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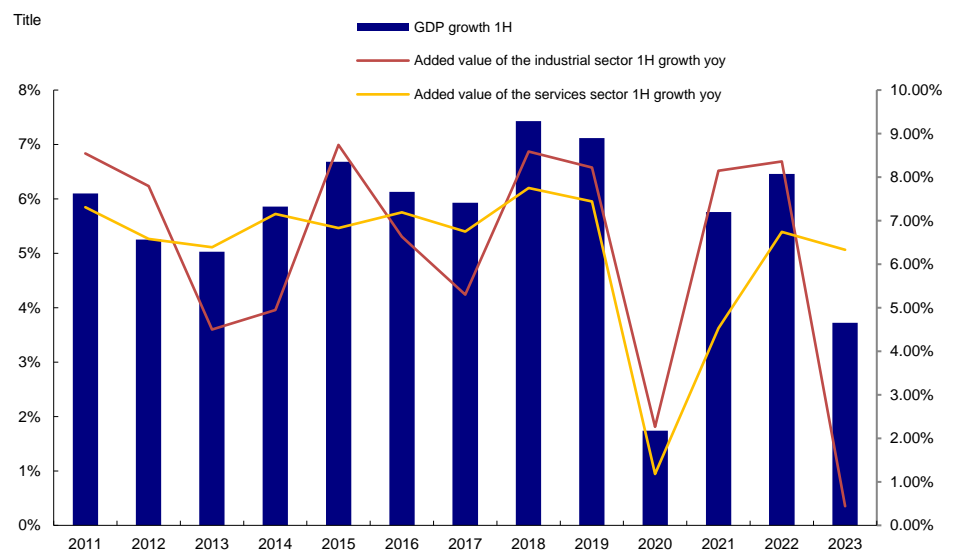
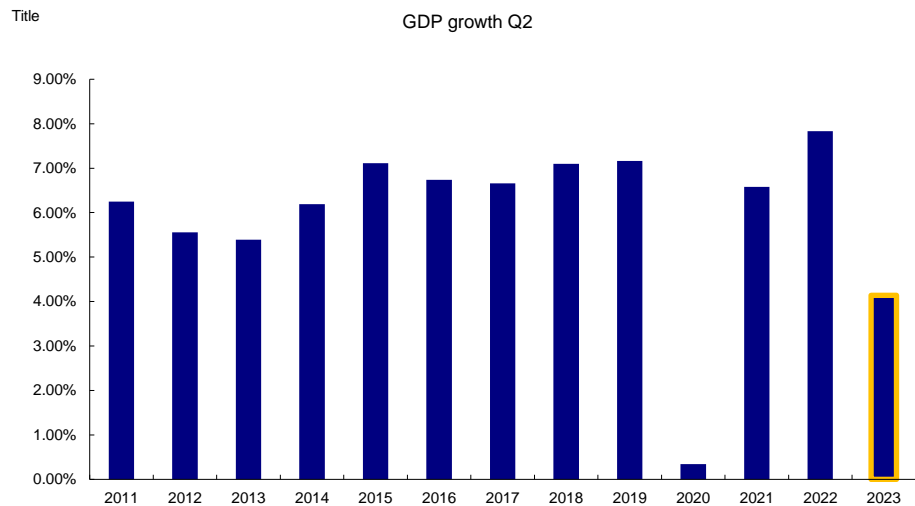
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**LOWER THAN FORECAST GDP GROWTH IN 1H, A HIGHER PRESSURE FOR THE SECOND HAFT**

**GDP figures for the first half of the year has raised concern on the full-year growth target**

According to the General Statistics Office, Vietnam's GDP in the first 6 months of 2023 increased by 3.72%yoy with the largest contribution from service activities. In the second quarter, GDP increased by 4.14%yoy and was also the lowest growth in more than 10 years (except for Q2/2020 due to Covid). However, it must be confirmed that the economy in the second quarter was more prosperous with higher GDP growth than in the first quarter.



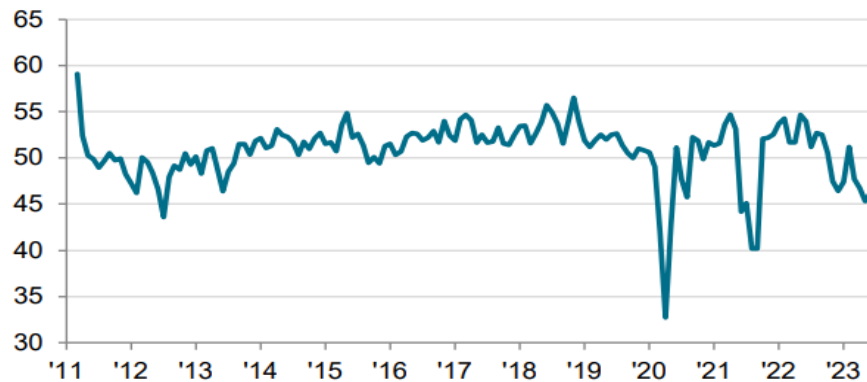
Sources: GSO, GTJASVN

**Looking back at economic growth drivers in the first half of the year and the upcoming trends:**

**1. Production activities face many intertwined difficulties**

PMI data for June has been published below the threshold of 50 points, but it has improved slightly compared to May and reached 46.2 points. Production and sales activities of many domestic enterprises continued to weaken due to the reduced consumption demand, in addition to the influence of electricity shortages (especially in the Northern region) which disrupted the production and sales of many domestic enterprises.

S&P Global Vietnam Manufacturing PMI  
sa, >50 = improvement since previous month

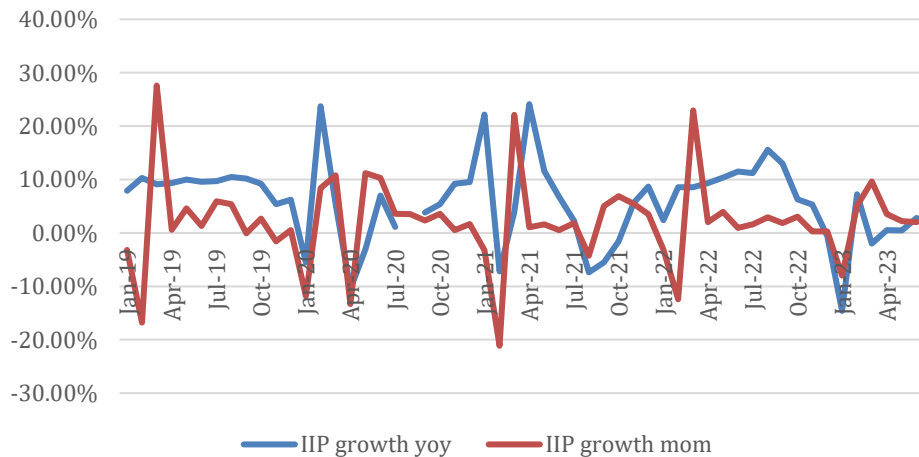


Source: S&P Global PMI.  
Data were collected 12-22 June 2023.

With the expectation that orders will prosper in the second half of the year and the power shortage is solved, it is possible to expect the improving production capacity and more stable businesses in the coming time.

Industrial production index increased slightly compared to the same period of previous years, however, it has gradually improved in the past 3 months.

**Monthly IIP**



Sources: Fiiipro, GTJASVN

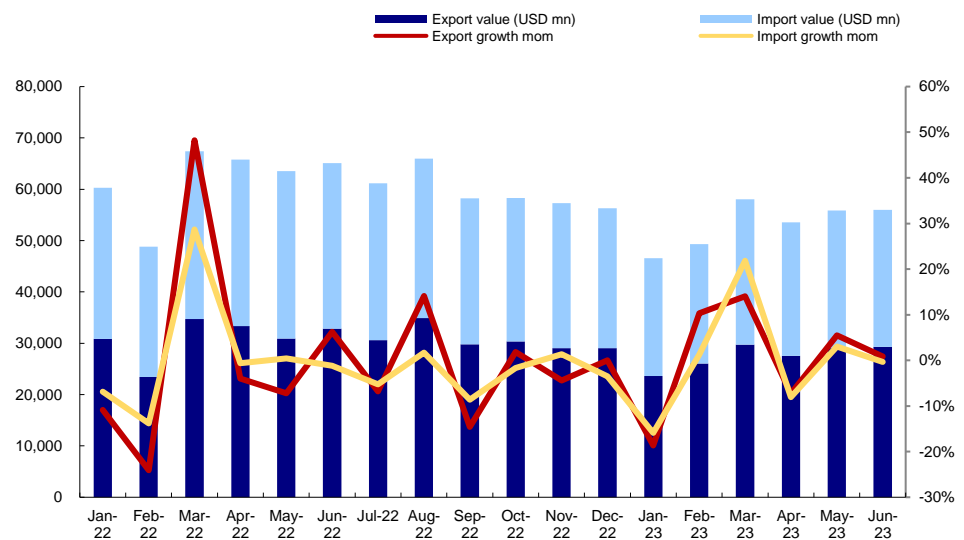
IIP in the first 6 months

Sector	6 -month growth yoy (%)
<b>Whole industry</b>	<b>-1.15</b>
<b>Mining and quarrying</b>	<b>-1.67</b>
<b>Manufacturing</b>	<b>-1.62</b>
<i>Processing and preserving of fish, crustaceans and molluscs</i>	-1.91
<i>Manufacture of wearing apparel</i>	-6.82
<i>Manufacture of footwear</i>	-2.40
<i>Manufacture of wood and of products of wood and cork</i>	-7.75
<i>Manufacture of basic iron and steel</i>	-4.63
<i>Manufacture of computer, electronic and optical products</i>	-4.59
<i>Manufacture of electronic components</i>	-2.61
<i>Electricity, gas, steam and air conditioning supply</i>	1.52

Sources: GSO, GTJASVN

Production was generally weak in most products due to a lack of orders from the international markets.

**2. The import and export turnover momentum has not shown any signs of reversing**



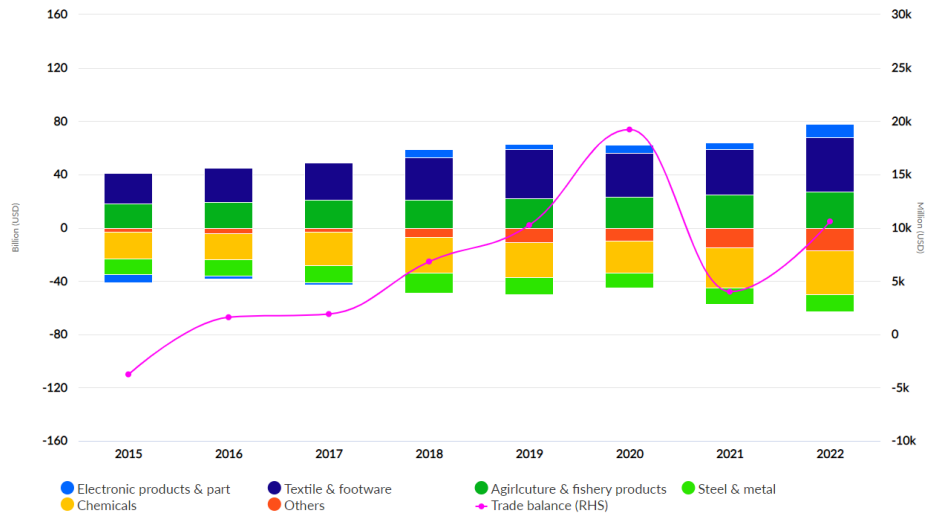
Sources: GSO, GTJASVN

Total import and export turnover in the first 6 months reached 373.2 billion USD, down 15.2%yoy. In which, exports decreased by 12.1% and imports decreased by 18.2%yoy.

In June, export and import turnover continued to decrease compared to the same period last year. In which, there was a slight improvement in exports compared to the previous month, while imports decreased slightly.

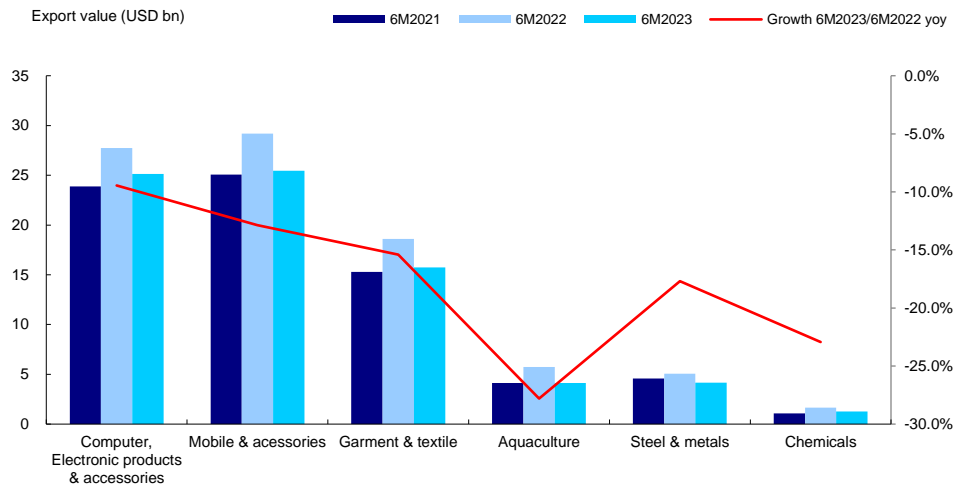
However, the trade surplus in the first half of the year increased to 12.25 billion USD.

### Structure of trade balance contribution by commodity group



Sources: VBMA

### Major export commodity groups reduce turnover

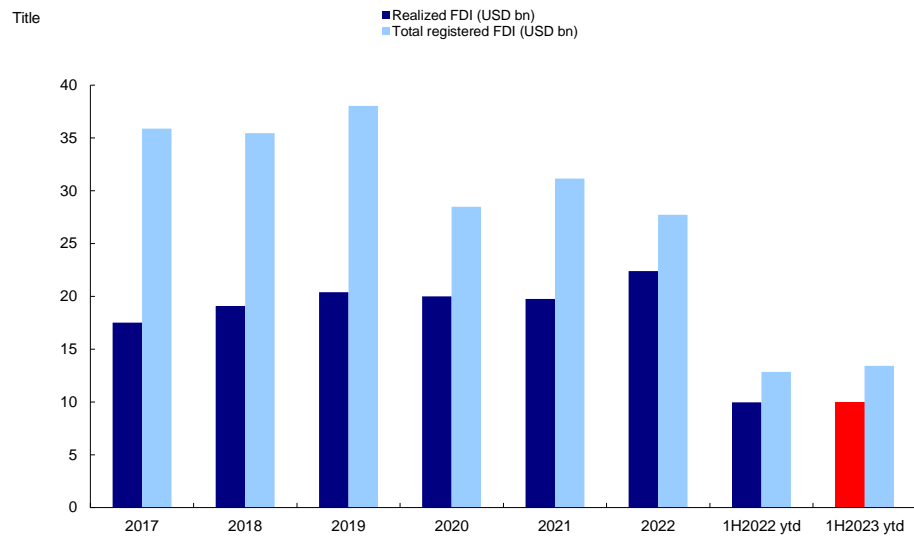


Nguồn: Fiinpro, GTJASVN

### 2H export outlook:

The main export markets such as the US and Europe still face many difficulties in terms of economic prospects. Exports of wood, textiles and seafood are expected to continue to weaken compared to last year, but improve compared to the first half of the year. There might be a bright spot in electronics exports if Samsung launching a number of new product lines in the third quarter.

### 3. Stable FDI disbursement



Sources: GSO, GTJASVN

In the first half of the year, there was an absence of large-scale FDI projects due to the global economic context facing many obstacles, thereby affecting the business and investment plans of large corporations. The number of small-scale projects (under USD 1 million) accounted for 70% of all new investment projects in Vietnam in the first half of 2023.

	FDI disbursement ytd (mn USD)		Registered FDI ytd (mn USD)		Newly-registered capital, additional capital ytd (mn USD)		Buy share FDI ytd (mn USD)	
		% yoy		% yoy		% yoy		% yoy
M1 2023	1,350	-16.1	1,690	-19.5	1,204	210.4	180	-59.4
M2 2023	2,550	-4.9	3,093	-38	1,761	179.1	797	3.5
M3 2023	4,300	-2.7	5,450	-38.8	3,021	-5.9	1,219	50.4
M4 2023	5,850	-1.2	8,800	-18.5	4,100	-5.9	3,040	66.1
M5 2023	7,650	-0.8	10,860	-7.3	5,260	-5.9	3,320	67.7
M6 2023	10,020	-0.5	13,430	-4.3	9,420	-19.9	4,010	76.8

Sources: GSO, GTJASVN

#### FDI investment prospect:

**The trend of China +1 continues to lead the flow of foreign investment into Vietnam, especially in the manufacturing and processing sector (investment in manufacturing accounted for 81.6% of realized FDI and 84.3% of newly registered capital in the first half of 2023).**



Large projects in Vietnam such as Lego in Binh Duong and industrial centers such as Bac Giang, Bac Ninh and Dong Nai will lead to a wave of investment from satellite companies.

At the investor conference earlier this year, three corporations discussed with the Ministry of Planning and Investment to commit to new investment and investment expansion this year with a total investment capital of 3.7 billion USD. In which, the projects include the heavy industry production and logistics project (Korea 1.6 billion USD), the green production project using renewable energy (Germany, 1.5 billion USD) and the equipment manufacturing health care project (Japan, 600 million USD). Most recently, representatives of large Korean corporations have visited Vietnam and demonstrated their commitment to invest in Vietnam in the long term, most notably Samsung, LG or Hyosung.

FDI through capital contribution and share purchase is also increasingly popular in Vietnam and is active in the financial and retail sectors. Typically, SMBC bought 15% of VPB shares for 1.5 billion USD in April.

In addition, the Vietnamese retail market is also a promising piece of cake for international retail giants with the expansion of Lotte or Aeon in Vietnam. Typically, this September, Lotte launched Lotte Mall Tay Ho with a project scale of more than 600 million USD or Aeon Mall with the ambition of expanding the supermarket chain in Vietnam to 16 by 2025 after 10 years of operation in Vietnam.

We believe that FDI disbursement would still prosperous in the second half of the year and surpass 20 billion USD for the whole year of 2023.

#### **4. Domestic consumption leads GDP growth**

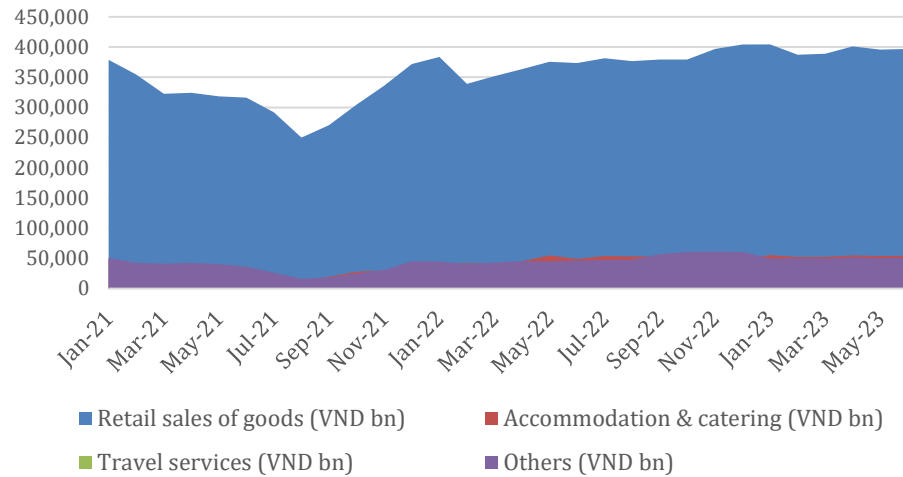
Consumption continued to be a positive factor contributing to economic growth in the second quarter as well as the first half of the year. Specifically, total retail sales of goods reached about VND 3,000 trillion in the first 6 months, up 10.9% over the same period in 2022.

Even so, June sales increased only slightly compared to May although tourism entered the peak season raising certain concerns about the slow growth rate of domestic consumption. In which, household consumption in the first 6 months of 2023 increased slowly at 2.68% compared to the same period in 2022 due to the difficult domestic economy causing people's income to decrease.

In terms of tourism attraction, the number of international visitors to Vietnam in the first half of the year reached about 5.57 million, equivalent to 65% of the level of the first half of 2019 (before the Covid-19 epidemic),

although most potential tourist markets have relieved their lock-down policy shows that the speed of tourism recovery is still slow.

### Total retail sales of goods & services



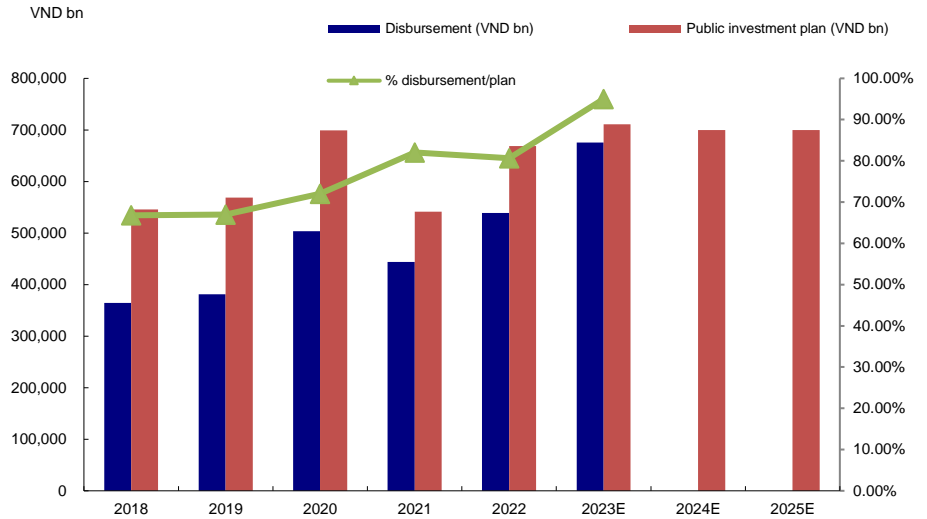
*Nguồn: Fiinpro, GSO, GTJASVN*

#### 5. Disbursement of public investment is still far from the target

**Public investment volume in the first 6 months reached over 232,200 billion VND, estimated at 33% of the plan.**

Although public investment is expected to be a lever to support economic growth this year, the disbursement rate is still low compared to the same period last year. In particular, legal or site clearance issues are still the main barriers to the disbursement progress of key projects in our country.

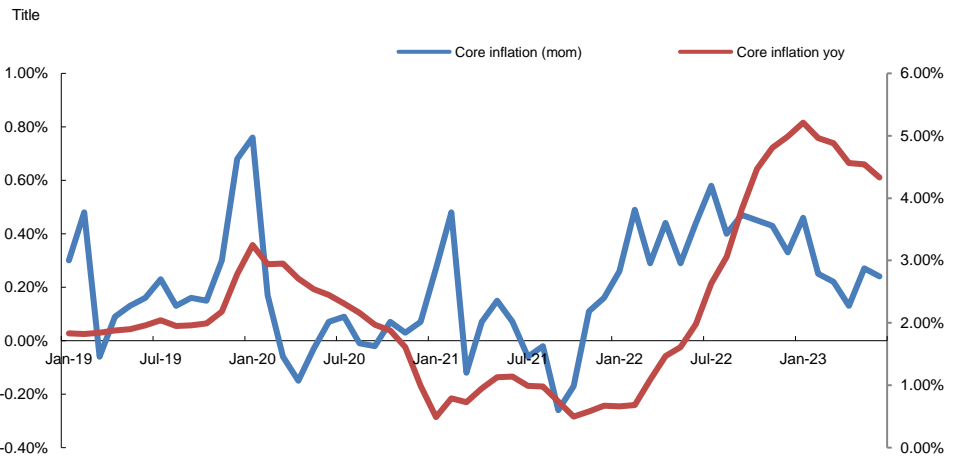
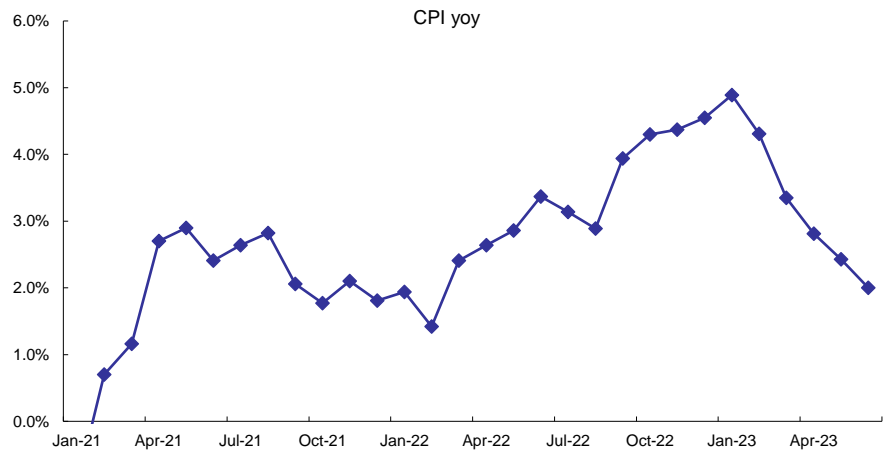
However, the disbursement of public investment capital is often accelerated toward the end of the year. Thereby, it is possible to expect the leverage from public investment to economic growth in the last quarter of the year (the annual average disbursement rate of public investment is 70% -80% of the plan, showing large room in the second half of the year).



Sources: GSO, GTJASVN

## THE COOLING DOWN INFLATION

CPI in June recorded a decrease compared to the previous month.



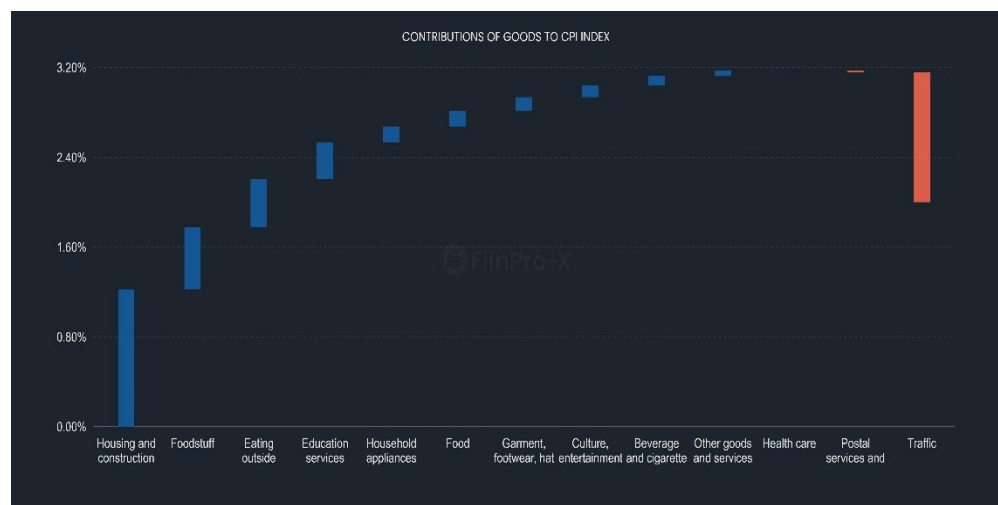
Sources: GSO, GTJASVN



As mentioned in the previous report, the average electricity price increase by 3% from May 4 directly impacted June core inflation. Core inflation in June 2023 increased by 0.24% month-on-month, up 4.33% over the same period last year. On average, in the first 6 months of 2023, core inflation increased by 4.74% over the same period in 2022, higher than the overall average CPI (up 3.29%).

In addition, the increase in food prices is also the cause of the increase in CPI. The price index of food and food services in June 2023 increased by 0.57% compared to the previous month, causing the overall CPI to increase by 0.19 percentage points.

### Tốc độ tăng/giảm CPI tháng 6/2023 so với tháng trước



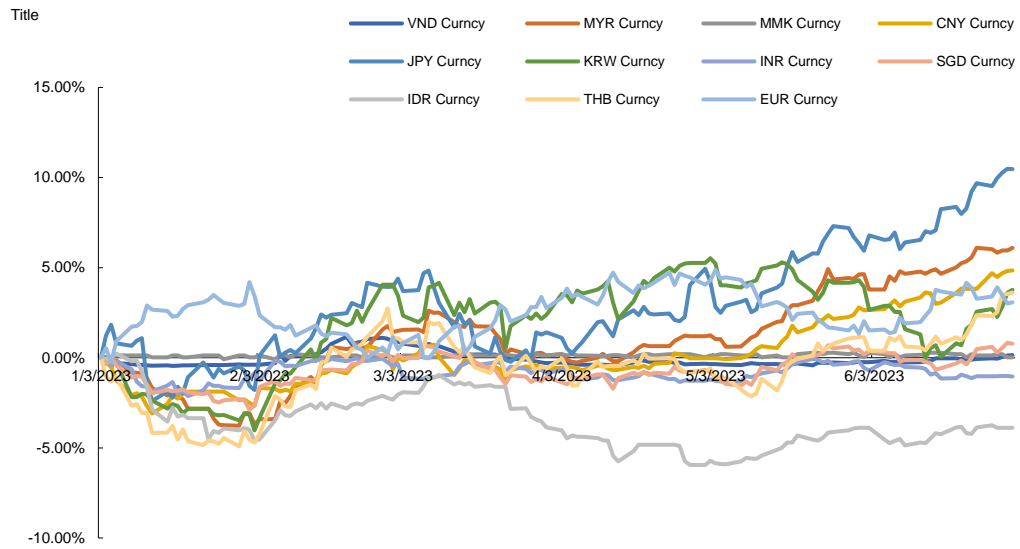
Sources: Fiinpro X

### STABLE EXCHANGE RATE IN 1H

Good realized FDI inflows, trade balance surplus, and remittances in the second half of the year are supporting factors for the exchange rate. However, the high-interest rate gap in the context of Vietnam's policy interest rates has been lowered 3 times in the first half of the year while central banks of other countries and especially the Fed have not stopped the interest rate hike schedule, putting certain pressure on the exchange rates for the rest of the year.



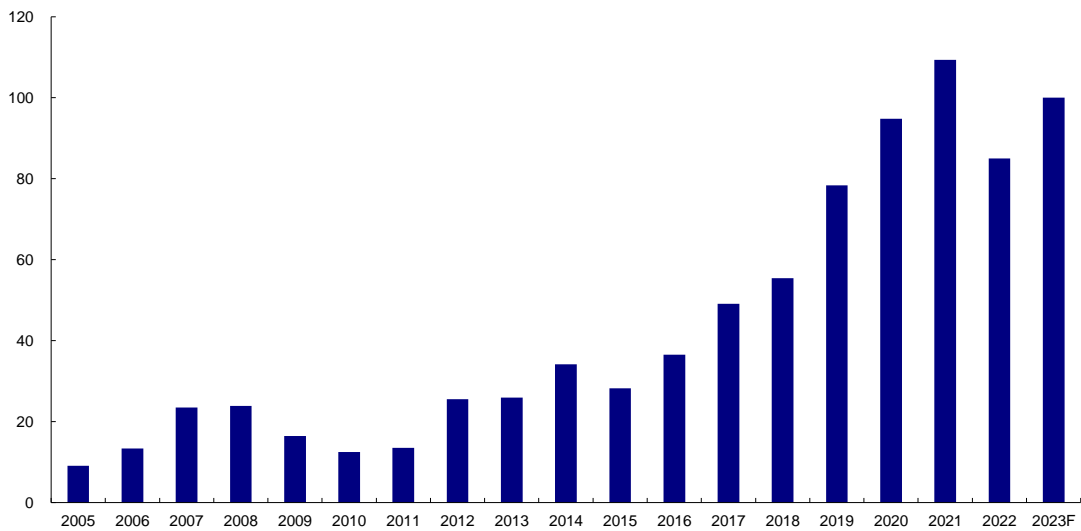
**Movements of VND and other currencies against USD since the beginning of the year**



Sources: Bloomberg, GTJASVN

Title

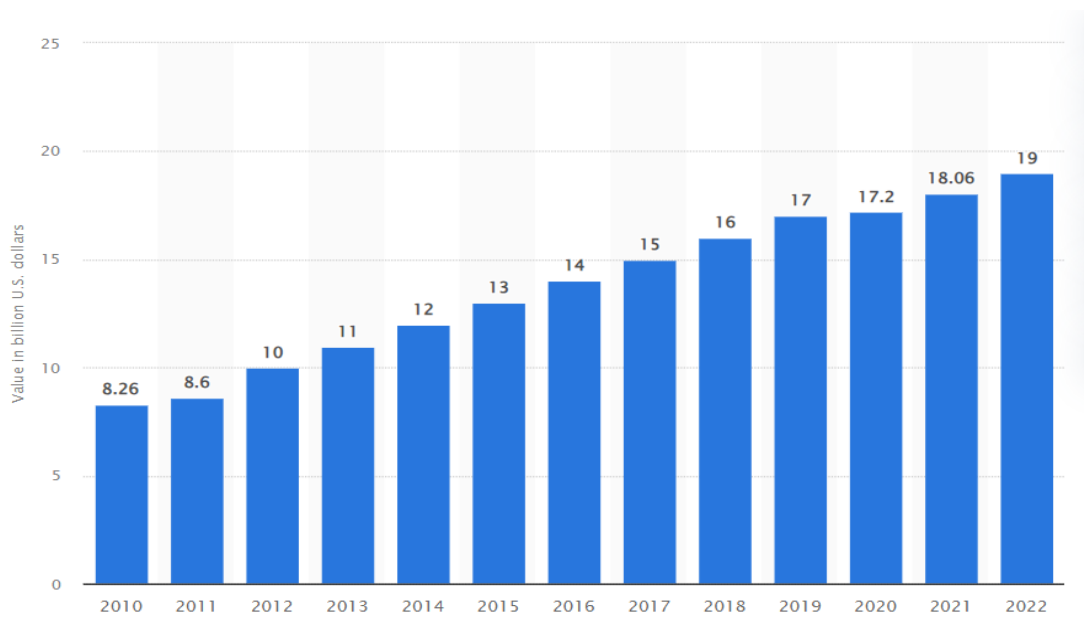
FX Reserves (USD bn)



Sources: WB, GTJASVN



### Remittance to Vietnam



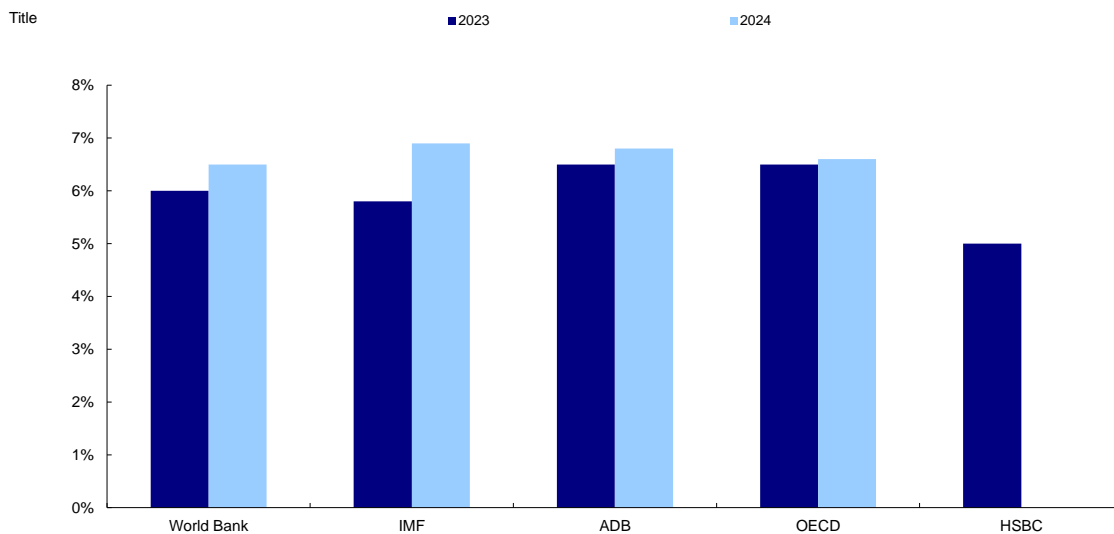
Sources: Statista.com

### GTJA COMMENT

Weak economic data in the first half of the year raised concerns about Vietnam's probability to achieve its economic growth target of 6.5% this year.

International organizations have also adjusted their forecasts for Vietnam's economic growth rate.

### 2023 Vietnam economic growth forecast





Despite the efforts of the operators to stimulate investment and domestic consumption, there are still certain obstacles. For example, interest rate supporting packages have not had a great impact, although interest rate conditions have been more favorable with 3 reductions in interest rates since the beginning of the year, but the credit growth rate has only reached over 3% in the first 6 months of the year (in the same period last year, it increased by 8.5%).

We still have bright and dark colors intertwined in the economic picture of Vietnam. With current policies and advantages, Vietnam is still an ideal destination for foreign investment flows besides the young population structure, and accelerated domestic consumption. **However, a lower-than-expected growth rate in the context of a weakening global economy is inevitable. Therefore, we believe that the economic growth target of 6.5% for the whole year is not feasible.**

Let's take a look at the factors affecting the economic outlook in the second half of the year:

**Positive factors:**

- *Industrial production in the third quarter was more optimistic than the first two quarters based on a survey of business opinions on business prospects in the second half of the year. More than 70% of businesses believe that orders and production will improve.*
- *Exports of agricultural products are expected to improve thanks to high output according to seasonal factors. While exports of key commodities improved compared to the first half of the year.*
- *The room to increase revenue from tourism is still large. In addition to the Chinese visitors, which has not yet recovered well, the exploitation of visitors from Korea and other countries also brings positive expectations.*
- *Disbursement of public investment is expected to accelerate in the second half of the year in key transport and energy investment projects.*

**Risks:**

- *The spillover effects of public investment are still slow because many large projects have not been disbursed and implemented.*
- *The main export markets are still grappling with the inflation curb and cannot recover quickly in the short term.*
- *Although exchange rate pressure is not as great as last year, it is still necessary to be cautious with the scenario of capital flows out of Vietnam if the economic outlook is still less optimistic and the Fed continues to tighten monetary policy.*

With the above views, GTJA (Vietnam) makes a forecast for Vietnam's economy this year as follows:

**GTJA Vietnam forecast**

GTJA FORECAST		Conservative	Base case	Optimistic
<b>GDP 2023 growth</b>	%	4.5%	5.0%	5.5%
<b>Inflation</b>	%	4.5%	4%	3.5%

**COMPANY RATING DEFINITION**

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
<b>Buy</b>	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
<b>Accumulate</b>	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
<b>Reduce</b>	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
<b>Sell</b>	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

**SECTOR RATING DEFINITION**

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
<b>Outperform</b>	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
<b>Underperform</b>	Relative Performance is lower than -5% Or The Fundamental outlook of the sector is unfavorable

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