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ECONOMY OVERCOMES THE STORM, READY TO REACH THE YEAR'S TARGET

- Vietnam's third quarter (Q3) GDP growth reached 7.4% YoY, bringing the cumulative growth for the nine months to 6.8%, continuing to surprise compared to the general market forecasts, despite the global economic landscape remaining complex and the domestic economy still being affected by both external and internal factors.
- For two-thirds of Q3, import-export activities continuously set new records, driving strong domestic production growth. Meanwhile, investment activities, especially from the FDI sector, also showed impressive progress in Q3.
- As of September, credit growth reached 9%, higher than previous years and only slightly lower than 2022.
- The current global economic policy context provides the Vietnamese Government and SBV with more room to implement easing policies to support the economy. The Government has also identified 2024 as a year of acceleration and breakthroughs, with significant importance for achieving the goals of the 2021-2025 five-year socio-economic development plan. Q4 is also a time when the Government, SBV, and relevant ministries focus the most on promoting disbursement. Therefore, PHS believes that economic growth in 2024 will continue to record an increase of over 6.5% while inflation remains tightly controlled.

GDP Vietnam's Q3 GDP achieved impressive growth of 7.4% YoY, surprising the market's general forecasts. The industrial and construction sectors continued to play a leading role in driving the overall economic growth, alongside the service sector.

CPI CPI in September increased by 2.63% YoY, with the average for the nine months rising by 3.88%. PHS forecasts that the October CPI will likely increase by 0.2%MoM and by 2.75% YoY due to continued effects from rising prices of food products, as supply in the northern region has not yet recovered. Thus, the average CPI is estimated to increase by 3.76%, continuing a downward trend. The inflation outlook for 2024 remains stable, below the Government's target, around 3.6-3.7%.

Retail Sales The increase in commodity prices after the storm and high demand in early September led to a 1.2% rise in total retail sales compared to the previous month, and a 7.6% YoY increase—the lowest level since the beginning of the year, due to a decline in the tourism sector. Cumulative retail growth for the nine months of 2024 still not meet our expectations.

IIP recorded impressive growth in Q3 (10% YoY), with continuous improvements in production activities over the quarters. However, Vietnam's manufacturing Purchasing Managers' Index (PMI) fell below the 50-point threshold in September, reaching 47.3, signaling a return to deteriorating business conditions at the end of Q3, after a period of strong growth earlier. However, we believe this disruption is only temporary.

Import-Export Activities In September, import-export activities were heavily affected by Typhoon Yagi. As a result, export turnover in September reached only USD 34.2 billion, down nearly 10% from the previous month but still up 11.1% YoY. Although the export turnover in September was the

lowest in Q3, it still increased by 7.6% compared to the average of the first six months of the year

Foreign Direct Investment (FDI) FDI in September saw a breakthrough, with total registered capital reaching USD 4.26 billion, the highest level since the beginning of the year; realized FDI in September reached USD 3.19 billion – a record high. PHS maintains a positive outlook for FDI inflows into Vietnam, aiming for the total disbursed FDI in 2024 to reach USD 24.6 billion.

Public investment spending in September improved significantly, exceeding VND 47 trillion, 1.37 times higher than the average for the first eight months of 2024. However, the cumulative figure for the nine months of 2024 reached only 47.3% of the plan and decreased by 11.8% YoY. While state budget revenue exceeded the plan, public expenditure declined compared to 2023, resulting in a high budget surplus of VND 191.9 trillion, providing room for the Government to continue implementing expansionary fiscal policies in 2024, such as tax exemption, deferral, and reduction policies, especially in the context of sectors affected by Typhoon Yagi.

Table 1: Vietnam economic situation

	Unit	2023A	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
GDP	%YoY	5.1			6.9			7.4
CPI	%YoY	3.3	4.4	4.4	4.3	4.4	3.5	2.6
Retail sales	%YoY	9.6	8.5	8.7	8.6	8.7	8.5	8.8
Export	%YoY	-4.5	11.7	15.1	17.0	19.6	15.9	11.1
Import	%YoY	-9.1	19.9	25.9	18.9	25.8	15.6	10.0
Trade Bal	Bil USD	28.3	1.2	-0.4	3.2	2.7	4.1	2.2
Realized FDI	Bil USD	23.2	1.7	2.0	2.6	1.7	1.6	3.2
IIP	%YTD YoY	1.5	6.0	6.8	7.7	8.5	8.6	8.6
PMI manufacturing		48.9	50.3	50.3	54.7	54.7	52.4	47.3

Sources: PHS compiled