

Global Markets Research
Economics - Vietnam

Vietnam grew 5.73% in 1H

Vietnam grew 5.73% YOY in the first half of the year, accelerating from the 5.10% YOY pace in the first quarter. Manufacturing, construction and services led to quicker expansion in 1H, alleviating the drag from the decline in mining. Exports decelerated but sustained a strong 20.90% YOY increase to USD 17.80 billion (May: +24.80% YOY) while imports increased 22.10% YOY to USD 18.00 billion in June (May: 26.90% YOY). IPI rose 8.60% YOY last month while retail sales increased at a double digit pace of 10.10% YOY. Positive global outlook and the recovery in the global trade, coupled with dwindling downside risks from adverse weather conditions put Vietnam on track to achieve its annual growth target of 6.70% this year.

Vietnam grew 5.73% YOY in 1H17, quickening from the 5.52% YOY in 1H16

Vietnam's economy expanded 5.73% YOY in the first half of 2017, faster than the expected 5.50% YOY and put the country on track to grow 6.70% this year. Agriculture/ forestry and fishery sector grew at a quicker pace of 2.65% in the first six months of the year after expanding 2.03% in the first quarter. Mining, on the contrary, declined 8.20% in 1H but was offset by the pick-up in manufacturing (1H: +10.52% vs 1Q: +8.30%) and construction (1H: +8.50% vs 1Q: +6.10%), pushing growth in the industry/ construction sector to +5.81% in 1H (1Q: +4.17%). The services sector accelerated 6.85% in the first half after growing 6.52% in the first quarter, thanks to quicker rise in transport/ warehouse (1H: +7.80% vs 1Q: +6.75%), lodging services (1H: +8.90% vs 1Q: +6.03%) and real estate (1H: +3.86% vs 1Q: +3.72%).

Exports increased 20.90% YOY to USD 17.80 billion in June (May: +24.80% YOY)

Exports growth decelerated but sustained a strong 20.90% YOY growth to USD 17.80 billion in June. After growing 24.80% YOY in May, oversea shipments increased at impressive pace due to double digit growth of electric/ computer parts (June: +26.50% YOY vs May: +38.60% YOY), telephones & parts (June: +43.30% YOY vs May: +40.90% YOY), machine equipment & parts (June: +32.50% YOY vs May: +59.50% YOY) and transport equipment (June: +26.30% YOY vs May: +7.70% YOY). Footwear exports grew 9.80% YOY in June after increasing 10.70% YOY in May. Pulling back headline exports growth on the other end was the 1.70% YOY drop in textile exports (May: +8.00% YOY) coupled with a drastic slowdown in exports of steel (June: +9.00% YOY vs May: +48.20% YOY).

Imports increased 22.10% YOY to USD 18.00 billion in June (May: +26.90% YOY)

Also on a softening trend, imports growth moderated to 22.10% YOY (USD 18.00 billion) in June after growth of 26.90% YOY in May. Softer but upbeat increase in imports reflected robust domestic consumption as purchase of heavy duty items such as electric and computer supplies (June: +28.00% YOY vs May: +42.50% YOY) and machinery tools and parts (June: +34.40% YOY vs May: +39.70% YOY) reiterated robust capital spending. Adding to the surge in imports of the heavy duty items, the climb in fabrics (June: +20.80% YOY vs May: +11.20% YOY) and footwear materials imports (June: +20.10% YOY vs May: +4.00% YOY) contributed to the double digit growth in headline imports. Separately, trade deficits narrowed to USD 0.20 billion in June from USD 0.53 billion in May due to larger decline in monthly imports (-2.50%) compared to exports (-0.70%).

IPI picked up steam to 8.60% YOY in June (May: +7.20% YOY)

Industrial production increased 8.60% YOY in June on the heels of 7.20% YOY climb in May. Mining and quarrying sector remained a drag amid anemic surge in commodities prices, declining 5.50% YOY in June followed a 7.80% YOY drop in May. Manufacturing and water production increased 13.20% YOY (May: +11.20% YOY) and 9.40% YOY (May: +8.20% YOY) last month. Electricity production grew 6.60% YOY in June after increasing 13.80% YOY in May.

Retail sales rose 10.10% YOY in the first six months of the year (Jan- May: +10.20% YOY)

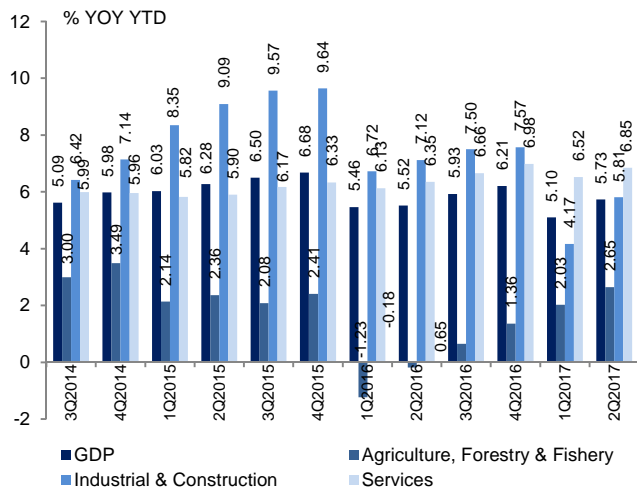
Retail sales rose 10.10% YOY to VND 1,924 trillion in the first six months of the year after growing 10.20% YOY in the January- May period. Trade and hotel/ restaurants climbed 10.20% and 12.00% respectively, while tourism and services increased 6.70% and 8.10%.

Inflation rose 2.54% YOY in June (May: +3.19% YOY)

Meanwhile, consumer prices index (CPI) rose at a softer pace for five straight months as inflation grew 2.54% YOY in June (May: +3.19% YOY). Food prices dropped 3.10% from a year ago (May: -2.32% YOY) and cost of transport increased at nearly half the pace last month (June: +4.22% YOY vs May: +8.10% YOY). Healthcare expenses jumped at a staggering pace of 46.14% YOY (May: +46.20% YOY) while cost of education increased 9.80% YOY in June (May: +9.78% YOY).

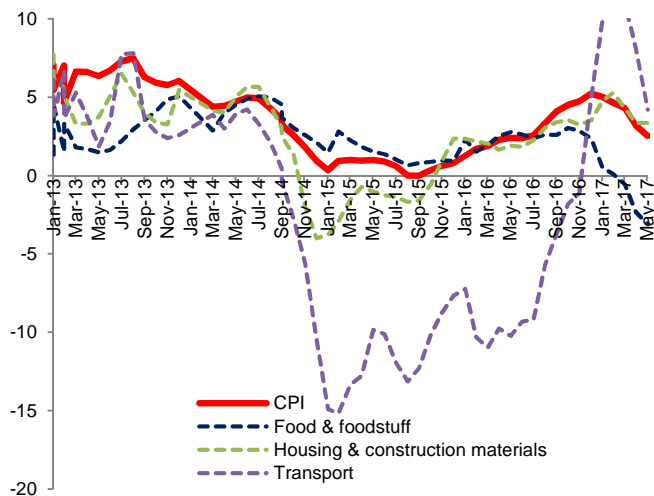
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Figure 1: GDP Growth (%YOY YTD)



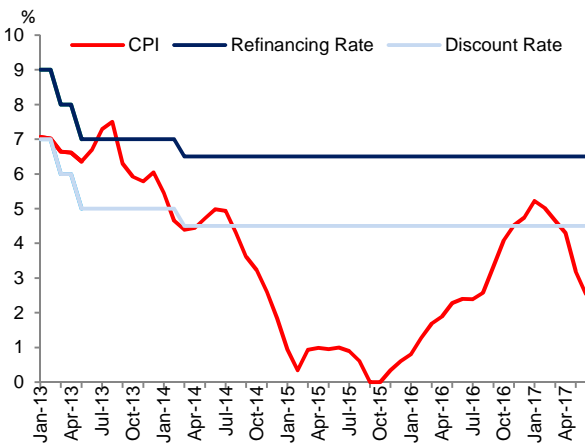
Source: General Statistics Office, Vietnam, and Bloomberg

Figure 2: CPI by Major Component (% YOY)



Source: General Statistics Office, Vietnam and Bloomberg

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



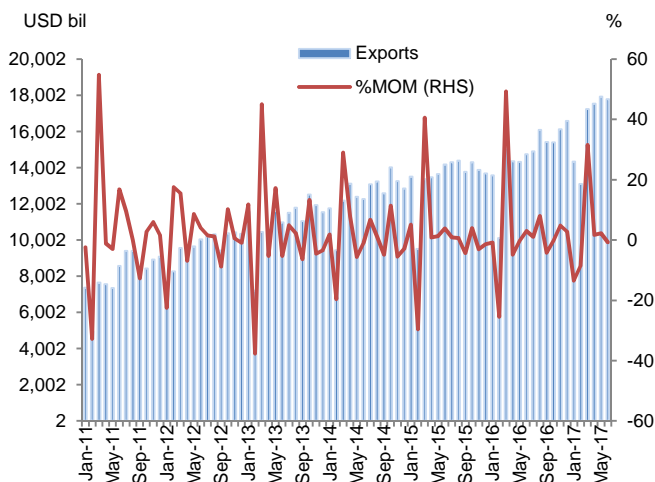
Source: General Statistics Office, Vietnam, and Bloomberg

Figure 4: External Trade Performance



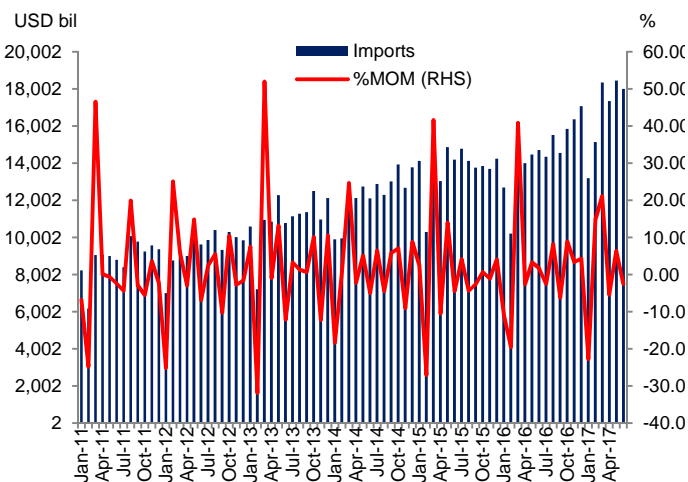
Source: General Statistics Office, Vietnam, and Bloomberg

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

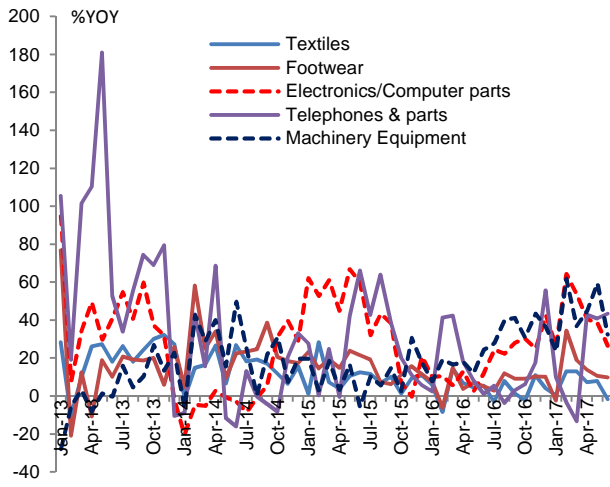
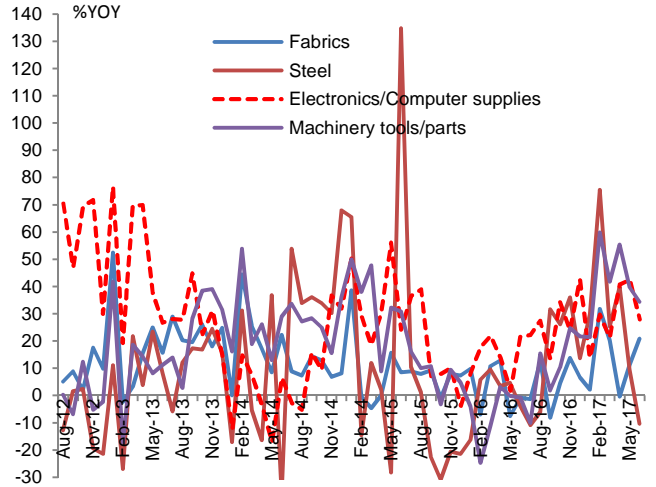


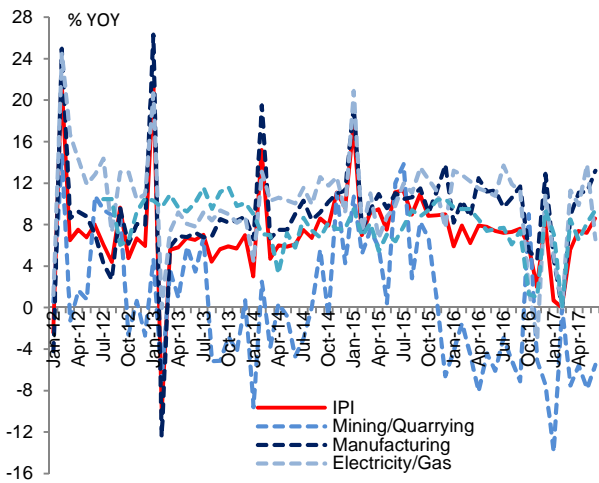
Figure 8: Top 4 Products Imports Growth



Source: General Statistics Office, Vietnam, and Bloomberg

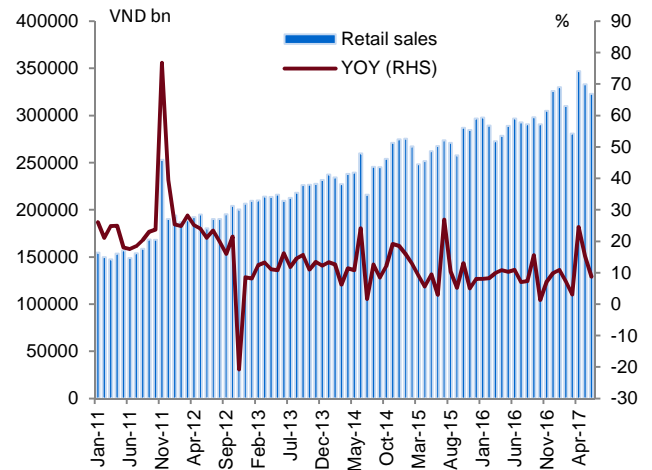
Source: General Statistics Office, Vietnam, and Bloomberg

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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