

# Economic Flash

## April reveals an economic acceleration in the second quarter

### Export strengthens its upturn

Trade accelerated further in April on the impressive export growth, especially in electronics products. Although many items witnessed the acceleration this month, performances of electronics products in phone and computer chains were outstanding in driving the general improvement of export turnover by growing by 62.59% YoY, around 30ppts-higher than one in the previous month.

### Industrial growth continues to gain momentum

The upward trend in the industrial sector since the reopening of the economy (from October last year) continued to gain more momentum in April, and the growth reached around a two-digit pace for 3 recent months. Notably, the industrial growth was seen broad base, in which key export-oriented manufacturing industries continued to be the growth-leading ones.

### Retail sales growth backs to the double-digit level

According to GSO's estimate, retail sales in April returned to the double-digit growth by increasing 12.10% YoY, 1.68ppts-higher than the previous month, to reach VND455.49tn. This impressive development was attributable to the more optimistic attitude of domestic buyers, the fading fear of COVID-19, and the re-opening to foreign visitors.

### CPI decelerates on traffic

According to GSO, CPI decelerated this month mainly due to the reduction of the traffic index following two (of three) downward adjustments in retailing gasoline prices. More specifically, April witnessed the fourth consecutive month that CPI was higher than one in the previous month with a rate of 0.18% MoM, 52 basis points (bps) lower than one in March.

### KIS leading economic index

(USD bn, %, % QoQ, % YoY)

	2Q21	3Q21	4Q21	1Q22	2019	2020	2021
GDP	6.61	(6.02)	2.58	5.03	7.02	2.91	2.58
Trade balance	(3.75)	(1.00)	5.22	0.82	10.42	19.01	4.61
CPI	2.67	2.16	1.89	1.93	5.23	3.24	1.84
Discount rate	3.00	3.00	3.00	3.00	4.00	3.00	3.00
USD/VND	23,020	22,761	22,790	22,870	23,231	23,255	22,790
US GDP	NA	7.90	NA	NA	2.29	(3.41)	5.97
China GDP	NA	6.00	NA	NA	5.95	2.34	8.02

Source: KIS

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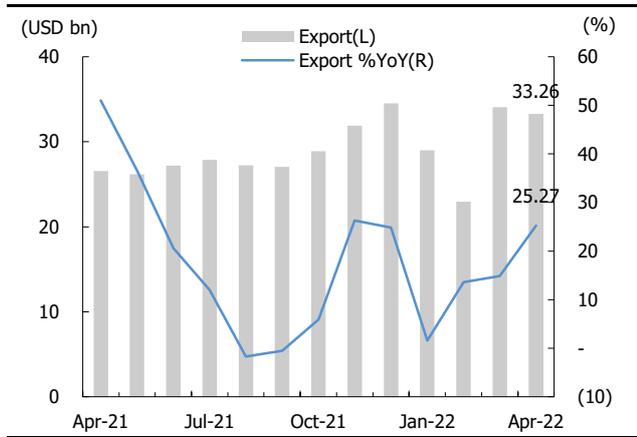
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# I. Export strengthens its upturn

## Export accelerated further

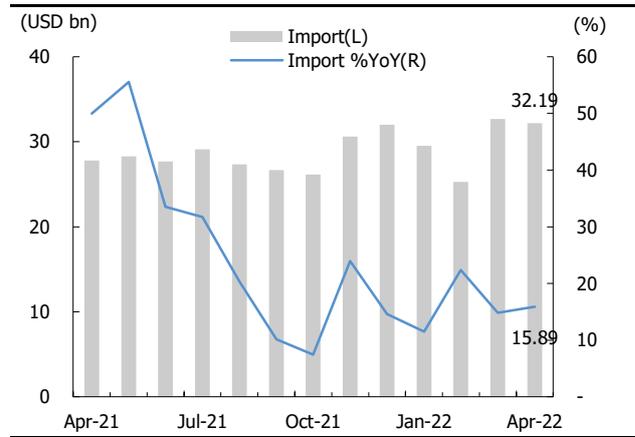
According to GSO's latest update, trade activities accelerated further in April on the impressive export of electronics products. More specifically, export this month experienced an impressive acceleration by growing by 25.3% YoY, 10 percentage points (ppts) higher than the growth rate in March, to reach USD33.26bn. An outperforming export also resulted in a trade surplus of USD1.069bn this month. Besides, import performance remained strong with a total turnover of USD32.19bn goods inflow to the country from outside in this period and a growth rate of 15.89% YoY, similar to one in previous month.

**Figure 5. Vietnam monthly export**



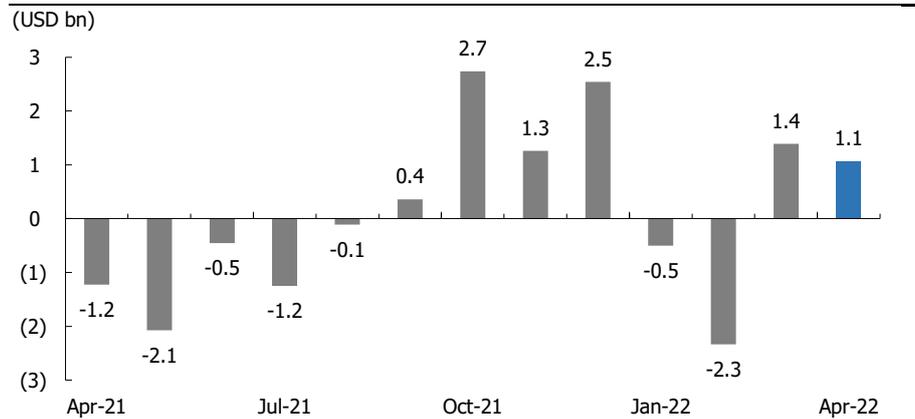
Source: KIS, GSO

**Figure 6. Vietnam monthly import**



Source: KIS, GSO

**Figure 7. Vietnam monthly trade balance**



Source: KIS, GSO

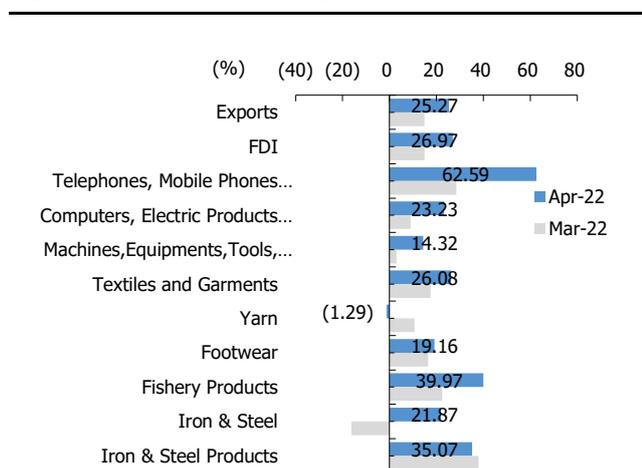
Although export values of major items witnessed an acceleration this month, performances of electronics products in phone and computer chains were outstanding in driving the general improvement in export activity. In more detail, phones & spare parts (TMPP) grew by 62.59% YoY, around 30ppts-higher than the previous month, to reach USD6.20bn. Similarly, computers, electronic products & parts (CEPP) grew by 23.23% YoY, around 15ppts-higher than March, to reach USD4.80bn. Besides, machines, equipment, tools, and instruments (METI), another flagship product in the export structure, accelerated significantly with a growth rate of 14.32% YoY, around 10ppts-

higher than the previous month, to reach USD3.50bn.

Textiles, footwear, and fishery products also contributed to the general acceleration but with less material extent given their lower weights in the export structure. Accordingly, export values of textiles, footwear, and fishery products increased by 26.08% YoY, 19.16% YoY, and 39.97% YoY to USD3.10bn, USD2.05bn, and USD1.05bn, respectively. Their growth rates in this period were on average 9.65ppts-higher than those in March.

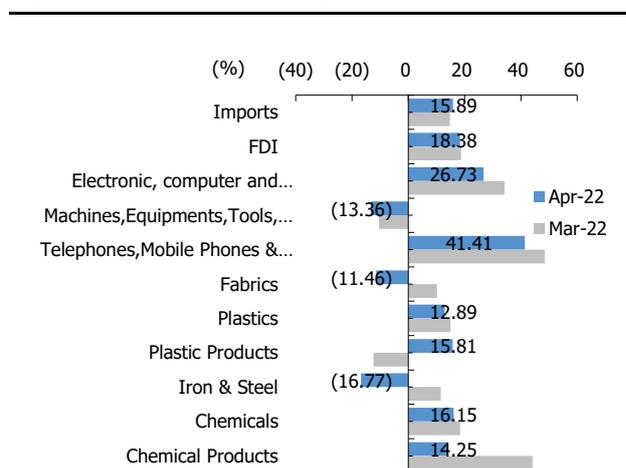
The development of import activities this month was less notable than export one. Growth rates of import values of CEPP and TMPP were relatively similar to those in the previous month, while METI witnessed another reduction this month attributed to the less impressive growth in imports relative to exports. Furthermore, performances of several important items in import structure, including fabrics, plastics, iron & steel, chemicals, and chemical products, deteriorated this month and caused imports to grow less aggressively than exports.

**Figure 8. Top export item: growth rates (% YoY)**



Source: KIS, GSO

**Figure 9. Top import item: growth rates (% YoY)**



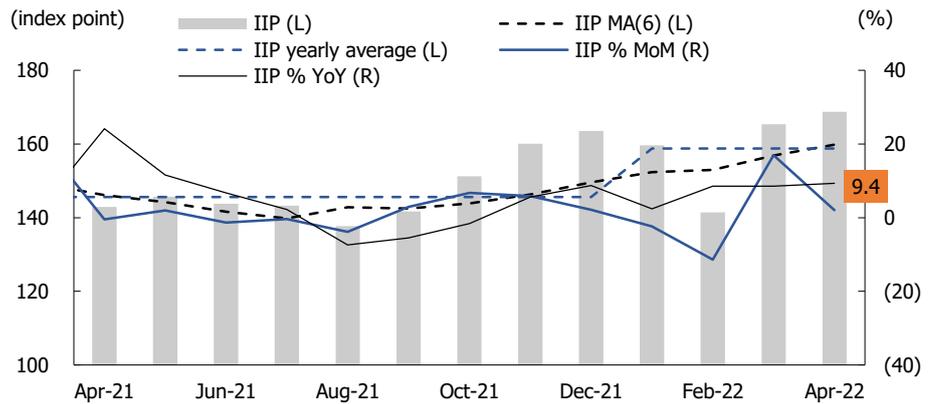
Source: KIS, GSO

## II. Industrial growth continues to gain momentum

**Industrial growth gains more momentum, driven by strong export demand**

The upward trend in the industrial sector since the reopening of the economy (from October last year) continued to gain more momentum in April, and the growth reached around a two-digit pace for 3 recent months. Notably, the industrial growth was seen broad base, in which key export-oriented manufacturing industries continued to be the growth-leading ones, including the electronics, wearing apparel, and footwear industries. Specifically, industrial production (IIP) climbed 2.0% MoM to reach 9.4% YoY.

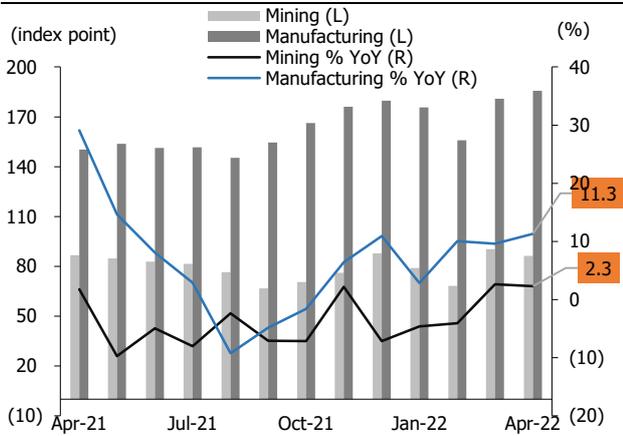
**Figure 10. The industrial production**



Source: GSO, KIS

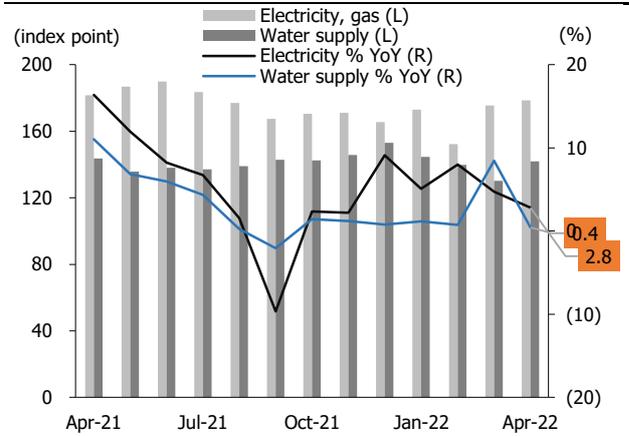
Among level-1 industrial sectors, Manufacturing continued to experience the highest growth compared to other sectors, increasing 2.6% MoM and 11.3% YoY in April. Meanwhile, the fast recovery in the Mining sector was losing steam, decreasing by 4.5% MoM, although remaining positive growth (+2.3% YoY) for the second month. The remaining level-1 sectors, including the Electricity production & distribution and the Water supply & related activities, continued to stay in the growth territory, up 2.8% YoY and 0.4% YoY, respectively.

**Figure 7. The Mining and Manufacturing industries**



Source: GSO, KIS

**Figure 8. The Electricity and Water supply industries**



Source: GSO, KIS

### III. Retail sales growth backs to the double-digit level

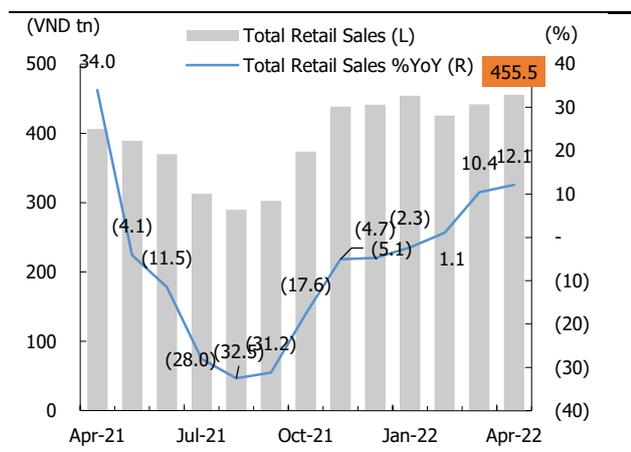
**Retail sales accelerated significantly**

According to GSO's estimate, retail sales in April returned to the double-digit growth by increasing 12.10% YoY, 1.68 percentage points (ppts) higher than the previous month, to reach VND455.49tn. This impressive development was attributable to the more optimistic attitude of domestic buyers, the fading fear of COVID-19, and the re-opening to foreign visitors. More specifically, accommodation and catering (A&C) was the sector that accelerated the most with a growth rate of 14.82% YoY, 6.30ppts-higher than March, and a value of USD45.49tn. Although the acceleration in traveling services was prominent with a growth rate of 49.37% YoY, its contribution was lower than the A&C sector

provided their small share of around 0.25% in the retail sales structure. Besides, the acceleration in the retail sector was sustained this month but less evident. The revenue from selling goods and services in the retail sector was USD363.59tn, increasing by 12.38% YoY which is just 62 basis points (bps) higher than in March.

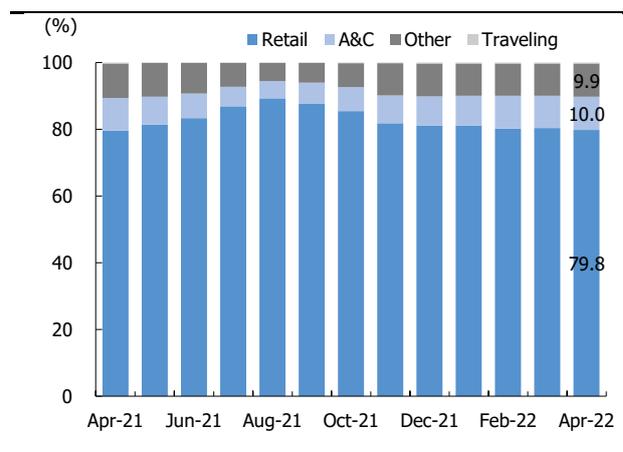
The structure of retail sales was likely unchanged in April under the balanced government's efforts between the re-opening for foreign visitors and vaccination speeding up to support the confidence of domestic consumers. Accordingly, A&C and traveling together constituted 10.26% of total retail sales, while the share of retail was 79.82%.

**Figure 19. Monthly retail sales**



Source: GSO, KIS

**Figure 20. Components of retail Sales**



Source: GSO, KIS

## IV. CPI decelerates on traffic

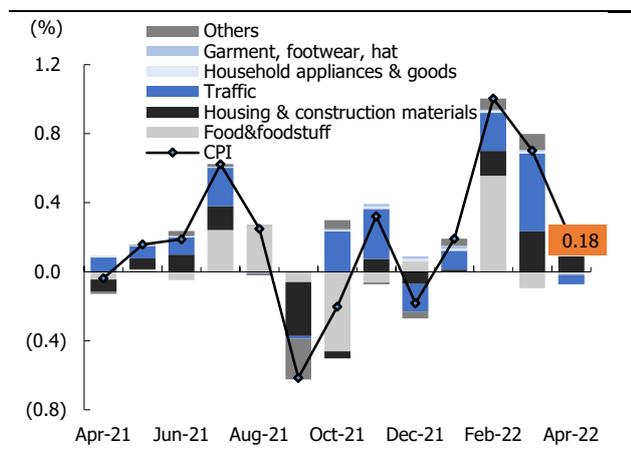
### Lower traffic mainly decelerates CPI

According to GSO, CPI decelerated this month mainly due to the reduction of the traffic index following two (of three) downward adjustments in retailing gasoline prices. More specifically, April witnessed the fourth consecutive month that CPI was higher than one in the previous month with a rate of 0.18% MoM, 52 basis points (bps) lower than one in March.

The deceleration in CPI resulted from the reduction of petroleum product prices after two times of downward adjustments and one time upward one by MoIT. Accordingly, the average prices of RON92 and RN95 in April were VND26,999.27 and VND79,793.63 per liter, decreasing by 4.29% MoM and 4.36% MoM and mainly caused to traffic index lower this month. In the opposite direction, housing and construction materials (HCM), education, and culture, entertainment, and tourism (CET) were the three items that mainly pushed the CPI up this month when they increased by 0.58% MoM, 0.96% MoM, and 1.16% MoM respectively and jointly contributed 22bps to the overall consumer index.

Regarding the yearly change, CPI rose by 2.64% YoY this month, 1.36%-lower than the government's target proposed in Resolution 01/NQ-CP on social-economic development plan and tasks in 2022.

**Figure 21. Monthly CPI change and its contributor**



Source: GSO, KIS

**Table 1. Monthly CPI change by item**

Item	Weight (%)	% MoM	% YoY
Food and foodstuff	33.56	-0.05	1.08
Beverage and cigarette	2.73	0.22	2.73
Garment, Footwear, hat	5.70	0.12	1.13
Housing and construction materials	18.82	0.58	2.72
Household appliances and goods	6.74	0.32	1.65
Medicine and health care	5.39	0.03	0.34
Traffic	9.67	-0.59	16.59
Postal services & Telecommunication	3.14	-0.12	-0.50
Education	6.17	0.96	-2.31
Culture, entertainment and tourism	4.55	1.16	1.79
Other goods and services	3.53	0.18	1.90
<b>Consumer Price Index</b>	<b>100</b>	<b>0.18</b>	<b>2.64</b>

Source: GSO, KIS

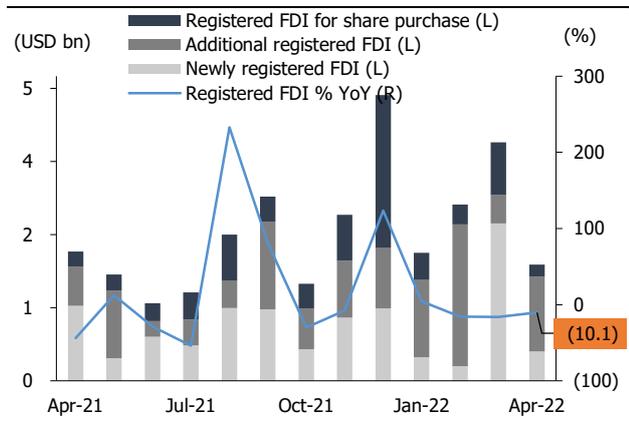
## V. FDI slows down to a 6-month low

### **Foreign indirect investment fell to the lowest level in 5 years**

Overall, the FDI sector was delivering a disappointing performance in the month as investment activity was stuck in some areas, including investment for new business and indirect investment (FII). Most noticeably, the investment amount recorded from FII activity (including share purchasing and M&A activities) was shrinking to the lowest level in 5 recent years, while the investment for new projects remained remarkably quiet. By industry, FDI inflows fell sharply in some key sectors, including the manufacturing and real estate sectors, while unexpectedly skyrocketing in the retail sector.

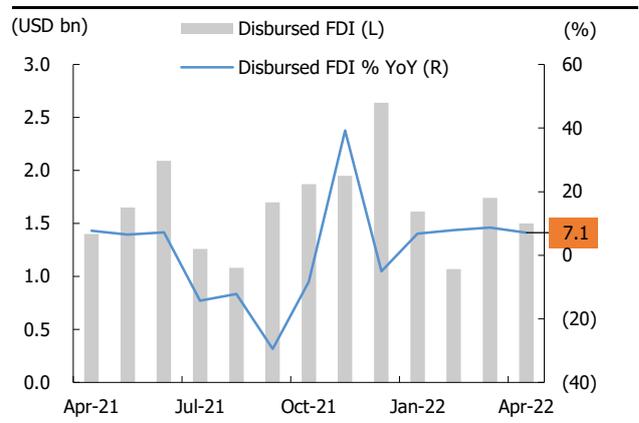
More specifically, FDI inflows continued to concentrate on investing in existing projects, reaching USD1.23bn and increasing by 90.0% YoY. In the meantime, FDI investment into new projects was falling back to a low level, posting only USD0.45bn and down 60.7% YoY. The most attention was paid to a slowdown in the foreign indirect investment as the amount for share purchases and M&A activity plunged to a 5-year low, posting just USD0.2bn and down 18.9% YoY. As a result, the total registered FDI fell to a 6-month low (during the reopening phase), at USD1.91bn and down 10.1% YoY. On the other side, FDI disbursement continued to increase in April, reaching USD1.50bn and up 7.1% YoY.

**Figure 14. Monthly registered FDI**



Source: MPI, KIS

**Figure 15. Monthly disbursed FDI**



Source: MPI, KIS

## Macro scorecard

(USD bn, USD, %, % YoY)

	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	2Q21	3Q21	4Q21	1Q22	2018	2019	2020	2021
Real GDP growth		5.22					6.61	(6.02)	5.22	5.03	7.08	7.03	2.91	2.58
Registered FDI	2.73	4.69	2.10	2.89	3.91	1.91	5.14	6.88	9.01	8.91	35.47	38.02	28.53	31.15
GDP per capita											2,457	2,604	2,656	
Unemployment rate		3.56					2.62	3.98	3.56		2.21	2.25	2.48	3.22
Export	31.87	34.52	30.84	22.95	34.06	33.26	79.95	82.12	95.26	88.32	243.5	263.6	282.7	335.7
Import	30.61	31.98	29.45	25.28	32.67	32.19	83.70	83.12	88.72	87.50	236.7	254.4	263.0	331.1
Export growth	26.27	24.82	8.05	13.22	14.86	25.27	34.74	2.99	20.43	12.66	13.19	8.16	7.02	18.74
Import growth	23.96	14.59	11.30	21.86	14.81	15.89	45.79	18.85	15.42	15.79	11.01	7.41	3.81	25.90
Inflation	2.10	1.81	1.94	1.68	2.41	2.64	2.67	2.51	1.89	1.93	3.54	2.79	3.24	1.84
USD/VND	22,729	22,790	22,663	22,820	22,870	23,095	23,020	22,761	22,790	22,870	23,175	23,173	23,126	22,790
Credit growth	10.10	12.97	2.74	1.82	4.13	6.37	6.44	7.88	12.97	4.13	10.77	13.75	12.17	12.97
10Y gov't bond	2.09	2.11	2.09	2.24	2.41	3.05	2.21	2.14	2.11	2.41	5.07	3.37	2.01	2.11

Source: GSO, Bloomberg, FIA, IMF

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