

Flash note 18/03/2024

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Why is Vietnam still one of our favorite markets?

With a 6,5% growth in 2024, Vietnam is set to outshine its ASEAN peers again, as it did in 2022, 2023, and predictably in the years to come.

With a projected 6,5% growth rate, Vietnam is set to outshine its ASEAN peers in 2024. Improved industrial production, rising exports, large global goods demand, especially in global electronics, and substantial FDI inflows are driving this performance. Consensus is for GDP in ASEAN countries to rise 4.5% in 2024, higher than the 4% of last year, on stronger tourism activity, lower inflation, lower interest rates, and the rebound of the global tech sector; and FocusEconomics predicted that Vietnam will be ASEAN's fastest-growing large economy in 2024, with a growth rate of 6,5%, higher than the 5% per cent seen last year. This is important because compared to other ASEAN countries, the 2022 and the 2023 growth for Vietnam remained also on the high side, which suggests an idea of continuity in better performance. With global economic growth expected to continue slowing in 2024, the 6.5% GDP growth target for 2024 also suggests the enormous appeal this country has for global manufacturing companies, and it is indicative that Vietnam is being one of the great beneficiaries of the Reshoring concept.

The predictions are already materializing in the first stages of the year. Looking at available data, merchandise exports and industrial output both surged in January, and thanks to this high frequency data we already expect for GDP growth to pick up considerably in 1Q24 from Q4 2023, already being the fastest among ASEAN's main economies. Vietnam's General Statistics Office over a week ago reported that in the first two months of this year, the country's index for industrial production (IIP) is estimated to have climbed 5.7% (much higher than the 2.9% seen in the same period last year). Dissecting the data we clearly see that the main promoters of this growth are sectors with high added value, with exports of electronics, computers, and spare parts hitting \$9.54 billion, up 34 per cent on-year. We expect Vietnam to continue receiving sustained inflows of foreign direct investment, which will spur capital investment and employment. As of February 20, the total newly registered capital, additional capital, and capital contributions and share purchases by foreign investors in Vietnam hit \$4.29 billion, up 38.6 per cent on-year. The nation had over 39,500 valid foreign-invested projects registered at \$473.1 billion. Nearly \$300 billion has been disbursed so far. Just to give you a slight idea of the dimensions of this investment. The country's GDP was barely US\$ 380bn in 2023.

Long-term view, local authorities will play an important role in supporting the economy though prudent macroeconomic stability resulting from proactive monetary and fiscal policies. But this alone would not be enough and a continuity from 2023, in terms of the implementation of transformational public investment and infrastructure projects, are needed. Luckily, this is something feasible since the Vietnamese government has also made big breakthroughs in

institutional reform, especially when it comes to improving policy frameworks for digital economy and circular economy, and regional connectivity, while having also boosted economic diplomacy to expand export markets and look for new resources for national development. Thanks to this, Vietnam has effectively dealt with negative impacts from the world market to ensure its macroeconomic stability and major balances, continuing to maintain and strengthen the confidence of both domestic and international investors.

Leading US Firms Explore Investment Opportunities

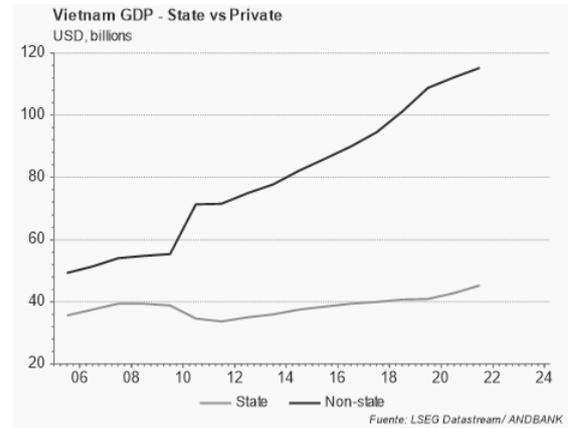
Fifty top US companies across a diverse range of sectors are set to visit Vietnam, exploring investment avenues in an event organized by the US-ASEAN Business Council. Following the elevation of Vietnam-US ties to a comprehensive strategic partnership, this visit comes as American interest in the Vietnamese market continues to grow, auguring well for future growth in bilateral trade and investment.

Reflection of all this expansion and tightening of international economic ties, Vietnam Airlines Expand Reach.

Vietnam Airlines launches direct flights to Munich and upgrades Delhi service with A350s, improving connections to Germany and India. Turkmenistan Airlines is starting weekly Ho Chi Minh City flights, opening new routes. Vietjet's growth has boosted accessibility and global connectivity. However, engine recalls may reduce some airlines' capacities, with the CAAV urging contingency plans to maintain service and avoid fare hikes.

Strategic Partnership Drives Investment and Cooperation between VN-AUS-NZ

Vietnam and Australia have taken their 50-year diplomatic relationship to new heights, establishing a Comprehensive Strategic Partnership as a result of growing cooperation across political, economic, security, and judicial sectors. Focus areas include advancing economic engagement and promoting high-quality investment. The two nations hope to "increase shared prosperity and stability in the Indo-Pacific". This type of agreement between economies so different in size, but so close geographically, can potentially be very favorable for the junior partner (in this case, Vietnam, with a GDP of \$0.38trn, versus Australia's GDP of \$1.6trn). Vietnam and New Zealand are also strengthening their strategic partnership through investments and joint projects. New Zealand is investing NZ\$6.24 million to boost Vietnam's fruit exports, while both countries pilot electronic certificates to streamline agro-fisheries trade. Long-term visa considerations for Vietnamese citizens are also on the table. Aiming to increase bilateral trade to \$3 billion by 2026, relationship is expanding into green economy, and high-tech agriculture.



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