



UPDATE

VIETNAM ECONOMIC PROSPECT

Hanoi 22/11/2022



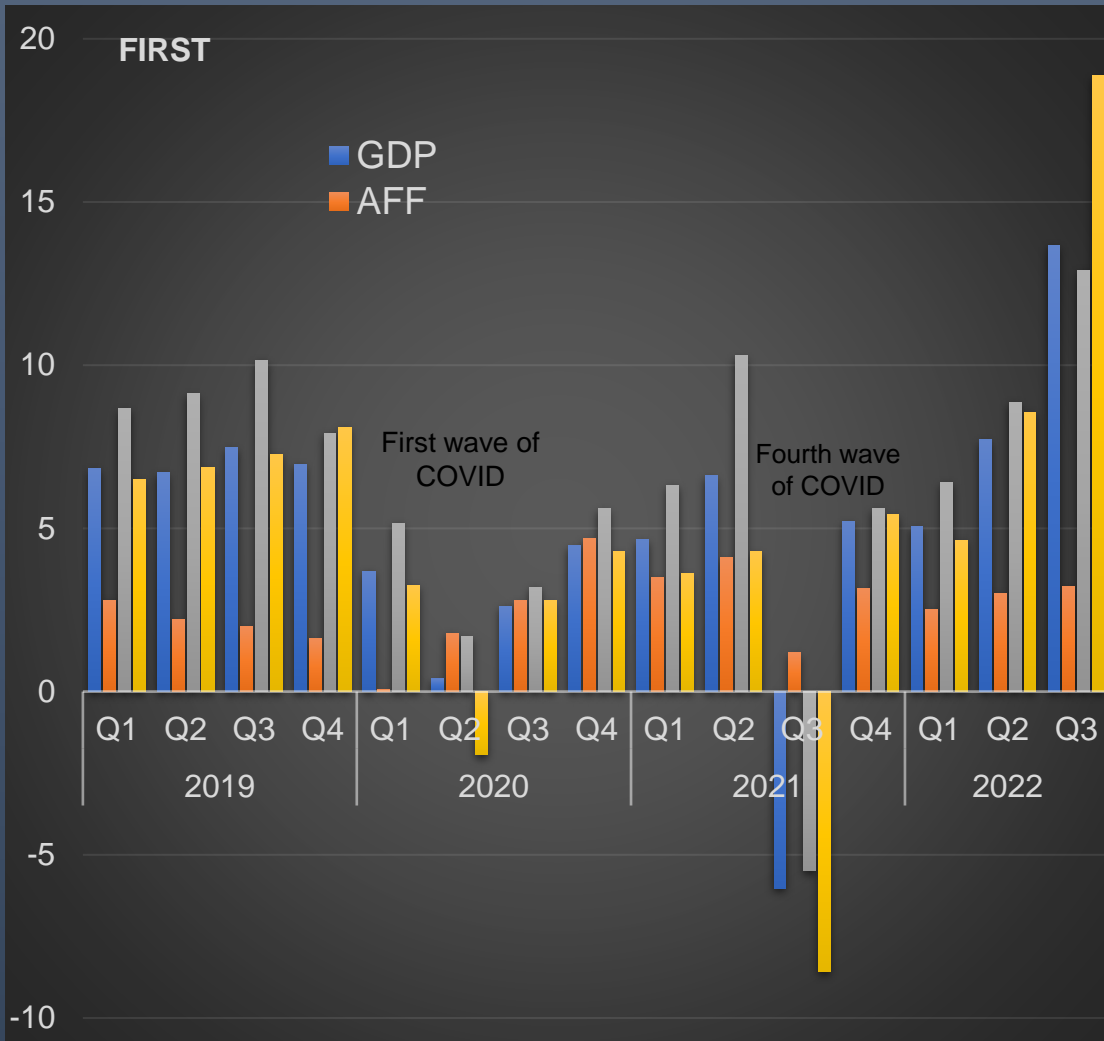
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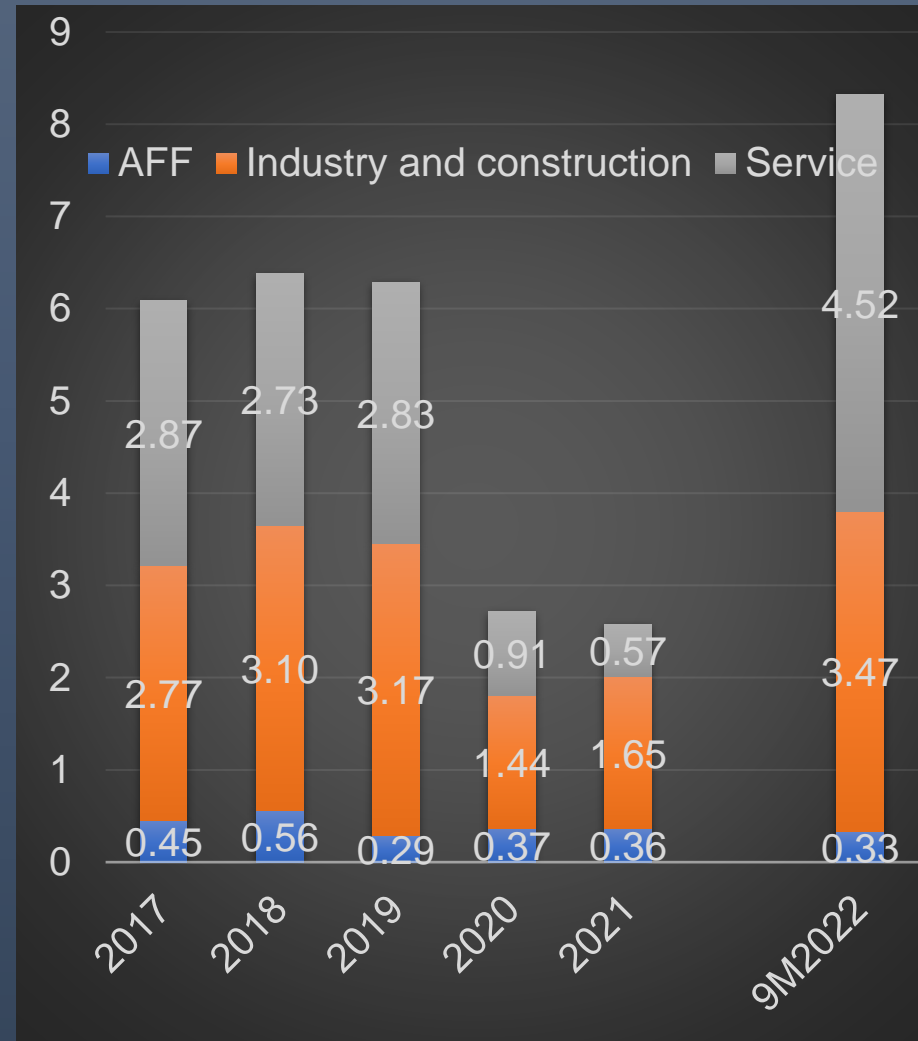
Hanoi 22/11/2022

Growth recovery

Growth rate

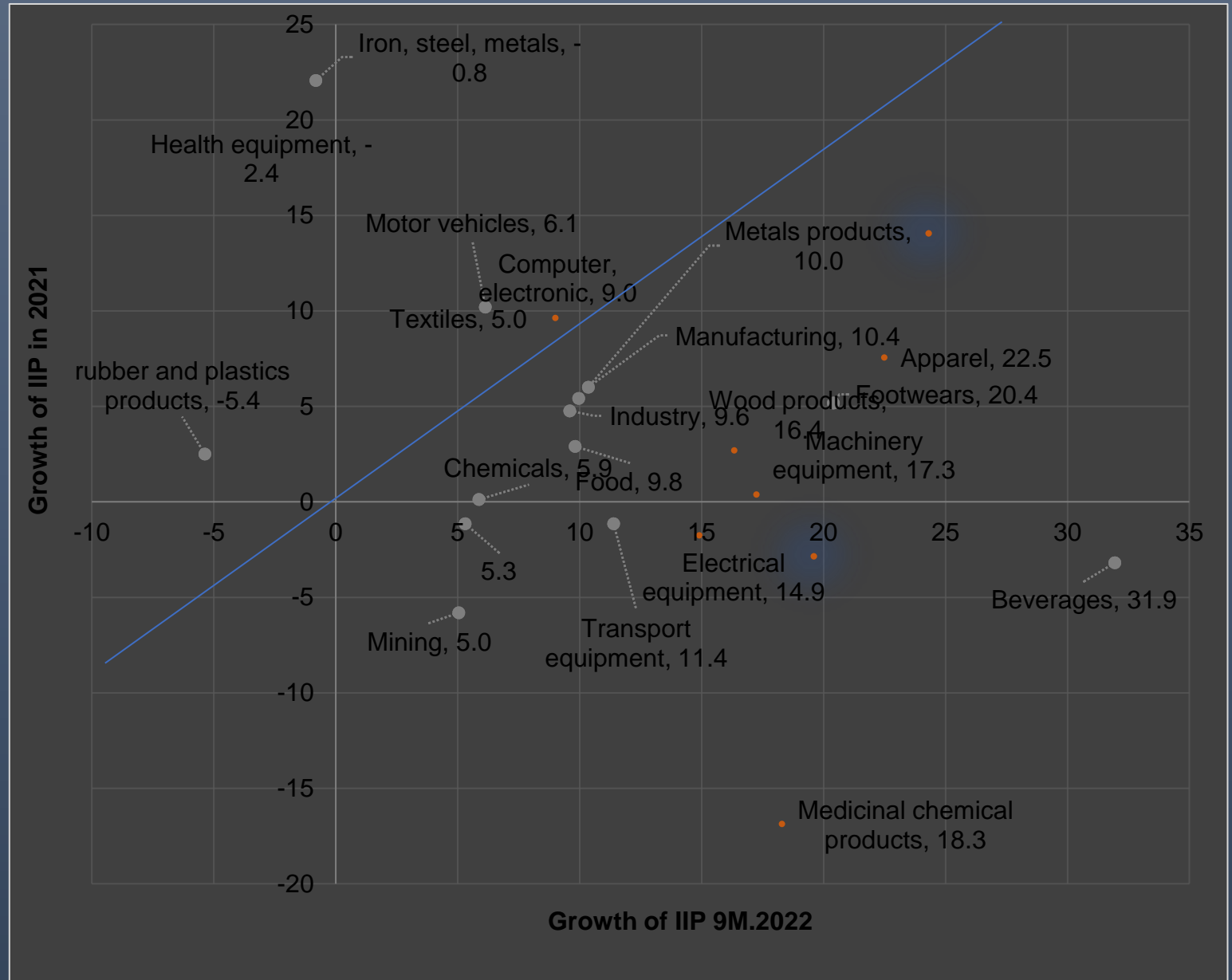
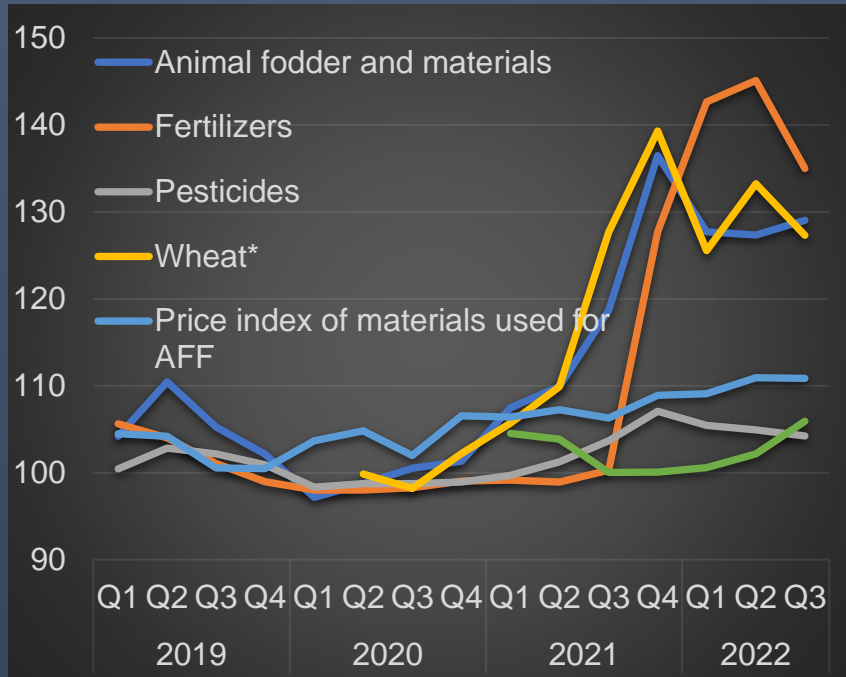
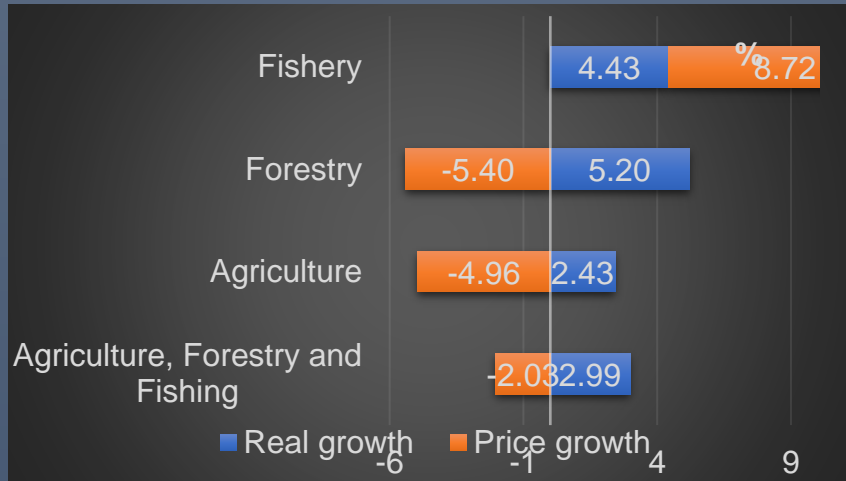


Contribution by economic sectors

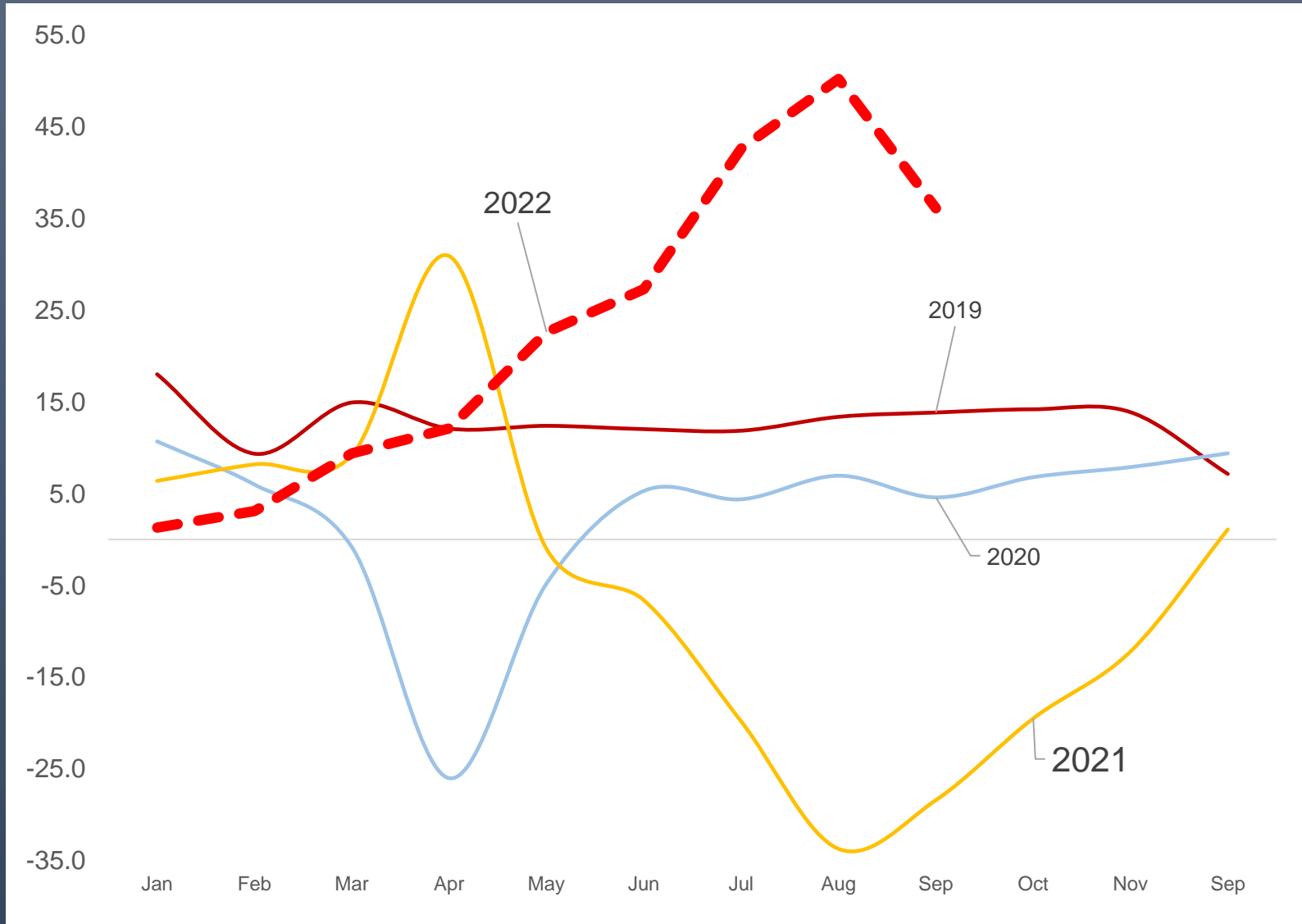


High growth rate in Q3 due mainly to negative growth in Q3/2021, only grew 6.82% compared to Q3/2020

Recovering AFF, industry sectors



Consumption demand

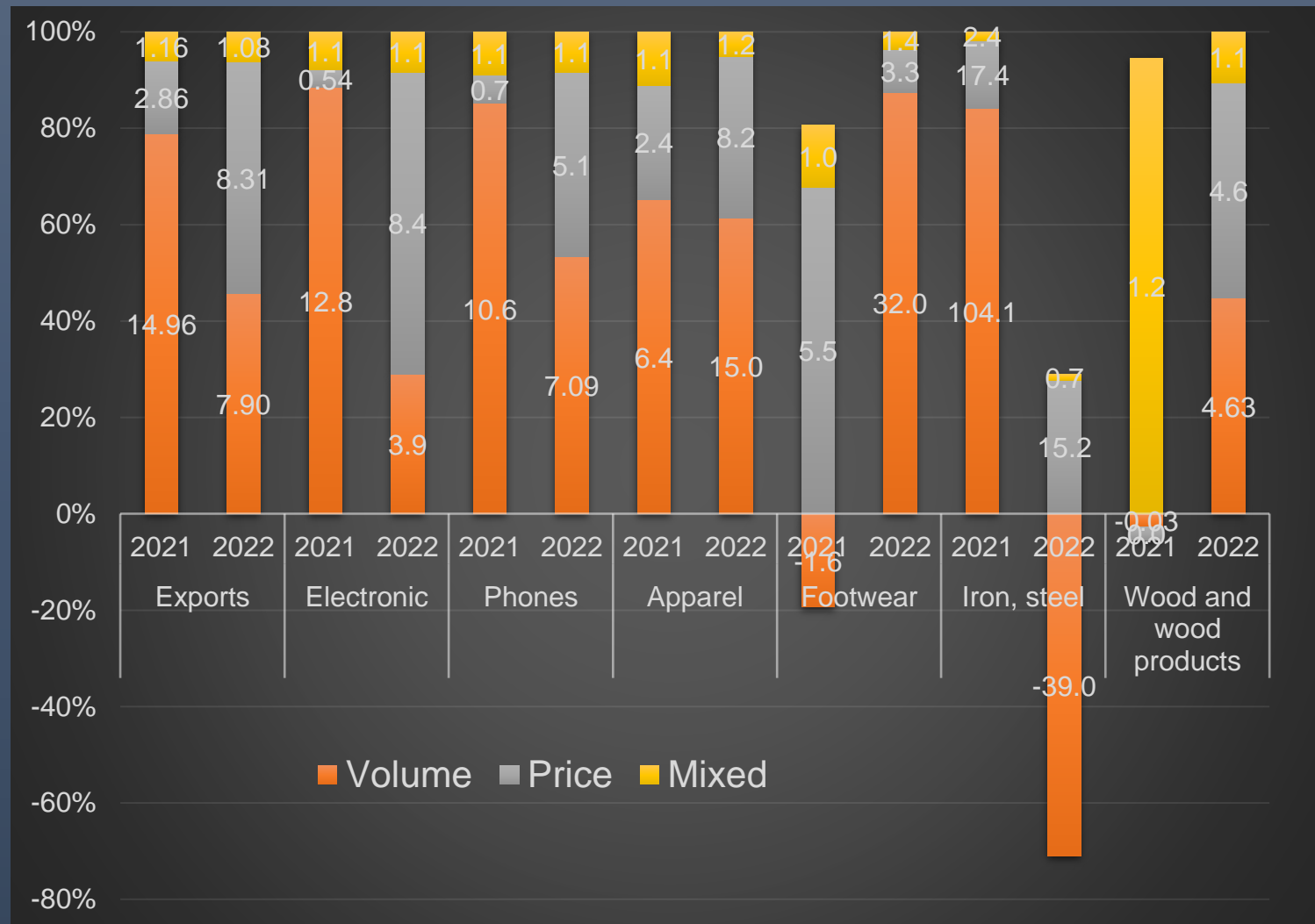
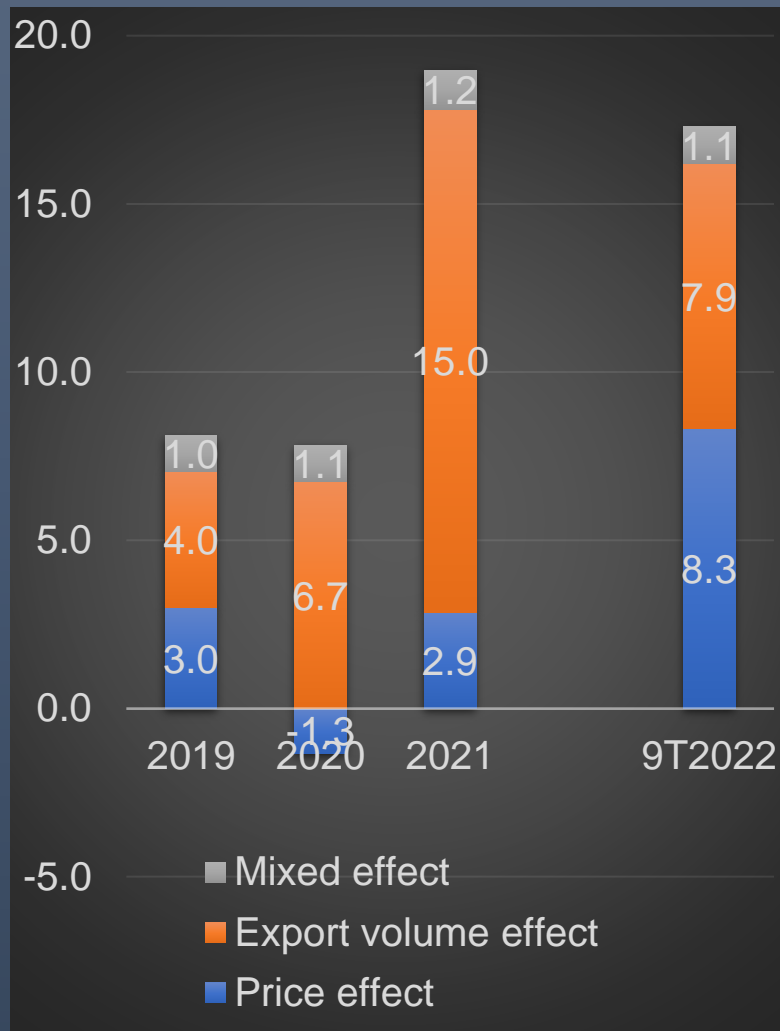


	QI/2022	QII/2022	QIII/2022
Total Retail sales of good and services	5.0	20.1	41.7
Retail sale	6.1	16.8	25.5
Accommodation and catering service	6.5	52.4	145.6
Traveling service	0.6	324.4	3954.4
Other services	-4.7	16.9	153.7

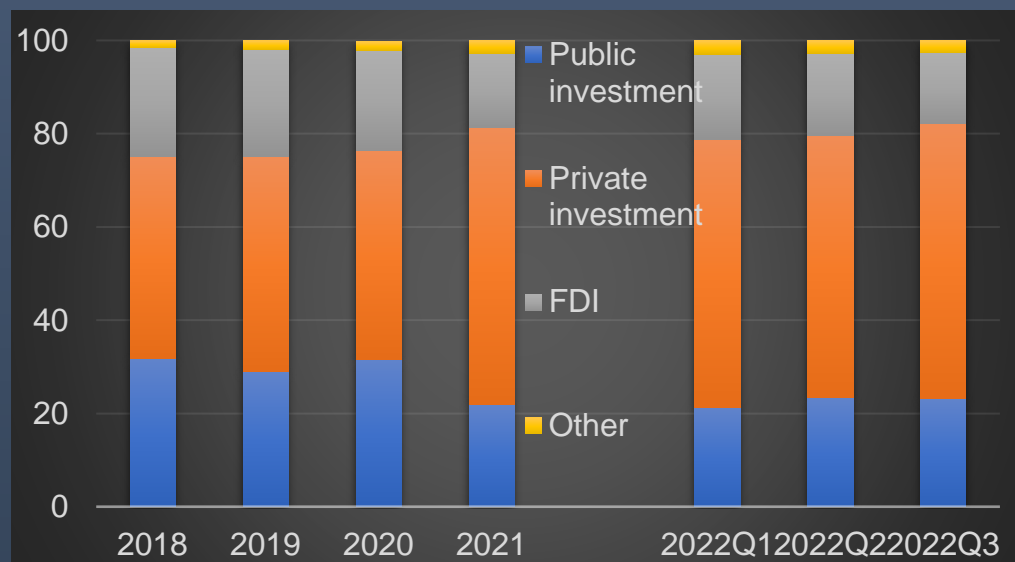
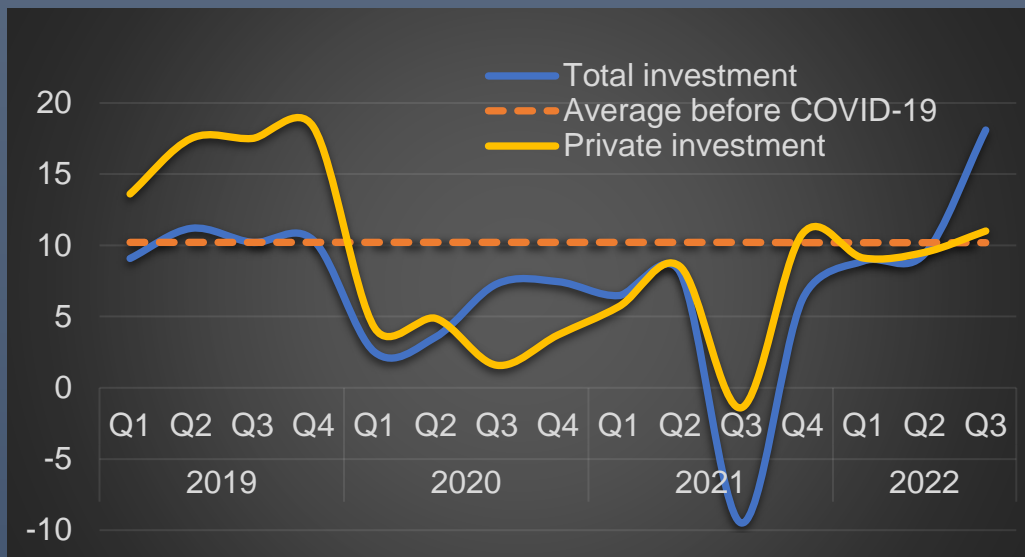
Private consumption increased 7.26%, contributing 6.03% to GDP growth

Export and import contribute 5.06% to GDP growth

Export



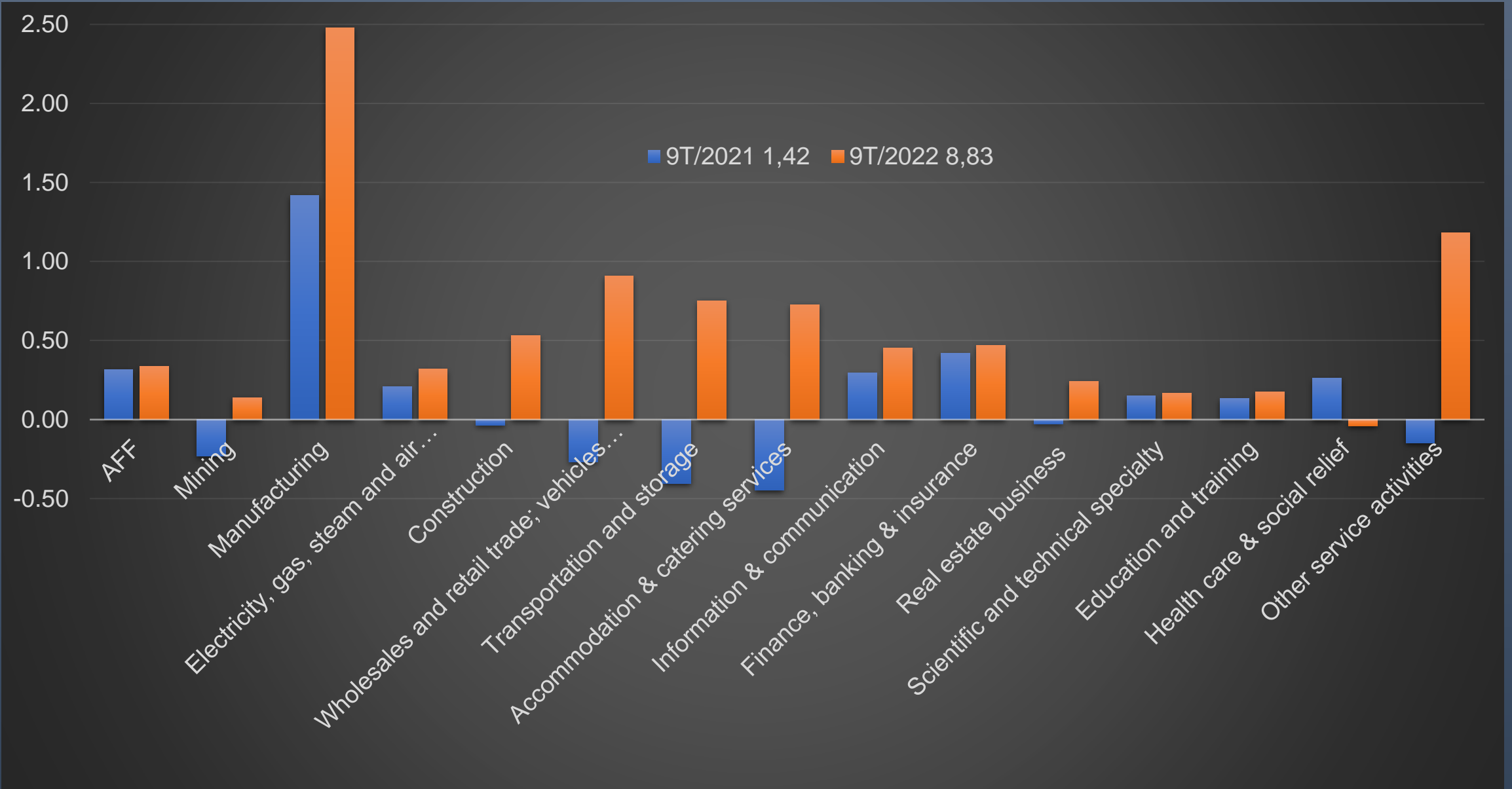
Investment



Enterprise

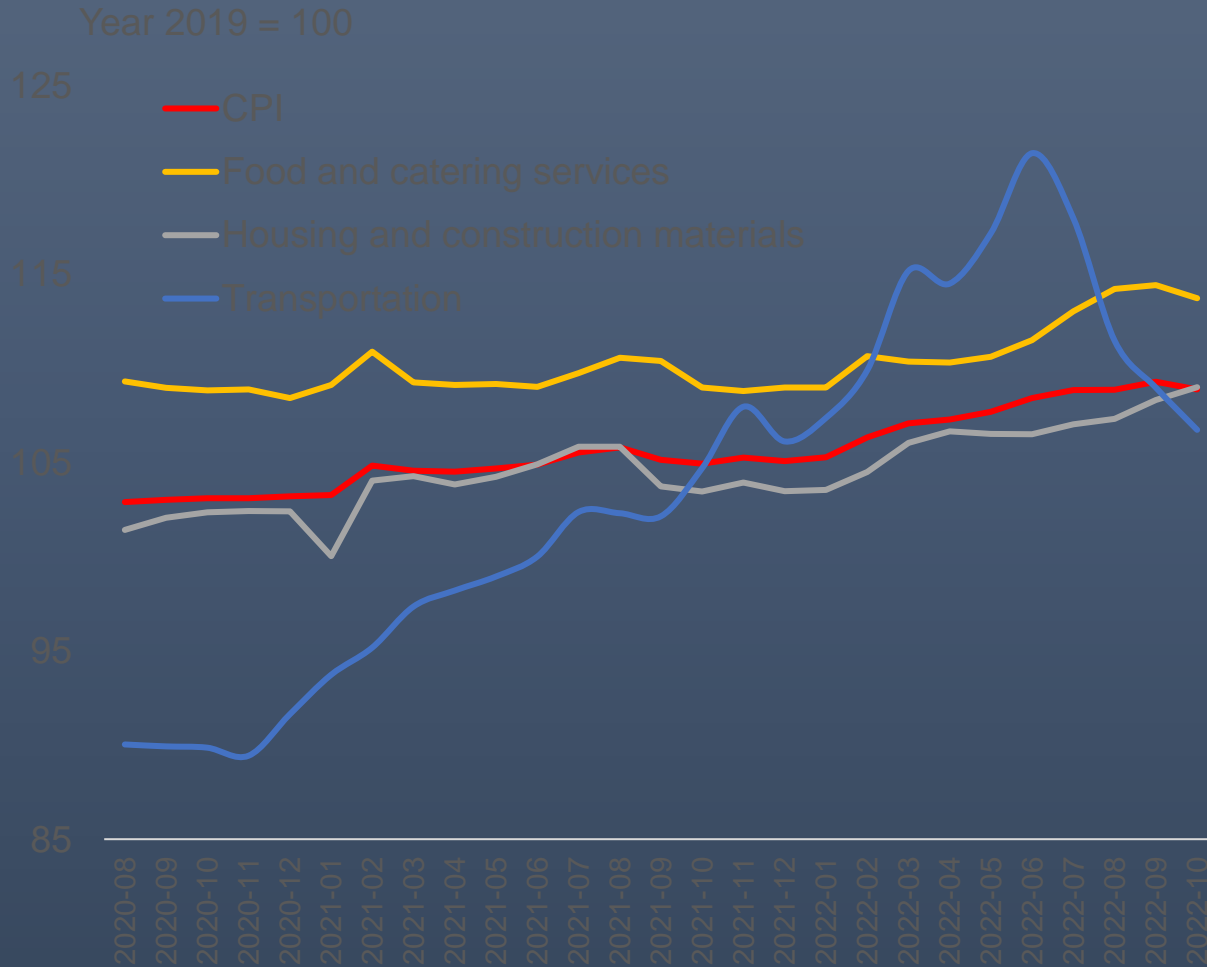
9 months 2022 - %, yoy	newly established enterprises	Returned to operation
Total	31.9	56.1
Agriculture, forestry and fishery	5.3	44.0
Industry and construction	20.8	40.1
Manufacturing	30.5	38.8
Construction	13.9	33.4
Service	36.8	63.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	37.5	62.5
Transportation and storage	30.4	42.1
Accommodation and catering service	67.4	62.4
Information & communication	23.5	31.2
Finance, banking & insurance	41.8	38.4
Real estate business	31.9	77.3
Science, technology; consultancy activities; designing; advertising and other professional activities	19.0	56.7
Education and training	30.4	74.6
Human health and social work activities	68.1	47.9
Arts, entertainment and recreation	53.8	69.3
Employment activities; tourism; renting and leasing of machinery and equipment, tools; and other support service activities	56.2	55.7
Other service activities	71.9	241.4

Industry's contribution to GDP growth



Some emerging issues

1. Inflation, ER and interest pressure



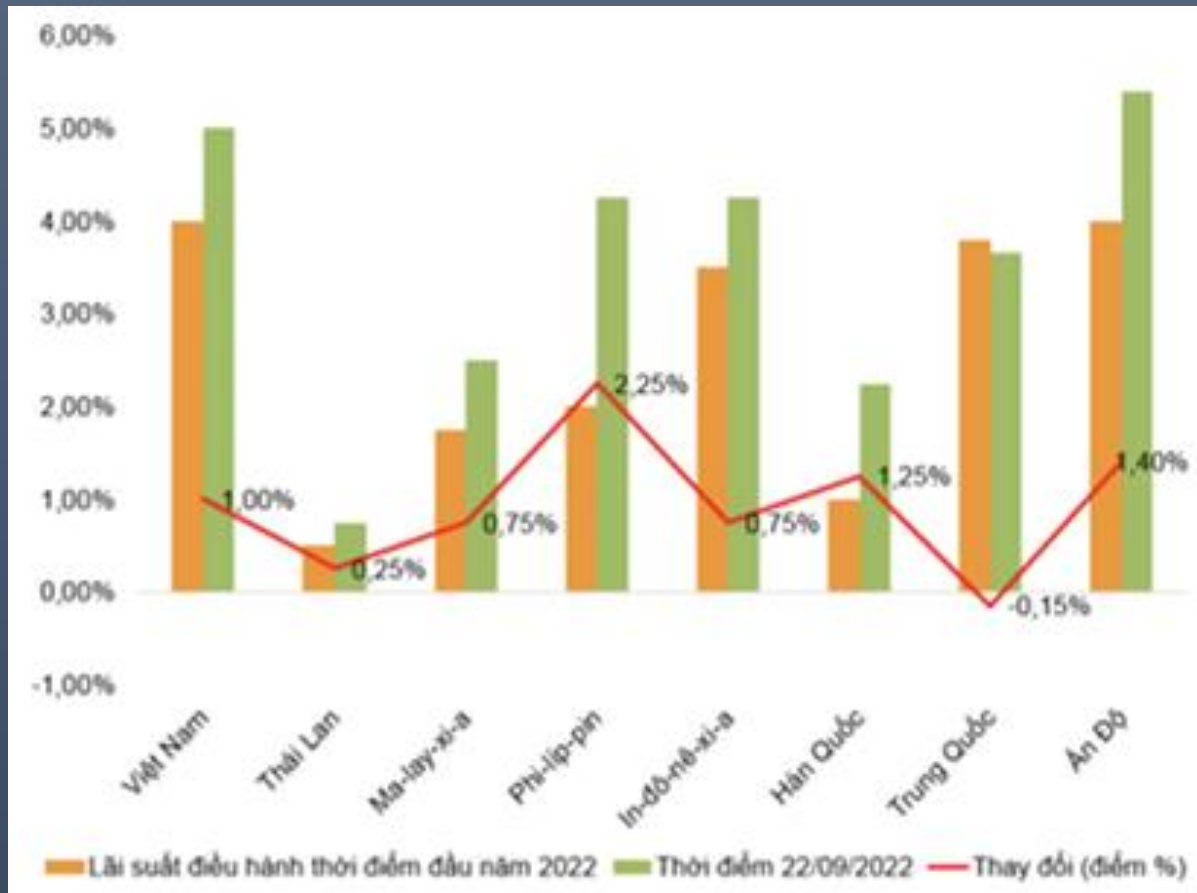
Low inflation because of:

- Low foods price
- Inflation in supply (China) low
- Exchange rate stable

Sum all the direct and spill over effects, over a half inflation rate in the first 9 months 2022 due to impact of oil price.

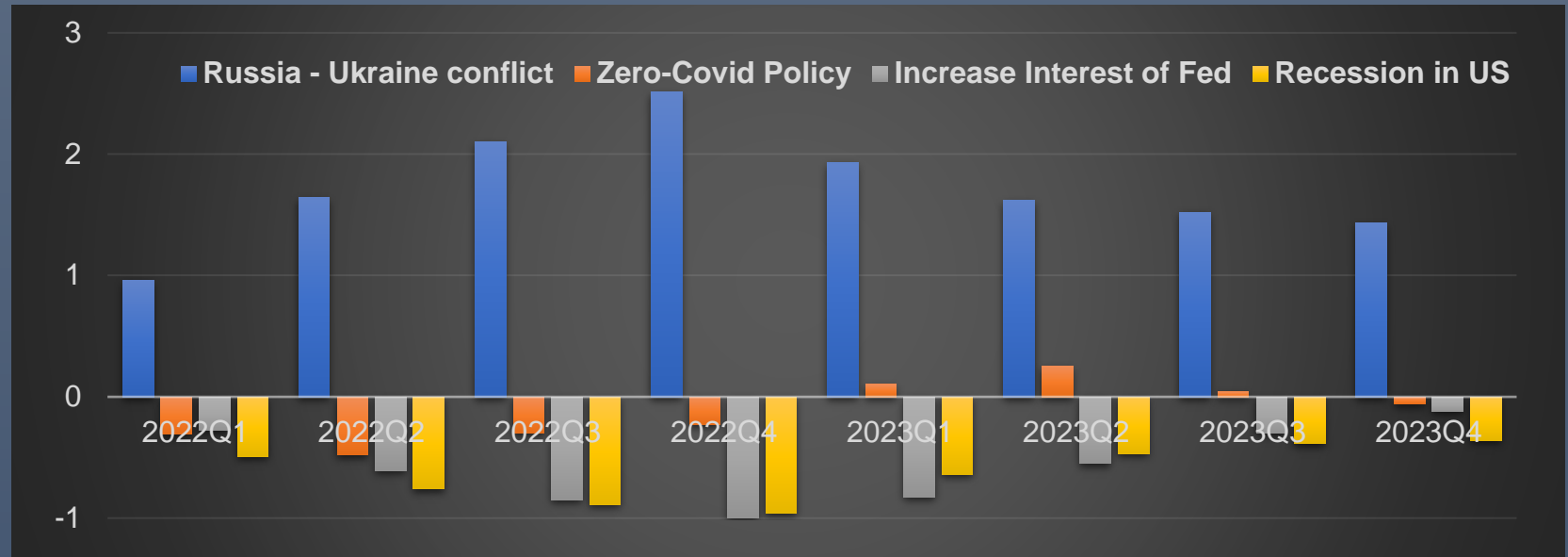
- External pressure on inflation is huge.
- Inflation control: Experience on petrol price management?

Pressure on ER and interest

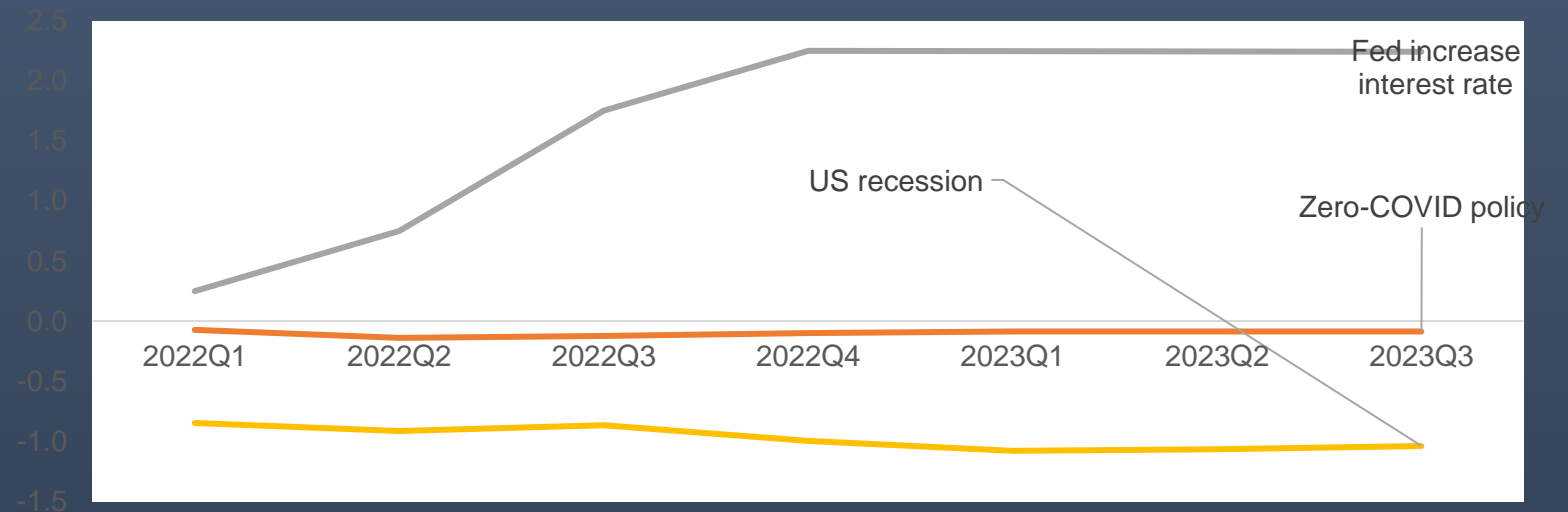


- VND depreciate about 9.1% from the beginning of the year.
- Strong tightening monetary policy of US and other countries.
- The current account is deteriorating, negatively affecting foreign exchange reserves and the ability to protect VND's value.
- Increase operating interest rate in Sep, Oct, 2022 of SBV.
- Credit demand increase sharply, request to increase room.
- The target of control money supply request to limit room.
- Low liquidity

1. High inflation pressure from outside

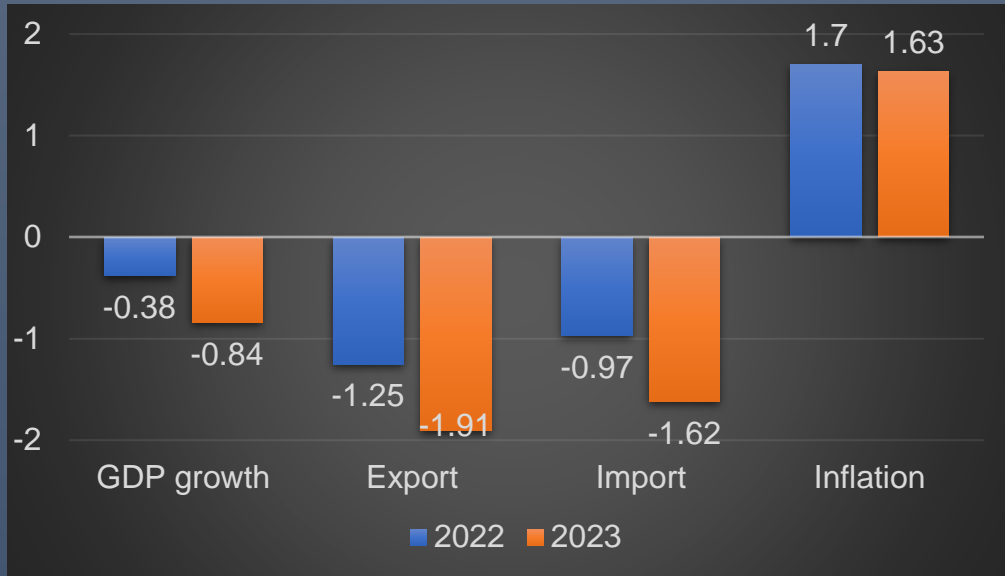


2. Continue difficulty in operating ER, interest.

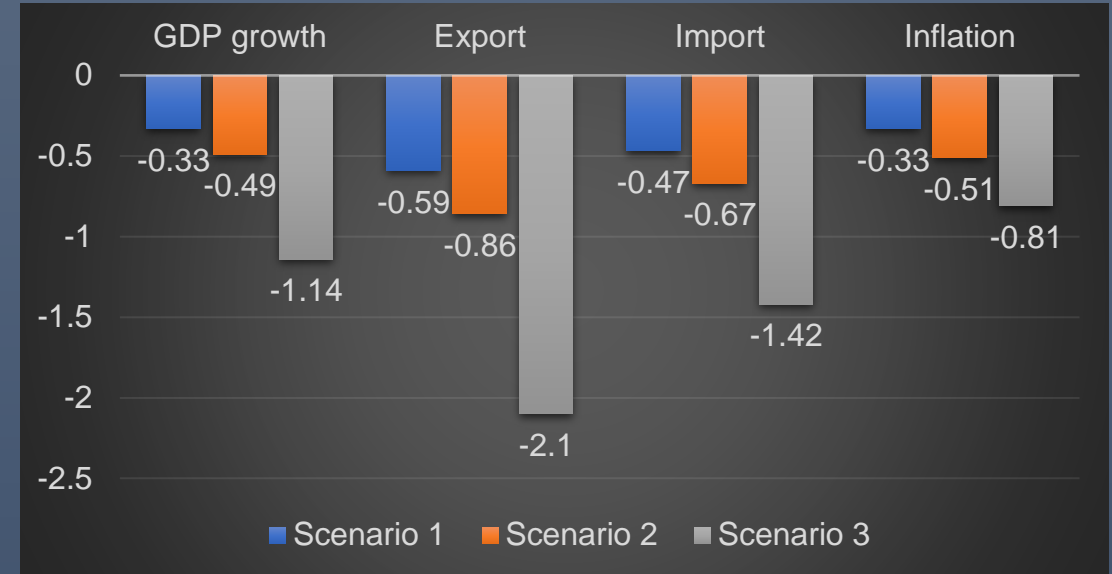


External factors affecting strongly to Vietnam

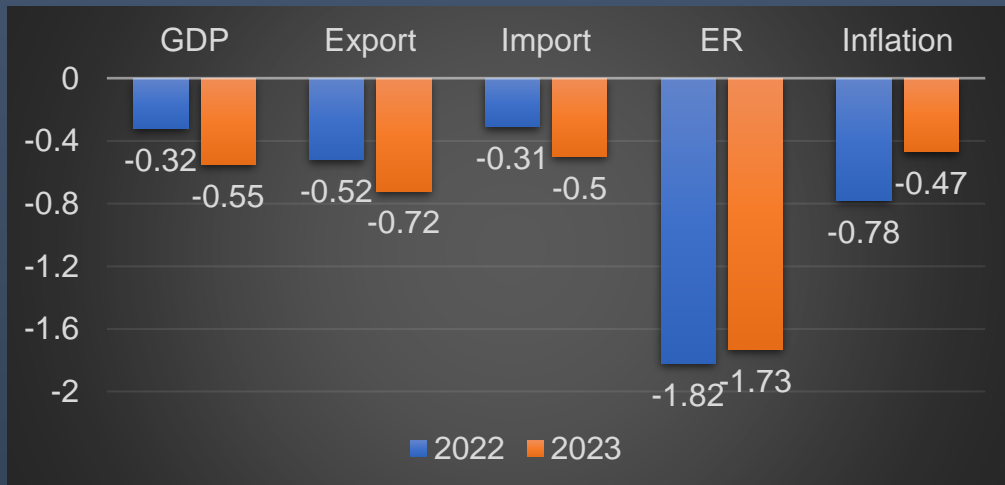
Russia – Ukraine



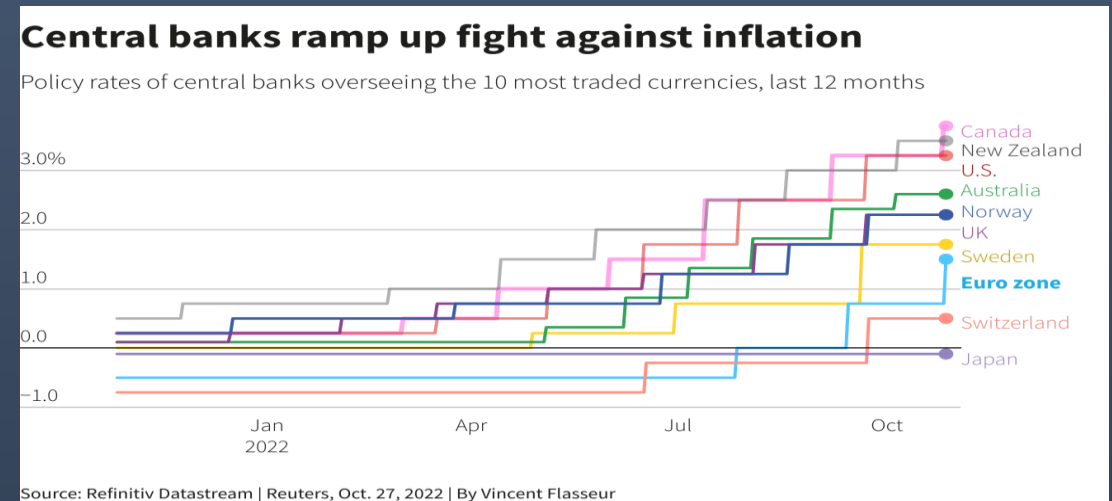
Zero-Covid of China



Major economies in recession



Tightening monetary policy in some countries



2. Corporate bonds and stock market

Bonds

- Heat growth (2018-2021) 224 – 321 - 436 - 722.7 trillion, 4,9% - 16,6% GDP, mainly individual issuers in banking and RE
- “3 zero” bond (no collateral, no credit rating, no payment guarantee)
- Stricter regulation for corporate bonds market: Decree No. 65/2022/NĐ-CP revised Decree No. 153/2020/NĐ-CP. (9 revised points: purpose, principle, denomination, time, acquisition, information, responsibility)
- The market is weak due to lack of confidence and risk warning to investors

Stock market

- The index dropped sharply after the boom period before April 2022
- Weak cash flow vs. positive domestic macroeconomic information
- Higher interest rate in some countries -> outflow investment
- Increasing risks:
 - Systematic risks (commodity markets, technology, liquidity, inflation and interest rates) increase;
 - Unsystematic risk (communication, legal, rating, audit) is also increasing
 - Risks from investors themselves (knowledge, psychology)

3. Slow disbursement of economic recovery support package

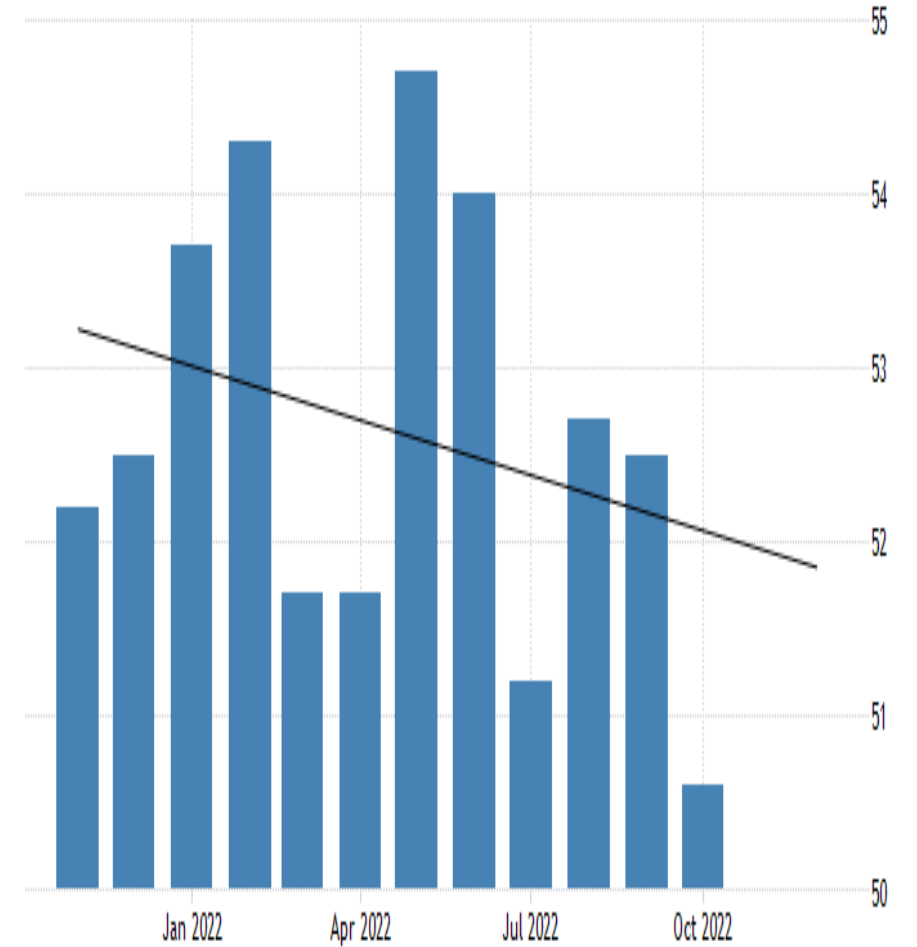
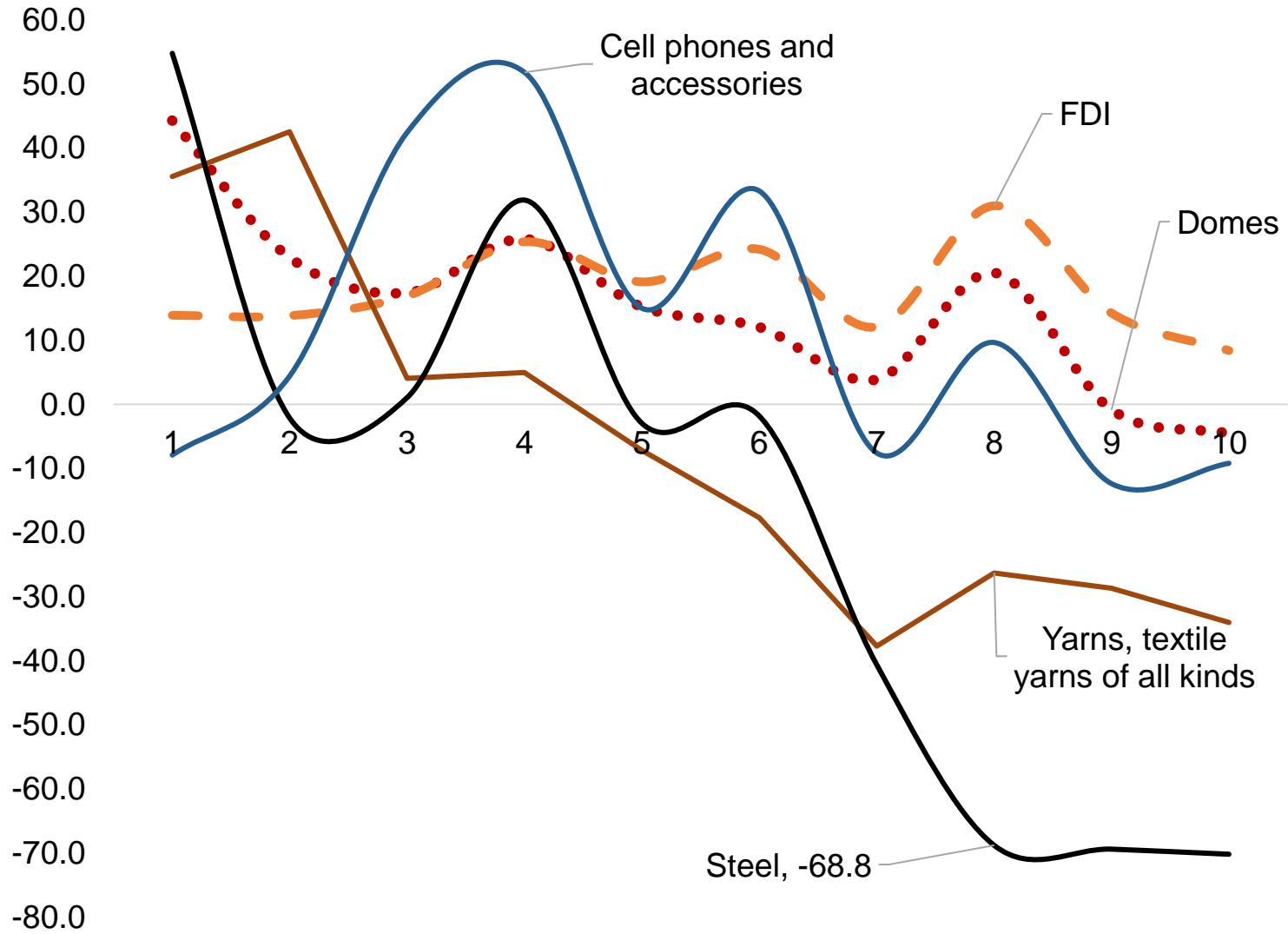
Total disbursement (Sep 22):
50.1/340 = 14.7

- Extension of tax, land rent :
7.4/55000

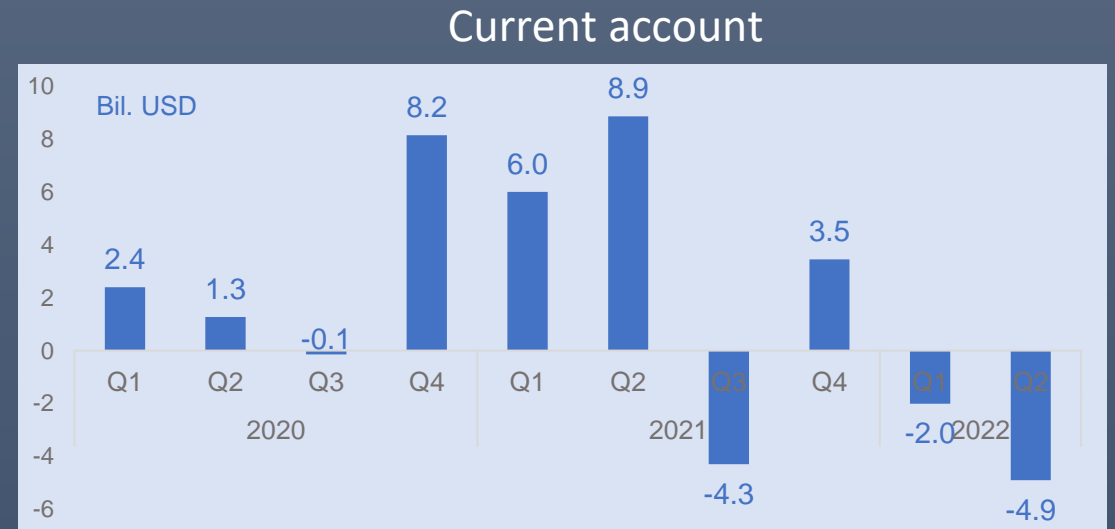
- VAT, environment tax
exemption:
= 39.4/64 trillion

Health sector support	Not implement yet	Difficult to implement in such situation of health sector recently
Social Security		
Housing rental support	Done	Identify who support, the cost of implementation
Job	Normal deployment within the existing framework of VBSP	Overlapping with other programs, no specificity; difficult for reporting and monitoring
Housing for workers		Time frame not suitable. Need to focus on workers
Support preschool, computer		No sense
Support businesses and people to restore production		
Decrease tax	Good implementation	Might affect to Government revenue
Interest support (4000)	13.5/4000 bil.	Policy Contradictions, Impossible
Infrastructure investment	(new lists from 9/22)	
Transportation construction	Time frame, approval method	

4. Slow down of export



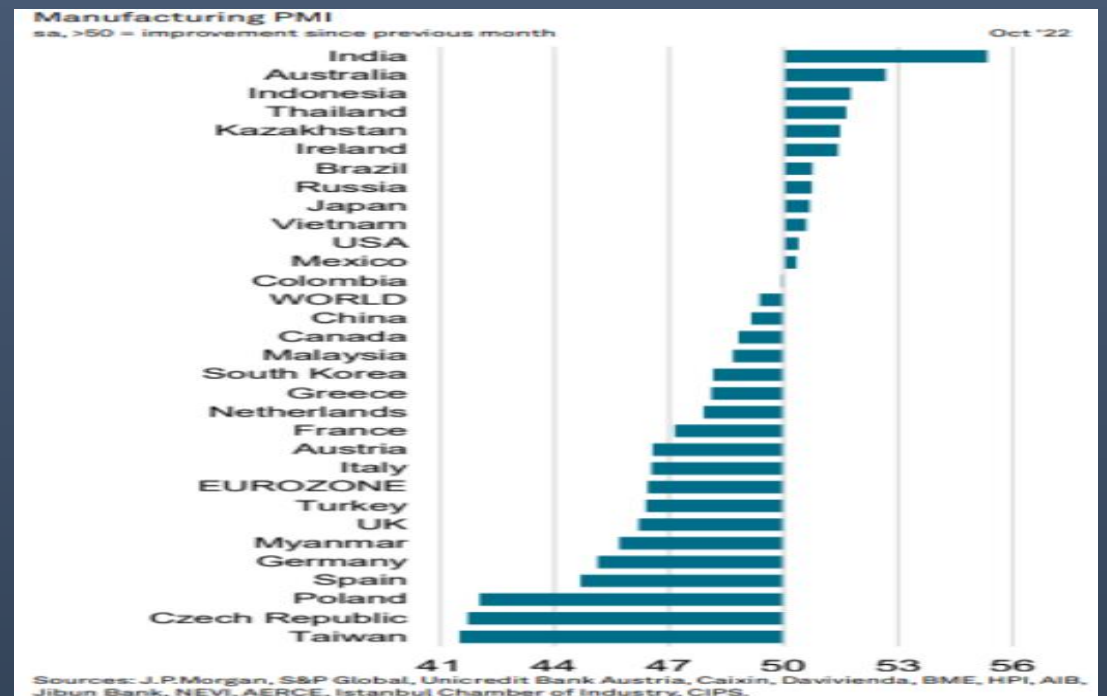
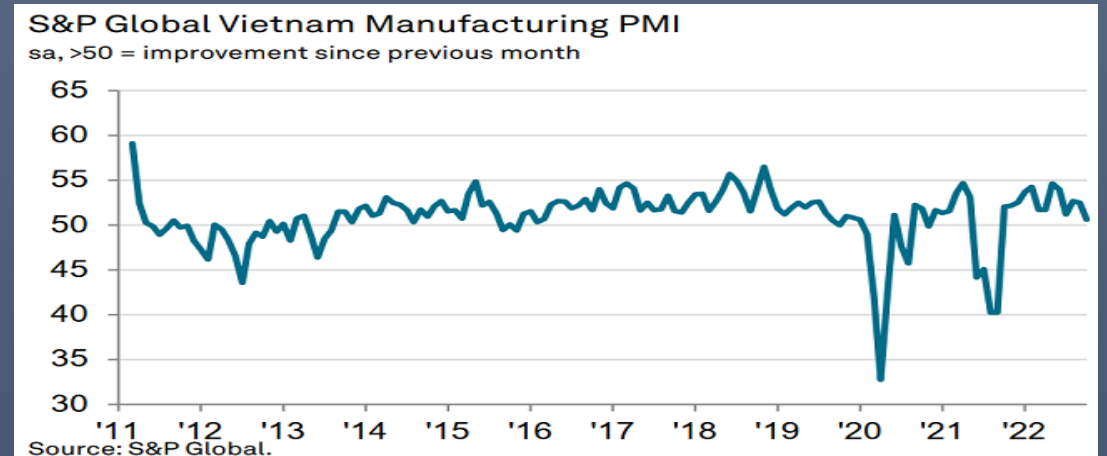
5. Foreign exchange reserves decrease, Current account worsens



- The State Bank used about 23 billion USD of foreign exchange reserves, equivalent to 20% of the total foreign exchange reserves, the reserve decreased to about 90 billion USD.
- The current account worsened, shifting to a deficit of \$2.0 billion in the first quarter of 2022 and a deficit of \$4.8 billion in Q2/2022.
- Current account is forecasted more difficult in Q4/2022 as exports begin its down trend.
- The amount of remittances is forecasted to be lower than in 2021. Two main factors impact: the Russia-Ukraine conflict and the decrease in income of Vietnamese workers abroad.
- Foreign direct investment inflows are still quite good, with 4.5 billion USD transferred into Vietnam in Q2/2022, indirect investment reaching 0.95 billion USD. However, the remittance flow of the population abroad amounted to 2.5 billion USD.

6. Enterprises have difficulties, the number of orders has decreased sharply

- New orders fell sharply due to weak demand.
- Export orders have decreased since August, expected to last until Q1.2023.
- PMI continues its downtrend.
- Jobs are not enough for workers
- Production costs increase



7. Not bright FDI prospect

Internal economy

- Newly registered FDI in Vietnam has decreased in 2022
- Export outlook is down (big import partners all decelerate growth)
- Investment costs tend to increase
- The quality of FDI has been slow to improve, lacking large-scale projects, modern technology, high added value, close linkages and support for technology transfer to the domestic sector.
- Major bottlenecks have not been overcome (infrastructure, labor, suppliers)
- FTAs do not create a trend to improve FDI quality

Gloomy global economy

- Most international organizations have lowered their world growth rate forecasts to 2.2-2.8%, a sharp drop from April forecasts.
- High interest rates in investment countries
- The trend of supply bottlenecks continues
- Slow moving out of China

Forecast 2023

Factors

- Russia-Ukraine war is difficult to end soon, continue its severe effect on oil price
- The trend of tightening monetary of countries
- Export demand declines due to slowing growth
- Supply bottlenecks
- The growth rate of domestic aggregate demand will decrease slightly due to income difficulties
- Funds for investment may not recover quickly

Forecast

Scenario 1, growth rate is only at 6-6,2% if risk factors overwhelm the established recovery trend in 2022

Scenario 2, more positive, growth rate reach to 6,5-6,7% in the condition that the recovery process is more favorable, the impacts from the international context are not too much

Inflation is about 4% in 2023 before down to 3.3% in 2024 due to the spill effect of oil price

	NCIF		IMF		WB		ADB
	2023_KB1	2023_KB2	oct.2022	Jul.2022	Jul.2022	Apr.2022	Apr,2022
GDP	6,0-6,2	6,5-6,7	6,2	6,7	6,7	7,5	6,7
AFF	2,5	2,9					
IC	7,2	7,5					
Service	7,0	7,3					
Tax	5,6	5,8					

Some short-term solutions

Stabilize finance

- NPLs may be a continuing consequence in the near future. Special attention should be paid to monitor banks, control the interest rate mobilization race as well as handling NPLs to take appropriate measures.
- Early policy action on bond and stock markets

Controlling inflation

- Gasoline prices still have potential to increase inflation.
- Expediently develop a flexible tax/fee adjustment mechanism.

ER and Interest

- Priority should be given to choosing interest rates
- Continue to adjust the exchange rate slightly and gradually

Operate with plans and avoid jerks

Pay attention to public and timely information, reduce negativity from rumors

Solutions in medium, long run

New approaching and thinking policy

- The ability to predict the situation
- Ability to handle with information crisis
- Policy implementation costs
- The actual implementation's agencies

Implement assessments of optimal public portfolios with growth in each period

FDI restructuring and adjustment of attraction strategy

Targeted program on improving labor quality/vocational training

The basic foundation for the digitization of the economy