

Economic Indicators

The United States is Vietnam's largest export market, and Vietnam is the United States 9th largest export market. This means that the economic performance of both countries has a significant impact on each other's retail sales. In case the United States economy is strong, it strengthens domestic consumer spending, likely expanding import goods demand from Vietnam, and vice versa.

U.S July Retail sales and Vietnam T&G exports

Better-than-expected retail sales

According to the latest data from the U.S. Census Bureau, retail sales in the U.S. increased by 0.7% MoM in July of 2023, marking a fourth consecutive rise, and beating market forecasts of a 0.4% increase. Significant expansion was noted in the E-commerce sector, with a month-on-month growth of 1.86%

Glimmer hope for enhanced Vietnam T&G exports

US clothing store sales grew 1.34% YoY in July, slightly decelerated from 2.69% in June, but remain higher than the one-year slowest growth of 0.32% in April. This strong growth in clothing store sales in July was mainly driven by the return to school season, which typically drives demand for back-to-school clothes. The potential upturn in US clothing sales, given a relatively strong correlation with Vietnam T&G exports, subsequently benefiting this export sector in the latter half of 2023.

Why should we check it at this time?

The retail sales of the United States and Vietnam are closely linked. The United States is Vietnam's largest export market, and Vietnam is the United States' 9th largest export market. This means that the economic performance of both countries has a significant impact on each other's retail sales.

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Research Dept

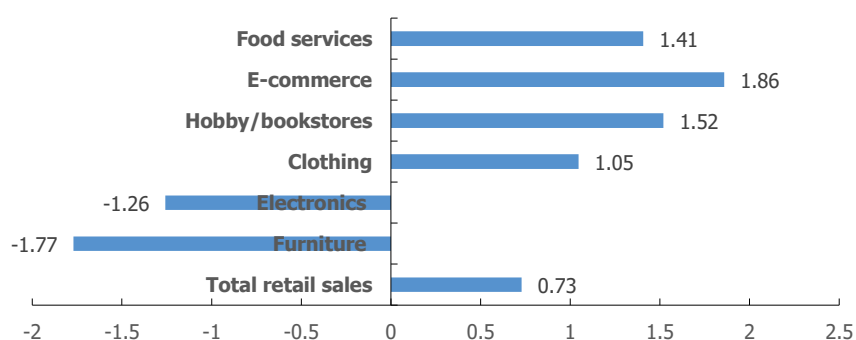
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I. Better-than-expected retail sales

According to the latest data from the U.S. Census Bureau, retail sales in the U.S. increased by 0.7% MoM in July of 2023, marking a fourth consecutive rise, and beating market forecasts of a 0.4% increase.

Significant expansion was noted in the E-commerce sector, with a month-on-month growth of 1.86%. Following closely in second place were Hobby/bookstores, experiencing a 1.52% increase due to the back-to-school season. Additionally, food services saw a rise of 1.41% compared to the previous month, and clothing sales also saw a 1.05% uptick from June's figures.

Figure 1. July retail sales components change monthly basis



Source: U.S. Census Bureau, KIS

On the downside, furniture sales slumped 1.77%, and electronics reported a 1.3% drop.

In general, the impressive retail sales data for July implies that economists believe the Federal Reserve might proceed with a rate increase during its September policy meeting.

It is expected that this substantial growth might not reassure Federal Reserve officials and maintains the possibility of stricter monetary policy. During the upcoming Jackson Hole Economic Symposium, Fed Chair Powell will probably adopt a more assertive stance.

II. Glimmer hope for enhanced Vietnam T&G exports

US clothing store sales grew 1.34% YoY in July, slightly decelerated from 2.69% in June, but remaining higher than the one-year slowest growth of 0.32% in April. This strong growth in clothing store sales in July was mainly driven by the return-to-school season, which typically drives demand for back-to-school clothes. Overall, the 2023 average growth is 4.15%, much lower than 8.83% in 2022 due to conservative consumer spending toward a potential recession, but it is expected to bottom out in April 2023 as the US rate hike cycle comes to an end.

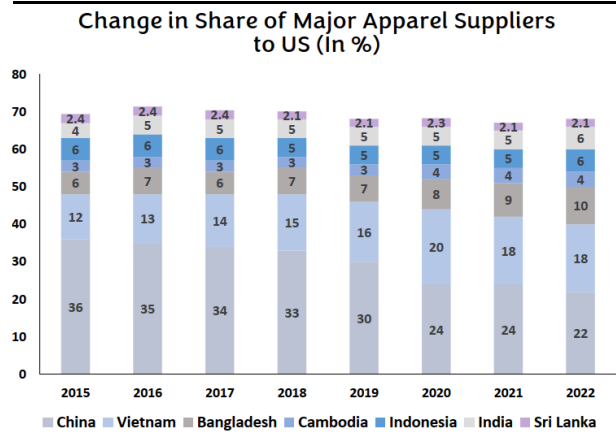
Regarding Textile and Garment (T&G) trading, where the US is the largest buyer (44.02% of VN exports) and VN is the second-largest seller (18.00% of US imports), the strong correlation between US clothing store sales and Vietnamese T&G exports, measuring at 0.28, offers a glimpse of optimism. This suggests a potential upturn in US clothing sales, subsequently benefiting Vietnam's T&G exports in the latter half of 2023.

Figure 2. US clothing sales vs Vietnam T&G export



Source: Bloomberg, KIS

Figure 3. Major apparel suppliers to US



Source: The US Office of Textiles and Apparel, KIS

III. Why should we check it at this time?

The retail sales of the United States and Vietnam are closely linked. The United States is Vietnam's largest export market, and Vietnam is the United States' 9th largest export market. This means that the economic performance of both countries has a significant impact on each other's retail sales.

When the United States economy is strong, consumers have more disposable income to spend on goods and services. This increased demand for goods and services leads to higher retail sales in the United States. Vietnam benefits from this increased demand because it exports many goods and services to the United States.

Conversely, when the United States economy is weak, consumers have less disposable income to spend on goods and services. This decreased demand for goods and services leads to lower retail sales in the United States. Vietnam also suffers from this decreased demand because it exports many goods and services to the United States.

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