

Economic Indicators

The importance and public interest in economic indicators are increasing due to the significant impact of macro changes (money supply, credit line, central rate, policies) on Vietnam's economy. Accordingly, the KIS Research Center aims to provide investors with understanding by preparing reports introducing major Vietnam economic indicators. We hope that this report will be helpful in your investment analyses and decisions.

The Retail sales

Retail sales revenues accounted for a large proportion of Vietnam's GDP structure, playing an important role in economic growth, and is expected to maintain its two digits expansion thanks to the golden population structure and fast-growing economy.

Overview of Retail sales

Remarkably, the retail sector recovered and surpassed its pre-pandemic level by 1% to VND435.44tn thanks to the high concentration on non-discretionary goods and services, as Vietnam is a lower-middle-income country, according to WB. Despite strong recovery after normalization, A&C and traveling services are still far below the pre-pandemic trend line level by -27.56% and -64.04%, respectively.

Why should we check it at this time?

Regarding to retail sale structure, revenue from tourism accounted for roughly 10% of total retail sales and it still have ample room for further grow and recovery while other components remain stable. Therefore, the easing of China's zero-covid could bring some positive impact on travelling and tourism revenue. Watching retail sale indicator closely, investors might foresee economic situation and make a decision effectively.

KIS leading economic index

	1Q22	2Q22	3Q22	4Q22	2020	2021	2022
GDP (%)	5.03	7.72	13.67	5.92	2.91	2.58	8.02
Trade balance (USD bn)	1.50	(0.75)	5.78	4.44	19.86	4.00	11.20
CPI (%)	2.50	2.96	3.32	4.41	3.24	1.84	3.15
Discount rate (%)	2.50	2.50	3.50	4.50	2.50	2.50	4.50
USD/VND	22,900	23,139	23,712	23,658	23,252	22,936	23,658
US GDP (%)	(1.60)	NA	NA	NA	(3.40)	5.60	NA
China GDP (%)	4.80	0.4	3.9	2.9	2.20	8.00	NA

Source: KIS

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I. Understanding of retail sales

DEFINITION

- Total retail sales (RS) of consumer goods and services is the total revenue of retail goods and consumer services sold to the market by production and business establishments, including retail sales, accommodation and catering service (A&C), traveling service, and other services.
- RS data is collected monthly by GSO from enterprises' reports

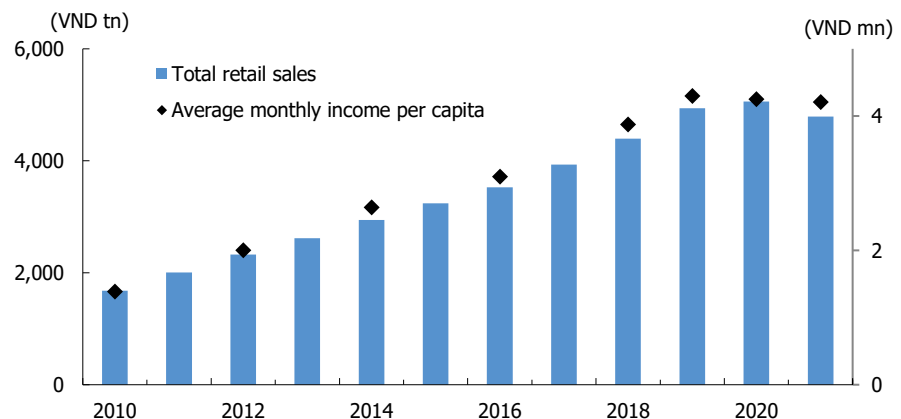
DETERMINANTS OF TOTAL RETAIL SALES

1. Public and private spending in retail sales

Income improvement leads retail sales growth

The rising income is a main market driver fueling the bright growth of the retail sales sector. The higher income enlarges disposable income positively related to household consumption expenditure. Specifically, the average monthly income per capita grew gradually by 10.61% YoY from VND1.39mn in 2010 to VND4.20mn per capita in 2021. This income growth rate is mostly equal to the retail sales annual growth rate of 10.01% over the same period, suggesting income is the main driver of retail sales growth.

Figure 1. Average monthly income per capita vs total retail sales

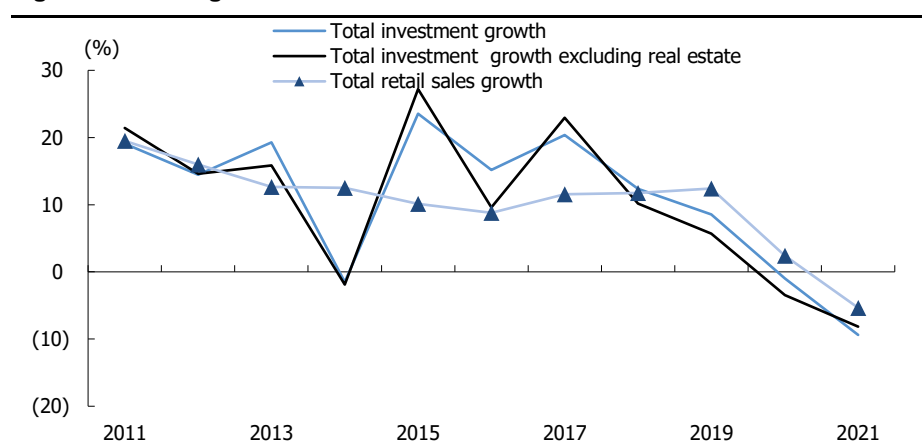


Another contributor to retail sales growth is the annual national investment into the retail sales sector. Regarding retail sales, the national budget annually invests in three sectors including:

- Wholesale and retail trade; repair of motor vehicles and motorcycles
- Accommodation and food service activities
- Real estate activities (long-term accommodation and office rental services revenues not included in retail sales)

Figure 2 demonstrates a positive relationship between retail sales investment annual growth and retail sales growth, confirming investment is one of the main drivers for sustainable sector growth.

Figure 2. Annual growth: Investment vs Revenue in Retail sales



Source: GSO, KIS

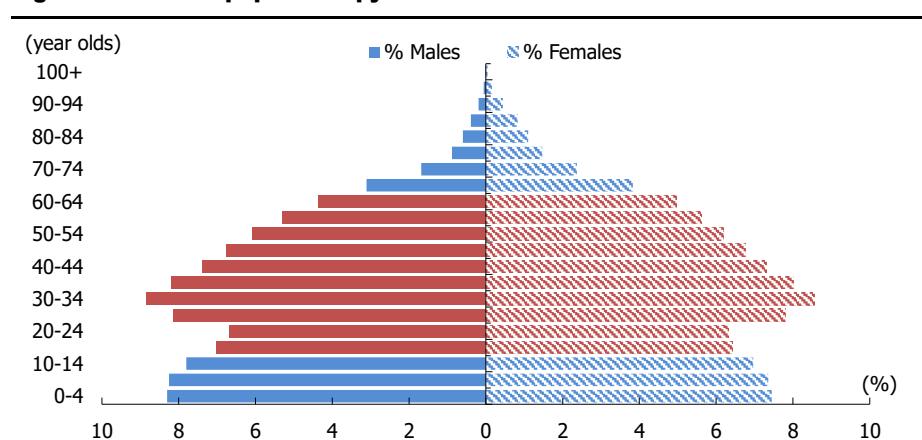
The total investment included capital for real estate activities consisting of long-term accommodation and office rental services, not belonging to RS revenue.

The young population strongly contributes to retail sales growth

2. Demographics

The age structure of a population is the distribution of people among various ages. Previous studies proved that the working-age population is the main contributor to retail sales.

Figure 3. Vietnam population pyramid in 2022

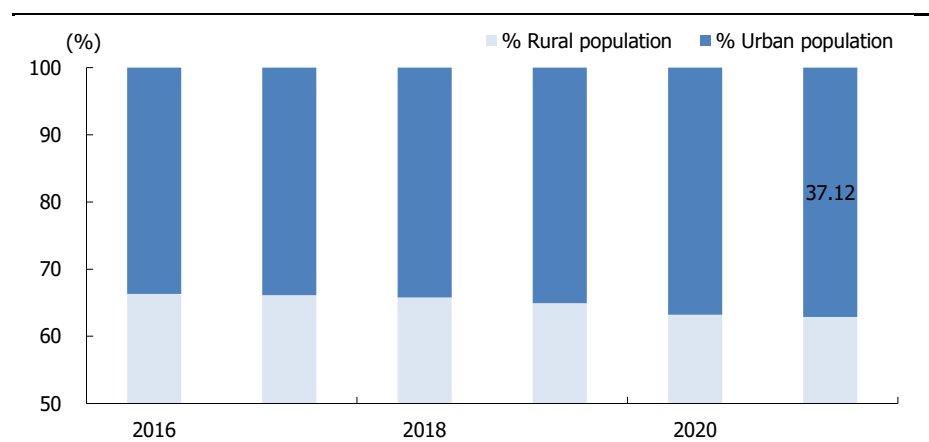


Source: [Populationpyramid.net](https://populationpyramid.net), KIS

In 2022, 68.36% of the population is of working age (15-64 years old) making the country with an abundant labor force along with strong spending demand, leaving ample room for robust retail sales growth. Moreover, people under 20 years old, accounting for nearly 30% of the population, are driving the fast growth of Vietnam's e-commerce market as they allocate more time shopping online than in physical stores.

The Vietnam urban population proportion is on track to increase since 2000, rising from 24.12% of the total population in 2000 to 37.12% in 2021, approximately 36.57mn people. Continuous urbanization and evolving customer demand from young urban customers in Vietnam are fueling robust growth in modern retailing channels including convenience stores as well as the explosive rise of e-commerce.

Figure 4. Vietnam's urbanization process

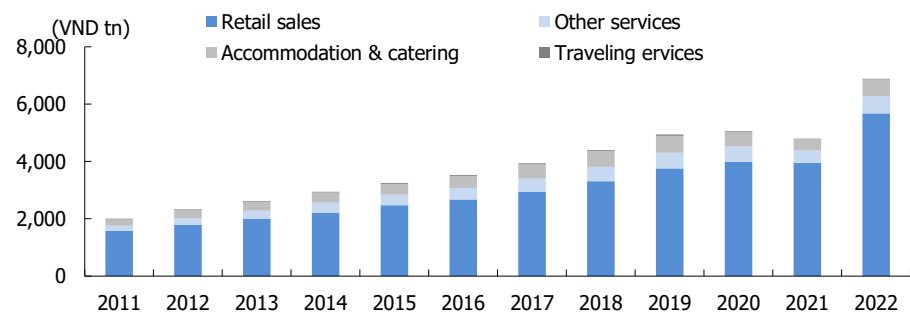


II. Overview of retail sales

1. Total retail sales by component

Regarding to total retail sales structure, retail sales sector accounted for the largest proportion, averaging 77.16% for the last 11 years while A&C and traveling services cover 11.30% and 0.79%, respectively. Since 2011, total retail sales grew faster than GDP at 9.93% YoY, with the contribution of A&C and traveling services at 9.94% YoY and 8.88% YoY, respectively. Furthermore, the other services grew faster among the four components at 11.52%, implying an expansion of other services in the retail market.

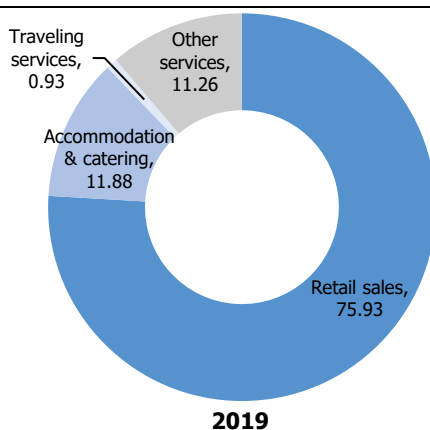
Figure 5. Total retail sales structure



Source: GSO, MOIT, KIS

During the pandemic period, consumer expenditures shifted away from discretionary spending to focus on necessary products, making retail sector share peak at 82.49% in 2021, and then gradually restore to their pre-pandemic level in 2022.

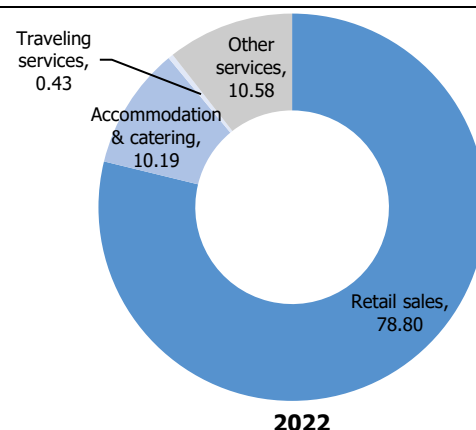
Figure 6 Total retail sales structure: Pre-pandemic level (2019)



2019

Source: GSO, MOIT, KIS

Figure 7. Total retail sales structure: Post-pandemic level (2022)



2022

Source: GSO, MOIT, KIS

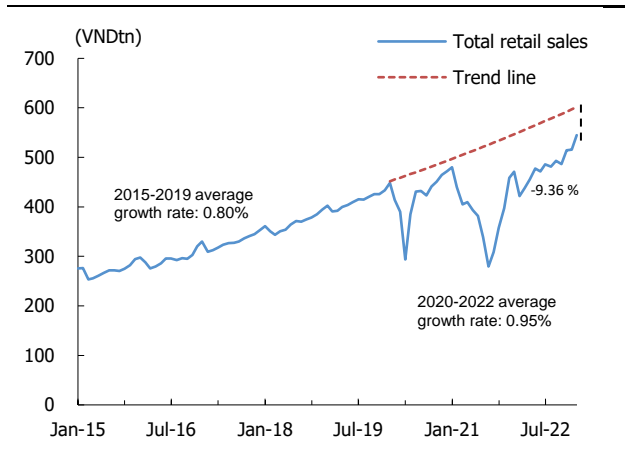
Total retail sales is recovering to the pre-pandemic trend

Total retail sales continued recovering and narrowed down their gap with the pre-pandemic trend level to -9.36% from -13.50% in December 2022 (calculated using the average MoM growth rate during 2015-19 with the assumption that the growth rate over 2020-22 equals the average rate over 2015-19).

Since the reopening in Oct 2021, total retail sales recovered with a faster average MoM growth of roughly 3.00% compared to 0.80% in the pre-pandemic level 2015-19 thanks to the combination of the economy's internal strength with the golden population structure, pent-up demand, and low base effect. Remarkably, the retail sector recovered and surpassed its pre-pandemic level by 1% to VND435.44tn thanks to the high concentration on non-discretionary goods and services, as Vietnam is a lower-middle-income country, according to WB. Despite strong recovery after normalization, A&C and traveling services are still far below the pre-pandemic trend line level by -27.56% and -64.04%, respectively.

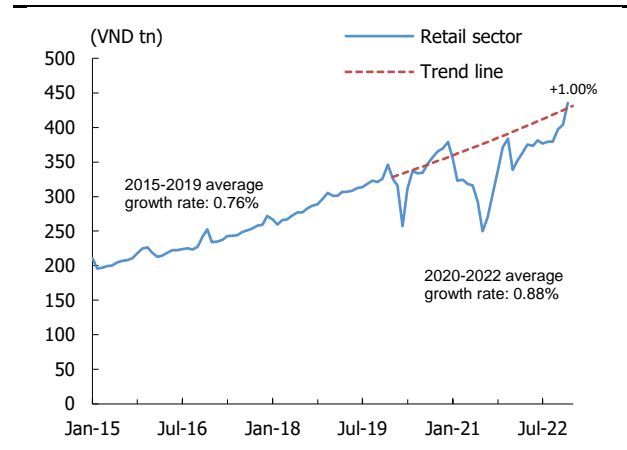
As the Vietnam retail industry is driven by economic growth, an expanding middle class, urbanization, and demand for greater living standards, we anticipated that there would be ample room for further recovery and expansion.

Figure 8. Total retail sales: Actual vs Pre-pandemic trend



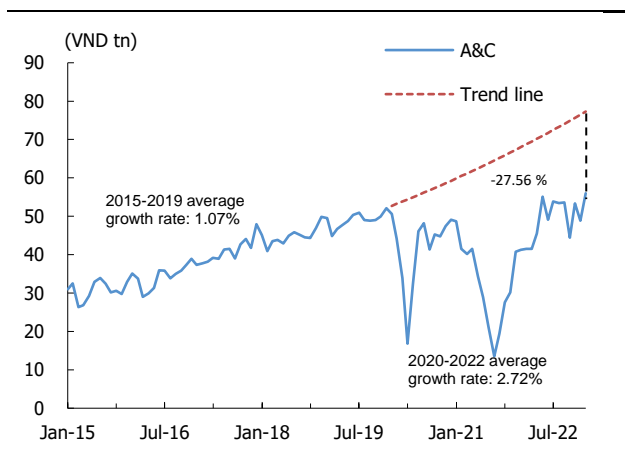
Source: GSO, KIS

Figure 9 Retail sectors: Actual vs Pre-pandemic trend



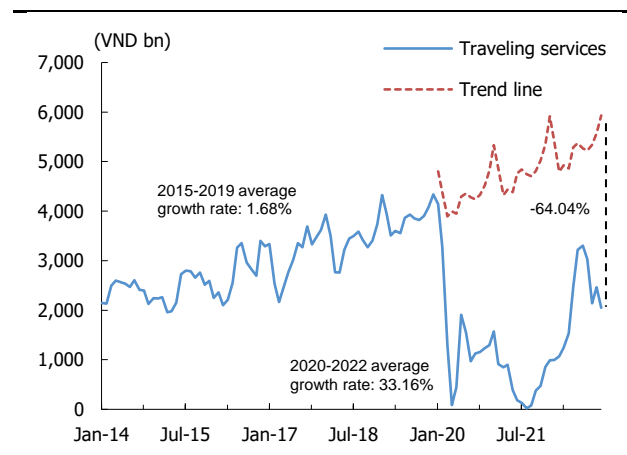
Source: GSO, KIS

Figure 10 Accommodation and catering: Actual vs Pre-pandemic trend



Source: GSO, KIS

Figure 11. Traveling services: Actual vs Pre-pandemic trend

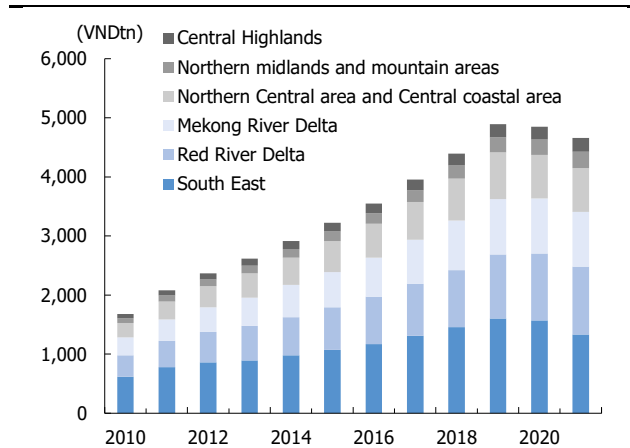


Source: GSO, KIS

2. Total retail sales by geography

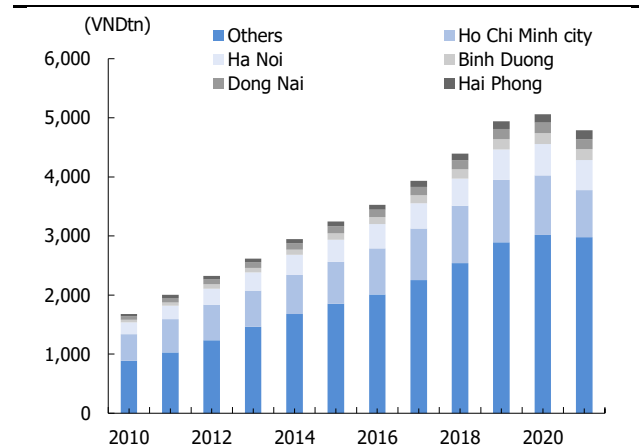
The country's retail sales are driven by purchasing power from key economic regions, big cities with high-income populations, and high population densities. Specifically, in 2021, the southeast and red river delta contributed more than half of Vietnam's total retail sales with 27.86% and 23.95% market shares, respectively. On average, Vietnam's population density was 297 people per square km while it was 778 and 1,091 people per square km in the southeast and red river delta areas. Furthermore, the top five provinces with the highest retail sales revenue also belong to these two economic zones.

Figure 12. Total retail sales by economic zone



Source: SBV, Bloomberg, KIS

Figure 13. Total retail sales by province

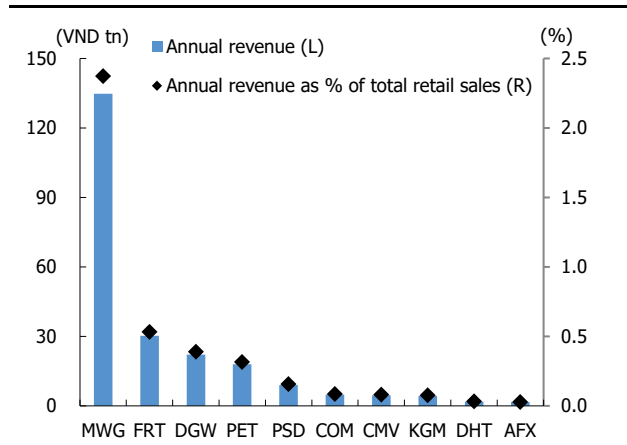


Source: SBV, Bloomberg, KIS

3. Key market players

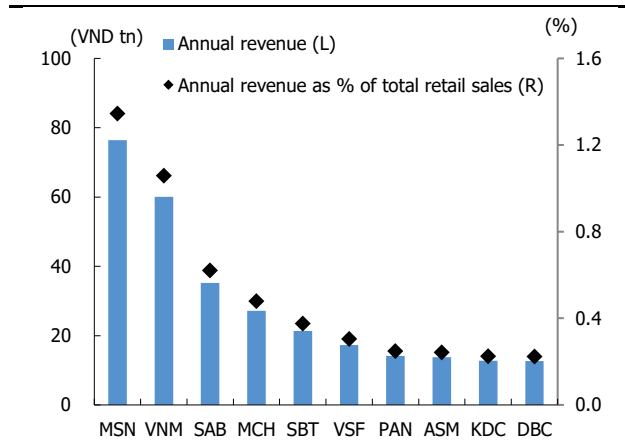
Overall, private companies and household businesses still occupied a large share of the retail market, but public enterprises are expanding and gaining market shares. Regarding to public sector, retail companies dominated the retail market with the largest share, where Mobile World Investment Corporation (MWG) and FPT Digital Retail JSC (FRT) generated VND134.72tn and VND30.28tn of revenue in 2022, accounting for 2.37% and 0.53% of the total retail sales. The second largest sector is food and beverage with the two biggest representatives being Masan Group (MSN) and Vietnam Dairy Products JSC (VNM), generating VND76.38tn and VND60.01tn for the year 2022, equaling 1.34% and 1.06% of total retail market revenue. The other less dominant sectors are personal & household goods and travel & tourism with Phu Nhuan Jewelry JSC (PNJ) and Vietnam Travel and Marketing Transport JSC (VTR) as market leaders, accounting for 0.60% and 0.07% of total retail market revenue, respectively.

Figure 14. Retail sector: Top 10 leaders



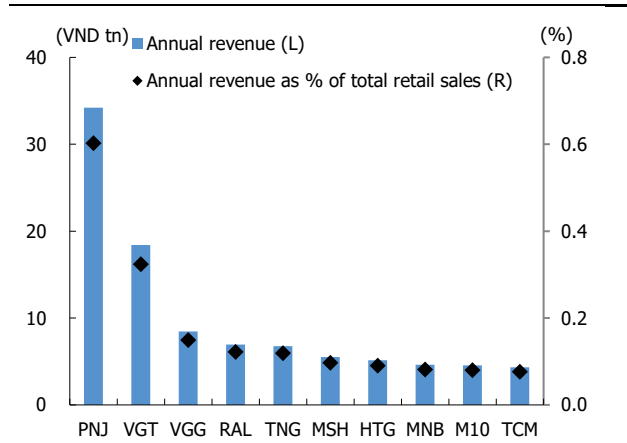
Source: Fiinpro, KIS

Figure 15. Food and Beverage sector: Top 10 leaders



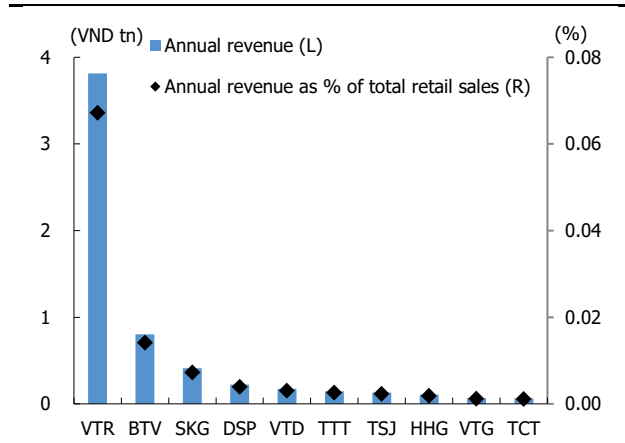
Source: Fiinpro, KIS

Figure 16. Personal and household goods: Top 10 leaders



Source: Fiinpro, KIS

Figure 17. Travel & tourism sector: Top 10 leaders

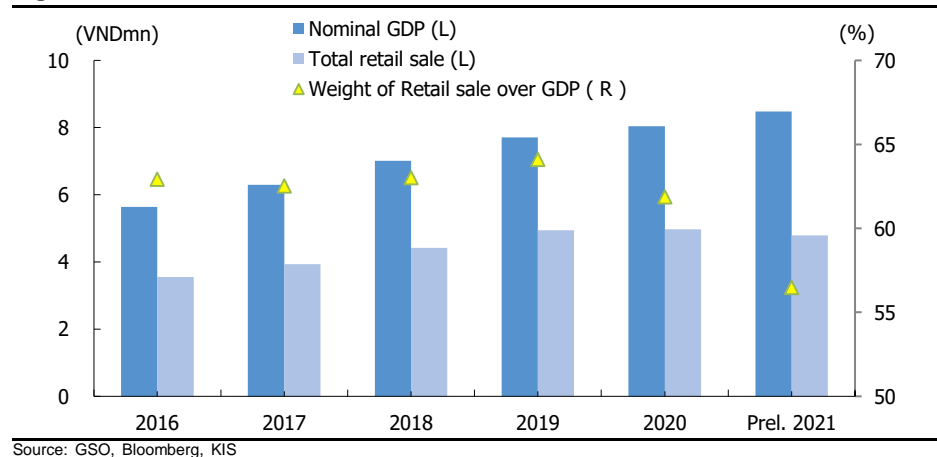


Source: Fiinpro, KIS

III. How is the retail sales used?

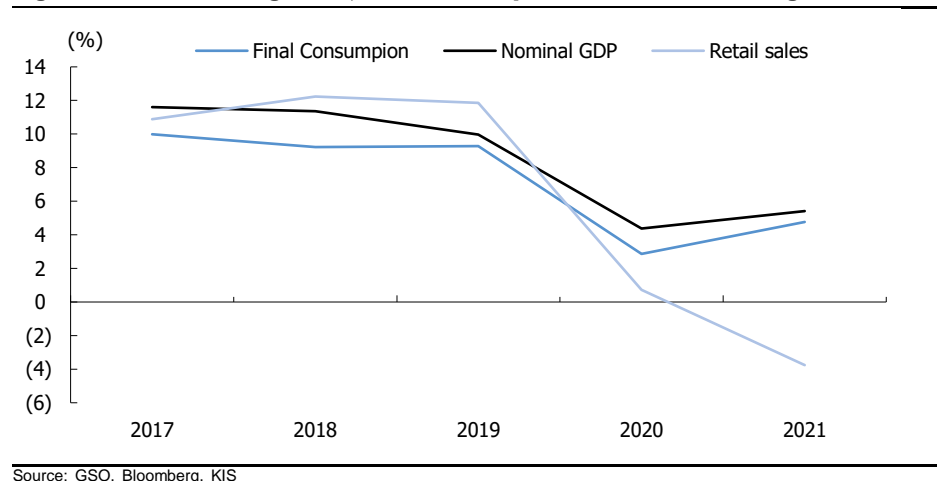
Retail sales is considered as economic data that monitors all purchases of finished goods and services by consumers and business. In addition, it is incredibly important as consumerism accounts for a large portion of economic activity.

Figure 18. Total retail sales and nominal GDP



According to the General statistics office (GSO), the revenue of total retail sales is weighted almost 55% to 65% of total nominal GDP, making retail sales a good economic indicator to measure economic health. As illustrated by the chart, mostly when revenue of retail sales jumps then it pushes the growth of the nominal value of GDP, thus boosting the economy of Vietnam.

Figure 19. Retail sale growth, final consumption and nominal GDP growth



As a leading macroeconomic indicator, healthy retail sales figures typically elicit positive movements in equity markets. To be more specific, higher sales will push revenue for retail companies then equal to higher earnings, resulting in increasing retail companies' stock. Bondholders, on the other hand, are quite ambivalent towards this metric. A booming economy is good for all, but lower retail sales figures and a contracting economy would translate to a decrease in inflation. This may cause investors to gravitate toward bonds, eventually leading to higher bond prices.

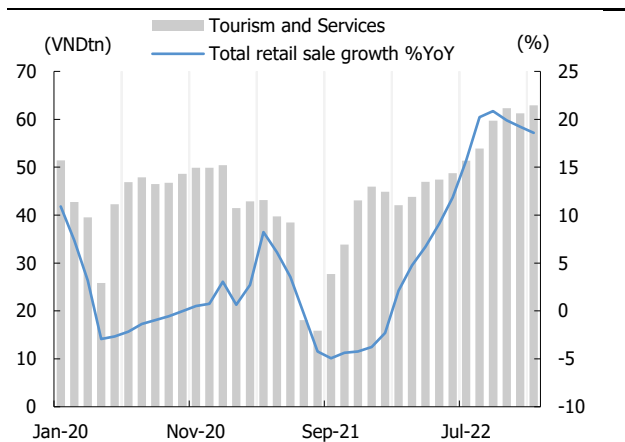
IV. Why should we check it at this time?

Regarding to retail sale structure, revenue from tourism accounted for roughly 10% of total retail sales and it still has ample room for further growth and recovery while other components remain stable. Therefore, the easing of China's zero-covid could bring some positive impact on traveling and tourism revenue.

In more detail, China has eased its zero-covid policy by optimizing immigration administration policies and measures starting from January 8, 2023. To be more specific, China continues to resume the issuance of passports for Chinese residents, ordinary visas and residence permits for foreigners, and tourist visa exemption for short-term travelers which lifts hopes for the global economy as well as Vietnam.

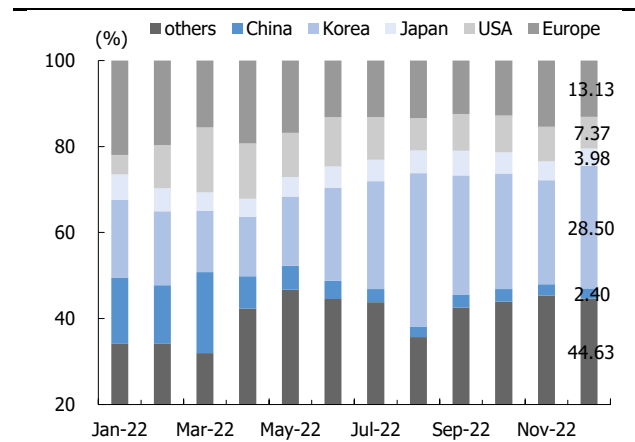
The opening of China will play an important role in boosting the tourism industry of Vietnam. Specifically, Vietnam Airlines has just announced a plan to open flights between Da Nang and Guangzhou, Ho Chi Minh city, and Beijing starting in March after almost three year's suspension. Retail sales should expect a welcome boost when tourism recovers.

Figure 20. Revenue of tourism and services vs total retail sales growth



Source: GSO, KIS

Figure 21. Top visitors to Vietnam by countries



Source: GSO, KIS

A glance at the data above indicated that tourism has a significant impact on the trend of total retail sales growth. Tourism and service have witnessed a dramatic recovery and showed higher revenue compared with the prior Covid period. To be more specific, the average monthly revenue from tourism and service in 2022 was around VND521tn, 16.29% higher than in 2020, and 41.96% higher than in 2021. China re-opening will act as a main catalyst for the jump of the tourism industry as well as total revenue of retail sales, resulting in boosting Vietnam's economy.

Macro scorecard

	22-Sep	22-Oct	22-Nov	22-Dec	23-Jan	1Q22	2Q22	3Q22	4Q22	2019	2020	2021	2022
Real GDP growth (%)						5.03	7.72	13.67	5.92	7.03	2.91	2.58	8.02
Registered FDI (USD bn)	1.92	2.05	2.67	2.58	1.66	8.91	5.12	4.67	8.96	38.02	28.53	31.15	27.72
GDP per capita (USD)										3,398	3,521	3,725	
Unemployment rate (%)										2.25	2.48	3.22	
Export (USD bn)	29.94	30.27	29.50	29.66	25.08	86.01	96.83	96.48	89.50	263.6	282.7	335.7	371.85
Import (USD bn)	28.80	28.00	30.00	29.16	21.48	87.45	97.58	90.71	85.07	254.4	263	331.1	360.65
Export growth (%)	10.35	4.54	(7.40)	(13.96)	(21.28)	13.43	21.02	17.22	(6.07)	8.16	7.02	18.74	10.61
Import growth (%)	6.45	7.08	(2.04)	(8.14)	(28.92)	15.17	15.72	8.12	(3.90)	7.41	3.81	25.9	8.35
Inflation (%)	3.94	4.30	4.37	4.55	4.89	1.92	2.96	3.32	4.41	2.79	3.24	1.84	3.15
USD/VND	23,712	24,839	24,800	23,658	23,449	22,837	23,139	23,712	23,658	23,173	23,126	22,790	23,650
Credit growth (%)	10.47	11.50	11.50	12.87	NA	4.13	8.51	10.47	12.87	13.75	12.17	12.97	12.87
10Y gov't bond (%)	4.39	4.95	4.91	5.08	4.59	2.40	3.38	4.39	5.08	3.37	2.01	2.11	5.08

Source: GSO, Bloomberg, FIA, IMF

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