in 2022.

KIS leading economic index

	4Q21	1Q22	2Q22	3Q22	2020	2021	2022F
GDP (%)	5.22	5.03	7.72	13.67	2.91	2.58	8.50
Trade balance (USD bn)	5.38	1.50	(0.75)	5.78	19.86	4.00	7.71
CPI (%)	1.89	2.50	2.96	3.32	3.24	1.84	3.30
Discount rate (%)	2.50	2.50	2.50	3.50	2.50	2.50	4.00
USD/VND	22,787	22,900	23,139	23,712	23,252	22,936	24,500
US GDP (% qoq, annualized)	6.90	(1.60)	NA	NA	(3.40)	5.60	NA
China GDP (% yoy)	4.00	4.80	NA	NA	2.20	8.00	NA

Source: KIS

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Research Dept

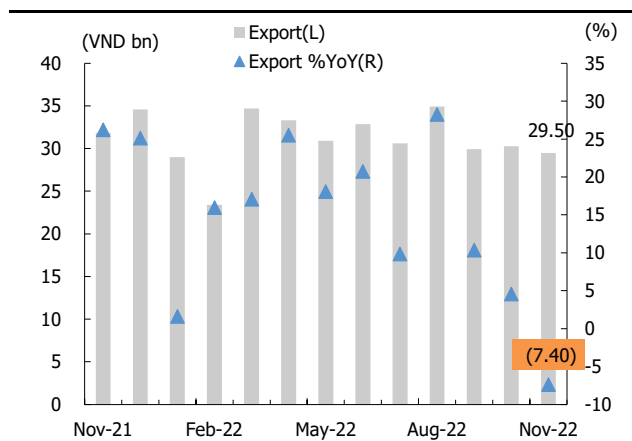
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I. Trade reduces under the slowing global demand

Trade shrunk on the rising fear of global recession

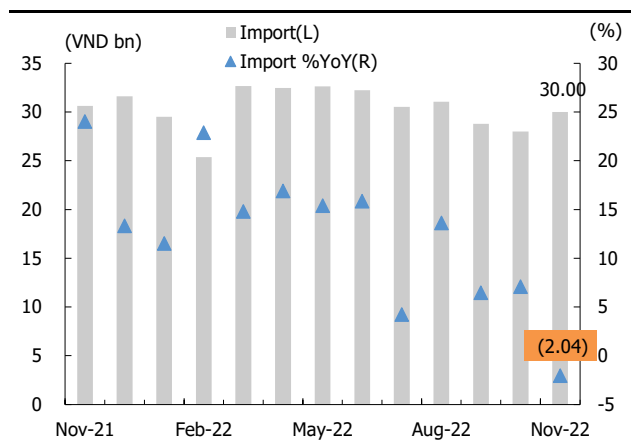
According to GSO, Vietnam trade has stepped into the red territory, although November was likely the high time to ship goods to our partners for the shopping season. The export value of this period was lower than the previous month and the same period last year. The weak global demand and fewer new orders posted in recent PMI readings were mainly attributable to the trade performance this month. In more detail, export and import declined by 7.40% YoY and 2.04% YoY to USD29.50bn and USD30.00bn, resulting in a trade deficit of USD0.50bn this month.

Figure 1. Vietnam monthly export



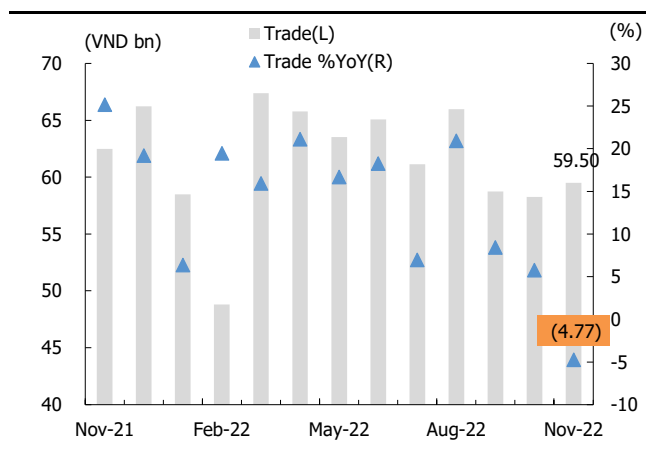
Source: GSO, Vietnam Custom, KIS

Figure 2. Vietnam monthly import



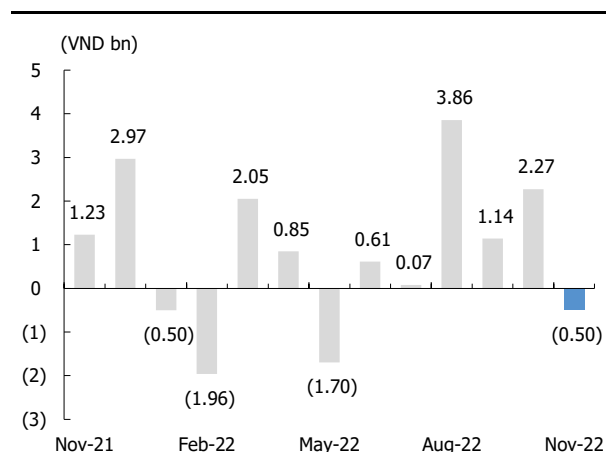
Source: GSO, Vietnam Custom, KIS

Figure 3. Vietnam monthly total trade



Source: GSO, Vietnam Custom, KIS

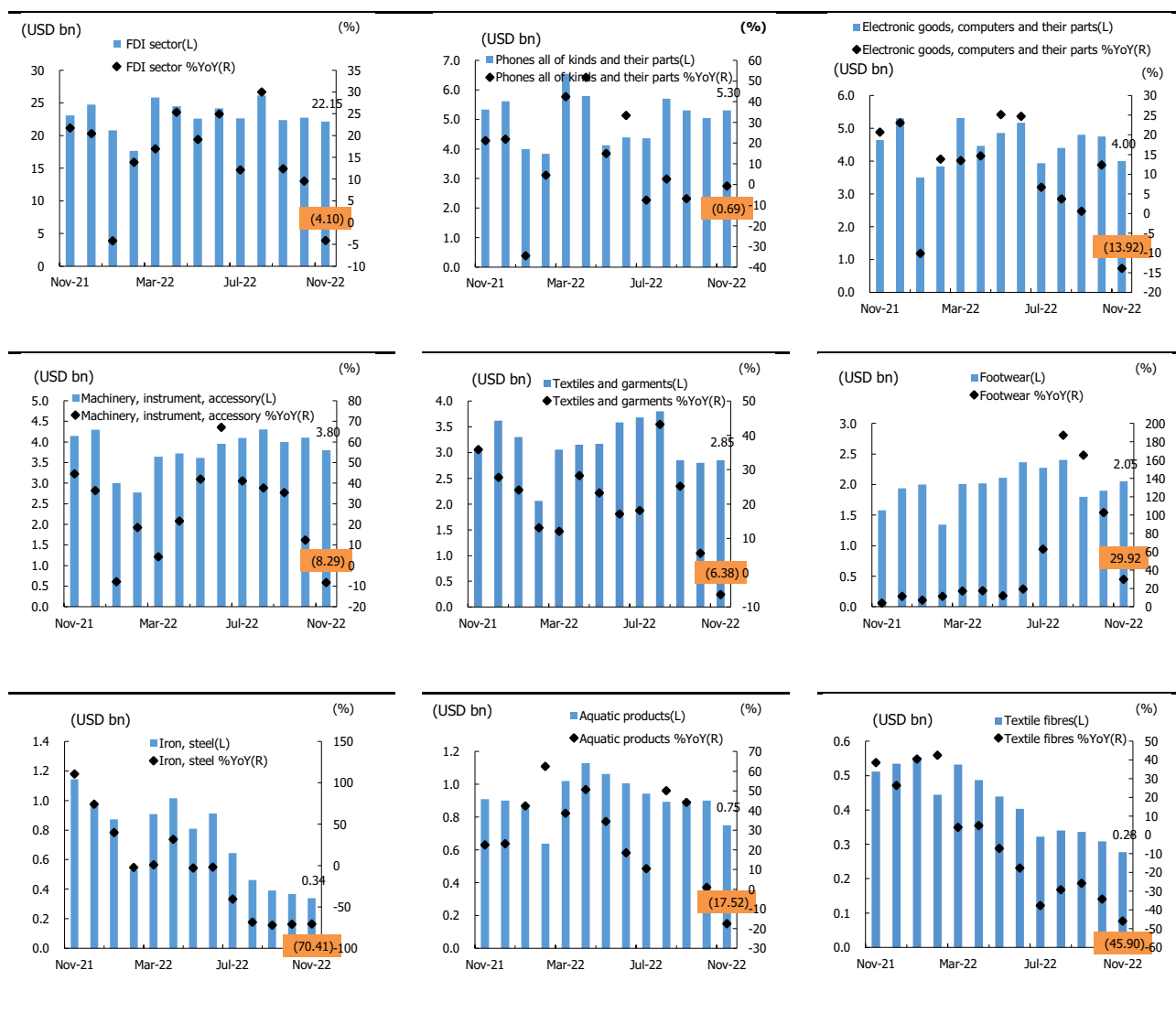
Figure 4. Vietnam monthly trade balance



Source: GSO, Vietnam Custom, KIS

In the export structure, most flagship products show poor performance under the weak global demand, especially goods with a high concentration in the U.S. market. Accordingly, phones and parts (TMPP) recorded one more month of reduction with an export value of USD5.30bn, decreasing by 0.69% YoY. Export performance of phones seems tight with the outlook of Samsung Electronics, the South Korean tech giant, that smartphone consumption would be higher in the last quarter of 2022 due to the seasonality, but the growth has reduced significantly due to the weak demand resulting from tightening monetary policies. Similarly, other major products witnessed a deterioration this month. Electronic goods, computers, and parts (CEPP), machinery, instrument, accessory (METI), textiles and garments (TG), and aquatic products declined by 13.92% YoY, 8.29% YoY, 6.38% YoY, and 17.52%, reaching USD4.00bn, USD3.80bn, USD2.85bn, and USD0.75bn, respectively. In the minority, footwear grew by 29.92% YoY to USD2.05bn. However, its slowdown was notable this month.

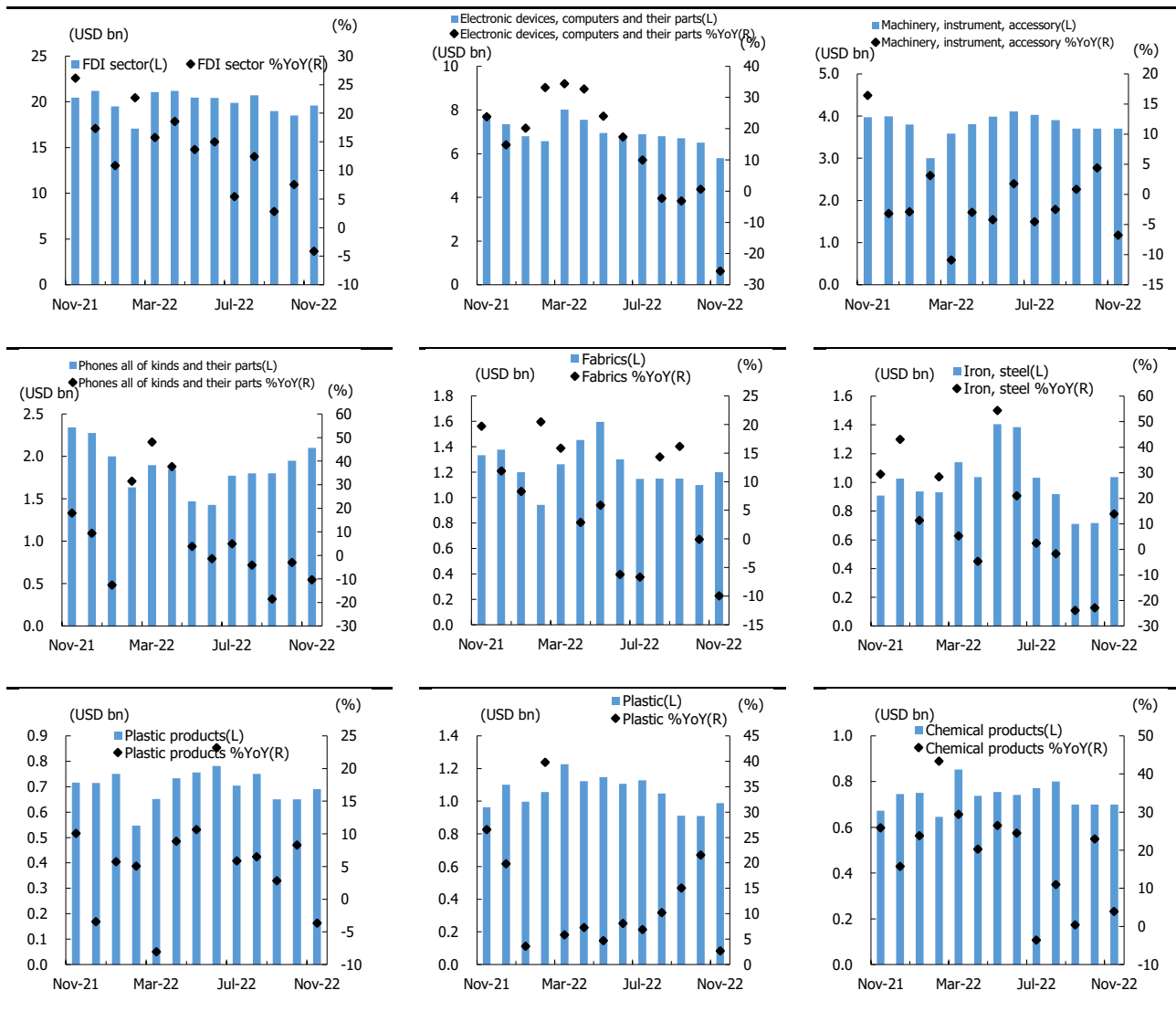
Figure 5. Performances of major export products by month



Source: KIS, GSO

In import structure, most flagship products experienced deterioration this month. In more detail, CEPP, METI, and TMPP declined by 25.60% YoY, 6.76% YoY, and 10.29% YoY, reaching USD5.80bn, USD3.70bn, and USD2.10bn, respectively. Besides, import values of a few products remained high this month, but their slowdowns were notable. For instance, growth rates of plastic and chemical products were 2.69%YoY and 4.00% YoY, 18.86ppts- and 18.98ppts- lower than in October. In the minority, iron, and steel (IS) rebounded impressively with a value of USD1.04bn, increasing by 13.92% YoY.

Figure 6. Performances of major import products by month



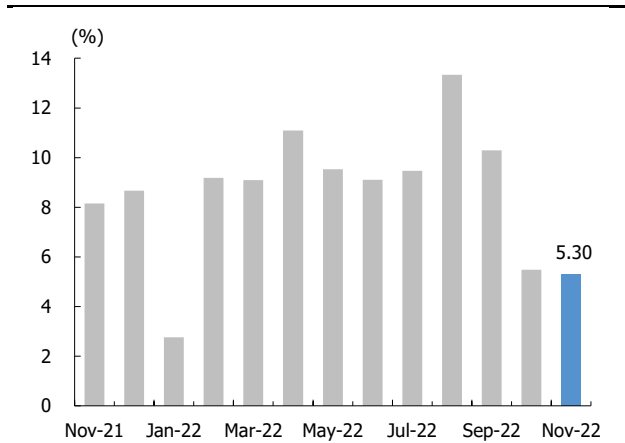
Source: KIS, GSO

II. Mining and quarrying lessen the industrial slowdown

Industrial production generally slows on lower output plan

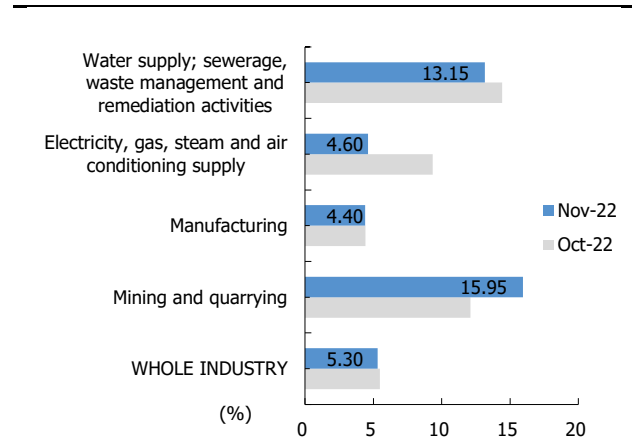
The growth of industrial production (IIP) in November remained limited when the impact of fewer new orders and the gloomy global demand on domestic contract manufacturers became inevitable. Specifically, IIP rose by 5.30% YoY, 18 basis points percentage points (bps) lower than its growth rate in October. As per sectoral development, mining and quarrying (M&Q) re-accelerated with the most impressive growth rate of 15.95% YoY, primarily lessening the slowdown of the whole industry. In the opposite direction, the production of electricity, gas, steam, and air conditioning supply (EGSA), the production of water supply; sewerage, waste management and remediation activities (WSSWMR), and manufacturing continued decelerating this month by growing by 4.60% YoY, 13.15% YoY, and 4.40% YoY, 4.74ppts-, 1.27ppts-, and 0.02ppts-lower than October.

Figure 3: IIP % YoY by month



Source: GSO, KIS

Figure 4. Movements of 1st-levelled sectors



Source: GSO, KIS

Most key second-levelled sectors decelerated this month despite belonging to export- or domestic-oriented groups. Specifically, although the manufacture of beverages continued increasing impressively compared to the same period last year (20.50% YoY), its growth rate significantly reduced by 21.61ppts compared to the previous month. Similarly, the manufacture of electrical equipment grew by 12.01% YoY this month, 5.52ppts-lower than in October. Oppositely, we saw positive signals from the manufacture of textiles, the manufacture of computers, electronic and optical products, and the manufacture of machinery and equipment with their increased growth rates of 7.79% YoY, 5.62% YoY, and 17.21% YoY, 6.82ppts-, 0.31ppts-, and 9.24ppts-higher compared to last month.

Figure 5. Movements of notable 2nd -levelled sectors

Sector	Classification	Previous (%)	Current (%)
Manufacture of food products		7.57	6.75
Manufacture of beverages		42.11	20.50
Manufacture of textiles	Key	0.97	7.79
Manufacture of computer, electronic and optical products		5.31	5.62
Manufacture of electrical equipment		(2.37)	(7.89)
Manufacture of machinery and equipment		7.97	17.21
Manufacture of coke and refined petroleum products		45.75	34.88
Extraction of crude petroleum and natural gas		15.55	31.94
Mining support service activities	Best	25.23	28.04
Manufacture of other transport equipment		28.63	27.41
Manufacture of wood and of products of wood and cork		28.01	26.06
Manufacture of rubber and plastics products		(3.81)	(19.87)
Manufacture of electrical equipment		(2.37)	(7.89)
Manufacture of furniture	Worst	(9.21)	(7.71)
Manufacture of basic metals		(14.64)	(6.71)
Printing and reproduction of recorded media		(2.32)	(6.39)

Source: GSO, KIS

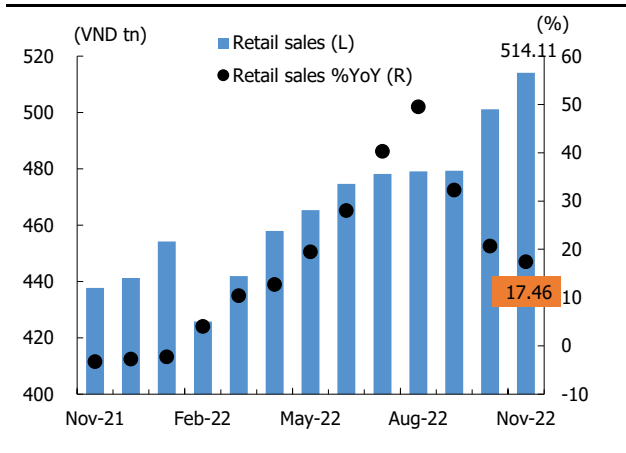
III. Retail sales remains favorable on the seasonality

The performance of retail sales remained strong

According to GSO's estimate, retail sales in November remained bright due to the upcoming shopping season. However, the low-base effect was fading, resulting in a less impressive growth rate in the year-over-year comparison. Specifically, revenue from selling goods and services to customers this period grew by 17.46% YoY, 3.25 percentage points (ppts) lower than in October, and reached VND514.11tn.

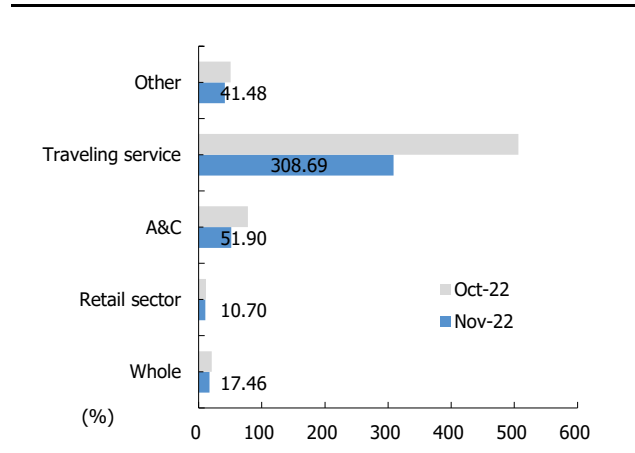
The retail sector primarily contributed to the slowdown of the whole industry with a modest growth rate of 10.70% YoY, 1.14ppts-lower than the previous month. In the extreme movement, revenues from accommodation and catering (A&C) and traveling services experienced slowdowns when their growth rates were just 51.90% YoY and 308.69% YoY, roughly equaling two-thirds of those in the last month, respectively.

Figure 6. Monthly retail sales



Source: GSO, KIS

Figure 7. Components of retail Sales

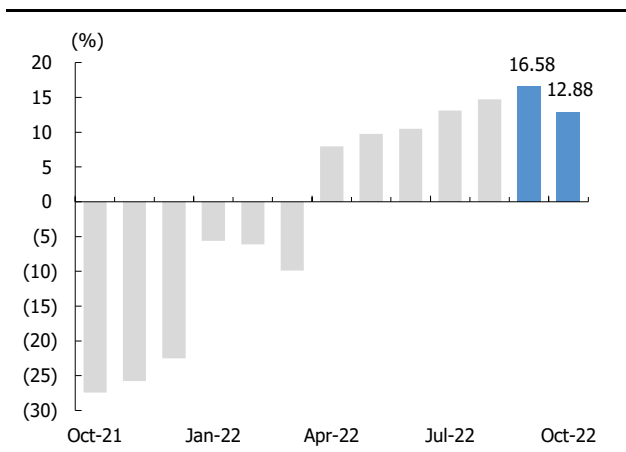


Source: GSO, KIS

Given bright performances in A&C and traveling services, their shares in the structure of retail sales expanded. The proportion of the retail sector slightly reduced to 77.23% this month, while A&C and traveling accounted for 10.86%. The government’s efforts in attracting foreign tourists and fast recoveries of A&C and traveling services could bring the retail sales structure to the pre-pandemic shape.

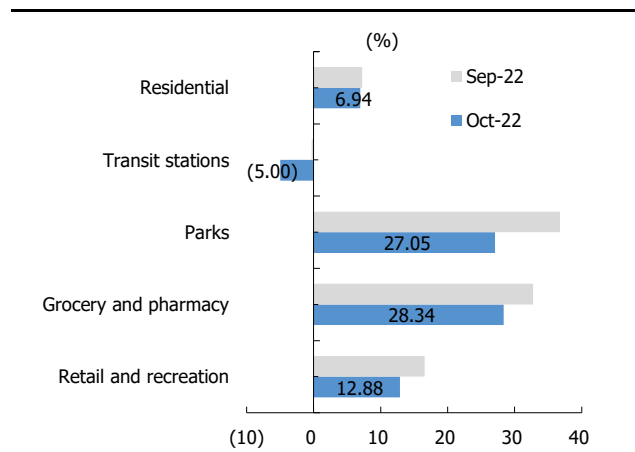
Improved mobility could partly reflect the return of optimistic consumers and the consequent performance of retail sales in several recent months. Mobility across categories generally has increased since April of Vietnam’s big holidays. Mobility of retail and recreation in October rose by 12.88% YoY, 3.69ppts-lower than the previous month. More notably, mobility indices of grocery and pharmacy (GP) and parks increased by 27.05% YoY and 28.34% YoY, respectively.

Figure 8. Mobility of retail and recreation



Source: GSO, KIS

Figure 9. Mobility by category



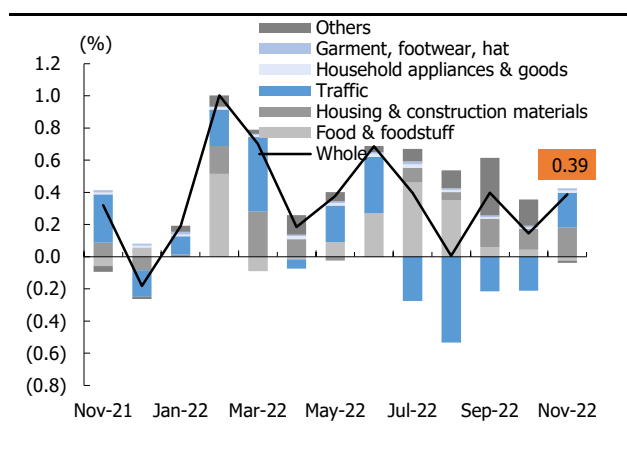
Source: GSO, KIS

IV. The rise in traffics accelerates CPI

Higher Traffics, HCM and HAG mainly accelerate CPI

According to GSO's release, housing construction materials (HCM), traffics, and household appliances and goods (HAG) simultaneously act as a driving force behind the rise of CPI in November. Specifically, CPI in November 2022 rose by 0.39% MoM and increased accordingly by 4.37% compared to the same period last year. Regarding sectoral contributions, Traffics, HCM and HAG rose by 2.23% MoM, 0.97% MoM and 0.21% MoM, adding 22 basis points (bps) and 18bps and 1bps to CPI's increase, respectively. On the opposite direction, Foods and foodstuffs (FFs), education and postal services and telecommunication witnessed declines with reductions of 0.07% MoM, 0.63% MoM, and 0.22% MoM, respectively.

Figure 10. Monthly CPI change and its contributor



Source: GSO, KIS

Table 1. Monthly CPI change by item

Item	Weight (%)	% MoM	% YoY
Food and foodstuff	33.56	-0.07	5.23
Beverage and cigarette	2.73	0.26	3.54
Garment, Footwear, hat	5.70	0.22	2.24
Housing and construction materials	18.82	0.97	5.96
Household appliances and goods	6.74	0.21	2.61
Medicine and health care	5.39	0.06	0.53
Traffic	9.67	2.23	0.94
Postal services & Telecommunication	3.14	-0.02	-0.22
Education	6.17	-0.63	10.96
Culture, entertainment and tourism	4.55	0.21	4.98
Other goods and services	3.53	0.22	3.08
Consumer Price Index	100.00	0.39	4.37

Source: GSO, KIS

Taking CPI's contributors at product-level into consideration, the upward pressure from HCM resulted from an increase in real house rents, housing repair service prices, and housing maintenance materials. Besides, after 3 adjustments in November, the price of gasoline has increased by around 5.83% compared to the previous month which pushed the rise in Traffics index

On the contrary, pork price decreased significantly by 7.3% was the main factor which limit the growth of FFs. Furthermore, Government decided to support tuition fee for preschool and general education institutions which made the education to fall down.

Regarding the yearly change, CPI rose by 4.37% YoY this month, 0.37%-higher than the government's target proposed in Resolution 01/NQ-CP on social-economic development plan and tasks in 2022.

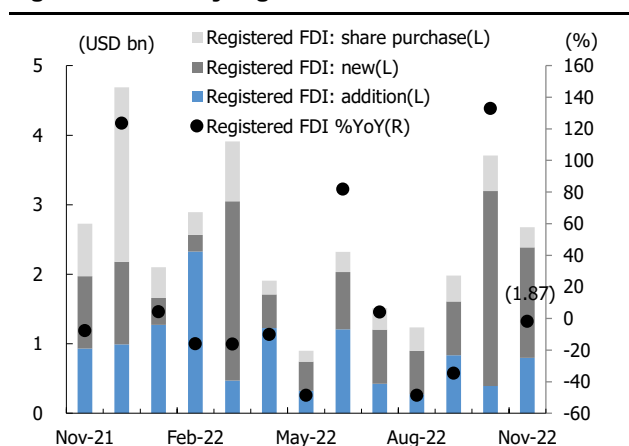
V. FDI registration declines

Registered FDI rebounds

According to the latest update from the Ministry of Planning and Investment (MOIT), November's registered FDI witnessed a significant decline by 27.90% compared with previous month. In more detail, the registration value from foreign investors in this month was USD2.67bn, including USD1.59bn of new, USD0.79bn of the addition, and USD0.29bn of the share purchase. On the contrary, the total disbursed FDI in November showed a positive sign. Specifically, the disbursement of foreign capital this month was USD2.23bn, increasing slightly by 10.3% MoM and increasing 14.4% compared with same period last year.

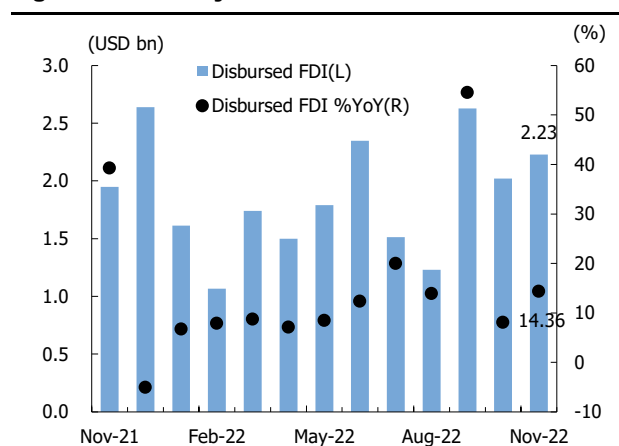
By industry, manufacturing industry accounted for the highest proportion with over USD 259.2bn, accounting for 59.4% (YTD) of total FDI. Second largest proportion belongs to the real estate industry with nearly USD 66.20bn, accounting for 15.1% (YTD) of total FDI.

Figure 11. Monthly registered FDI



Source: MPI, KIS

Figure 12. Monthly disbursed FDI



Source: MPI, KIS

By country, there are 107 countries and territories invested in Vietnam in 11 months of 2022. Singapore continues to ranked first in total investment of more than USD 5.78bn, accounting for 23.8% of total investment capital in Vietnam, decreased 24% compared to the same period in 2021. Japan ranked second with over USD 4.60bn, accounting for 18.3% of total investment capital, up 24.4% over the same period. Korea ranked third with a total registered investment capital of over USD 4.1bn, accounting for 17.4% of total investment capital and followed by China, Hong Kong, and Denmark).

Figure 13. Notable projects in the first eleven months of 2022

Project	Origin country	11-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-Jul	22-Aug	22-Sep	22-Oct	22-Nov	4Q21	1Q22	2Q22	3Q22	2018	2019	2020	2021
Real GDP growth (%)						5.22	5.03	7.72	13.67	7.08	7.03	2.91	2.58
Registered FDI (USD bn)	1.51	1.23	1.92	2.05	2.67	9.01	8.91	5.12	4.67	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)	30.32	33.38	29.94	30.27	29.50	95.26	86.01	96.83	96.48	243.5	263.6	282.7	335.7
Import (USD bn)	30.30	30.96	28.80	28.00	30.00	88.72	87.45	97.58	90.71	236.7	254.4	263	331.1
Export growth (%)	8.87	22.14	10.35	4.54	(7.40)	20.43	13.43	21.02	17.22	13.19	8.16	7.02	18.74
Import growth (%)	3.42	12.42	6.45	7.08	(2.04)	15.42	15.17	15.72	8.12	11.01	7.41	3.81	25.9
Inflation (%)	3.14	2.89	3.94	4.30	4.37	1.89	1.92	2.96	3.32	3.54	2.79	3.24	1.84
USD/VND	23,343	23,417	23,712	24,839	24,800	22,790	22,837	23,139	23,712	23,175	23,173	23,126	22,790
Credit growth (%)	9.14	9.62	10.47	11.50	11.50	12.97	4.13	8.51	10.47	10.77	13.75	12.17	12.97
10Y gov't bond (%)	3.50	3.37	4.39	4.95	4.91	2.11	2.40	3.38	4.39	5.07	3.37	2.01	2.11

Source: GSO, Bloomberg, FIA, IMF

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