

Economic Flash

Economic acceleration on external hopes

Exports accelerate on electronics group

Exports extended the recovery in October primarily thanks to the strong rebound in the electronics group, especially CEPP (computers, electronic products, and parts). According to GSO, export and import values reached USD32.31bn and USD29.31bn, increasing by 5.90% YoY and 5.23% YoY, respectively. We predict the recovery in export activities to continue in the two coming months of this year, resulting in a growth rate of 6.7% YoY in 4Q23.

Newly registered FDI surge

According to the Ministry of Planning and Investment (MPI), foreign direct investment (FDI) registration in October experienced a surge of 169.53% MoM and a corresponding growth of 49.84% YoY. This growth was primarily driven by a substantial increase in newly registered capital with an impressive figure of USD5.06bn, increased 271.72% MoM and an impressive 80.34% annual rise. Besides, FDI disbursement recorded at USD2.09bn, decreased 25.81% MoM and slightly jump 3.21% compared to the same period last year.

Cooling inflation on the traffic decline

The Headline CPI registered a slight cooling in the current month, rising by a modest 0.08% MoM, which is a notable 100bps lower than September's figure. This cooling was primarily attributed to a substantial decline in the traffic index, which is closely related to falling fuel prices. Consequently, the year-over-year CPI exhibited a slight decline on a monthly basis, but it continues to anchor at a relatively high level, reaching 3.59% YoY. Key drivers of this trend in October included education and HCM (housing and construction materials), and FFS (food and foodstuff), much like in the previous month of September.

Vietnam economic indicators

| | 23-May | 23-Jun | 23-Jul | 23-Aug | 23-Sep | 23-Oct | Corr. ¹ |
|-----------------------|--------|--------|--------|--------|--------|-------------------|--------------------|
| Disbursed FDI %YoY | 0.6 | 0.9 | 3.2 | 23.6 | 7.0 | 3.2 | 0.06 |
| Retail sales %YoY | 8.1 | 6.7 | 6.9 | 6.9 | 8.2 | 7.0 | -0.13 |
| Export %YoY | -9.1 | -10.8 | -2.2 | -6.5 | 2.1 | 5.9 | -0.03 |
| Import %YoY | -20.6 | -17.9 | -11.6 | -5.8 | 0.3 | 5.2 | 0.02 |
| Trade balance (USDbn) | 2.0 | 3.1 | 3.1 | 3.4 | 2.2 | 3.0 | -0.01 |
| CPI %MoM | 0.0 | 0.3 | 0.5 | 0.9 | 1.1 | 0.1 | -0.02 |
| Credit %YoY | 9.1 | 9.3 | 9.0 | 9.4 | 9.9 | 9.3 | -0.05 |
| USDVND %MoM | 0.1 | 0.4 | 0.4 | 1.7 | 0.9 | 1.1 | -0.37 |
| PMI (pts) | 45.3 | 46.2 | 48.7 | 50.5 | 49.7 | 50.0 ³ | -0.16 |
| VNINDEX return (%) | 2.5 | 4.2 | 9.2 | 0.1 | -5.7 | -8.1 | 1.00 |

Source: SBV, GSO, Bloomberg, KIS

¹ Correlation to VNINDEX's monthly return; ² Bloomberg estimates; ³ KIS's estimate
Green = acceleration; yellow = deceleration; red = contraction.

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Research Dept

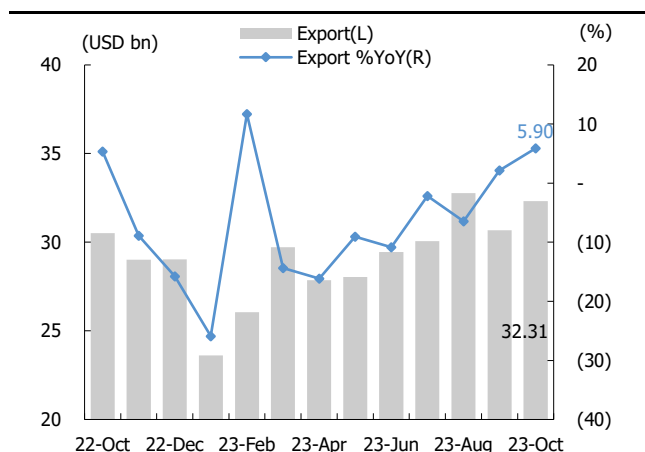
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I. Exports accelerate on electronics group

Export's recovery gains momentum

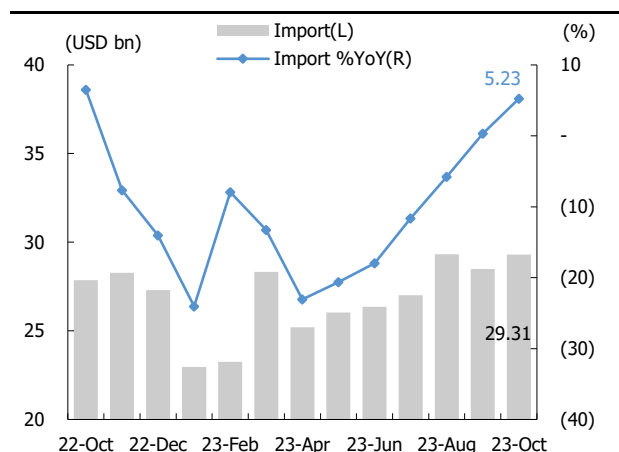
Exports extended the recovery in October primarily thanks to the strong rebound in the electronics group, especially CEPP (computers, electronic products, and parts). It is noteworthy that trade turnover returned to the green territory for the second consecutive month since November last year when the resolution of excessive inventories of retailers and wholesalers in Vietnam's trading partners likely progressed. According to GSO, export and import values reached USD32.31bn and USD29.31bn, increasing by 5.90% YoY and 5.23% YoY, respectively. The trade balance was surplus for the tenth month in a row with a significant amount of USD3.00bn. We predict the recovery in export activities to continue in the two coming months of this year, resulting in a growth rate of 6.7% YoY in 4Q23.

Figure 6. Vietnam monthly export



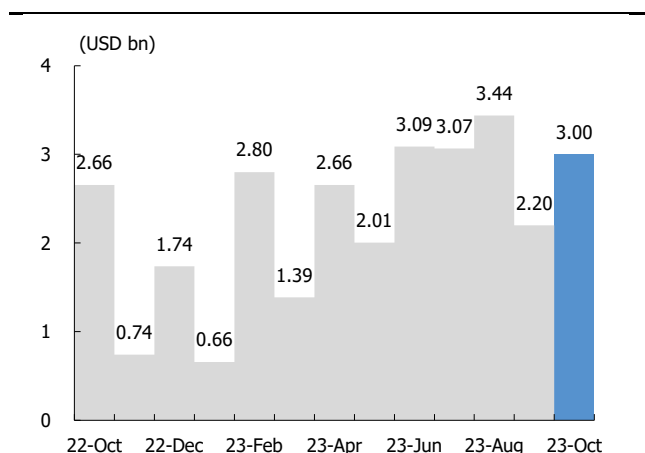
Source: GSO, Vietnam Custom, KIS

Figure 7. Vietnam monthly import



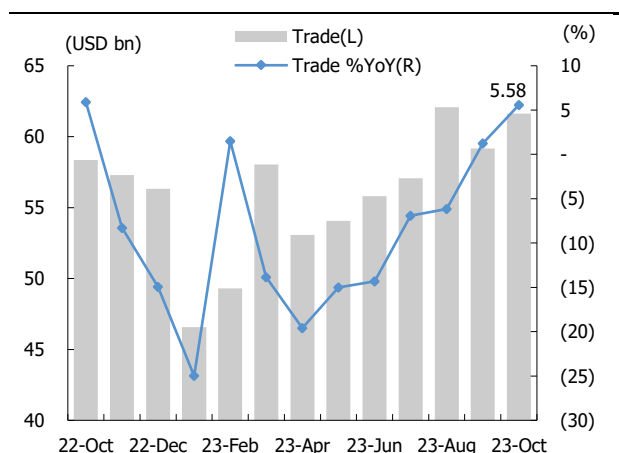
Source: GSO, Vietnam Custom, KIS

Figure 8. Vietnam's monthly trade balance



Source: GSO, Vietnam Custom, KIS.

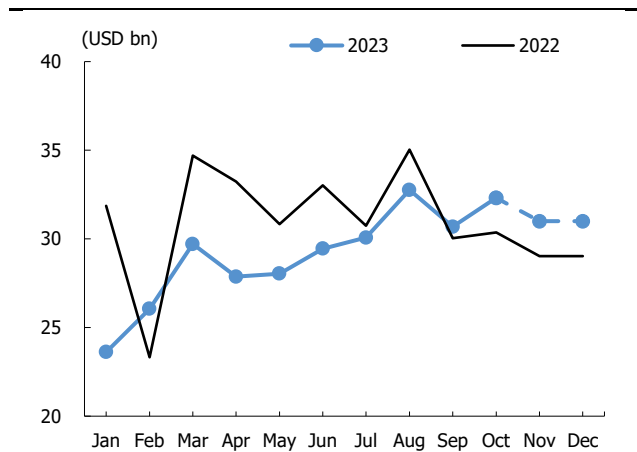
Figure 9. Vietnam's monthly trade



Source: GSO, Vietnam Custom, KIS

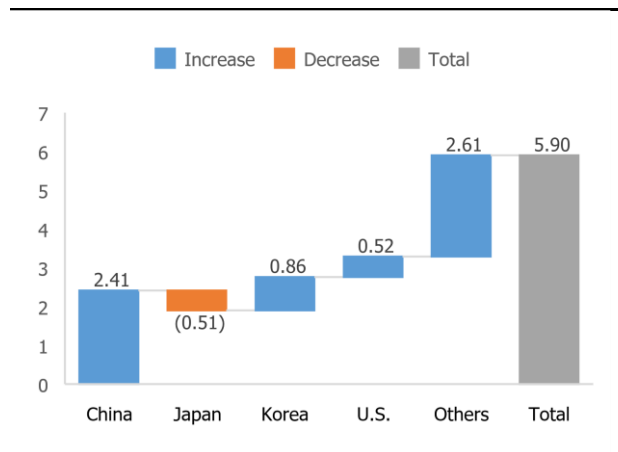
Regarding the breakdown by trading partners, China mainly led the increase in export value this month. Goods sold to customers in this country reached USD6.54bn in October, increasing by 12.67% YoY and contributing 2.41ppts to the overall increase. Similarly, export value to Korea rose by 13.57% YoY to USD2.20bn. In the opposite direction, exports to Japan reduced by 7.21% YoY, posting USD2.01bn this month.

Figure 10. Export value by month of the year



Source: GSO, Vietnam Custom, KIS

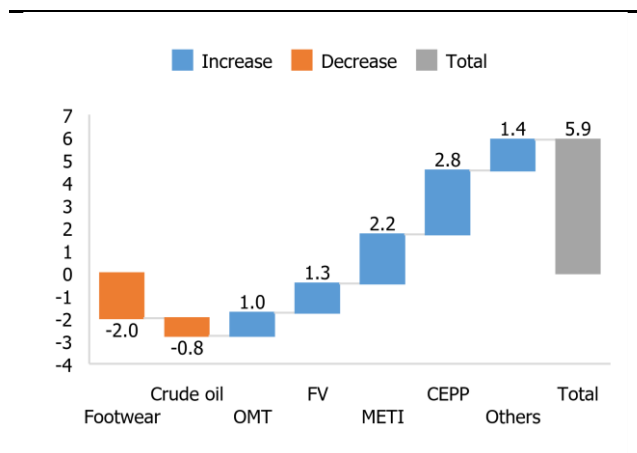
Figure 11. Vietnam's export contribution by partner



Source: GSO, Vietnam Custom, KIS

Although the overall export accelerated slightly, the development of its components is divergent, with 18 items deteriorated and 16 times improved. Most notably, CEPP recorded a growth rate of 18.2% YoY this month from 6.30% YoY in the previous month, mainly contributing to the acceleration in the whole export performance. Similarly, METI (machines, equipment, tools, and instruments) made a turnaround by growing by 16.7% YoY from declining by 3.10% YoY in September. Oppositely, footwear export value tumbled by 31.01% compared to the same period last year. This reduction rate was 5.50ppts higher than in September, implying that difficulties in selling this product line to foreign customers remain challenging.

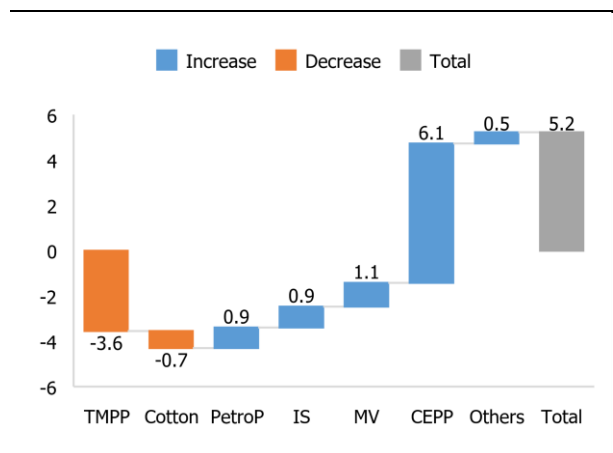
Figure 12. Vietnam's export contributors (ppts)



Source: GSO, Vietnam Custom, KIS

Notes: TMPP= Telephones, mobile phones & spare parts; METI= Machines, equipment, tools, and instruments; WWP= Wood and wooden products; TG= Textile and garments; FV= Fruits and vegetables.

Figure 13. Vietnam's import contributors (ppts)



Source: GSO, Vietnam Custom, KIS

Notes: CEPP= computers, electric products & parts; METI= Machines, equipment, tools, and instruments; IS= Iron and steel; OMB= Other base metals.

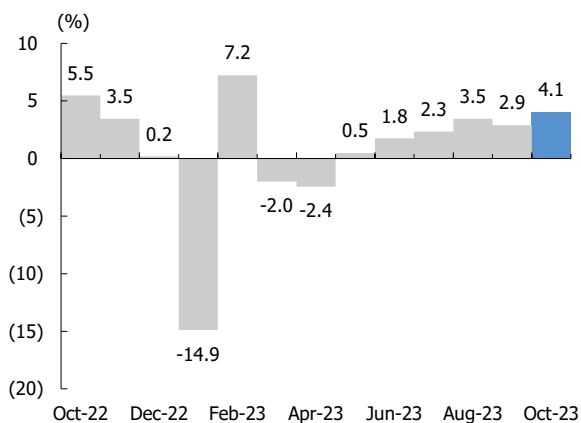
II. Industrial production accelerates further

Industrial production grows across three main sectors

In October, industrial production (IIP) re-accelerated in October with a growth rate of 4.10% YoY, 1.2ppts higher than the previous month. This development was mainly attributed to the improving performance in three key sectors, including manufacturing, EGSA (electricity, gas, steam, and air conditioning supply), and WSWMR (water supply, waste management, and remediation activities). In contrast, the MQ (mining and quarrying) sector continued to experience a decline this month.

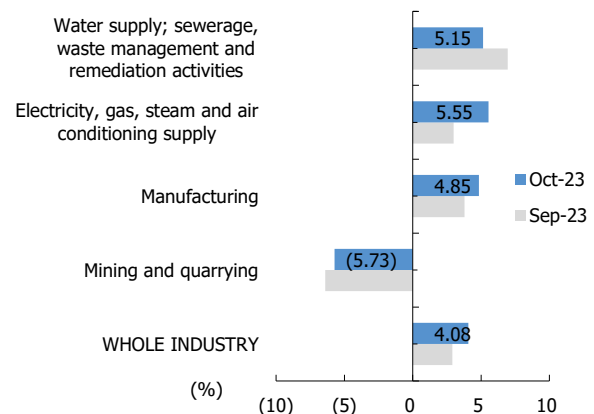
According to GSO, the manufacturing sector (a key sector) continued to expand in October with a growth rate of 4.85% YoY, 1.07ppts higher than in September. Additionally, WSWMR and ESGA witnessed an impressive growth by 5.15% YoY, and 5.55% YoY, respectively. In contrast, MQ continued to extend its downward trend, posting a negative growth for three consecutive months, from -6.39% YoY in September to -5.73% YoY in October.

Figure 14. 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 15. Movements of 1st-levelled sectors



Source: GSO, KIS

In terms of the outlook for industrial manufacturing, the Ministry of Industry and Trade has recently affirmed that Vietnam is in a favorable position to sustain its macroeconomic stability in the forthcoming months of 2023. This stability is essential for drawing in investments and fostering industrial production.

Anticipations suggest that the government will persist in accelerating the distribution of public investment funds to stimulate substantial progress in areas such as steel, construction materials, and mechanics. This strategic approach is expected to yield positive results in terms of consumption, production, and trade activities. Consequently, it is foreseen that Vietnam's Industrial Production Index (IIP) will experience an upswing during the remaining months of the year.

Table 1. Movements of notable products

| Product | 23-May | 23-Jun | 23-Jul | 23-Aug | 23-Sep | 23-Oct |
|--|--------|--------|--------|--------|--------|--------|
| Beer | -6.4 | 3.5 | 6.1 | 8.1 | 6.6 | -7.0 |
| Clothes | -6.7 | 1.1 | 1.3 | 0.9 | 15.1 | 8.1 |
| Crude steel, iron | -2.1 | 2.0 | 23.2 | 30.0 | 17.3 | 7.4 |
| Leather footwear | -2.5 | -9.6 | -4.8 | -6.9 | -6.9 | -9.7 |
| Mobile phone | -24.9 | -26.0 | -26.4 | -16.8 | 6.6 | 1.1 |
| Petroleum | 2.9 | 6.9 | 8.4 | -7.8 | -49.9 | -16.8 |
| Phone accessories | -0.6 | 19.3 | 12.4 | -0.2 | 1.9 | 5.8 |
| Steel bars and corners | -1.0 | 10.5 | 3.5 | -0.2 | 4.4 | 31.2 |
| Steel coil | 8.5 | 14.0 | 30.2 | 23.8 | 9.7 | 6.9 |
| Television | 27.2 | 23.2 | 13.0 | -4.5 | 5.7 | -2.5 |
| Textile fabric from polyester or artificial yarn | 10.4 | 10.1 | 10.3 | 7.5 | 10.2 | 8.1 |
| Whole industry | 0.5 | 1.8 | 2.3 | 3.5 | 2.9 | 4.1 |

Source: GSO, KIS

In terms of notable changes in key products, in October, 8 out of 11 items displayed positive annual growth. To provide more specific information, steel bars and corners exhibited substantial double-digit increases, rising by 31.20% compared to the same month in the previous year. Textiles, the second-largest export commodity, as well as clothing, both showed significant growth of 8.1% YoY, although slightly lower than the preceding months. Following closely were the phone accessories and mobile phone sectors, which saw expansions of 5.8% YoY and 1.1% YoY, respectively.

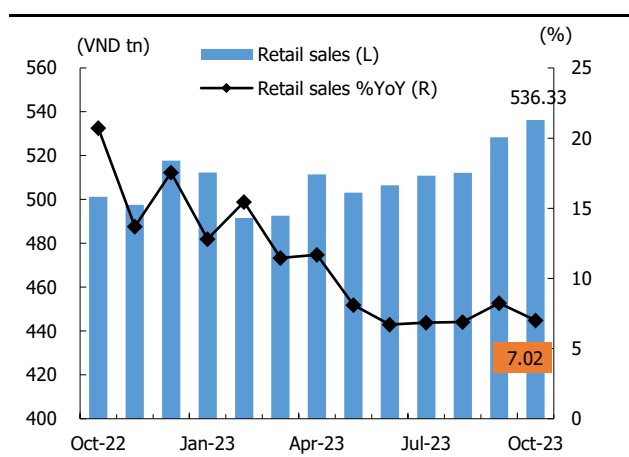
Conversely, the petroleum sector experienced a significant decline primarily because of the temporary shutdown for maintenance at Nghi Son refining and petrochemical (NSR), which lasted for 55 days starting from August 23 and the worldwide economic slowdown and market saturation. This led to a substantial 16.80% decline in October, marking the third consecutive month of reduction. Furthermore, leather footwear, beer, and television all registered declines of 9.70%, 7.0%, and 2.5%, respectively, when viewed on an annual basis.

III. Retail sales decelerate significantly

As October drew to a close, there was a mere 1.50% MoM growth in total retail sales revenue, accompanied by a slight inflation rate of 0.08% MoM, likely reflecting an expansion in demand side compared to the last month and bringing the year-over-year growth rate to 7.02%. However, this performance marked a substantial 122bps decrease from the September's growth rate of 8.24% YoY. The retail sector, as the primary contributor to this deceleration, exhibited a significant slowdown when growing just by 6.73% YoY, 1.72ppts lower than the previous month (Figure 17). This downturn reflects a prolonged period of cautious spending behavior.

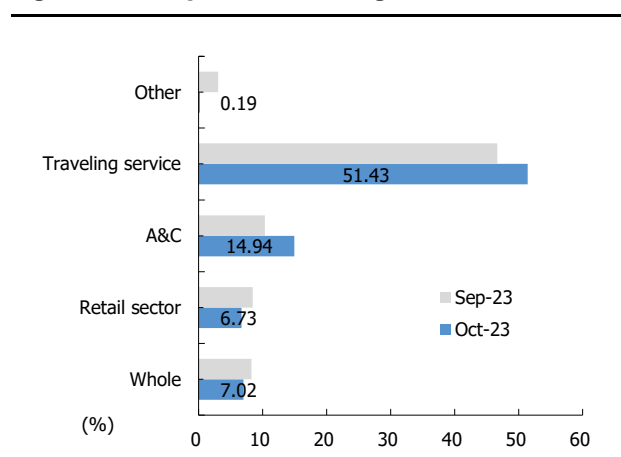
Conversely, A&C (accommodation & catering) and TS (travel services) showed better performance, surpassing previous readings. This improvement, especially in domestic travel-related services, since August (domestic only), is a positive sign. Notably, domestic airway arrivals have seen substantial growth over the past three months when compared to 2019 levels, although foreign arrivals remain subdued (Figure 19), aligning with [our August forecast](#).

Figure 16. Monthly retail sales



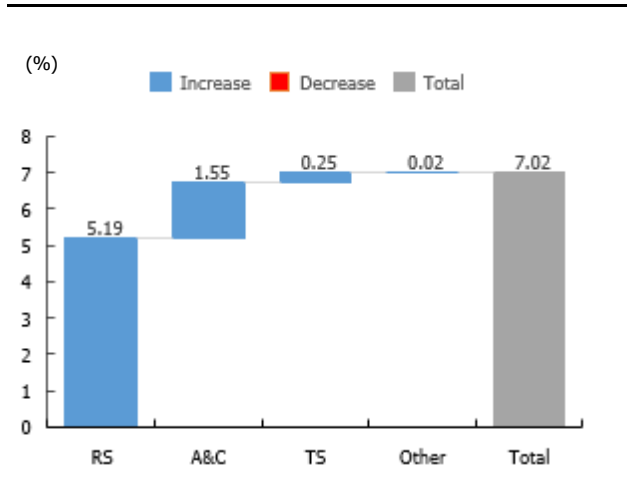
Source: GSO, KIS

Figure 17. Components annual growth



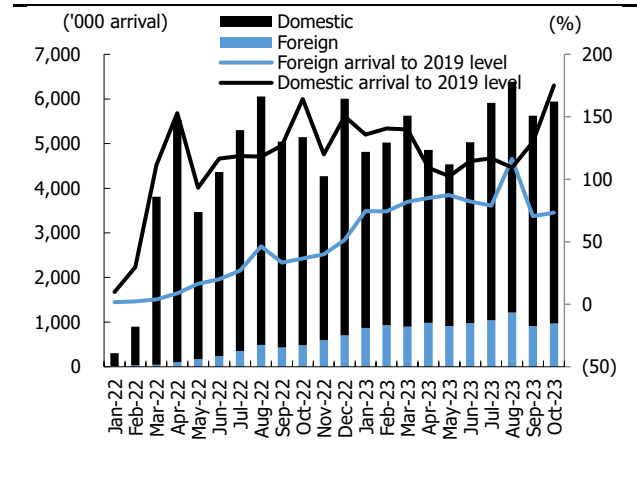
Source: GSO, KIS

Figure 18. Components contribution to total retail sales



Source: GSO, KIS

Figure 19. Domestic and foreign arrivals by airway

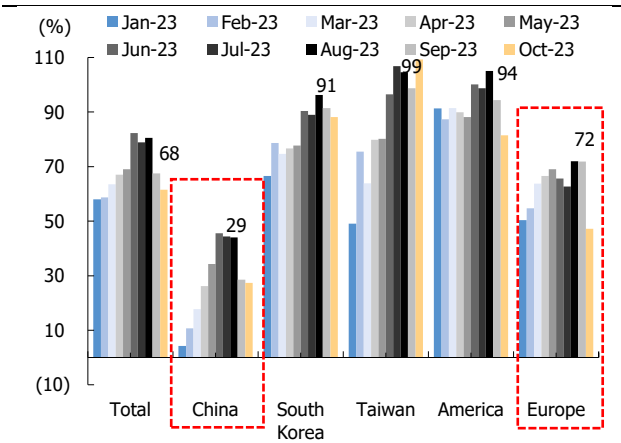


Source: GSO, KIS

In terms of tourism, total foreign arrivals registered a modest 5.51% MoM increase to reach 1,112,526 arrivals. However, the recovery compared to 2019 levels was either halted or weakened in regions like South Korea, Taiwan, China, Europe, and America, as expected (Figure 20). Consequently, we maintain our viewpoint that foreign tourism will remain subdued for the remainder of 2023, with domestic tourism serving as the primary driver.

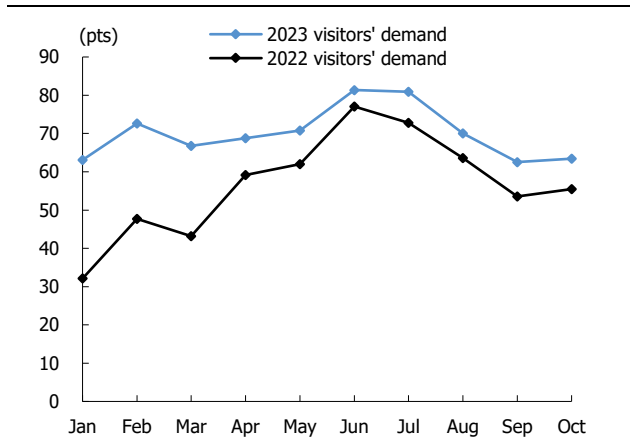
Looking ahead to November, we anticipate an overall improvement in tourism as both domestic and international demand is reflected in Figure 21. It's worth noting that an extended 2% VAT cut for the first half of 2024 is expected to be realized, as the government has submitted this proposal to the National Assembly for consideration, with an estimated value of VND25.00tn.

Figure 20. International arrivals by country of origin as % of 2019 levels



Source: GSO, KIS
The chart shows the five largest tourist senders to Vietnam.

Figure 21. Domestic and international travel demand to Vietnam



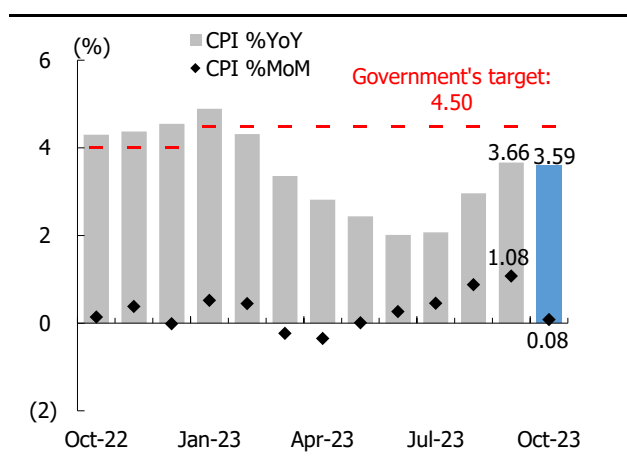
Source: Google Insights, KIS
Note: data as of 25 October 2023

IV. Cooling inflation on the traffic decline

The Headline CPI registered a slight cooling in the current month, rising by a modest 0.08% MoM, which is a notable 100bps lower than September's figure. This cooling was primarily attributed to a substantial decline in the traffic index, which is closely related to falling fuel prices. Consequently, the year-over-year CPI exhibited a slight decline on a monthly basis, but it continues to anchor at a relatively high level, reaching 3.59% YoY. Key drivers of this trend in October included education and HCM (housing and construction materials), and FFS (food and foodstuff), much like in the previous month of September.

Inflationary pressures towards the end of 2023 have been elevated due to surges in global commodity prices. This inflationary trend is expected to persist but is not anticipated to breach the government's target of 4.50%. Currently, the 10-month average CPI stands at 3.21% YoY. Similarly, the Core CPI has continued its gradual cooling trend since February, declining to 3.43% YoY in the current month from 3.80% in August, resulting in a 10-month average of 4.38% YoY.

Figure 22. Monthly CPI change and its contributor



Source: GSO, KIS

Table 2. Monthly CPI change by item

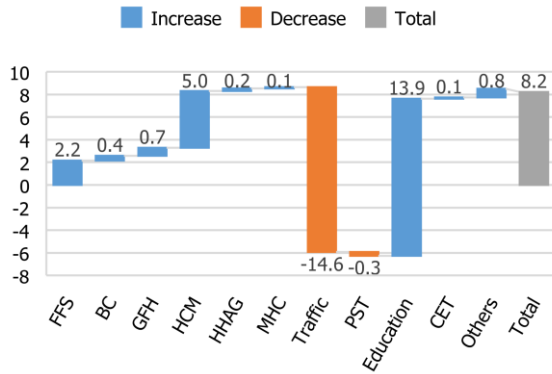
| Item | Weight (%) | % MoM | % YoY |
|-------------------------------------|---------------|-------------|-------------|
| Food and foodstuff | 33.56 | 0.06 | 2.81 |
| Beverage and cigarette | 2.73 | 0.15 | 2.84 |
| Garment, footwear, hat | 5.70 | 0.12 | 1.97 |
| Housing and construction materials | 18.82 | 0.27 | 6.88 |
| Household appliances and goods | 6.74 | 0.03 | 1.70 |
| Medicine and healthcare | 5.39 | 0.02 | 0.54 |
| Traffic | 9.67 | -1.51 | 3.90 |
| Postal services & telecommunication | 3.14 | -0.11 | -1.34 |
| Education | 6.17 | 2.25 | 7.14 |
| Culture, Entertainment, and tourism | 4.55 | 0.02 | 1.34 |
| Other goods and services | 3.53 | 0.21 | 5.91 |
| Whole | 100.00 | 0.08 | 3.59 |

Source: GSO, KIS

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

Education, HCM, and FFS mainly contributed to the inflationary pressure this month, by 14bps, 5bps, 2bps to the total of 8bps rise over the month (Figure 23). The HCM rise surprised the readers this month, as the domestic gas price increased by 4.72% MoM given the cooling down global natural gas price while the education related fee rise is expected. In terms of FFS, following the rising global rice price, domestic figure rose by 1.08% MoM to VND17,469 per kilogram, mainly contributed to 2bps rise in headline inflation. Conversely, the domestic RON95-III price dropped significantly by 5.81% MoM to VND23,800 per liter, significantly pulling headline inflation by 15bps. Overall, we anticipate that inflationary pressure will persist through the remainder of 2023, largely driven by the sustained high levels of global commodity prices.

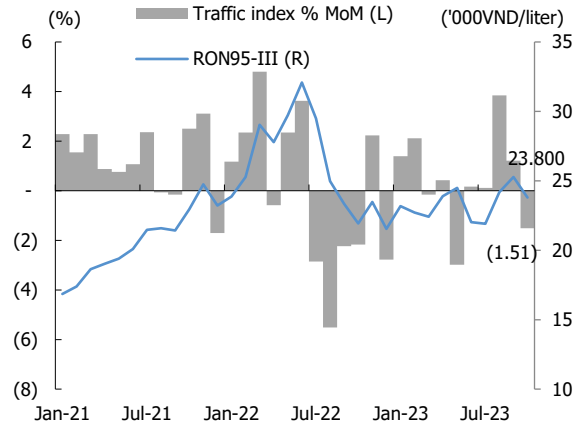
Figure 23. CPI components' contribution



Source: GSO, KIS

FFS= food and foodstuff; BC = beverage and cigarette; GFH = garment, footwear, hat; HCM = housing and construction materials; HHAG = household appliance and goods; MHC = medicine and health care; PST = postal services and telecommunication; CET = culture, entertainment and tourism

Figure 24. Monthly domestic gasoline price



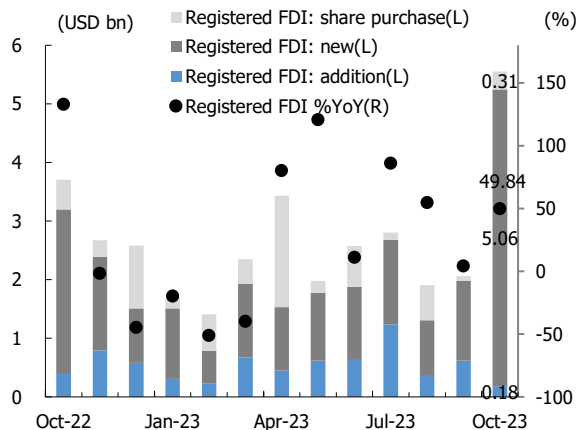
Source: EIA, MOIT, KIS

V. Newly registered FDI surge

New registered FDI jumps sharply

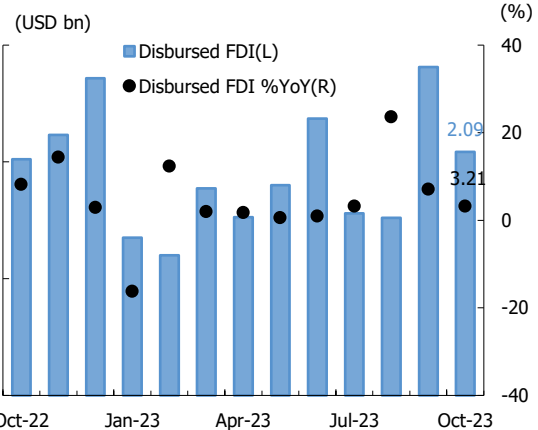
According to the Ministry of Planning and Investment (MPI), foreign direct investment (FDI) registration in October experienced a surge of 169.53% MoM and a corresponding growth of 49.84% YoY. This growth was primarily driven by a substantial increase in newly registered capital with an impressive figure of USD5.06bn, increased 271.72%MoM and an impressive 80.34% annual rise. Besides, FDI disbursement recorded at USD2.09bn, decreased 25.81%MoM and slightly jump 3.21% compared to the same period last year. In cumulative figures for the ten months of 2023, FDI capital registration in Vietnam has exceeded the significant milestone of USD25.76bn, representing a 14.71% increase compared to the same period in 2022. These statistics underscore Vietnam's continued status as a highly attractive destination for foreign investors.

Figure 26. Monthly registered FDI



Source: MPI, KIS

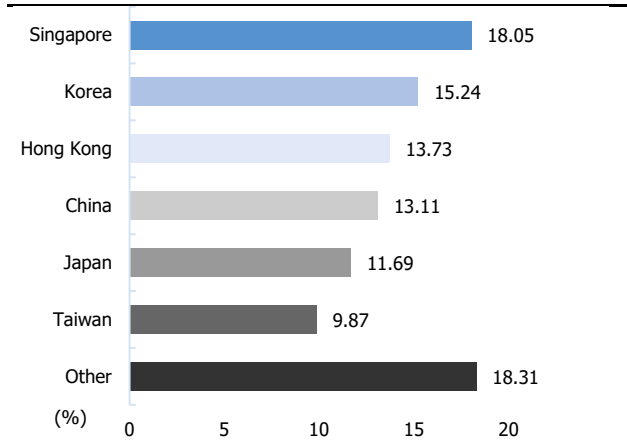
Figure 27. Monthly disbursed FDI



Source: MPI, KIS

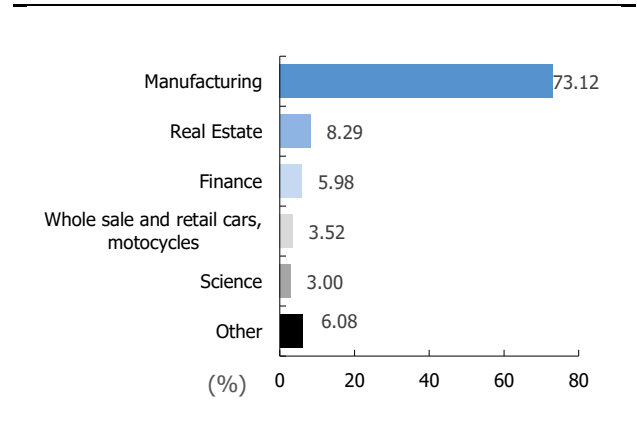
October's data showed total registered FDI reached USD5.55bn. This encompassed USD5.06bn of new registration, USD0.18bn of additional capital raising, and USD0.31bn of share purchases. Notably, the typical projects for this period involved new capital registrations this month related to Jinko Solar Hai Ha Vietnam, a Photovoltaic Cell Technology Complex Project in China located in Quang Ninh Province, with a registered amount of USD1.5bn.

Figure 28. FDI by country



Source: MPI, KIS

Figure 29. FDI by industry



Source: MPI, KIS

Regarding foreign direct investment (FDI) from various countries and territories, in the first ten months of 2023 (10M2023), Singapore maintained its position as the leading investor in Vietnam, contributing a total investment of USD4.65bn, representing 18.05% of the total registered capital. Notably, Korea came in as the second-largest investor, with an investment of USD 3.92bn, while Hong Kong and China closely followed with investments of USD3.53bn and USD3.38bn, respectively.

In 10M2023, the manufacturing and processing sector continued to shine as the most attractive industry for foreign direct investment (FDI) in Vietnam, drawing a significant registered capital of USD18.84bn, accounting for 73.12% of the total FDI commitments. The real estate sector held its position as the second-largest recipient of FDI, attracting USD2.14bn in registered capital, constituting 8.29% of the total registered FDI. Following closely was the finance sector with a total of USD1.54bn, making up 5.98% of the total FDI registered.

Table 4. Notable projects in 2023

| Project | Origin country | 10M23 registration (USDbn) | Accumulated registration (USDbn) | Location |
|---------------------|----------------|----------------------------|----------------------------------|-----------|
| LG Innotek | Korea | | 1.9 | Hai Phong |
| Jinko Solar | China | 1.5 | 1.5 | QuangNinh |
| Amkor Technology | USA | | 1.25 | Bac Ninh |
| Hyosung | Korea | | 1 | Vung Tau |
| Hao Hua | China | | 0.5 | BinhPhuoc |
| ECOVANCE | Korea | | 0.5 | Hai Phong |
| Victoria Giant Tech | China | | 0.4 | Bac Ninh |
| Foxconn | Taiwan | | 0.35 | Nghe An |

Source: GSO, MPI, KIS

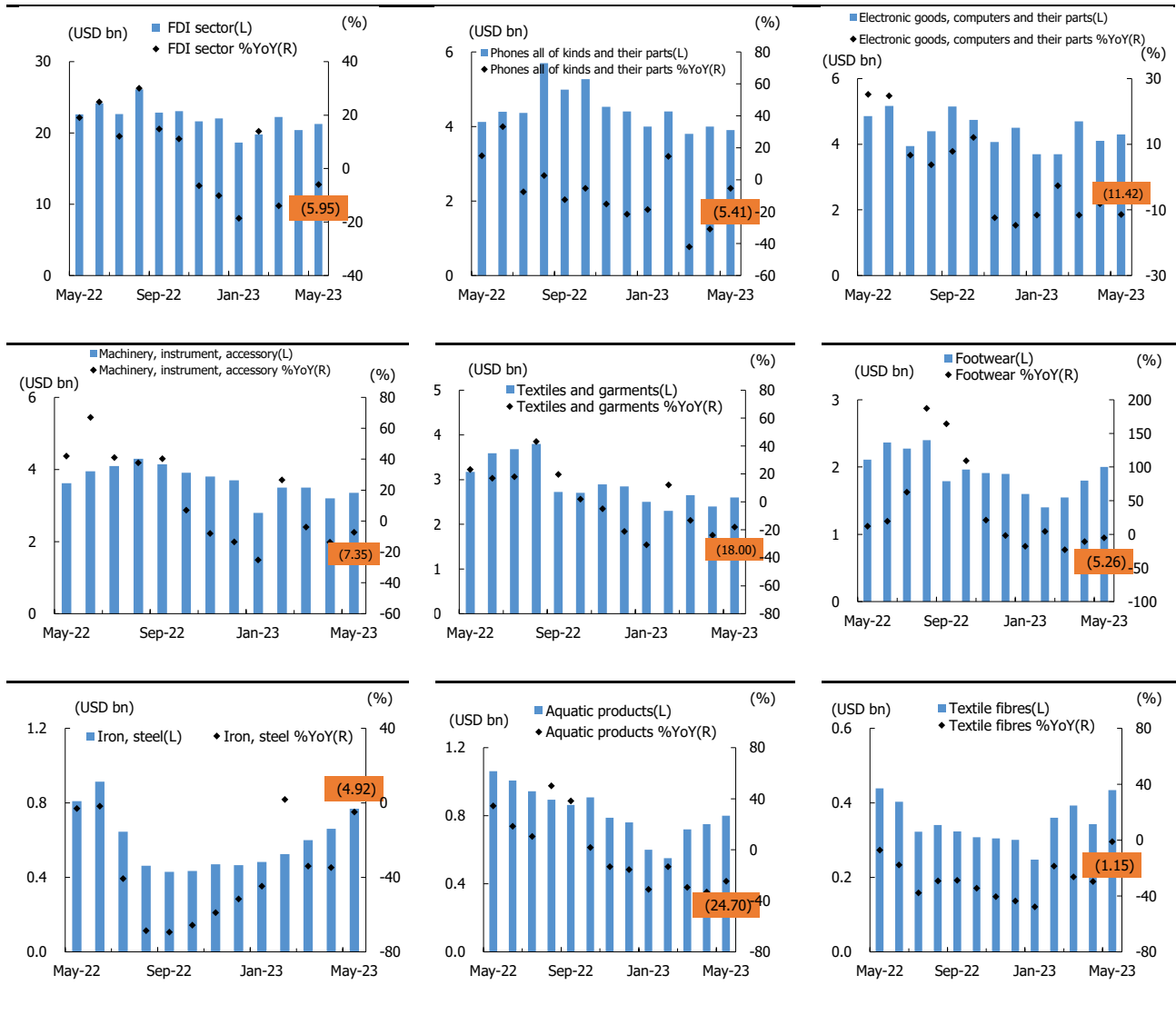
Macro scorecard

| | 23-Jun | 23-Jul | 23-Aug | 23-Sep | 23-Oct | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 2019 | 2020 | 2021 | 2022 |
|-------------------------|---------|--------|--------|--------|--------|--------|---------|---------|--------|--------|--------|--------|--------|
| Real GDP growth (%) | | | | | | 5.92 | 3.21 | 4.14 | 5.33 | 7.03 | 2.91 | 2.58 | 8.02 |
| Registered FDI (USD bn) | 2.57 | 2.81 | 1.91 | 2.06 | 5.55 | 8.96 | 5.45 | 7.98 | 6.78 | 38.02 | 28.53 | 31.15 | 27.72 |
| GDP per capita (USD) | | | | | | | | | | 3,398 | 3,521 | 3,725 | 4,110 |
| Unemployment rate (%) | | | | | | 2.32 | 2.25 | 2.25 | 2.25 | 2.25 | 2.48 | 3.22 | 2.32 |
| Export (USD bn) | 29.30 | 29.68 | 32.37 | 31.41 | 32.31 | 89.50 | 79.17 | 83.42 | 94.62 | 263.6 | 282.7 | 335.7 | 371.85 |
| Import (USD bn) | 26.71 | 27.53 | 28.55 | 29.12 | 29.31 | 85.07 | 75.10 | 76.01 | 86.02 | 254.4 | 263 | 331.1 | 360.65 |
| Export growth (%) | (11.41) | (3.47) | (7.60) | 4.57 | 5.90 | (6.07) | (11.90) | (14.16) | (1.25) | 8.16 | 7.02 | 18.74 | 10.61 |
| Import growth (%) | (16.94) | (9.92) | (8.26) | 2.57 | 5.23 | (3.90) | (14.67) | (22.30) | (4.50) | 7.41 | 3.81 | 25.9 | 8.35 |
| Inflation (%) | 2.00 | 2.06 | 2.96 | 3.66 | 3.59 | 4.41 | 4.18 | 2.41 | 2.89 | 2.79 | 3.24 | 1.84 | 3.15 |
| USD/VND | 23,583 | 23,688 | 24,135 | 24,300 | 24,568 | 23,633 | 23,471 | 23,583 | 24,300 | 23,173 | 23,126 | 22,790 | 23,650 |
| Credit growth (%) | 4.73 | 4.54 | 5.57 | 6.92 | 6.81 | 12.87 | 1.61 | 4.73 | 6.92 | 13.75 | 12.17 | 12.97 | 12.87 |
| 10Y gov't bond (%) | 3.50 | 2.41 | 2.58 | 2.60 | 3.02 | 5.08 | 3.54 | 3.50 | 2.60 | 3.37 | 2.01 | 2.11 | 5.08 |

Source: GSO, Bloomberg, FIA, IMF

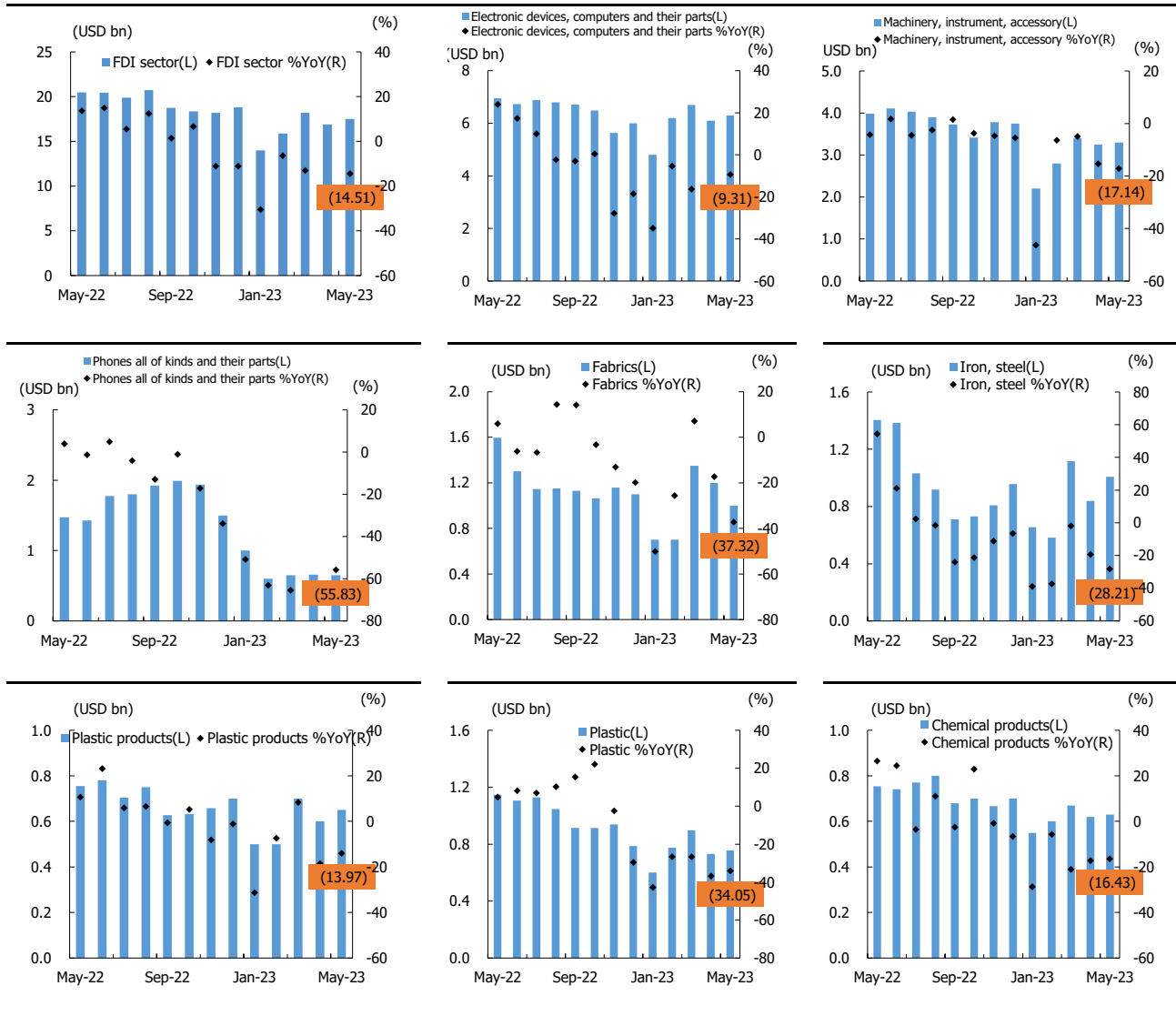
Appendix

Figure 1. Performances of major export products by month



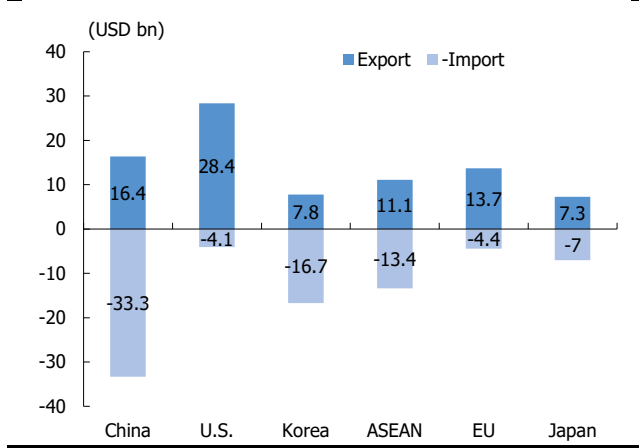
Source: KIS, GSO

Figure 2. Performances of major import products by month



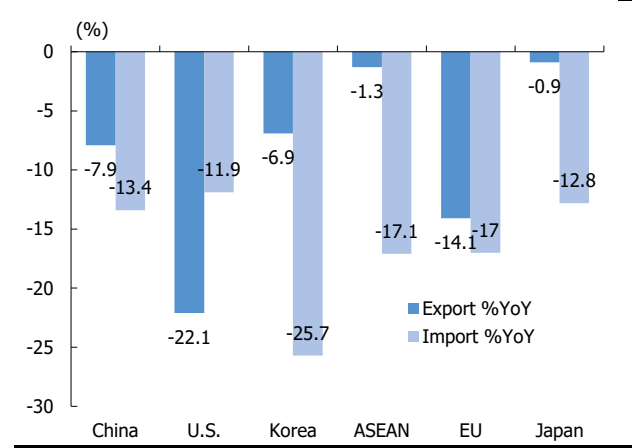
Source: KIS, GSO

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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