

## Vietnam

1 July 2024

### Growth Improved in 2Q24

- GDP growth improved to 6.9% YoY in 2Q24 versus 5.9% in 1Q24, driven by the manufacturing and services sectors.
- With 1H24 GDP growth averaging 6.4%, we remain comfortable with our full year 2024 GDP growth forecast of 6.0%.
- With headline inflation within target, the State Bank of Vietnam (SBV) will remain focused on managing currency depreciation pressures in the near-term.

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#### Better growth

2Q24 GDP growth improved to 6.9% YoY, beating expectations (consensus & OCBC: 6.0%) versus an upwardly revised 5.9% in 1Q24. The improvements were focused on the manufacturing and services sectors, driven by a bottoming of the global electronics downcycle and tourism inflows. Meanwhile, growth in the construction (7.1% versus 7.7%) and real estate (3.1% versus 1.8% in 1Q24) remained lacklustre pointing to some structural constraints in these sectors.

On the demand-side, exports of goods & services grew by 16.9% YoY in 2Q24 versus 18% in 1Q24 while final consumption expenditures (5.8% YoY in 2Q24 versus 4.9% in 1Q24) and gross capital formation (6.7% YoY versus 4.7% in 1Q24) also improved. With average 1H24 growth of 6.4%, we remain comfortable with our 2024 GDP growth forecast of 6.0%.

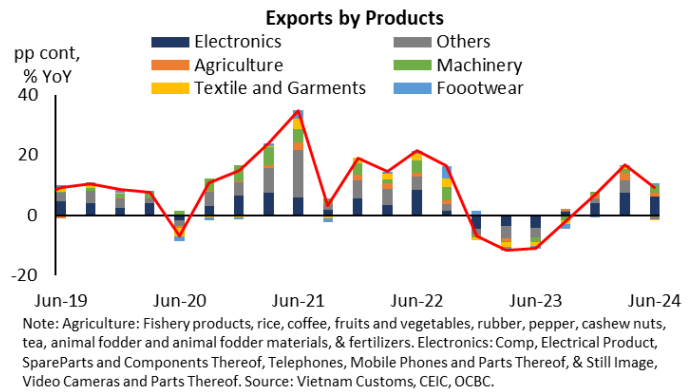
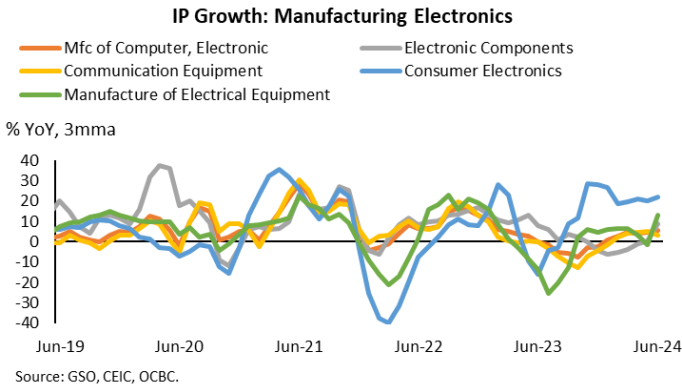
GDP Growth of Selected Sector (% YoY)	2019	2020	2021	2022	2023	3Q23	4Q23	1Q24	2Q24
<b>GDP</b>	<b>7.4</b>	<b>2.9</b>	<b>2.6</b>	<b>8.1</b>	<b>5.0</b>	<b>5.5</b>	<b>6.7</b>	<b>5.9</b>	<b>6.9</b>
<b>Agriculture, Forestry and Fishery</b>	<b>2.7</b>	<b>3.0</b>	<b>3.7</b>	<b>3.5</b>	<b>3.8</b>	<b>4.3</b>	<b>4.1</b>	<b>3.4</b>	<b>3.3</b>
<b>Industry and Construction</b>	<b>8.2</b>	<b>4.4</b>	<b>3.2</b>	<b>7.9</b>	<b>3.7</b>	<b>5.2</b>	<b>7.4</b>	<b>6.7</b>	<b>8.3</b>
Industry	8.1	3.8	4.1	7.8	3.0	4.5	6.9	6.5	8.6
Manufacturing	9.6	5.0	5.4	8.2	3.6	5.6	8.0	7.2	10.0
Construction	8.5	7.1	-0.6	8.2	7.1	8.0	9.3	7.7	7.1
<b>Services</b>	<b>8.1</b>	<b>2.0</b>	<b>1.7</b>	<b>10.1</b>	<b>6.8</b>	<b>6.4</b>	<b>7.3</b>	<b>6.2</b>	<b>7.1</b>
Wholesale, Retail Sales & Motor Vehicles	9.8	5.8	0.9	10.3	8.8	8.7	9.9	7.0	7.6
Transportation & Storage	9.8	1.1	-2.9	12.3	9.2	9.7	10.0	10.5	11.5
Accommodation & Food Services Activities	9.0	-21.1	-20.1	40.9	12.2	9.4	8.9	8.7	11.3
Information & Communication	8.3	6.5	4.6	7.3	4.6	4.1	5.3	4.4	4.9
Financial, Banking & Insurance Activities	9.0	7.5	9.8	9.6	6.2	4.8	6.4	4.6	5.7
Real Estate Activities	4.5	0.9	1.3	6.2	0.1	-0.2	2.1	1.8	3.1

Source: General Statistics Office (GSO), CEIC, OCBC

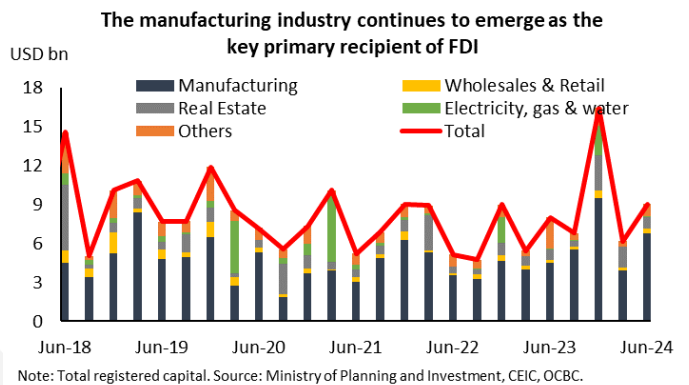
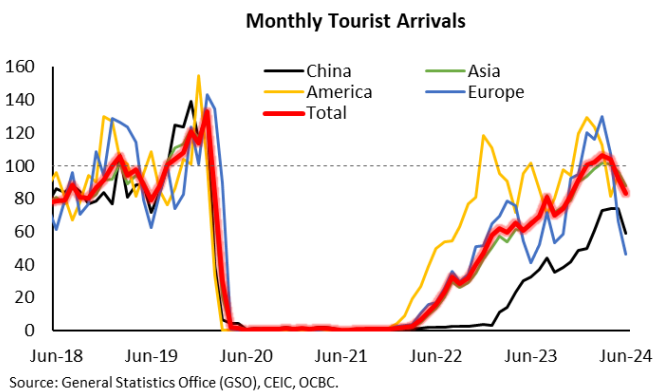
The monthly activity data for June was more mixed. While manufacturing sector growth rose to 10.9% YoY versus 8.9% in May, retail sales slowed, albeit still resilient, to 9.1% YoY versus 9.5% in May. Within IP, the drivers were mainly

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electronic components (23.1% YoY versus 15.4% in May) and communication equipment (20.6% versus 18.9%). The bottoming of the global electronics export cycle and Vietnam’s deeper integration in regional supply chains (see Gauging ASEAN-China FDI Flows, 29 May 2024) will continue to bolster electronics manufacturing growth. Meanwhile, the 6% increase in minimum wages, 30% hike in base salary for government employees and 15% increase in pensions and social insurance benefits, effective 1 July 2024, along with continued tourism inflows, will likely be supportive of retail sales in the coming months.

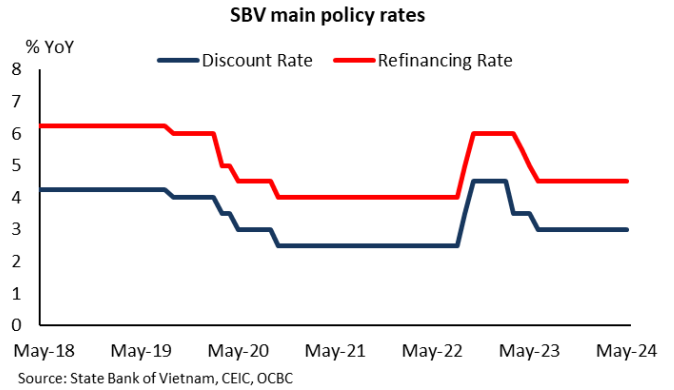
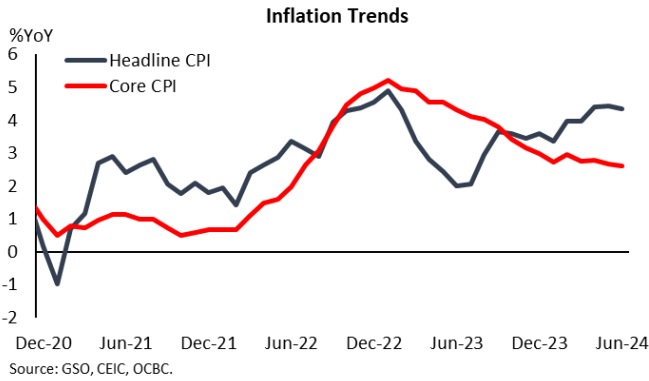


On investment, incoming FDI remains strong. Specifically, total registered FDI rose by 12.8% YoY, reaching USD9.0bn in 2Q24, up from USD6.2bn in 1Q24. Encouragingly, the manufacturing industry continues to emerge as the key primary recipient of FDI, with investment into the sector up 50.8% YoY reaching USD6.8bn in 2Q24 versus -1.3% in 1Q24. Specifically, greenfield investments reached USD3.8bn in 2Q24 versus USD3bn in 1Q24, followed by additional injections into existing projects (USD2.8bn) and M&A activities (USD223.7mn).



**Manageable inflation**

Headline CPI eased marginally to 4.3% YoY in June from 4.4% in May. Similarly, core inflation marginally eased to 2.6% YoY in June from 2.7% in May. The drivers of the June print were the food & foodstuff and transportation components. The June print brings the 2Q24 CPI to an average of 4.4% YoY, with core inflation at 2.7% YoY.



1H24 headline inflation averaged 4.1% YoY, within SBV’s 4.0-4.5% target range. Looking ahead, we continue to expect inflationary pressure to sustain, as food prices are likely to remain elevated, along with gold prices and imported inflation pressures. Our forecast is for headline inflation to average at 4.3% in 2024 (compared to 3.3% in 2023).

In terms of monetary policy, SBV’s focus will likely remain on mitigating currency depreciation against a backdrop of relatively sticky inflation and better growth. Our base case is for SBV to deliver a cumulative 50bp in rate cuts in late 2024. However, should growth momentum continue to improve, the risk is that SBV remains on hold for the rest of this year.

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