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ECONOMIC GROWTH EXCEEDS EXPECTATIONS

- Economic growth exceeding expectations in Q2 has led numerous economic organizations and PHS to revise their economic growth forecasts for the entire year of 2024 for Vietnam, which may reach a high level of 6.2-6.5%. The highlight of Q2 economic growth lies in the production activities, which recorded a strong improvement in June figure.
- Inflation pressure will continue to increase during the end of Q2 and the beginning of Q3. However, it is expected to gradually decrease towards the end of the year. PHS maintains forecast that Vietnam's average inflation for 2024 will remain below the target set by the National Assembly.
- Investment activities, especially FDI, will continue to maintain good growth in the coming months and serve as a driving force for the development of Vietnam's economy. Public investment disbursement activities will only be able to break through towards the end of the year due to cyclical factors.

GDP in Q2 reached nearly 7% YoY growth. This growth rate is only lower than the 7.99% growth rate of Q2/2022 during the period from 2022-2024. After nearly two years, the industrial and construction sectors have shown their leading role in driving the growth of the entire economy, alongside the service sector.

CPI in June increased by 4.34%, marking the third consecutive month CPI exceeded 4%. On average, in the first six months of the year, CPI increased by 4.08% YoY. Consumer goods, along with healthcare, education costs, and electricity prices, are the main factors affecting the inflation trend in the first six months of the year.

The total retail sales in the first six months of the year remained slow. Vietnam's retail sales growth, after adjusting for inflation, averaged only 5.7% YoY in the first six months of the year (pre-pandemic levels: 8-10%).

Production activities showed improvement month by month in the first half of the year. Import demand has returned after two years, indicating that businesses have begun to ramp up production activities again. Additionally, the number of orders has increased significantly as Vietnam's PMI index shows signs of breaking through compared to the ASEAN region.

Trade activities recorded positive recovery in the first 6M of the year with growth rates of 14.5% and 17% YoY respectively. Notably, domestic enterprises have shown more remarkable recovery than FDI enterprises.

FDI in the first six months of the year continuously maintained stable growth, especially new registered and adjusted capital. This indicates that investors have a very positive outlook on Vietnam's long-term prospects.

Public spending in the first six months of the year only reached 29% of the plan and decreased by 8.8% YoY. Public investment disbursement activities are expected to remain slow in Q3 and will only see significant improvement towards the end of the year.

	2023A	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
GDP (YoY)	5.1			5.7			6.9
CPI (YoY)	3.3	3.4	4	4	4.4	4.4	4.3
Retail sales (YTD YoY)	9.6	8.1	8.1	8.2	8.5	8.7	8.6
Export (YoY)	-4.5	46.2	-5.2	13.5	10.6	15.6	10.5
Import (YoY)	-9.1	34.6	0.3	9.1	19.9	25.9	17
Trade Bal (Bil USD)	28.3	3.6	1.4	2.8	1.2	-0.4	2.9
Realized FDI (Bil USD)	23.2	1.5	1.3	1.8	1.7	2	2.6
IIP (YTD YoY)	1.5	18.3	5.7	5.7	6	6.8	7.7
PMI manufacturing	48.9	50.3	50.4	49.9	50.3	50.3	54.7

Sources: PHS compiled