

# Economic Flash

## Internal factors speak out on the lack of external support

### Export's improvement faces challenges

According to GSO, export performance in August deteriorated when experiencing a decline of 7.60% YoY, 5.39ppts larger than July's reduction. The electronics group performed worse and mainly hardened the total export turnover to return to the growth landscape. Regarding the breakdown by trading partners, the deterioration in exporting goods to China, ASEAN, and EU regions overwhelmed that to the U.S. this month and mainly slowed the recovery.

### Retail sales accelerate moderately

Total retail sales revenue experienced a moderate acceleration for the second consecutive month, rising to 7.57% YoY from last month's 6.85%. The positive effects of fiscal policy support, such as a VAT reduction and an increase in the base salary, became evident. Furthermore, the surge in tourism-related revenue during the summer season and the demand for educational items during the school re-entry period contributed significantly to this growth.

### Headline CPI soars

Headline CPI significantly accelerated this month by 0.88% MoM, 43bps higher than the July figure, leading to a surge to 2.96% YoY from 2.07%. External factors, particularly the rising oil and rice prices, driving inflation up in Traffic, Food and foodstuff (FFS), and Housing and construction materials (HCM) categories. Consistently, the core CPI continued its cooling trend since February, marking at 4.02% YoY this month, slightly falling from 4.11% in July. Despite this peak up, 8-month average CPI stays at 3.11% YoY, far below government's target of 4.50%, leaving space for easing monetary and fiscal policies.

### Vietnam economic indicators

	23-Mar	23-Apr	23-May	23-Jun	23-Jul	23-Aug	Corr. <sup>1</sup>
Disbursed FDI %YoY	2.0	1.7	0.6	0.9	3.2	23.6	0.06
Retail sales %YoY	11.5	11.7	8.1	6.7	6.9	7.6	-0.13
Export %YoY	-14.4	-16.2	-9.1	-10.8	-2.2	-7.6	-0.03
Import %YoY	-13.3	-23.1	-20.6	-17.9	-11.6	-8.3	0.02
Trade balance (USDbn)	0.6	1.5	2.2	2.6	2.2	3.8	-0.01
CPI %MoM	-0.2	-0.3	0.0	0.3	0.5	0.9	-0.02
Credit %YoY	10.5	9.7	9.1	8.5	9.0	8.7	-0.05
USDVND %MoM	-1.3	-0.1	0.1	0.4	0.4	1.4	-0.37
PMI (pts)	47.7	46.7	45.3	46.2	48.7		-0.16
VNINDEX return (%)	4.0	-1.4	2.6	4.4	9.3	-3.0	1.00

Source: SBV, GSO, Bloomberg, KIS

<sup>1</sup> Correlation to VNINDEX's monthly return; <sup>2</sup> Bloomberg estimates

Green = acceleration; yellow = deceleration; red = contraction.

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### Research Dept

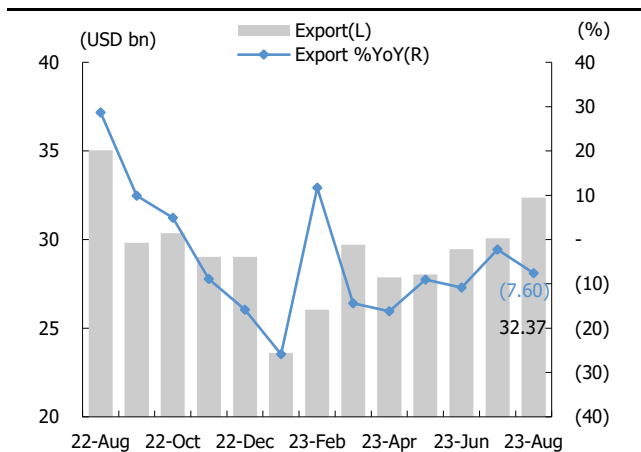
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# I. Export's improvement faces challenges

## Export's improvement hit the break

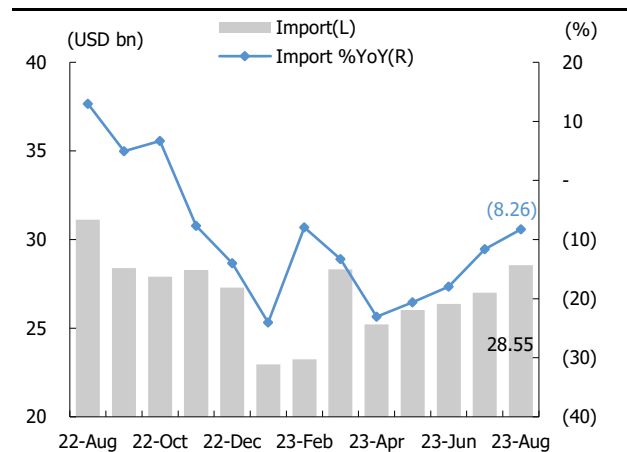
According to GSO, export performance in August deteriorated when experiencing a decline of 7.60% YoY, 5.39ppts larger than July's reduction. The electronics group, such as telephones, computers, displays, and parts, performed worse and mainly hardened the total export turnover to return to the growth territory. In more detail, export and import values reached USD32.37bn and USD28.55bn, decreasing by 7.60% YoY and 8.26% YoY, respectively. The trade balance continued recording a significant surplus of USD3.82bn for the eighth consecutive month of this year. It is worth noting that the export value of August last year was a historic high, mainly originating from the explosive U.S. and EU consumption after a long period of pandemic. The situation has changed significantly from the peak when retailers and wholesalers fell into overstocking, resulting in fewer new orders to manufacturing hubs, including Vietnam.

Figure 1. Vietnam monthly export



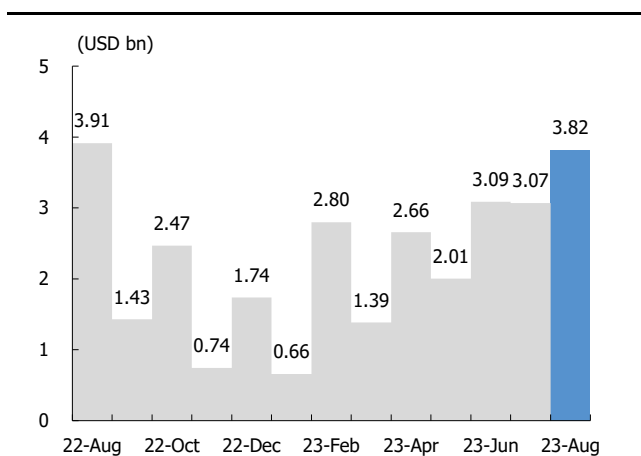
Source: GSO, Vietnam Custom, KIS

Figure 2. Vietnam monthly import



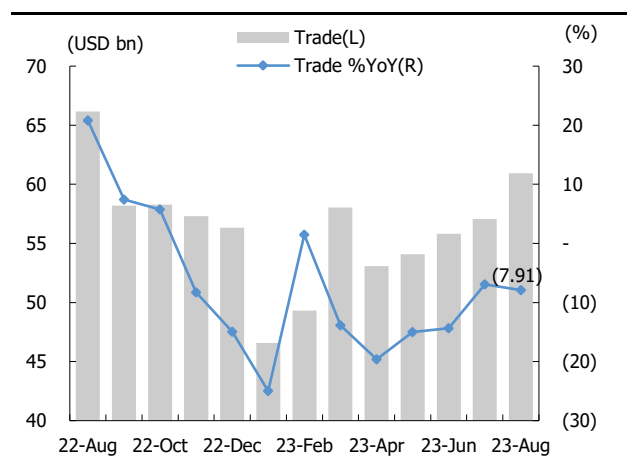
Source: GSO, Vietnam Custom, KIS

Figure 3. Vietnam's monthly trade balance



Source: GSO, Vietnam Custom, KIS.

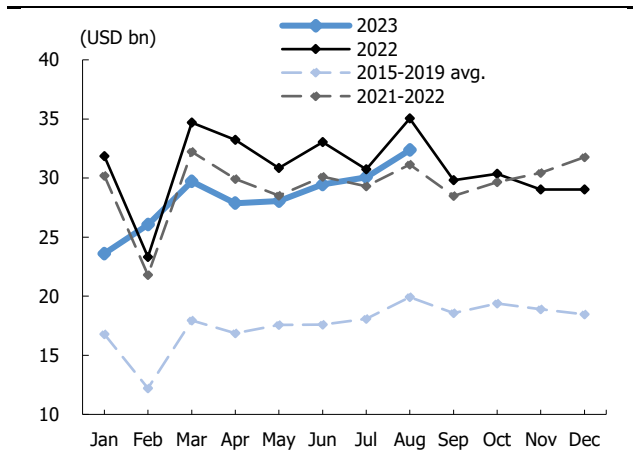
Figure 4. Vietnam's monthly trade



Source: GSO, Vietnam Custom, KIS

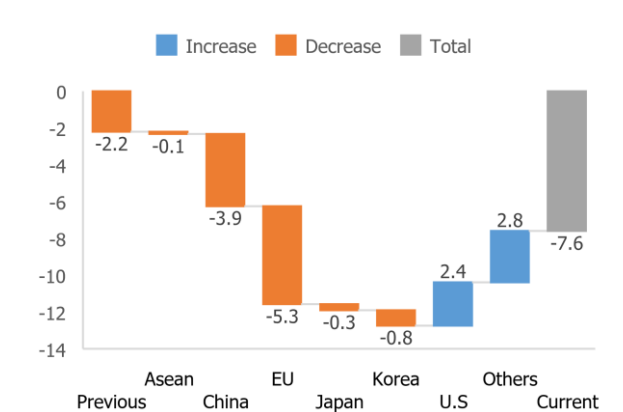
Regarding the breakdown by trading partners, the deterioration in exporting goods to China, ASEAN, EU regions overwhelmed that to U.S. this month. While the growth rate of food-driven export value to Southeast Asia countries has not rose further, August's figures pointed that export tendency to China could be short-lived when the country facing the property crisis and the high rate of youth unemployment.

**Figure 5. Export value by month of the year**



Source: [Samsung's financial highlights](#), KIS

**Figure 6. Vietnam's export contribution by trading partner in August**



Source: GSO, Vietnam Custom, KIS

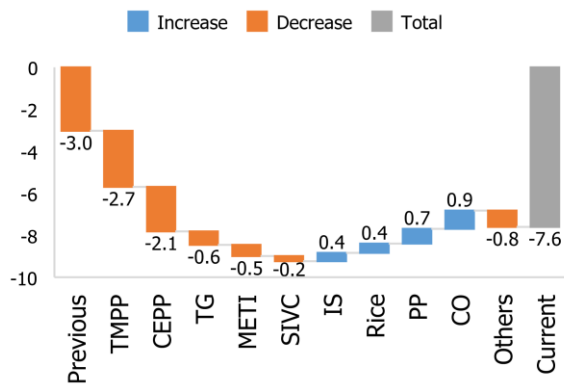
Turning to the breakdown by items, the electronics group, including TMPP (telephones, mobile phones, and parts thereof), CEPP (computers, electrical products, spare parts and components thereof), and METI (machine, equipment, tools, and instruments) performed worse and mainly contributed to the larger decline in total export value.

In more detail, TMPP entered the red territory with a decrease of 14.62% YoY from growing by 0.87% YoY in the previous month. Similarly, the performance of METI export became more severe when its value decreased at a pace that was 4.62ppts higher than in July. On the opposite region, CEPP slowed down significantly when growing by 10.77% YoY, much lower than July's increase rate. Three such items collectively subtracted 3.31ppts from the rate of change in total export value. Besides, TG (textiles and garments) experienced a worse decline of 17.81% YoY, 6.19ppts higher than last month.

On the upside, IS (iron and steel), rice, and PP (plastic products), CO (crude oil) collectively contributed 2.42ppts for the improvement of the total export value. IS and rice accelerated impressively with growth rates of 53.44% YoY and 72.33% YoY, 38.77ppts- and 45.07ppts-higher than July, respectively. More strikingly, PP and CO turned around by exporting USD450.00mn and USD239.44mn, two times and five times higher than their values in the same period last year.

The improvement dominated the import structure in July with 21 over 37 items recording a softer decline, a turnaround, or an acceleration. Notably, CEPP and PetroP (petroleum products) contributed the most to the improvement in the import performance. While CEPP accelerated with a growth rate of 11.99% YoY, 5.31ppts higher than in July, PetroP made an impressive turnaround by growing 113.51% YoY from declining by 0.98% YoY in the previous period. Two such items collectively added 3.07ppts to the rate of change in total import value.

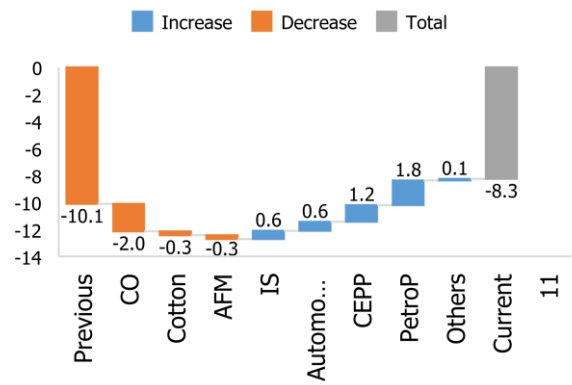
**Figure 7. Vietnam's export contributors (ppts)**



Source: GSO, Vietnam Custom, KIS

Notes: TMPP= Telephones, mobile phones & spare parts; CEPP= computers, electric products & parts; METI= Machines, equipment, tools, and instruments; WWP= Wood and wooden products; Other MT= Other means of transportation, parts, and accessories; FV= Fruits and vegetables; IS= iron and steel.

**Figure 8. Vietnam's import contributors (ppts)**



Source: GSO, Vietnam Custom, KIS

Notes: TMPP= Telephones, mobile phones & spare parts; CEPP= computers, electric products & parts; METI= Machines, equipment, tools, and instruments; IS= Iron and steel; CO= Crude oil; LPG= Liquefied petroleum gases; PP= Petroleum products; AFM= Animal fodders, and materials.

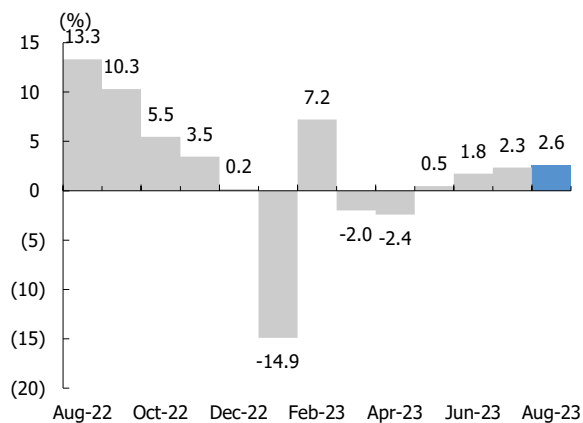
## II. Industrial production shows sign of improvement

### Industrial production grows across three main sectors

In August, the industrial production (IIP) demonstrated signs of progress with a moderate growth rate of 2.6% YoY, making the fourth consecutive month of acceleration. This growth was primarily attributed to the increased pace across three major sectors, encompassing manufacturing, and EGSA (electricity, gas, steam, and air conditioning supply), and WSWMR (water supply, waste management, and remediation activities). On the contrary, MQ (mining and quarrying) witnessed a decline this month.

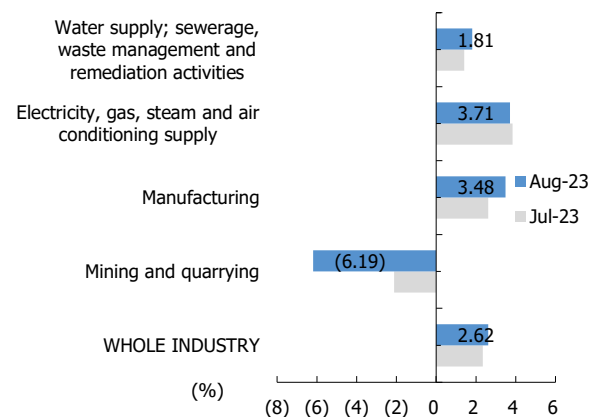
According to GSO, the manufacturing sector continued to expand in August with a growth rate of 3.48% YoY, 0.86ppts higher than in July. Less notably, WSWMR and ESGA grew by 1.81%YoY, and 3.71%YoY, respectively. In contrast, MQ continued to extend its downward trend, posting a negative growth for two consecutive months, from -2.12% YoY in July to -6.19% YoY in August.

**Figure 9. IIP % YoY by month**



Source: GSO, KIS  
Notes: we adjust IIP growth rate by the % YoY change in no. working days to yield adjusted IIP growth rate.

**Figure 10. Movements of 1<sup>st</sup>-levelled sectors**



Source: GSO, KIS

Concerning the outlook for industrial manufacturing, the Ministry of Industry and Trade recently affirmed that Vietnam is poised to sustain its macroeconomic equilibrium throughout the remaining months of 2023. This stability will play a pivotal role in bolstering both investment allure and industrial production.

It is anticipated that the government will persist in accelerating the allocation of public investment funds to generate transformative progress within fields such as steel, construction materials, and mechanics. This strategic approach will effectively enhance consumption, production, and trade undertakings. Thus, Vietnam's IIP is expected to increase over the remaining months of the year.

**Table 1. Movements of notable products**

Product	23-Mar	23-Apr	23-May	23-Jun	23-Jul	23-Aug
Beer	2.7	-6.2	-6.4	3.5	6.1	8.1
Clothes	4.8	7.0	-6.7	1.1	1.3	0.9
Crude steel, iron	22.8	4.0	-2.1	2.0	23.2	30.0
Leather footwear	-2.8	1.3	-2.5	-9.6	-4.8	-6.9
Mobile phone	-18.6	23.3	-24.9	-26.0	-26.4	-16.8
Petroleum	16.5	-3.0	2.9	6.9	8.4	-7.8
Phone accessories	-26.0	5.6	-0.6	19.3	12.4	-0.2
Steel bars and corners	-14.6	-5.3	-1.0	10.5	3.5	-0.2
Steel coil	8.1	-3.2	8.5	14.0	30.2	23.8
Television	-4.7	-14.8	27.2	23.2	13.0	-4.5
Textile fabric from polyester or artificial yarn	10.7	-14.6	10.4	10.1	10.3	7.5
Whole industry	-2.0	-2.4	0.5	1.8	2.3	2.6

Source: GSO, KIS

Regarding the shifts in prominent products, five items have demonstrated positive annual growth. To provide greater detail, steel products like crude steel and iron, along with steel coils, saw double-digit increases of 30.00%YoY and 23.80%YoY, respectively. The driving force behind this encouraging trajectory in steel items can be attributed to robust demand during China's peak construction period, spanning from September to October. Textile, the second largest export commodity, also recorded a modest growth of 7.50%YoY, albeit at a slower pace than the preceding months. Trailing behind is the beer sector, which experienced an expansion of 8.1% compared to the corresponding period of the previous year.

On the contrary, the mobile phone industry, serving as Vietnam's primary export product, continued to exhibit vulnerability. August's data indicated a moderation in the decline rate, a 16.80%YoY, marking the fourth consecutive month of deceleration. This decline can largely be attributed to the global economic deceleration and market saturation. In addition, leather footwear and petroleum posted a decrease in annual basic by 6.90% and 7.80%, respectively.

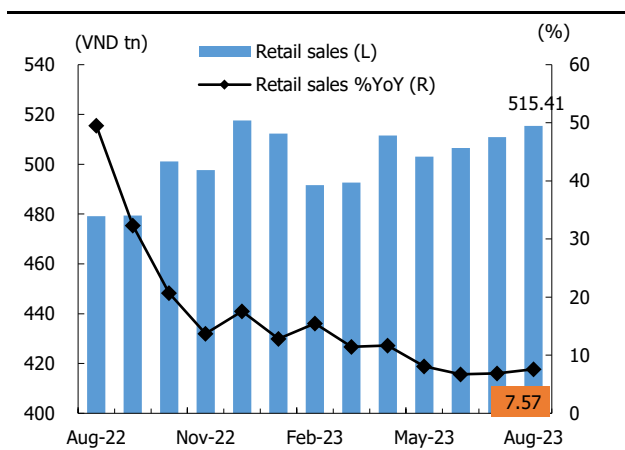
### III. Retail sales accelerate moderately

#### Tourism-related revenue boosts retail sales

Total retail sales revenue experienced a moderate acceleration for the second consecutive month, rising to 7.57% YoY from July's 6.85%. The positive effects of fiscal policy support, such as a VAT reduction and an increase in the base salary, became evident. Furthermore, the surge in tourism-related revenue during the summer season and the demand for educational items during the school re-entry period contributed significantly to this growth.

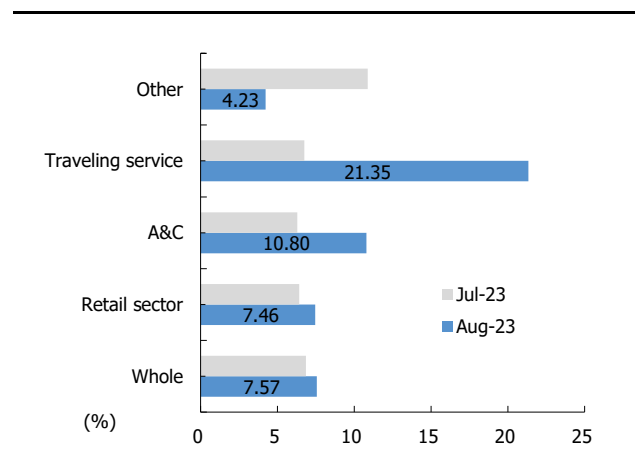
Regarding retail sales components, traveling services (TS) and accommodation and catering (A&C) surged by 21.35% and 10.80% YoY while retail sector robustly grew by 7.46% YoY. Furthermore, industrial employment exhibited a further positive sign with the continuous improvements from May-bottom in terms of industrial labor employment index (cur. -2.88% vs pre. -3.93% YoY) and manufacturing PMI (48.7 in July vs 46.2 in June).

**Figure 11. Monthly retail sales**



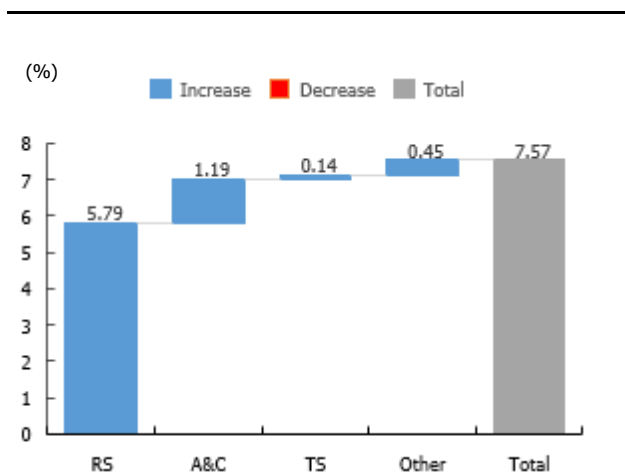
Source: GSO, KIS

**Figure 12. Components annual growth**



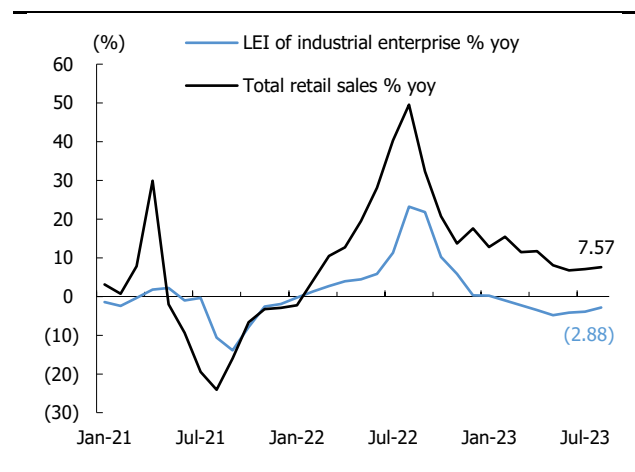
Source: GSO, KIS

**Figure 13. Components contribution to total retail sales**



Source: GSO, KIS

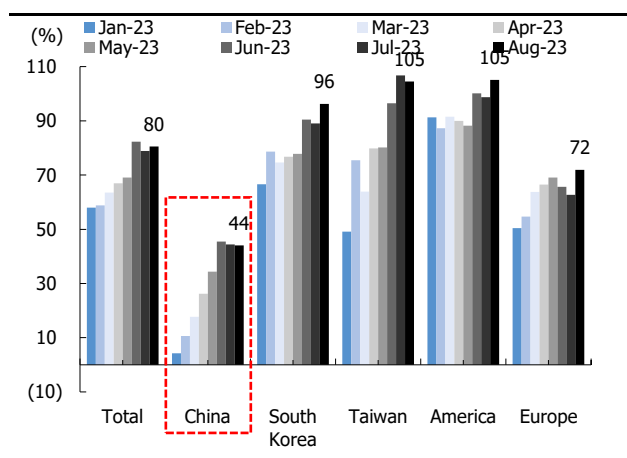
**Figure 14. Industrial labor employed index (LEI) vs total retail sales**



Source: GSO, KIS

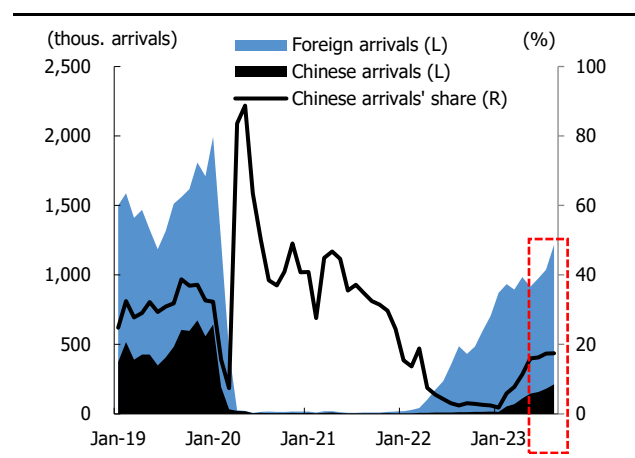
Tourism revenue emerged as a highlight this month, particularly in terms of foreign arrivals, which saw a substantial 17.22% increase. Despite this positive momentum, Chinese tourism to Vietnam remained lackluster, showing no improvement compared to the 2019 level over the month, as we had forecasted in our [3Q23 Economic Forecast](#). Additionally, the recent property and shadow banking crisis involving enterprises like Country Garden and Zhongzhi Group has cast a shadow on Chinese consumer spending, subsequently dampening their demand for outbound travel. As a result, our stance remains unchanged: Chinese tourism's rebound to Vietnam is not likely to be the primary driver for travel-related revenue in 2023.

**Figure 15. International arrivals by country of origin as % of 2019 levels**



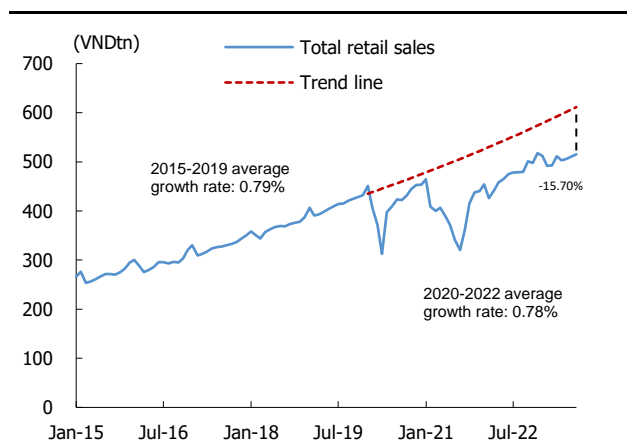
Source: GSO, KIS

**Figure 16. Foreign arrivals: Chinese vs All**



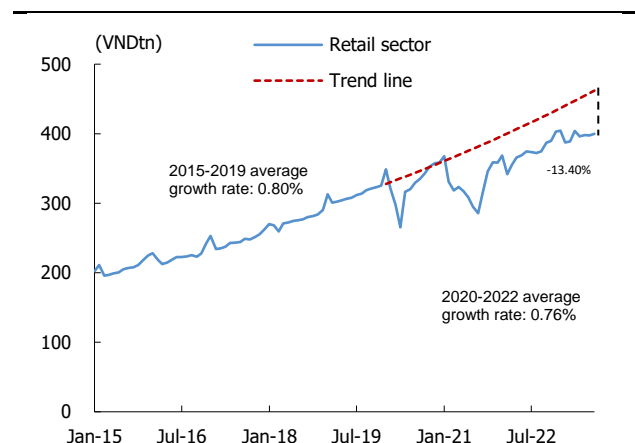
Source: GSO, KIS

**Figure 17. Total retail sales: Actual vs Pre-pandemic trend**



Source: GSO, KIS

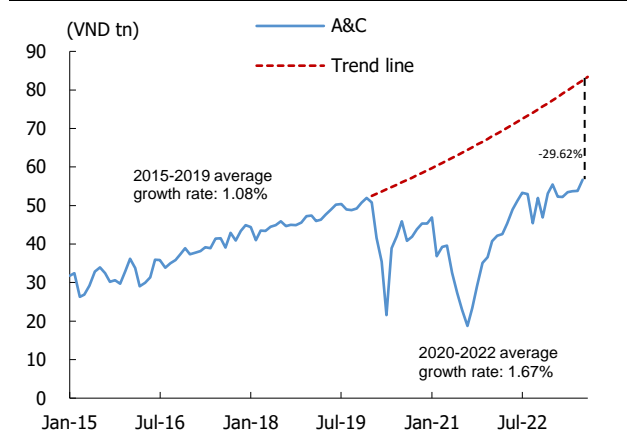
**Figure 18. Retail sectors: Actual vs Pre-pandemic trend**



Source: GSO, KIS

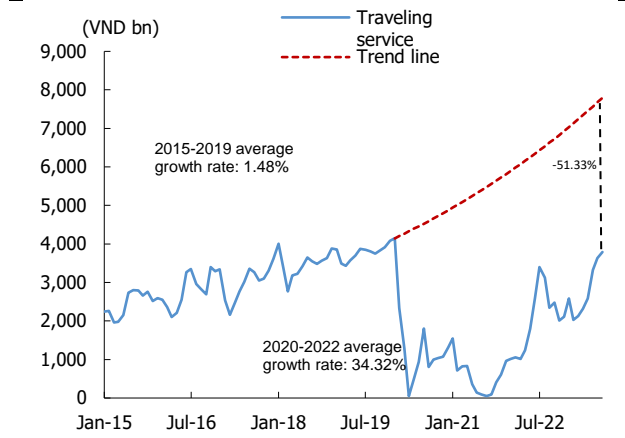


**Figure 19. Accommodation and catering: Actual vs Pre-pandemic**



Source: GSO, KIS

**Figure 20. Traveling services: Actual vs Pre-pandemic**

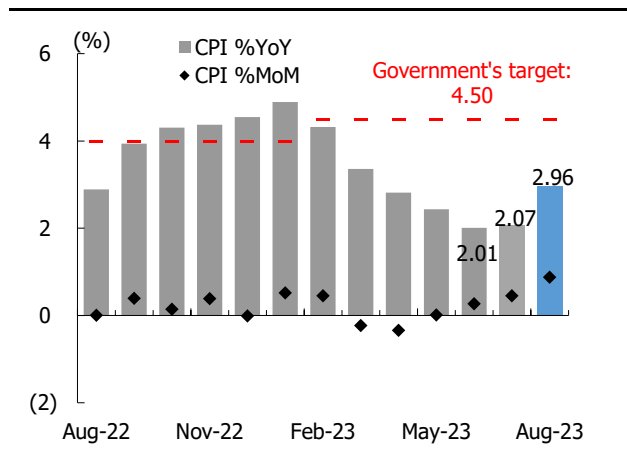


Source: GSO, KIS

## IV. Headline CPI soars

Headline CPI significantly accelerated this month by 0.88% MoM, 43bps higher than the July figure, leading to a surge to 2.96% YoY from 2.07% last month. External factors, particularly the rising oil and rice prices, driving inflation up in Traffic, Food and foodstuff (FFS), and Housing and construction materials (HCM) categories. Consistently, the core CPI continued its cooling trend since February, marking at 4.02% YoY this month, slightly falling from 4.11% in July. Despite this peak up, 8-month average CPI stays at 3.11% YoY, far below government's target of 4.50%, leaving space for easing monetary and fiscal policies.

**Figure 21. Monthly CPI change and its contributor**



Source: GSO, KIS

**Table 2. Monthly CPI change by item**

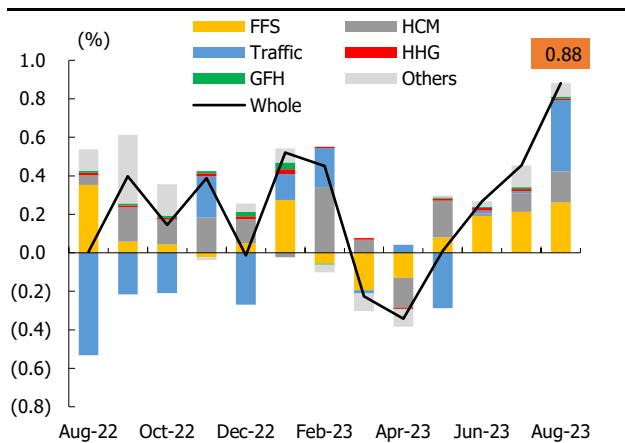
Item	Weight (%)	% MoM	% YoY
Food and foodstuff	33.56	0.78	2.31
Beverage and cigarette	2.73	0.28	3.06
Garment, footwear, hat	5.70	0.19	2.03
Housing and construction materials	18.82	0.85	7.14
Household appliances and goods	6.74	0.10	1.83
Medicine and healthcare	5.39	0.03	0.55
Traffic	9.67	3.85	-0.31
Postal services & telecommunication	3.14	-0.17	-1.11
Education	6.17	0.96	5.05
Culture, Entertainment, and tourism	4.55	0.09	1.35
Other goods and services	3.53	0.22	5.89
<b>Consumer Price Index</b>	<b>100.00</b>	<b>0.88</b>	<b>2.96</b>

Source: GSO, KIS

Note: shaded items mainly contributed to CPI change this month.

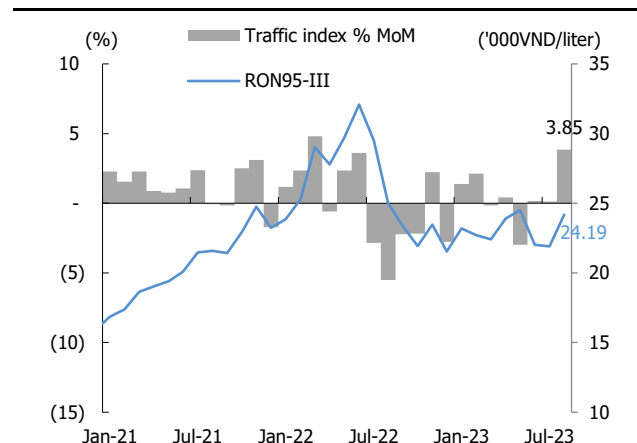
Major contributors to CPI surge this month were Traffic, FFS, and HCM with 37bps, 26bps, and 16bps to the total 88bps rise (Figure 22). Responding to the rising in international petroleum products, domestic RON95-III and diesel prices rose by 10.41% and 16.89% MoM on average. Similarly, 16.84% and 7.00% rises in domestic kerosene and gas prices drove up the HCM this month. Lastly, domestic rice price rose dramatically by 5.90% MoM, largely contributed to 0.78% MoM in FFS. This surge in rice price was mainly due to the Russia's suspension from Black Sea Grain Initiative in 17 July and India's export rice ban (accounted for 37% of annual global export volume) in 20 July.

**Figure 22. Monthly domestic live hog price**



Source: GSO, KIS

**Figure 23. Monthly domestic gasoline price**



Source: EIA, MOIT, KIS

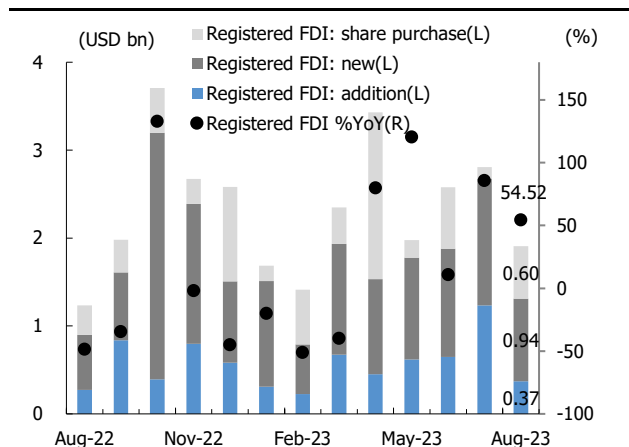
## V. FDI boosted by M&A activities

### **Registered and Disbursed FDI jumps sharply on yearly basis**

The Ministry of Planning and Investment (MPI)'s latest update showed that FDI registration in August decreased by 32.10% MoM but gained accordingly by 54.52%YoY. This growth was predominantly fueled by a significant uptick in mergers and acquisitions (M&A) transactions, particularly in the real estate sector. Specifically, capital registered for share purchase experienced an impressive 360.25% monthly increase and a substantial 78.33%YoY rise, serving as the primary catalyst for this upswing. Besides, FDI disbursement recorded at USD1.52bn, fell slightly 2.56% MoM but jumped 23.58% compared to the same period last year.

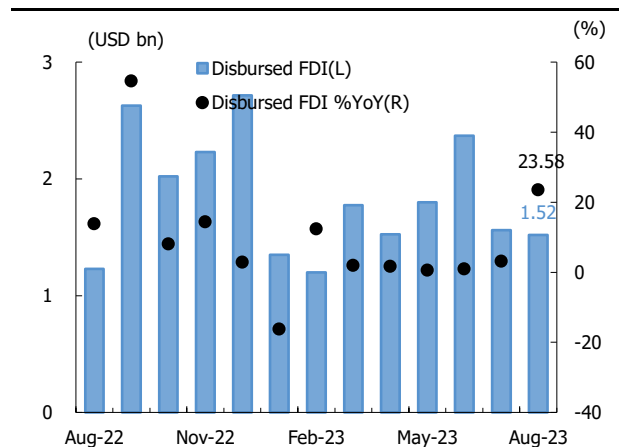
Providing additional insight into the strong real estate mergers and acquisitions, it's worth noting the notable involvement of Singaporean enterprises such as MapleTree Capital and Capital Land in investment endeavors over the previous year. Additionally, Keppel drew attention by committing around USD135mn to secure a 49% stake in two projects located in Thu Duc City. Similarly, CapitaLand, a Singaporean company, is currently in discussions to reacquire several Vinhomes (VHM) projects valued at approximately USD1.5bn. If successful, this has the potential to emerge as a significant recent real estate transaction in Southeast Asia.

**Figure 24. Monthly registered FDI**



Source: MPI, KIS

**Figure 25. Monthly disbursed FDI**

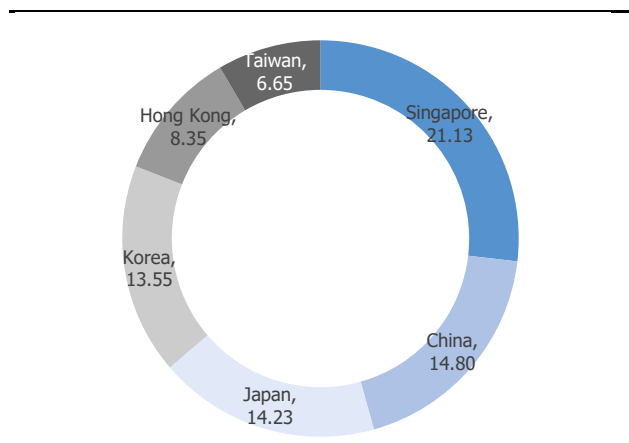


Source: MPI, KIS

August's data showed total registered FDI reached USD1.91bn. This encompassed USD0.94bn of new registration, USD0.37bn of additional capital raising, and USD0.59bn of share purchases. Notably, a significant instance this month was Victory Giant Technology's capital increase. The Chinese technology company received approval from Bac Ninh authorities to enhance its capital by approximately USD0.4bn, aimed at expanding its production capabilities.

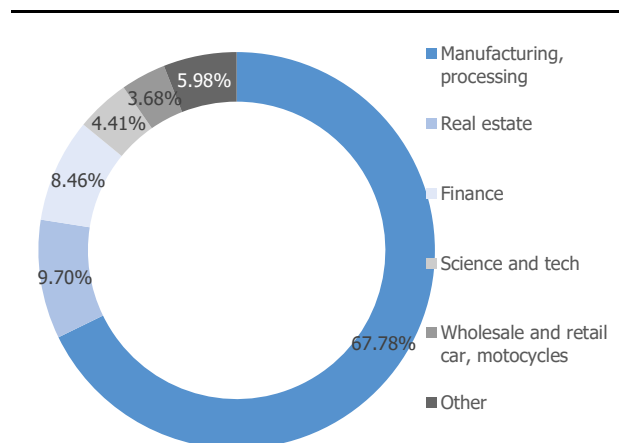
For the eight-month period of 2023 (8M23), FDI commitments reached approximately USD18.15bn, showing a growth rate of 8.2%YoY. In addition, FDI disbursement was recorded at around USD13.1bn, gaining modestly by 1.3% compared to the same period last year. This rebound was attributable to the warming export activities in the late stage of the global interest rate hike.

**Figure 26. FDI by country**



Source: MPI, KIS

**Figure 27. FDI by industry**



Source: MPI, KIS

Regarding FDI by countries and territories, in 8M2023, Singapore retained its position as the top investor in Vietnam, contributing a total investment of USD 3.83bn, making up 21.13% of the registered capital. Notably, China has surpassed Korea to become the second largest investor, with USD2.69bn, while Japan and Korea closely followed with USD2.59bn and USD2.46bn, respectively.

In 8M2023, the manufacturing and processing sector stood out as the most appealing industry for foreign direct investment (FDI) in Vietnam, attracting a significant registered capital of USD12.29bn, constituting 67.78% of the total FDI commitments. The real estate industry secured its position as the second-largest recipient of FDI, drawing in USD 1.76bn in registered capital, which accounted for 9.70% of the total registered FDI. Moreover, the financial sector attracted around USD1.53bn mainly from the Sumitomo M&A deal to acquire 15% of VP Bank, making up approximately 8.46% of the total registered FDI capital.

**Table 3. Top new registered capital by country in July**

Country	July Value USDbn	August Value USDbn	Accumulative value USDbn 8M2023	%MoM	Weight of total NRC in August
Singapore	0.64	0.19	3.83	-69.51%	10.21%
Korea	1.12	0.19	2.46	-89.38%	6.21%
China	0.38	0.35	2.69	-8.08%	18.39%
Japan	0.13	0.25	2.59	95.75%	13.01%
Hong Kong	0.11	0.46	1.52	300.24%	24.08%
Taiwan	0.1	0.22	1.21	135.07%	11.46%

Source: GSO, MPI, KIS

NRC: New registered capital

Regarding new registered FDI by country, a sharp increase was seen in the newly registered capital of Hong Kong with a monthly growth rate of 300.24%, increasing from USD0.11bn in July to 0.46 in August. Besides, Taiwan's NRC also jumped 135.07% MoM, followed by Japan with a growth rate of 95.75%MoM.

**Table 4. Notable projects in 2023**

Project	Origin country	8M23 registration (USDbn)	Accumulated registration (USDbn)	Location
LG Innotek	Korea	1	1.9	Hai Phong
Lego	Denmark		1.30	BinhDuong
Hyosung	Korea	0.16	1	Vung Tau
CapitaLand	Singapore		0.5	BinhDuong
Foxconn	Taiwan		0.35	Nghe An
Victoria Giant Tech	China	0.4	0.4	Bac Ninh

Source: GSO, MPI, KIS

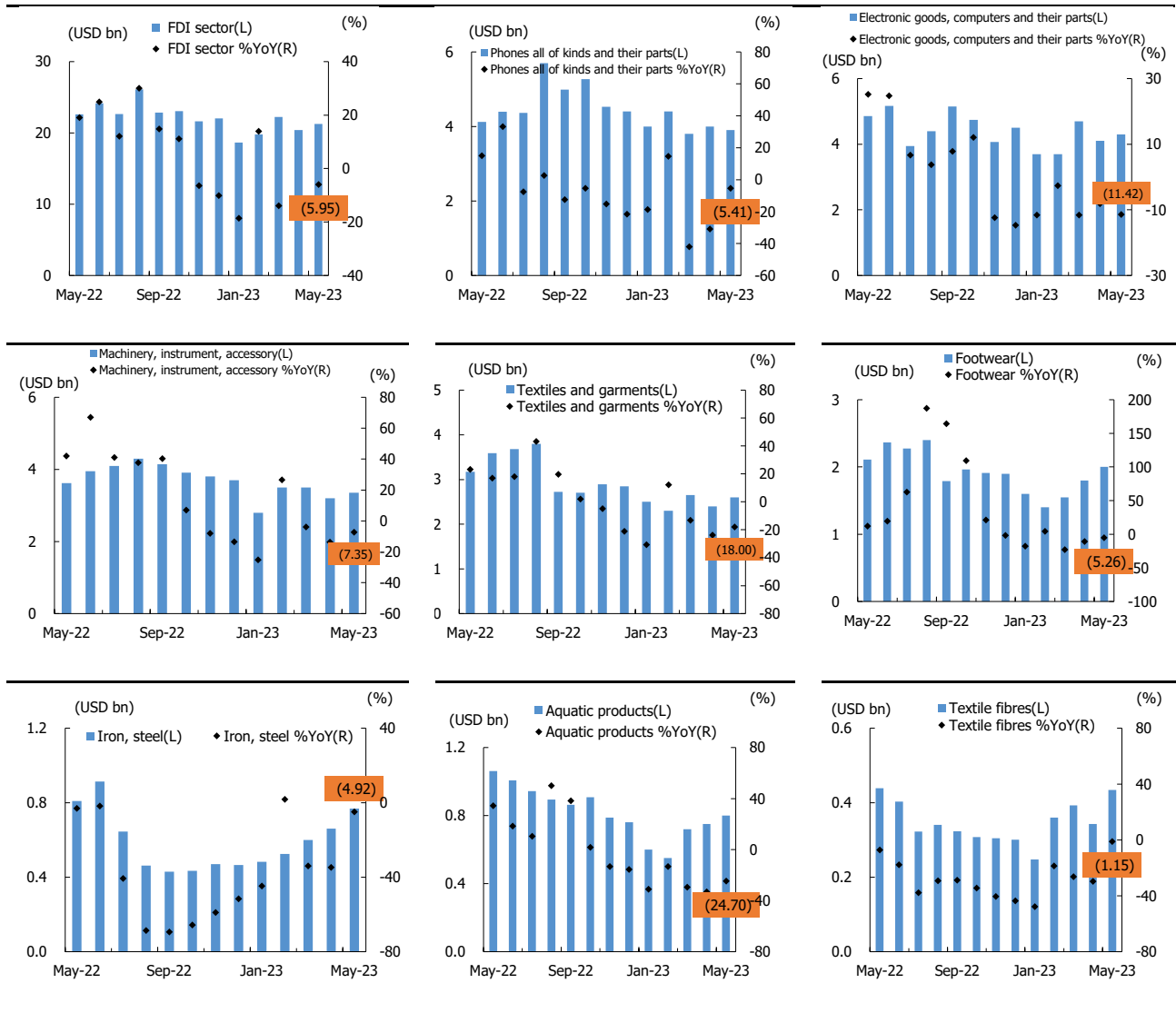
## Macro scorecard

	23-April	23-May	23-Jun	23-Jul	23-Aug	3Q22	4Q22	1Q23	2Q23	2019	2020	2021	2022
Real GDP growth (%)						13.67	5.92	3.21	4.14	7.03	2.91	2.58	8.02
Registered FDI (USD bn)	3.43	1.98	2.57	2.81	1.91	4.67	8.96	5.45	13.43	38.02	28.53	31.15	27.72
GDP per capita (USD)										3,398	3,521	3,725	4,110
Unemployment rate (%)						2.28	2.32	2.25	2.25	2.25	2.48	3.22	2.32
Export (USD bn)	27.54	29.05	29.30	29.68	32.37	96.48	89.50	79.17	83.42	263.6	282.7	335.7	371.85
Import (USD bn)	26.03	26.81	26.71	27.53	28.55	90.71	85.07	75.10	76.01	254.4	263	331.1	360.65
Export growth (%)	(17.15)	(5.86)	(11.41)	(3.47)	(7.60)	17.22	(6.07)	(11.90)	(14.16)	8.16	7.02	18.74	10.61
Import growth (%)	(20.54)	(18.44)	(16.94)	(9.92)	(8.26)	8.12	(3.90)	(14.67)	(22.30)	7.41	3.81	25.9	8.35
Inflation (%)	2.81	2.43	2.00	2.06	2.96	3.32	4.41	4.18	2.41	2.79	3.24	1.84	3.15
USD/VND	23,459	23,493	23,583	23,688	24,135	23,712	23,633	23,471	23,583	23,173	23,126	22,790	23,650
Credit growth (%)	3.04	3.04	4.73	4.56	4.78	10.47	12.87	1.61	3.36	13.75	12.17	12.97	12.87
10Y gov't bond (%)	3.21	3.28	3.50	2.41	2.58	4.39	5.08	3.54	3.50	3.37	2.01	2.11	5.08

Source: GSO, Bloomberg, FIA, IMF

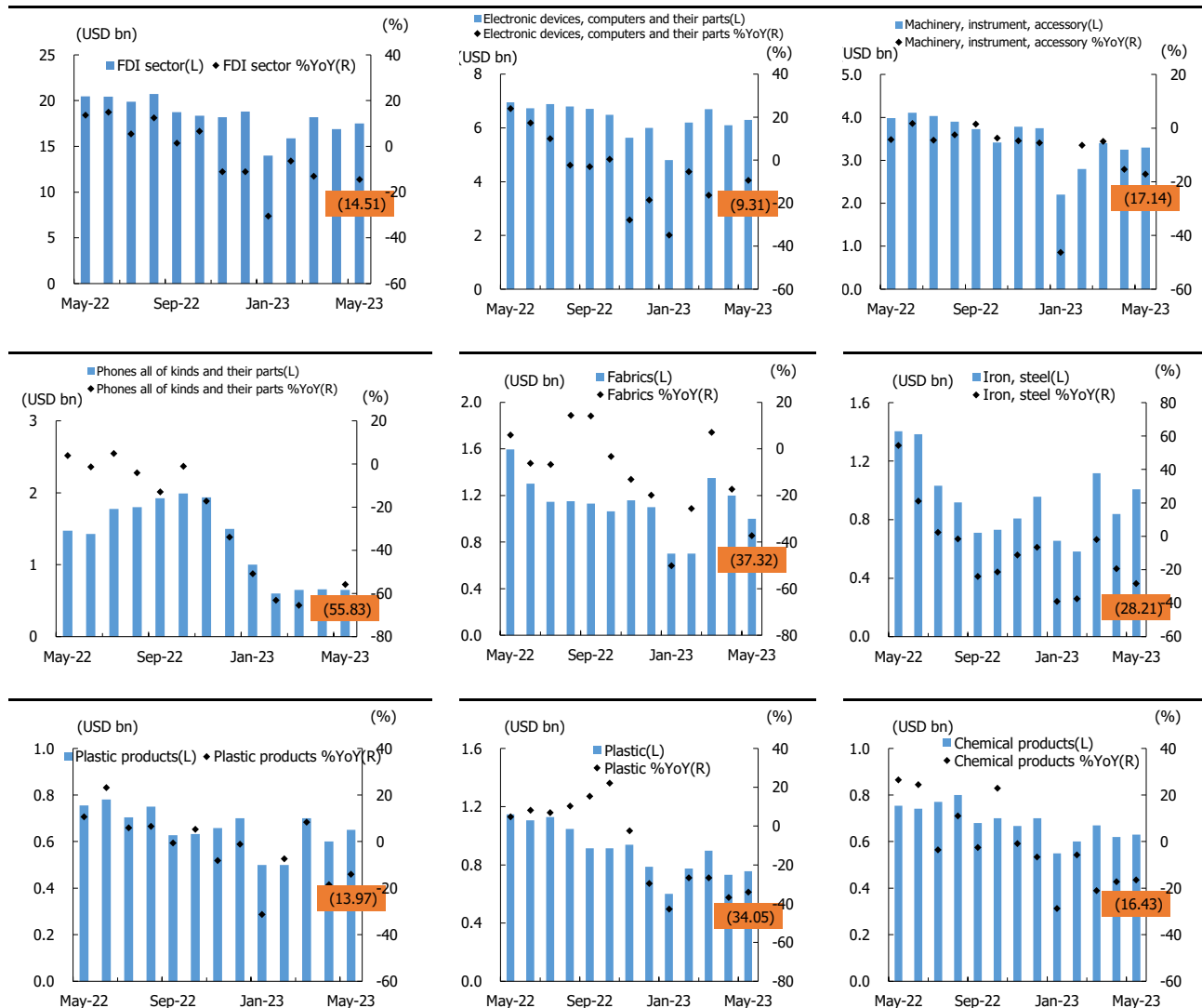
## Appendix

**Figure 1. Performances of major export products by month**



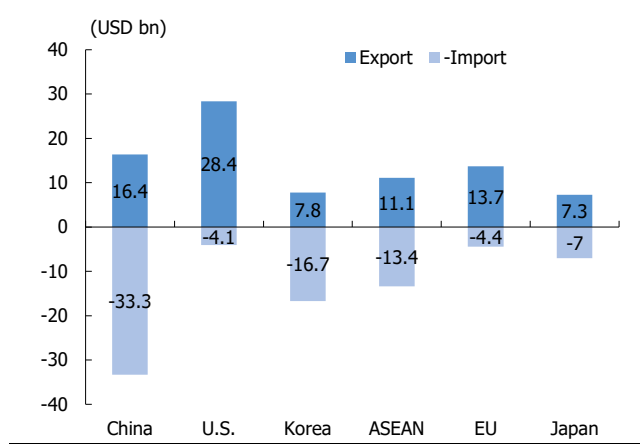
Source: KIS, GSO

**Figure 2. Performances of major import products by month**



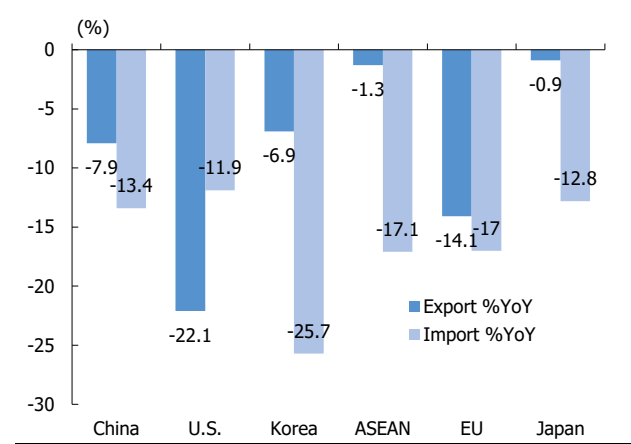
Source: KIS, GSO

**Figure 3. Vietnam's cumulative trade by country in 2023**



Source: GSO, Vietnam Custom, KIS

**Figure 4. Vietnam's change in cumulative trade by country in 2023**



Source: GSO, Vietnam Custom, KIS



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