

# Vietnam: 2023 GDP growth topped estimates at +5.1%

4Q GDP accelerated to +6.7% y/y on resilient consumption, exports picking up steam

Government targeting GDP growth of 6.0-6.5% in 2024

Inflation has inched up slightly but still below 4.0%; SBV to maintain policy rates in 2024

## Summary

Economic growth beat consensus forecasts, accelerating again to +6.7% y/y in 4Q (3Q: 5.5% y/y) and bringing full year GDP to 5.1% y/y. Full year GDP is slightly higher than Government’s estimate but is shy of initial Government’s target of 6.5% y/y. Supporting growth during the quarter was exports picking up steam and registering its first quarterly growth in 5 quarters, while consumer spending, as reflected in retail sales data, holding resilient.

Moving into 2024, the government is targeting growth of 6.0-6.5% and we expect this to be achievable at this juncture on the back of improved external demand and benefitting from government’s initiatives and push to bolster the economy.

## Details

Available data suggests that improved exports benefitted manufacturing, as seen by manufacturing output accelerating to an average of +6.2% y/y in 4Q (3Q: +4.3% y/y). Together with construction, the industry and construction GDP cluster expanded strongly by +7.4% y/y during the quarter (2023: +3.7% y/y). The services sector and agriculture sectors remained strong and stable at +7.3% and +4.1% respectively (2023: +6.8% y/y and 3.8% y/y), but mining output data showed that the sector remained contractionary.

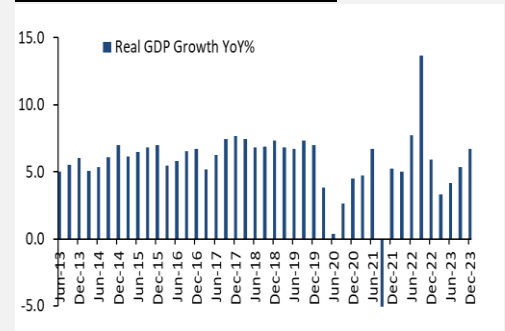
On the demand side, December data also showed that retail sales were robust at +9.3% y/y (Nov: +10.1% y/y), as tourism-related sales continued to chart double digit growths. Exports registered its fourth month of y/y growth, doubling and beating street estimate at +13.1% y/y (Nov: +6.7% y/y), underpinned by strong demand for agriculture products, while exports of electronics and electrical related products also picked up.

## Outlook

For 2024, the Government is targeting GDP growth of between 6.0%-6.5%.

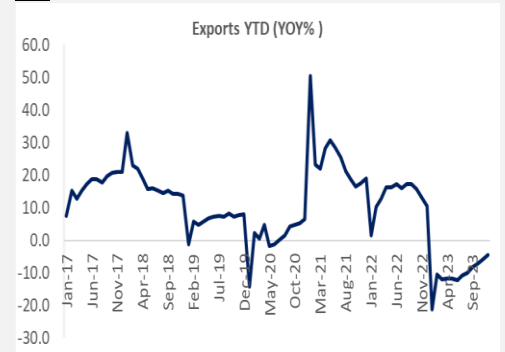
- 1) While demand weakness globally, especially from the US and EU (accounting for 42% of exports), may post headwinds to growth in the near term, recent quarter data has already suggested that the outlook is brighter as external demand recovers and the country is a potential winner in the global supply chain reshuffling.
- 2) The economy will be supported by a strong services sector, which has been helped by a strong rebound in international tourism. Tourist arrivals jumped 3.4 times y/y to 12.6m in 2023.

**Figure 1: Real GDP growth accelerated for a third straight quarter**



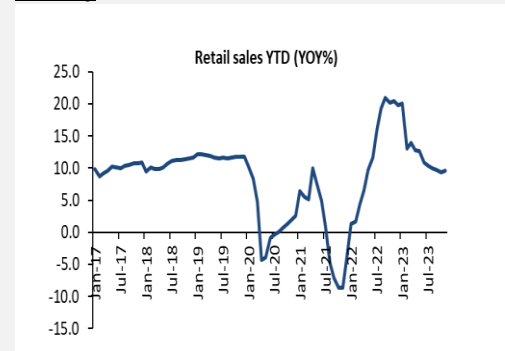
Source: Bloomberg

**Figure 2: Exports turnaround towards 4Q**



Source: Bloomberg

**Figure 3: Retail sales held strong and steady**



Source: Bloomberg

- 3) The Government has ramped up push to support the economy, with:
- Prime Minister Pham Minh Chinh urging banks to be more flexible in lending and urging ministries as well as provincial governments to speed up disbursement of public investment
  - Deepening ties and strategic partnerships with the US, Japan, China, and even India. It has been reported that Vietnam is one of the preferred destinations for South Korean and Japanese firms, and total implemented FDI was up 5.4% y/y to 550.2 trillion VND for 2023.

Cost pressures, meanwhile, has picked up slightly since August, with the rate of inflation hitting +3.6% y/y in December (Nov: +3.5% y/y). The November S&P PMI also reported its sharpest rise in input costs since February 2023. Weaker VND reportedly led to higher imported inflation, while fuel, oil and sugar were among the inputs registering costs increases. Although inflation is still below Government's target of 4.0%, with the brighter economic prospects for 2024, we expect the State Bank of Vietnam (SBV) to maintain its policy rate at 4.50% for the whole of 2024.

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