

# Vietnam's 1Q GDP disappointed with a 5.7% growth

**1Q GDP marks the first deceleration in four quarters despite sturdy consumer spending**  
**Targeted GDP growth of 6.0-6.5% will face headwinds from politics and credit lending**  
**Inflation stayed below 4.0%, SBV to maintain policy rates in 2024**

## Summary

Despite lower base effects, 1Q GDP came in significantly below forecast and decelerated for the first time in four quarters to +5.7% y/y growth (4Q23: +6.7% y/y). Weighing on growth was an uneven exports and factory output, which saw both numbers fluctuating significantly during the quarter, while consumer spending has largely remained resilient.

## Details

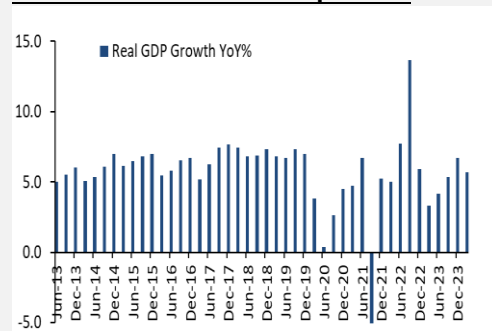
On the supply side, data shows that the agriculture, forestry & fishing; industry & construction as well as services expanded by a more moderate pace of +3.0% y/y, +6.3% y/y and +6.1% y/y respectively (4Q: +4.1% y/y, +7.4% y/y and +7.3% y/y). On the demand side, final consumption and gross fixed capital formation increased by 4.9% y/y and 4.7% y/y respectively. Export of goods and services increased by 18.0% y/y, but this was cushioned by a 17.8% y/y expansion for imports of goods and services.

## Outlook

For 2024, the Government is targeting GDP growth of between 6.0%-6.5%. We opine that the lower end of the target is achievable at his juncture, in line with consensus and ADB's forecast of 6.0% but a shade higher than IMF's 5.8%.

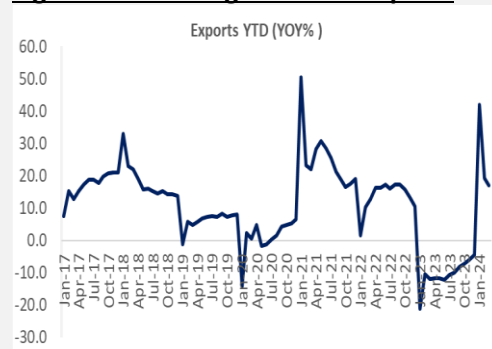
- One key driver is the still sturdy consumer spending, benefitting from a robust labour market (low unemployment rate of 2.2%) and well as ongoing influx in tourist arrivals (international visitors rose 72% y/y in 1Q).
- Major investments from Asian countries, especially in the electronics sector and manufacturing will create job opportunities. Pledged FDI is up 13.4% y/y in 1Q, but total implemented capital is softer at only +7.1% y/y.
- Challenges remain from both domestic and external sector. Notably, slowdown in China could impact certain key sectors like textiles, footwear and electronics, while persistent supply chain disruption will also add to production costs and constrain consumer spending. In fact, exports remained bumpy, with double digit growths in January and March, but these was partially due to low base effects, and a contraction in February.
- On the domestic front, total lending climbed 0.3% y/y, a far cry from the central bank's target of 15% this year, as consumers continued to struggle with limited access to banking. The State Bank of Vietnam's Deputy Governor Dao Minh Tu said that many businesses have scaled down or ceased operations due to lack of orders and rising raw material prices, and

**Figure 1: Real GDP growth decelerated for the first time in four quarters**



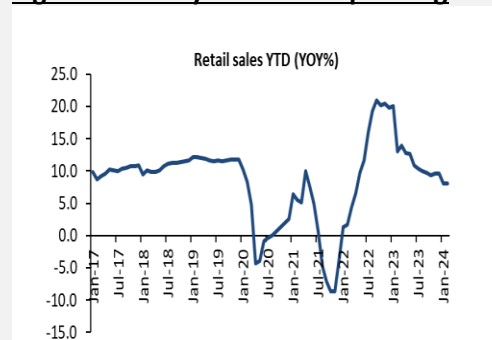
Source: Bloomberg

**Figure 2: Uneven growth for exports**



Source: Bloomberg

**Figure 3: Sturdy consumer spending**



Source: Bloomberg

because of this, banks are tightening requirements on collateral assets on concerns over rise in bad debt.

- Political earthquake, losing two prime ministers in a year is a worrying signal for foreign investors. This may rattle those who flocked to Vietnam in the aftermath of US-China trade war, attracted by the talented and affordable workforce and less scrutiny from US government.
- Inflation meanwhile, held steady at +4.0% y/y in March, still within the Government's target. With steady growth anticipated for 2024, we expect the State Bank of Vietnam (SBV) to maintain its policy rate at 4.50% for the whole of 2024.

**Hong Leong Bank Berhad**

Fixed Income & Economic Research, Global Markets  
Level 8, Hong Leong Tower  
6, Jalan Damanela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel: 603-2081 1221  
Fax: 603-2081 8936  
Email: [HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad (“HLBB”) to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group (“HLB Group”). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.