

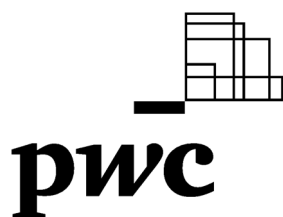


# Vietnam Economic Update – H1 2023

PwC Market Research & Economic Study

In the first half of 2023, Vietnam's macro-economics was impacted by **global and domestic economic uncertainties**

- Vietnam's GDP grew by 3.72%<sup>1</sup> over the same period last year
- The service sector is leading the economic growth thanks to domestic consumption stimulus policies, the reopening of the economy since March 15, 2022, and the post-COVID rebound tourism flow
- The export value has been shrinking (-12% compared to H1 2022) owing to contracting consumption in major export markets, including the US and EU
- The stock market has been adversely impacted by the Government's policy (inflation control) and negative events in the international financial market and in the domestic real estate market



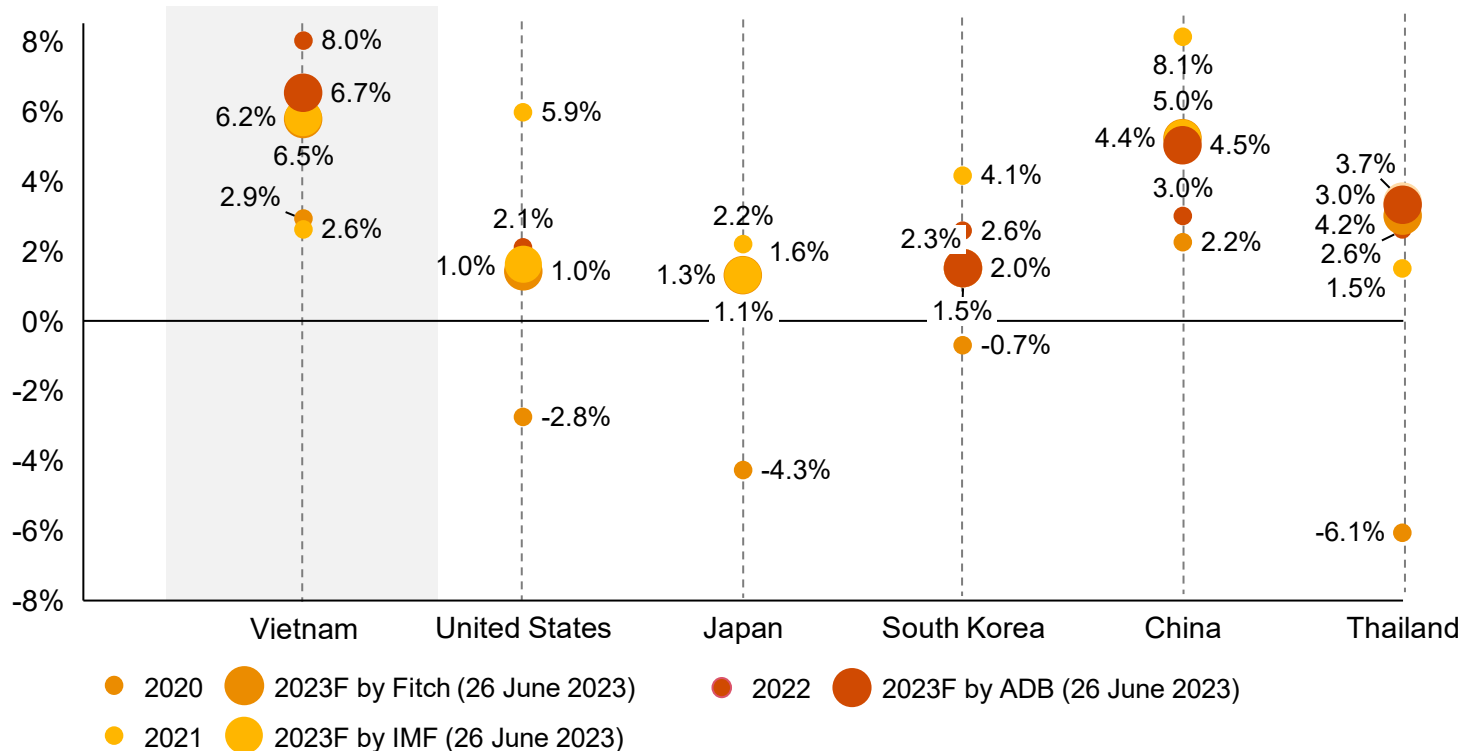
1: constant 2010 price

# Vietnam's Current Economic Prospects

Vietnam's short term economic outlook remains positive, with the country still being expected to be one of the few countries that maintain its strong growth in 2023, while the rest of the world is projected to experience severe recession

## Revision of GDP growth forecast of selected countries -2023

Unit: percentage



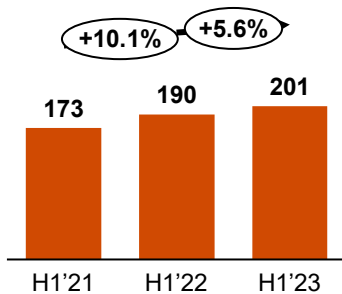
Source: ADB, IMF, FitchRatings, PwC Research and Analysis

- So far, Vietnam's economy outlook remains **positive** with an expected 2023 GDP growth of **over 6%** (by Fitch, International Monetary Fund (IMF), and Asian Development Bank (ADB)). In 2022, Vietnam's GDP rose **8%**, exceeding other Asian countries
- Vietnam's GDP in the first half of 2023 increased by **3.72%**<sup>1</sup> y-o-y. While both the **agro-forestry & fishery and service sectors** witnessed **positive trends**, the **industry & construction sector** was heavily influenced by worldwide **political uncertainties**:
  - The **agro-forestry & fishery sector** demonstrated a **stable growth**. The added value of the agricultural sector in the first half of 2023 increased by **3.14%** y-o-y, contributing **0.27 percentage points** to the increase in the total added value of the whole economy
  - **Regarding industry & construction sector**, industry is facing many difficulties in the general context of the world economy. Industry added value in the first half of 2023 increased by **0.44%** y-o-y, which is the lowest increase of the same period for the years in the period 2011-2023, contributing **0.15 percentage points** to the growth rate of the total value added of the economy as a whole.
  - **The service sector** has clearly shown **recovery** as a result of consumption stimulation policies and the economic reopening. The added value of the service sector in the first half of 2023 increased by **6.33%** y-o-y, which was higher than the increase of 1.18% and 4.53% seen in same period in 2020 and 2021

# Vietnam's GDP H1 y-o-y growth comparison

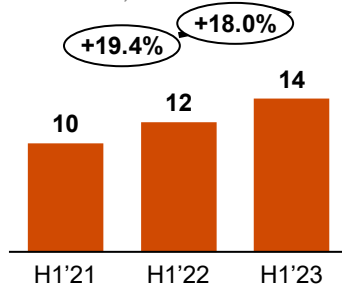
## GDP (current prices)

Unit: USDbn, H1'21-H1'23



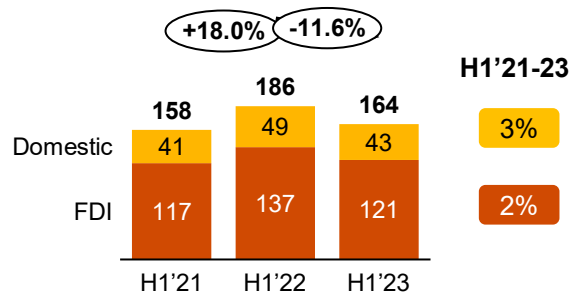
## Accommodation and catering services

Unit: USDbn, H1'21-H1'23



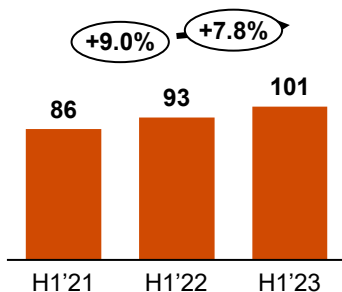
## Export values by ownership

Unit: USDbn, H1'21-H1'23



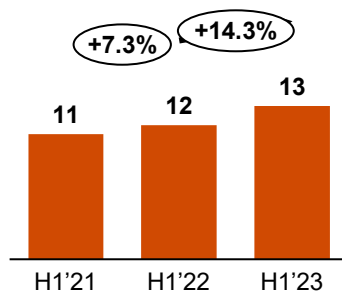
## Retail sales

Unit: USDbn, H1'21-H1'23



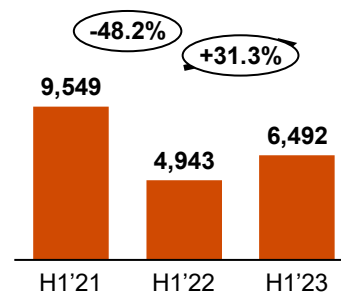
## Tourism and other services

Unit: USDbn, H1'21-H1'23



## New registered foreign capital to Vietnam

Unit: USDbn, H1'21-H1'23

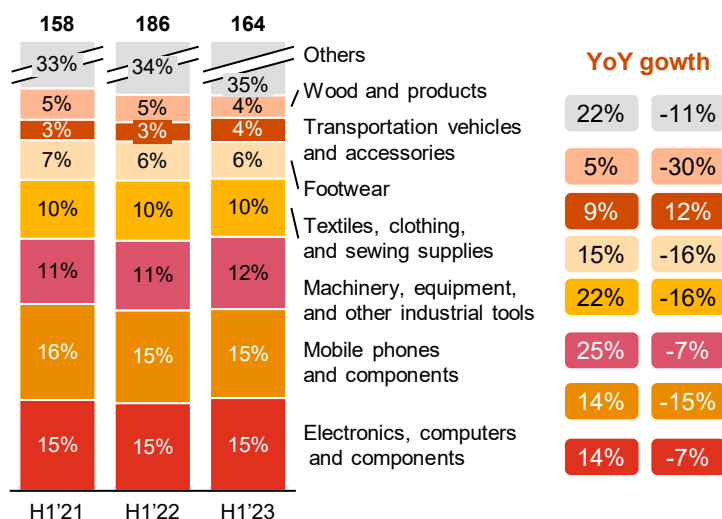


Source: GSO, PwC Research and Analysis

- Following Vietnam's accession to the World Trade Organisation (WTO) in January 2007, a notable trait of the Vietnamese economy over the past decade has been its substantial and increasing interconnection with other economies, via trade and investment. Two of the major drivers that have been essential for the previous growth and economic development are: **(1) the level of foreign direct investment ("FDI") in the country, and (2) the country's capacity for exports.**
- In the first half of 2023, despite the **trade surplus of USD12.1mn**, total export value contracted **c.12%** compared to the same period last year. Except for agricultural, chemical, paper products and transportation vehicles/accessories, most sectors experienced **decline of c.10-20%** y-o-y in merchandise exports. The export slowdown was influenced by **diminishing consumption** in major export market (decline in export value of US, South Korea, EU, and ASEAN were 22%, 10%, 10%, and 9% y-o-y respectively). The US remained the leading export market for Vietnam, accounting for **c.30%** total export

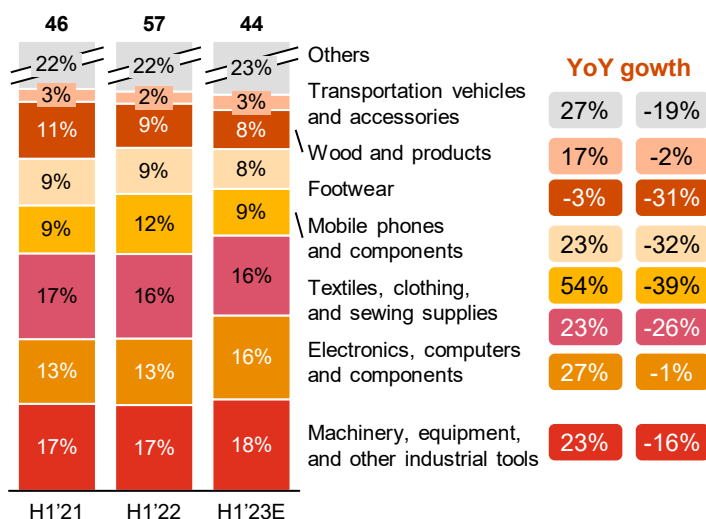
## Vietnam's total export values by top sectors

Unit: USDbn, H1'21-H1'23



## Vietnam exports to the US by top sectors

Unit: USDbn, H1'21-H1'23

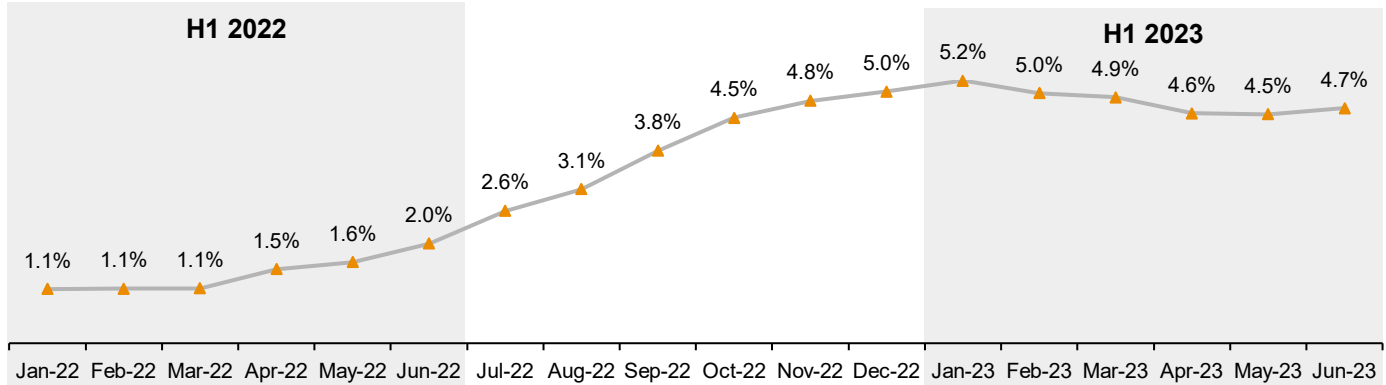


Source: GSO, Vietnam Customs, PwC Research and Analysis



### Core inflation rate\*

Unit: USDmn, Jan'22-Jun'23



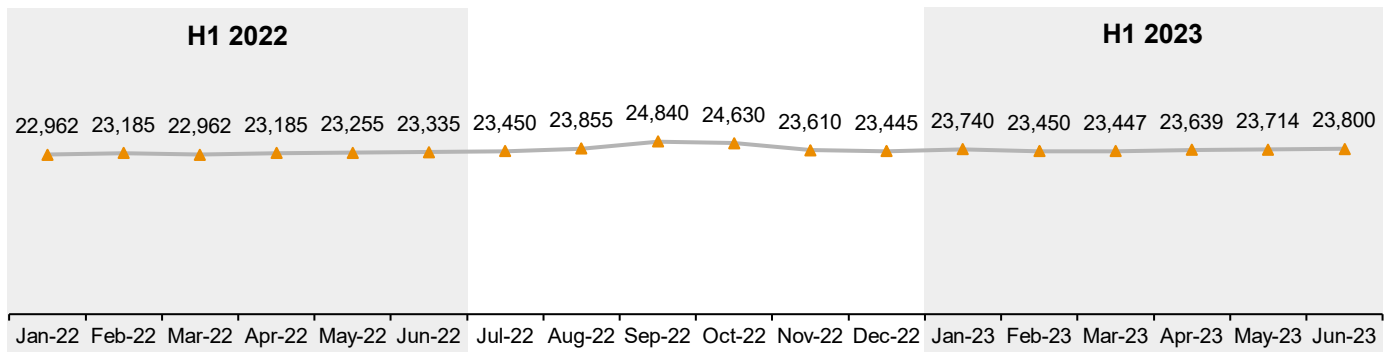
\*Core inflation is an indicator that represents long-term changes in price, after excluding temporary changes in CPI. Core inflation excludes changes in CPI due to food and foodstuff; energy and items managed by the state such as healthcare and education.

- **Education and housing & construction materials** had the highest growth of CPI at 8% and 7% respectively compared to the same period last year. While the CPI of education services was influenced by the **higher tuition fee** after the exemption/reduction of fees during the pandemic, **increasing material and rental costs** (impacted by Russia-Ukraine war) boosted housing & construction CPI



### Exchange rate (USD / VND)

End of period, Jan'22-Jun'23

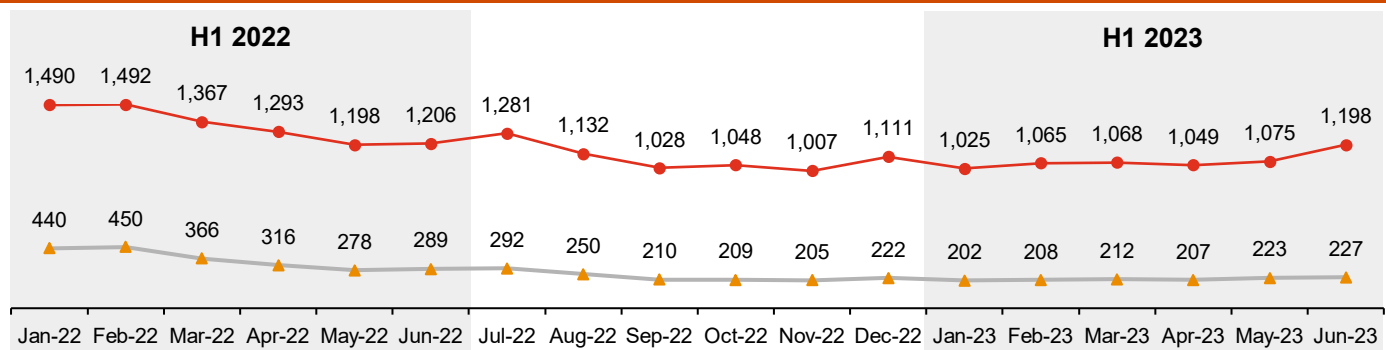


- **Inflation control and improvements in foreign currency liquidity** (FDI inflows, recovery of tourism sector, and trade surplus) helped to stabilize the USD / VND rate (around 23,500) under global uncertainties



### VN Index and HNX Index

End of period, Jan'22-Jun'23



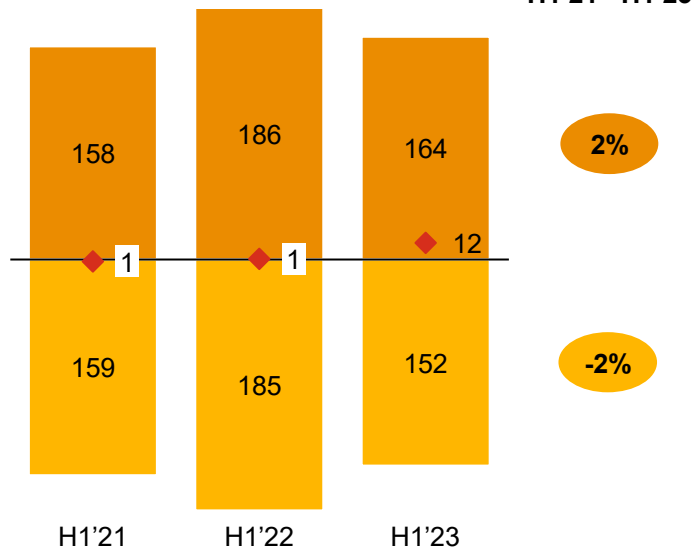
- Vietnam's stock market in the first half of 2023 was **adversely impacted** by the Government's policy to **control inflation**, together with many **adverse events** in the global market such as bank collapses and the financial situation of Credit Suisse etc.
- However, investor sentiment has been improving in light of the many **troubleshooting policies** related to corporate bonds, recovery in the real-estate sector, public investment enhancements, declining interest rate, etc. that seek to foster economy recovery in the second half of 2023

# Vietnam's trade situation in H1 2023

- The trade situation in the first half of 2023 showed few positive signs with **decreases in both export and import values (declines of 11% and 18% respectively compared to the same period last year)**
- Vietnam experienced a **trade surplus** with developed markets such as the **US, EU, and Japan**, whereas a trade deficit was observed in trading with emerging countries/regions including **China and ASEAN**. While a large proportion of the trade surplus with the EU was from **mobile phones & components and machinery & equipment**, that with the US was mainly contributed by **agricultural products**

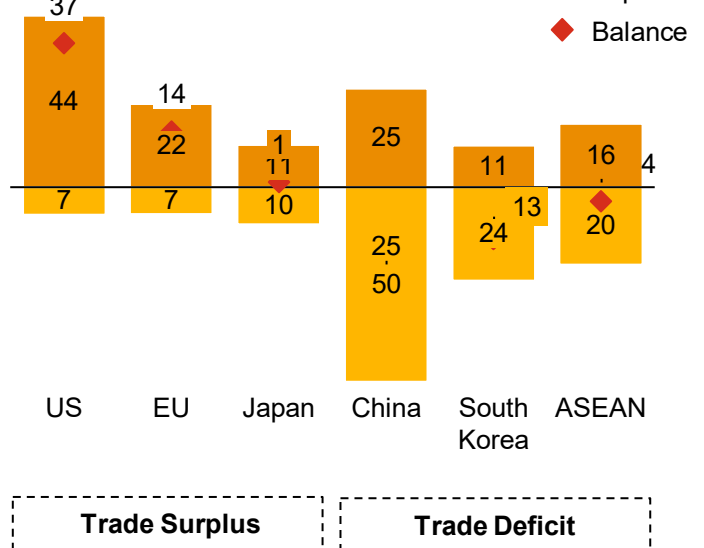
## Annual aggregate trade balance

USDbn, H1'21 – H1'23



## Trade balance by top partners

USDbn, H1'23

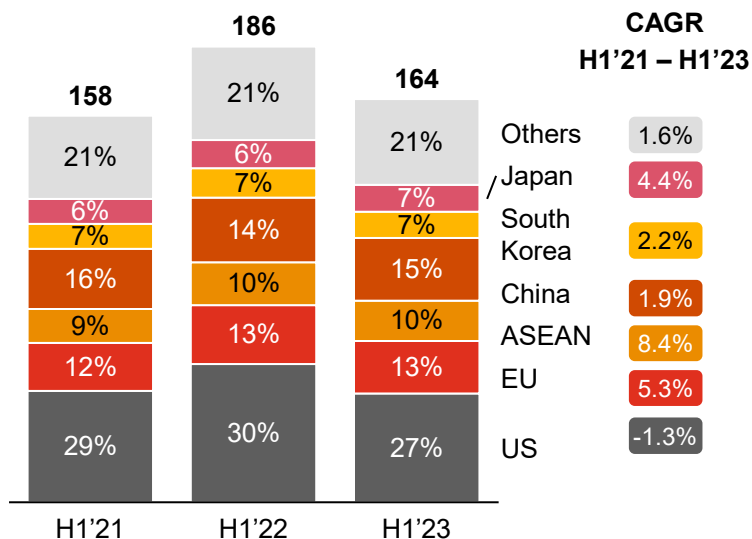


Source: GSO, PwC Research and Analysis

- China** remained the top import market of Vietnam (**33%**), followed by South Korea (**16%**). Most of Vietnam's imports from these two markets were **computers, electrical products & parts and machinery & equipment**, which was caused by Chinese and South Korean companies setting up production facilities and making investments in Vietnam.

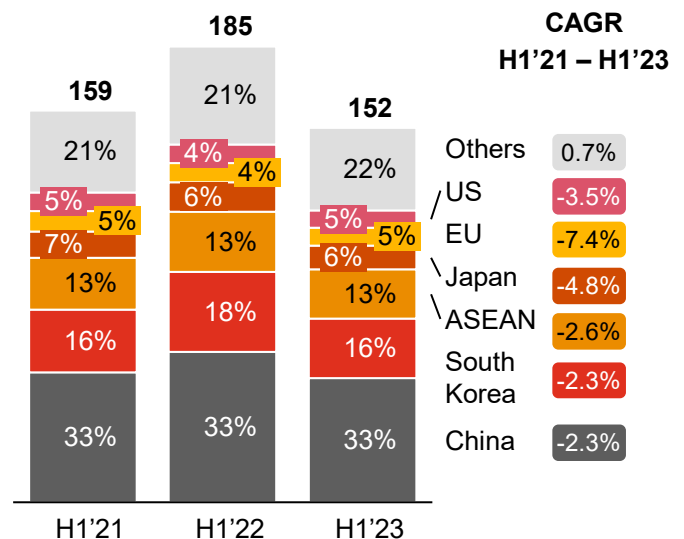
## Vietnam's top export destinations

Unit: USDbn, H1'21 – H1'23



## Vietnam's top import destinations

Unit: USDbn, H1'21 – H1'23

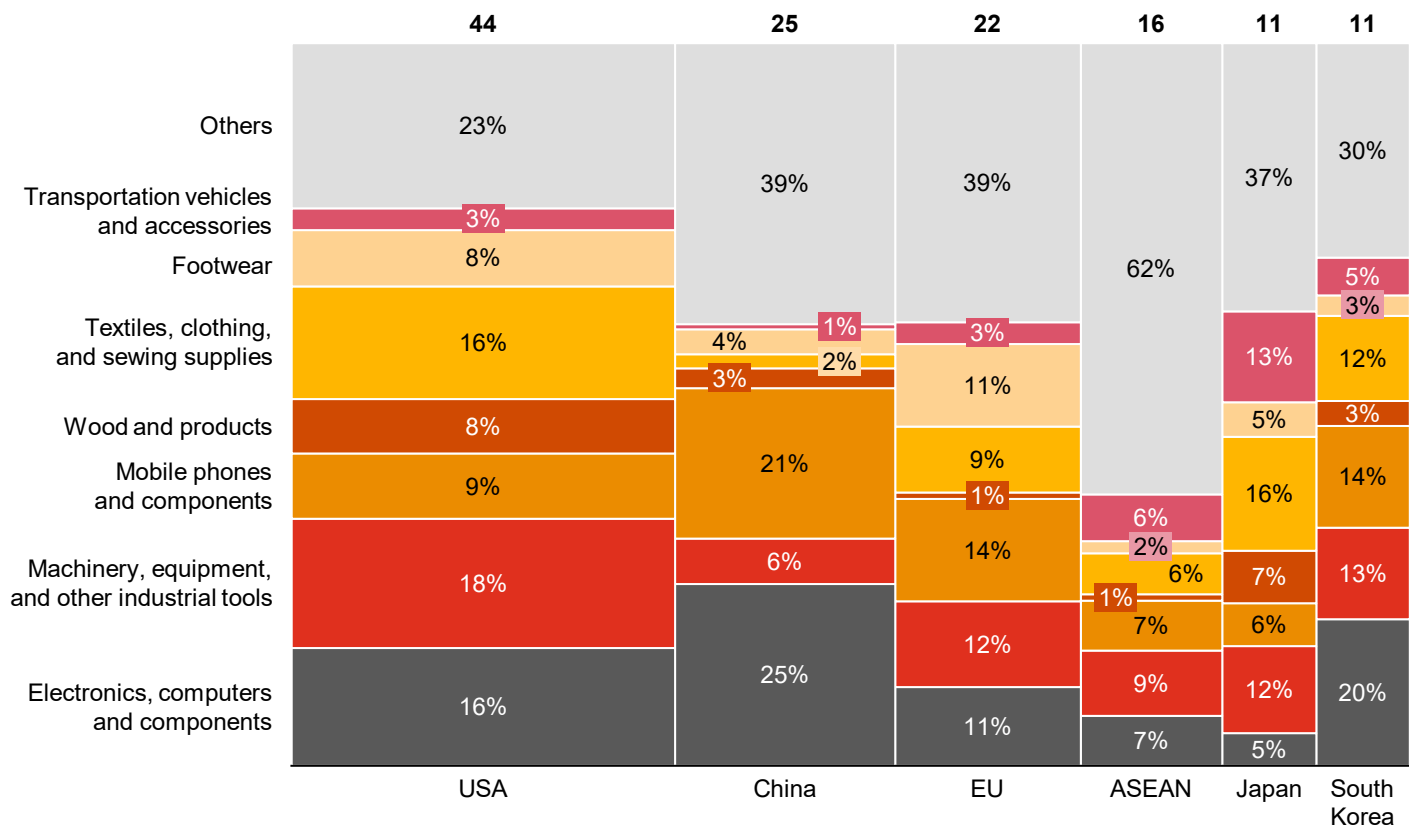


Source: Vietnam Customs, PwC Research and Analysis



## Vietnam's export value by destination

Unit: USDbn, H1'23



Source: Vietnam Customs, PwC Research and Analysis

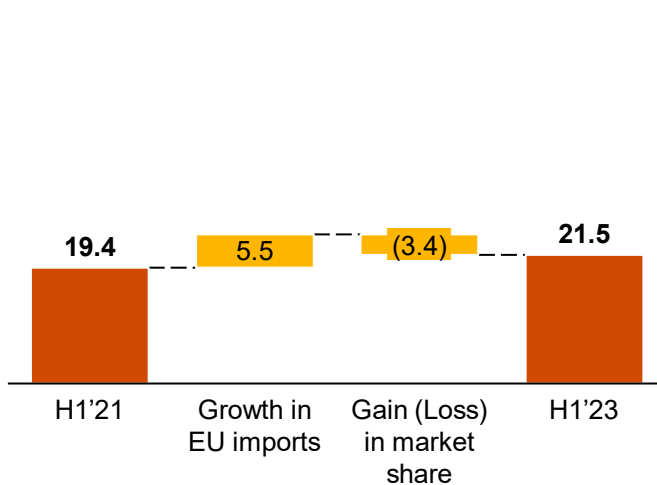
- The US remained Vietnam's largest export market, accounting for **c.30%** total export turnover, followed by China and the EU
- Vietnam's exports to the US decreased by **c.22%** compared to the same period last year, witnessing a significant shrinking market share. The EU market experienced a similar situation to that in the US but to a lesser extent with a decline of **c.10%** of export value
- Vietnam's main competitors have been China and other export-heavy countries in Southeast Asia, such as Thailand, Malaysia, and Taiwan



### European Union

#### Growth in Vietnam's exports to the EU

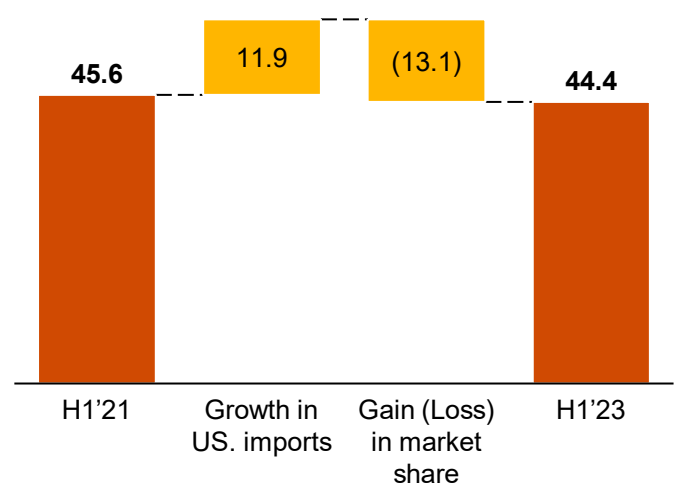
Unit: USDbn, H1'21 – H1'23



### United States of America

#### Growth in Vietnam's exports to the US

Unit: USDbn, H1'21 – H1'23



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