

Global Markets Research
Economics - Vietnam

Vietnam grew quicker than expected in 3Q

Vietnam's economy grew 5.93% in the past nine months (1H: +5.52%) as momentum in the manufacturing and services sectors gathered steam. In addition, the struggling agriculture sector undermined by bad weather earlier contributed to GDP growth for the first time this year, adding to signs that full year growth will top 6.00% in 2016. Looking at monthly data, exports growth moderated but IPI, retail sales and CPI prints were relatively upbeat. Upside risks to inflation prevails as government intends to increase health services fees on top of raising school fees this year, testing the government's self-imposed inflation target of 5.0% this year. That posted further evidence that domestic demand remained robust. None withstanding, full year growth will unlikely hit 6.70% as anticipated by the government, although Vietnam will likely emerge as the region's forerunner in terms of growth.

GDP grew 5.93% YTD YOY in 3Q from 5.52% in 1H

Vietnam's economy expanded 5.93% annual pace in the past nine months, building on the 5.52% annual growth in the first half of the year. After a 0.18% contraction due to unfavorable weather conditions in 1H, the agriculture, forestry, and fishery sector managed to contribute marginally to overall growth this quarter (+0.65% YTD). That bolstered headline GDP number on top of quicker growth in the industry/ construction (+7.50% vs 7.12%) and services (+6.66% vs 6.35%) sectors. Mining remained in the doldrums, posting a 3.60% decline from a year ago.

Exports climbed 8.60% YOY in September (August: +11.20% YOY)

Exports increased at a slower but steady pace of 8.60% YOY to USD 15 billion in September (August: +11.20% YOY). Shipments of telephones & parts fell 15.10% YOY (August: -3.80% YOY), dampening growth in headline exports. On a positive note, exports of other top products such as electronics and computer parts (+28.90% YOY), footwear (+11.40% YOY) and textiles (+7.60% YOY) were robust.

Imports increased 7.60% YOY in September (August: +9.80% YOY)

Imports grew 7.60% YOY to USD 15.10 billion (August: +9.80% YOY). There was a sharp slowdown in the machinery tools & parts (September: +2.00% YOY vs August: +15.40% YOY) and fabric (September: +2.70% YOY vs August: +12.40% YOY) categories, but demand for footwear materials (September: +6.30% YOY vs August: +7.40% YOY) and electronics & computer supplies (September: +21.10% YOY vs August: +27.50% YOY) remained well supported.

IPI quickened to 7.60% YOY in September (August: +7.30% YOY)

Industrial production quickened for two straight months. Production climbed 7.60% YOY September after a 7.30% YOY growth in August, spurred by increased output in manufacturing (September: +11.70% YOY vs August: +10.60% YOY) and water supply (September: +7.40% YOY vs August: +6.10%

YOY). Electricity output rose 11.20% YOY (August: +11.90% YOY) whilst mining & quarrying output dropped 7.10% YOY (August: -5.10% YOY).

Household consumption remains on solid footing and paves the ground for Vietnam to be among the top performers in the region in terms of growth. Retail sales climbed at an annual pace of 9.50% in the past nine months as hotels/restaurants (+8.30% YOY vs +6.90% YOY) and services providers (+9.30% YOY vs +9.00% YOY) saw revenue growing at quicker pace compared to the January-August period. In January through August, retail sales grew 9.30% YOY.

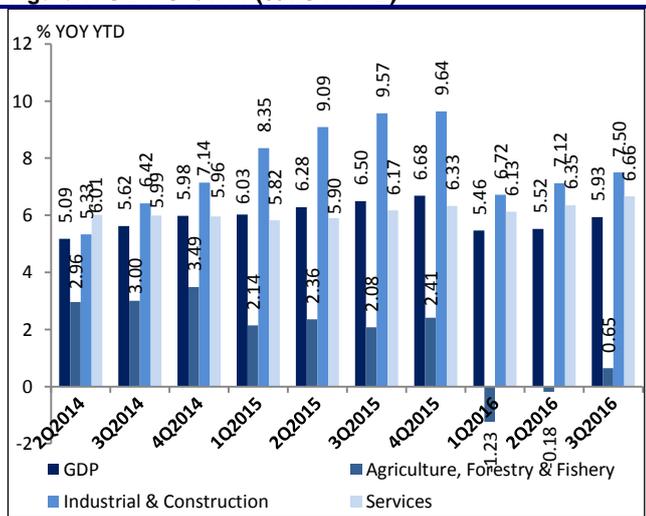
Meanwhile, consumer prices index (CPI) accelerated 3.34% YOY this month (August: +2.57% YOY) after states and provinces raised school fees in accordance with a governmental decree. Bad weather hampered farming activities, sending food prices 2.62% higher compared to a year ago. Healthcare related expenses increased a painful 33.43% and upside pressure will continue to stoke headline CPI growth. To avoid steep price growth amid upside risks, the government has postponed its plan to hike health services fees. That is also in line with target of maintaining CPI growth below 5.0% this year.

Economic momentum is evidently picking up this quarter, increasing evidence of sturdy annual growth this year. The government may boost investment spending in the final quarter to spur growth but we opine that growth target of 6.70% is still far-fetched. Nonetheless, Vietnam will stand out among its regional peers, with growth likely to exceed 6.0% in 2016 despite external headwinds.

Retail sales rose 9.5% YOY in January-September, picking up from 9.3% YOY in January-August

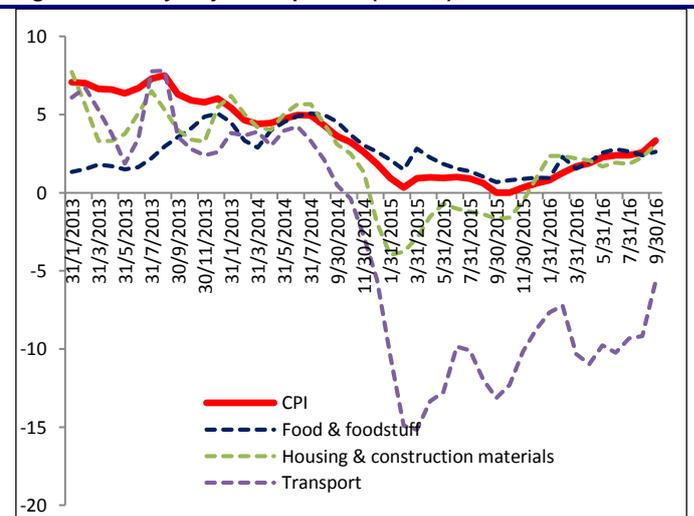
Inflation rose 3.34% YOY in September (August: +2.57% YOY)

Figure 1: GDP Growth (%YOY YTD)



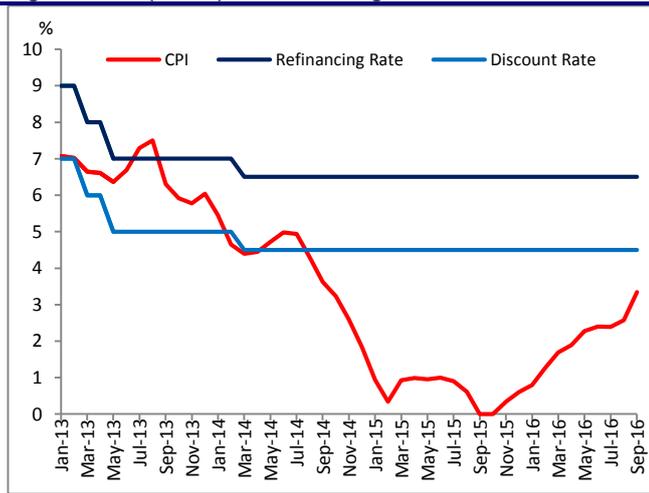
Source: General Statistics Office, Vietnam, and Bloomberg

Figure 2: CPI by Major Component (% YOY)



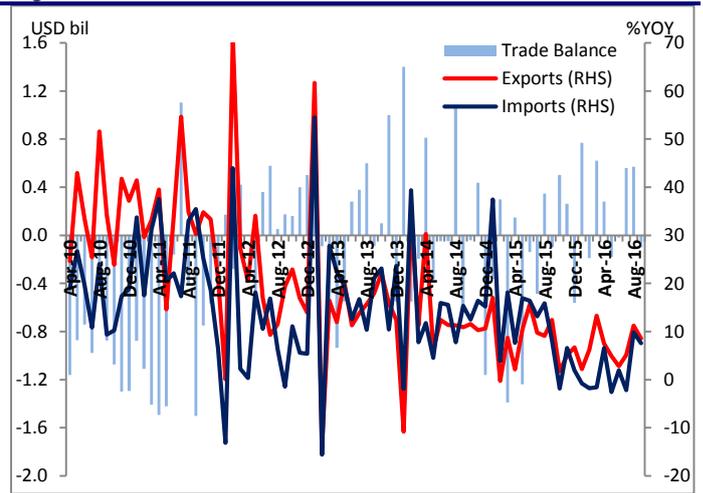
Source: General Statistics Office, Vietnam and Bloomberg

Figure 3: CPI (%YOY) vs Refinancing & Discount Rates



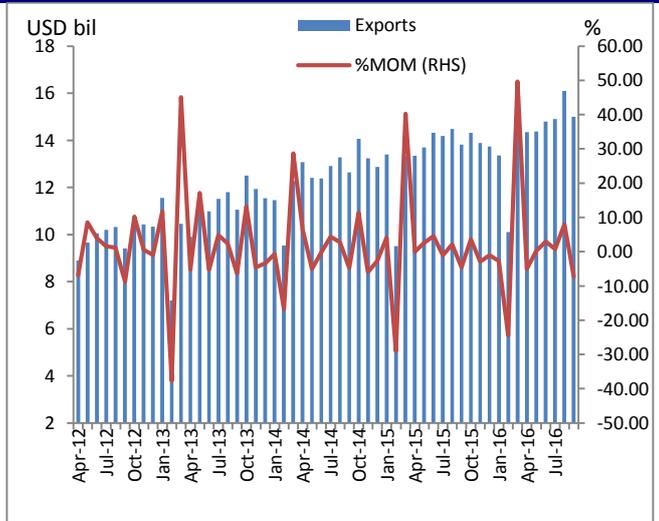
Source: General Statistics Office, Vietnam, and Bloomberg

Figure 4: External Trade Performance



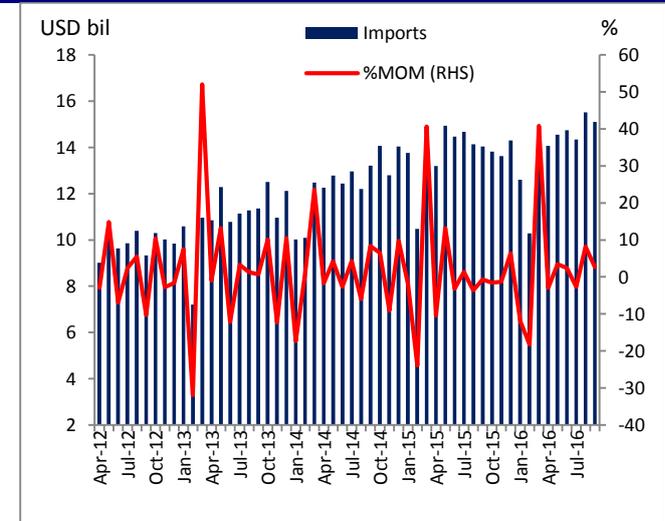
Source: General Statistics Office, Vietnam, and Bloomberg

Figure 5: Exports Growth by Value



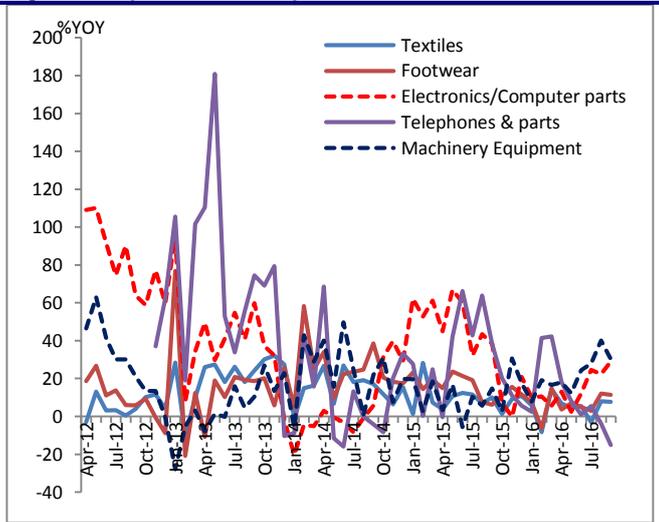
Source: General Statistics Office, Vietnam, and Bloomberg

Figure 6: Imports Growth by Value



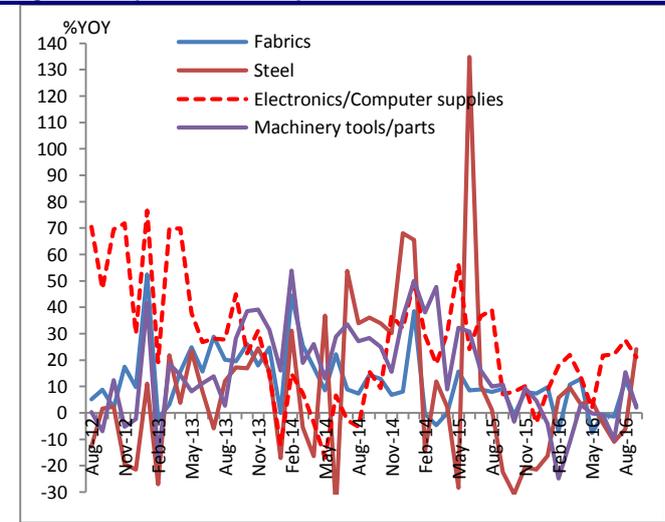
Source: General Statistics Office, Vietnam, and Bloomberg

Figure 7: Top 5 Products Exports Growth



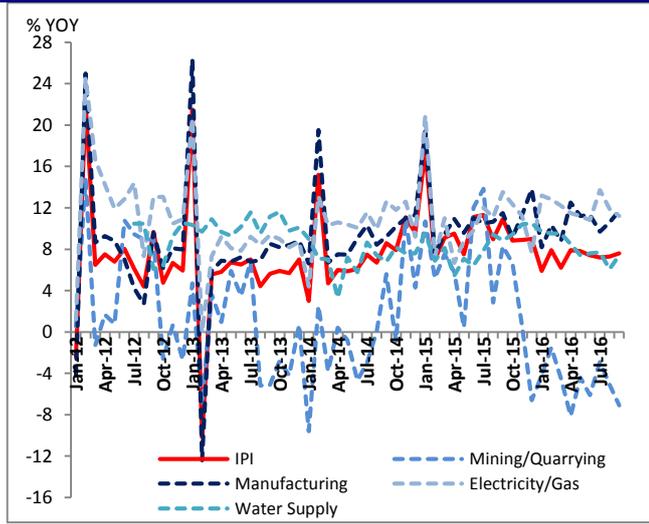
Source: General Statistics Office, Vietnam, and Bloomberg

Figure 8: Top 4 Products Imports Growth



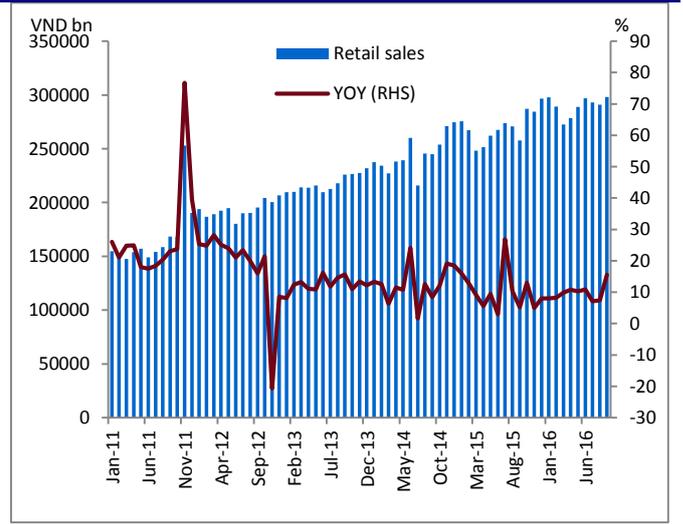
Source: General Statistics Office, Vietnam, and Bloomberg

Figure 9: Industrial Production Growth



Source: General Statistics Office, Vietnam, and Bloomberg

Figure 10: Retail Sales Growth



Source: General Statistics Office, Vietnam, and Bloomberg

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