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Vietnam Macroeconomic Commentary: October 2024

This year, Vietnam's economy has been almost entirely supported by the recovery of the country's manufacturing sector, from essentially no growth in 10M23 to 9.6% y-o-y growth in 10M24. The manufacturing sector's growth is being driven by surging tech exports, especially to the US. Computer and electronics exports to the US were up 42% y-o-y in 10M24 and total exports recovered from a 15% drop in 10M23 to a 25% surge in 10M24.

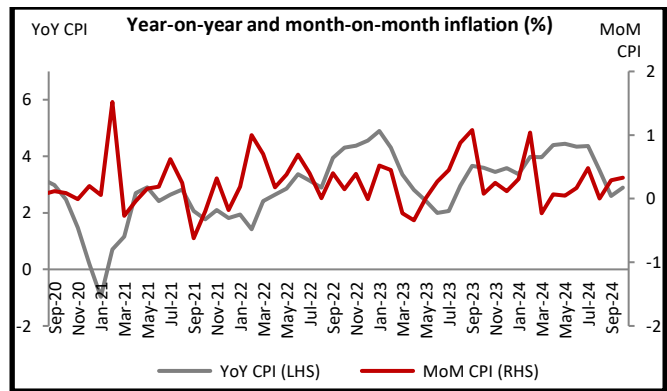
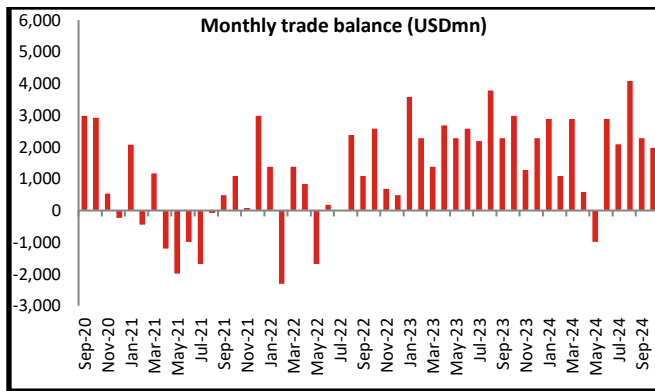
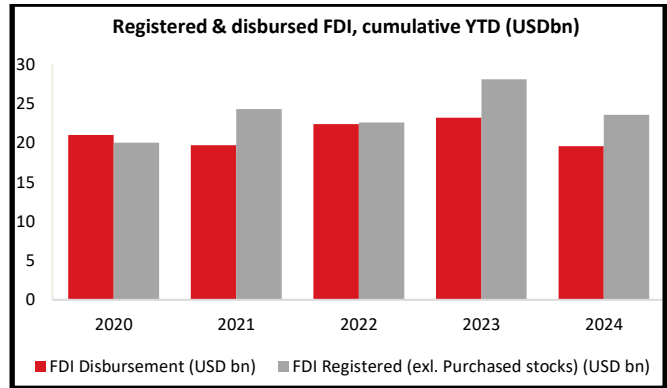
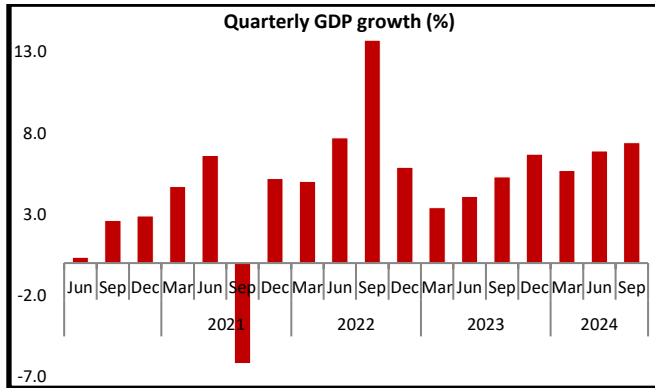
Consumption growth and sentiment among local consumers has remained modest throughout the year. Consequently, real retail sales growth (excluding the impact of inflation) dropped from 7.3% in 10M23 to 4.6% in 10M24, despite a 41% y-o-y jump in foreign tourist arrivals this year (which we estimate accounted for about 10% of Vietnam's retail sales, pre-COVID).

We have been predicting a substantial deceleration in Vietnam's export growth and manufacturing output growth in 2025, and the first signs of this anticipated deceleration appeared in October. Manufacturing output growth accelerated throughout 2024 to 9.9% growth in 9M24 but dipped to 9.6% y-o-y in 10M24. New export orders have also slowed in recent months according to the PMI survey, although Vietnam's manufacturing PMI rebounded from 47.3 to 51.2 post-Typhoon Yagi, which depressed the September PMI.

The anticipated election of Donald Trump pushed the US Dollar/DXY Index up by 3.3% in October, depressing the value of the VN Dong by nearly 3% during the month (and by 4.4% YTD as of end-October). The State Bank of Vietnam (SBV) was prompted to drain USD 5b out the country's interbank market in October and offered to sell US Dollars to the country's commercial banks. We think it is unlikely that the SBV would actually sell more of its US Dollar FX reserves given that they already stand below three months' worth of imports.

Finally, we published [this report](#) on the likely impact of a Trump presidency on Vietnam. Some local economists believe Trump's tariffs could reduce Vietnam's GDP growth by as much as 4%pts, but we believe those concerns are significantly overblown. Vietnam will almost certainly continue to benefit from US-China trade tensions. FDI disbursement is up nearly 10% y-o-y, and the vast majority of those investments are into the manufacturing sector. However, Vietnam urgently needs to address its massive ~25%/GDP trade surplus with the US (nearly USD 90b in 10M24) by increasing imports from the US.

Macroeconomic Charts



Macroeconomic Indicators

| | 2023 | Oct-24 | YTD | YOY ¹ |
|--------------------------------------|--------|--------|-------|------------------|
| GDP growth (%) | 5.1 | | | |
| Inflation ² (%) | 3.3 | 2.9 | 3.8 | |
| FDI commitments (USD bn) | 28.1 | 2.4 | 23.6 | 9.6 |
| FDI disbursements (USD bn) | 23.2 | 2.3 | 19.6 | 8.8 |
| Imports (USD bn) | 326.4 | 33.6 | 312.3 | 16.8 |
| Exports (USD bn) | 354.7 | 35.6 | 335.6 | 14.9 |
| Trade surplus/(deficit) (USD bn) | 28.3 | 2.0 | 23.3 | |
| Exchange rate (USD/VND) ³ | 24,265 | 25,280 | | |

Sources: GSO, Vietnam Customs, MPI, Bloomberg

Note:

1. FDI and trade data is YTD y-o-y; GDP growth data is latest quarter y-o-y
2. Monthly y-o-y change; year-to-date is monthly average change in CPI per GSO
3. BBG-USD/VND Spot Exchange rate

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