

VIET NAM, 2024: OPPORTUNITIES AND CHALLENGES

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KEY MESSAGES

➤ **Viet Nam experienced slower GDP growth in 2023 (5.0%)**

- Base effects from 2022 and weaker external demand affected manufactured exports
 - Impact on labor and household income, and moderation of consumption (retail sales)
- Downturn in real estate sector
 - Impact on investor confidence, weak private investment
- Leading to overall lower domestic demand

➤ **Signs of uneven recovery in early 2024**

- Q1-2024 economic performance was mixed, suggesting a gradual 2024 recovery.
- But we expect firming up of economic activities starting in 2nd half of 2024

➤ **Prospects: 5.5% for 2024, 6% for 2025**

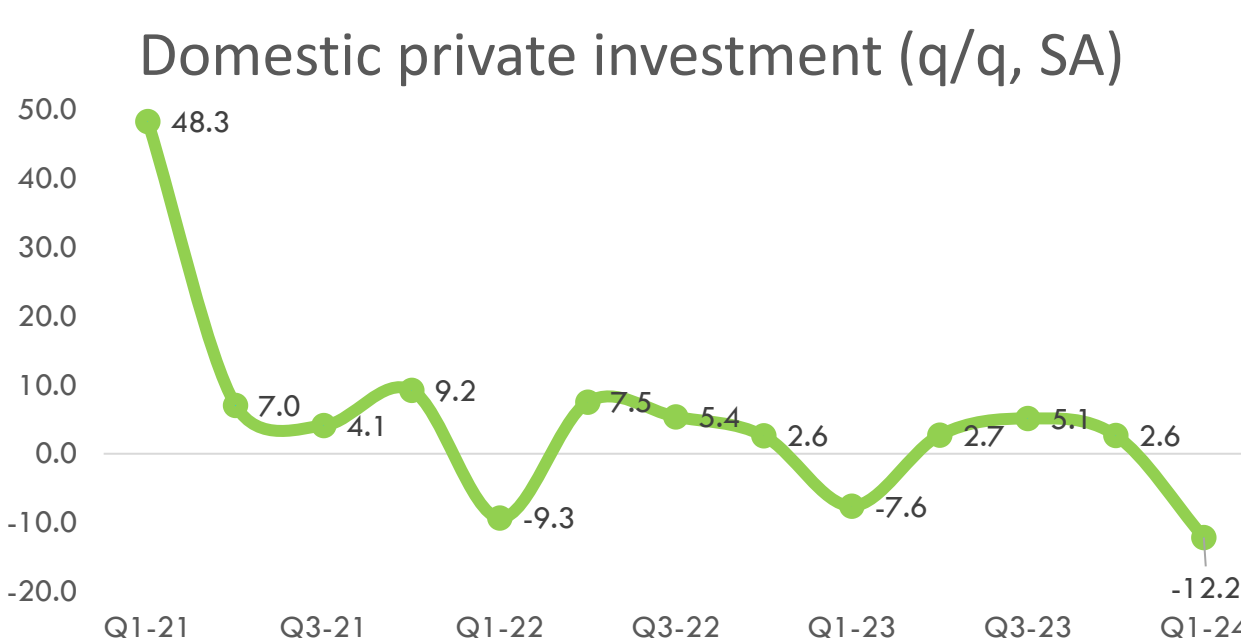
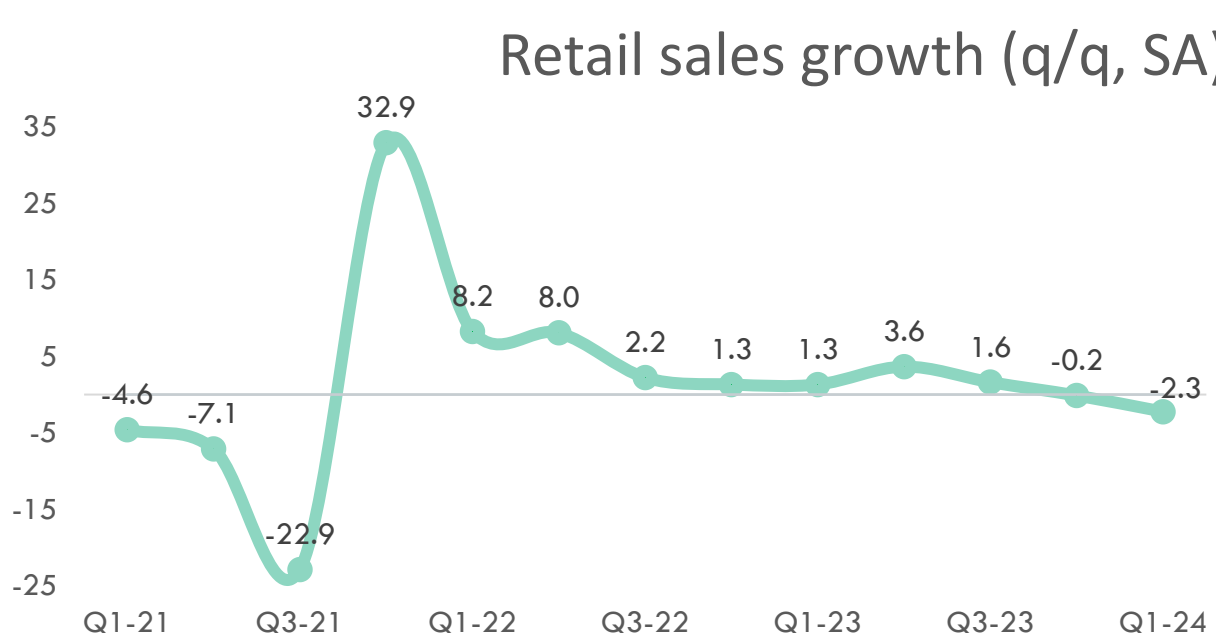
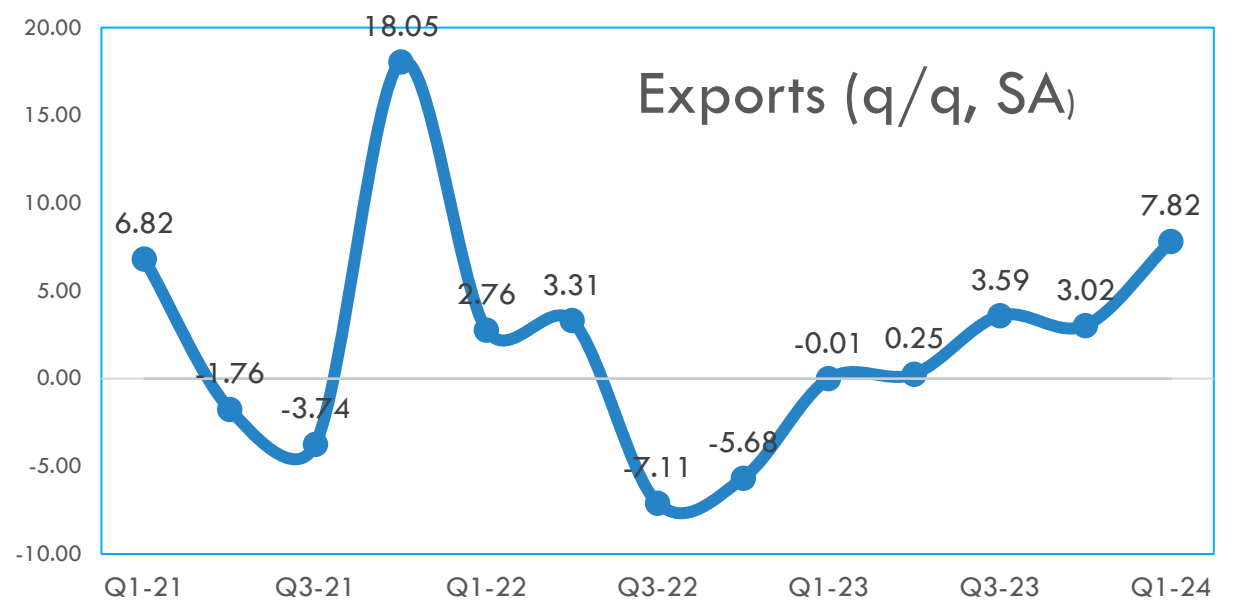
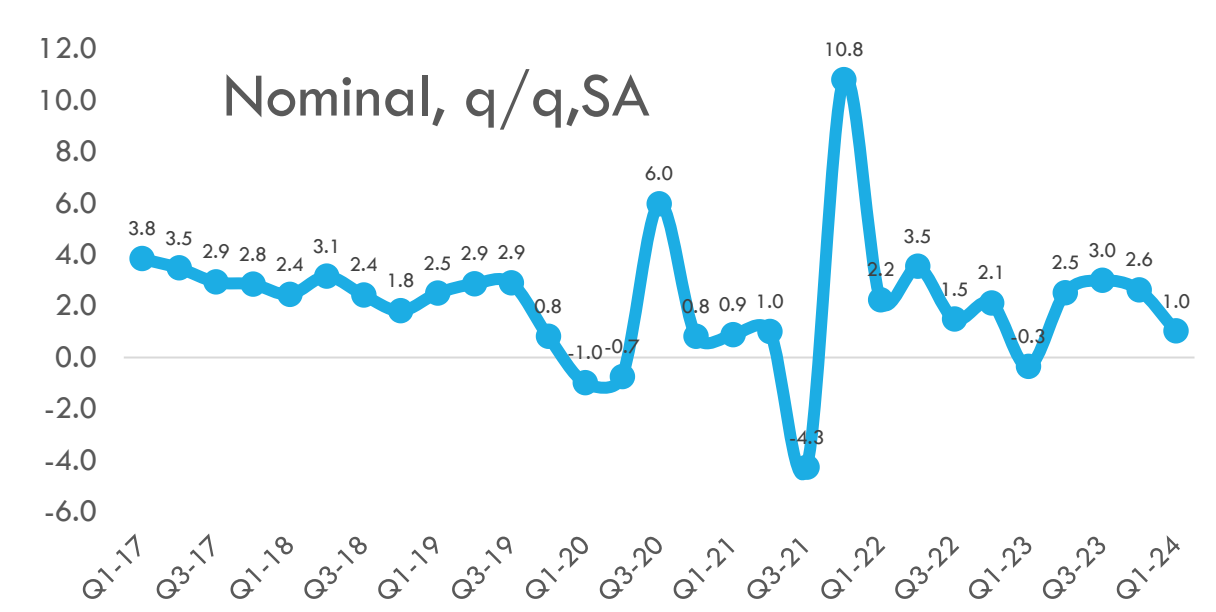
➤ **Risks to the outlook are balanced**

- Downsides risk: global growth, pace of domestic real estate markets recovery and financial sector vulnerabilities
- Upside opportunities – stronger external demand, lower global interest rates.

WHAT ARE THE EARLY 2024 ECONOMIC DEVELOPMENTS?



QUARTERLY DATA (Q/Q) SUGGESTS MIXED RECOVERY IN Q1-2024 (NOMINAL)



REAL QUARTERLY DATA SUGGESTS MIXED RECOVERY IN Q1-2024

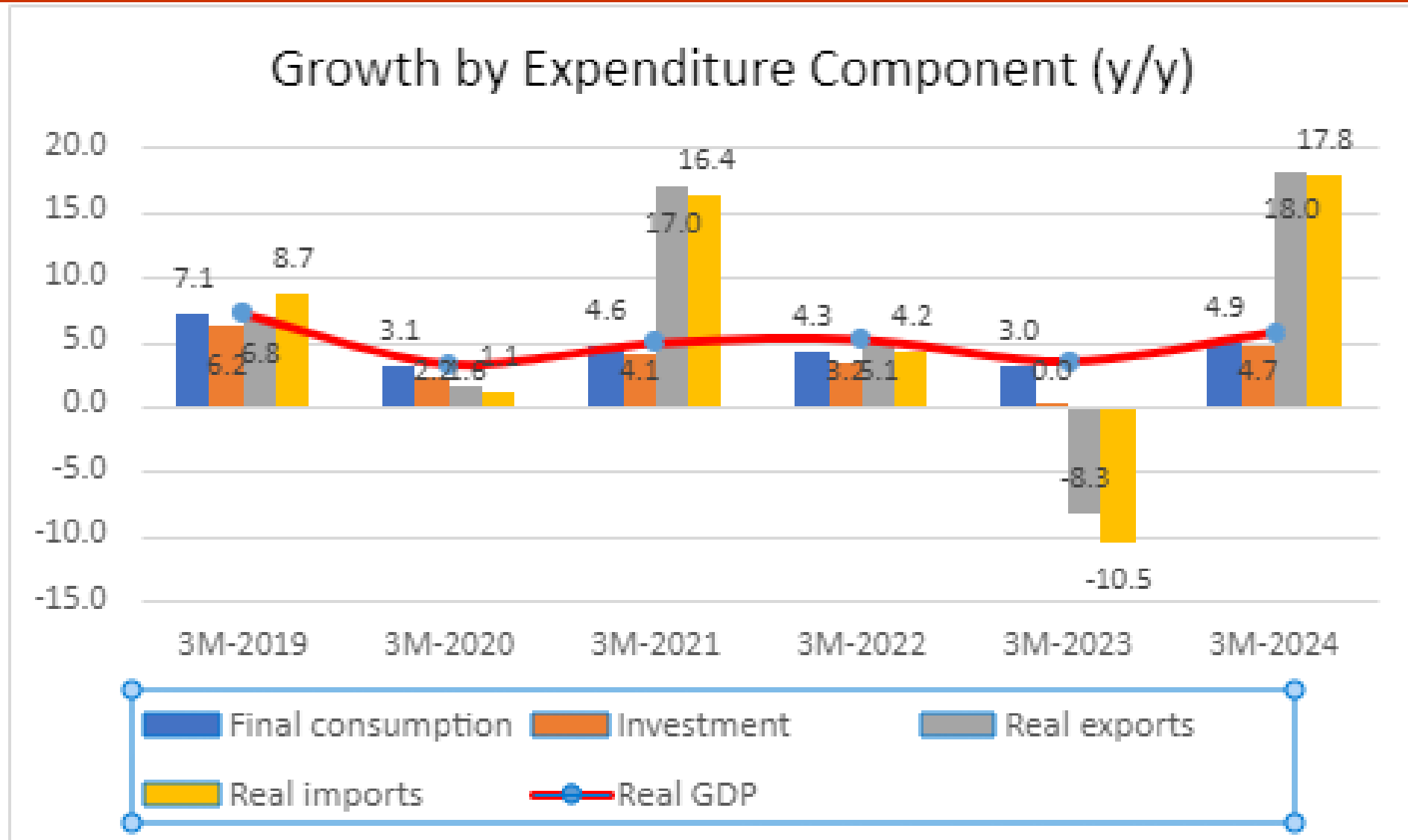
➤ Q 2024 growth: 5.66%

➤ export and import rebound:

Partly base effect

Partly actual growth

➤ domestic investment and final consumption below pre-pandemic growth

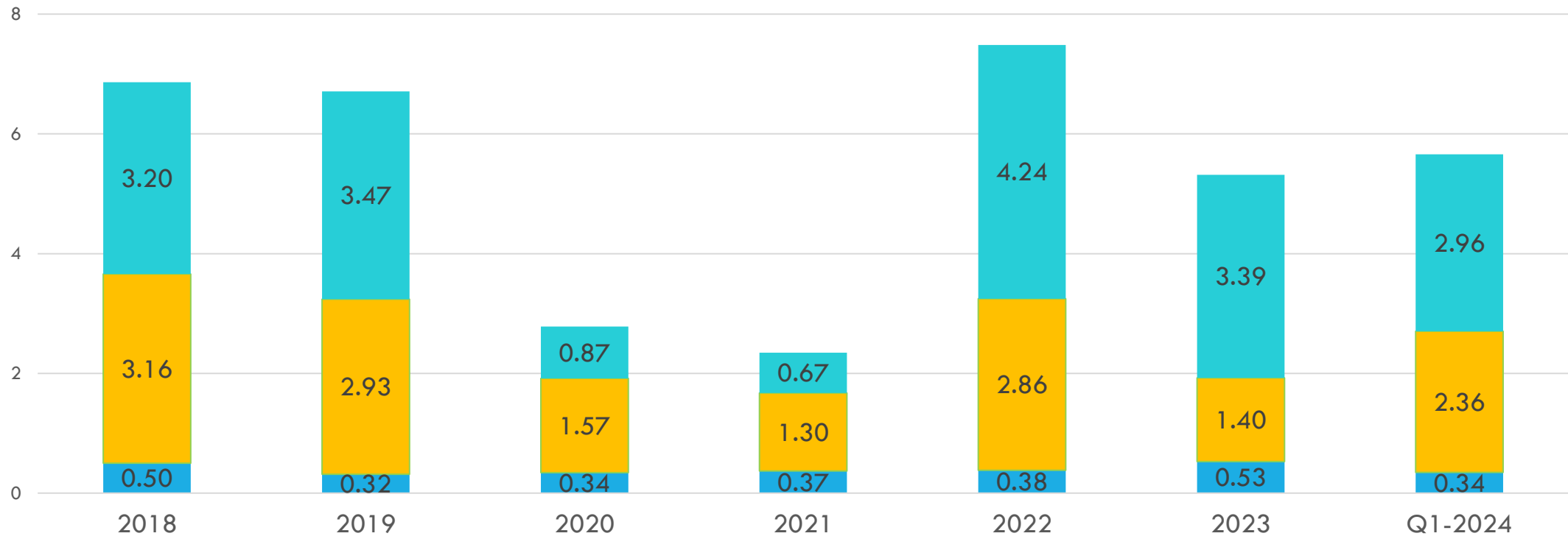


THESE DEVELOPMENTS IN THE 3 DRIVERS OF GROWTH AFFECTED THEIR CONTRIBUTION TO Q1 2024 GROWTH (5.66%)

Contributions to growth by sector

Percentage points

■ Agriculture ■ Industry and Construction ■ Services

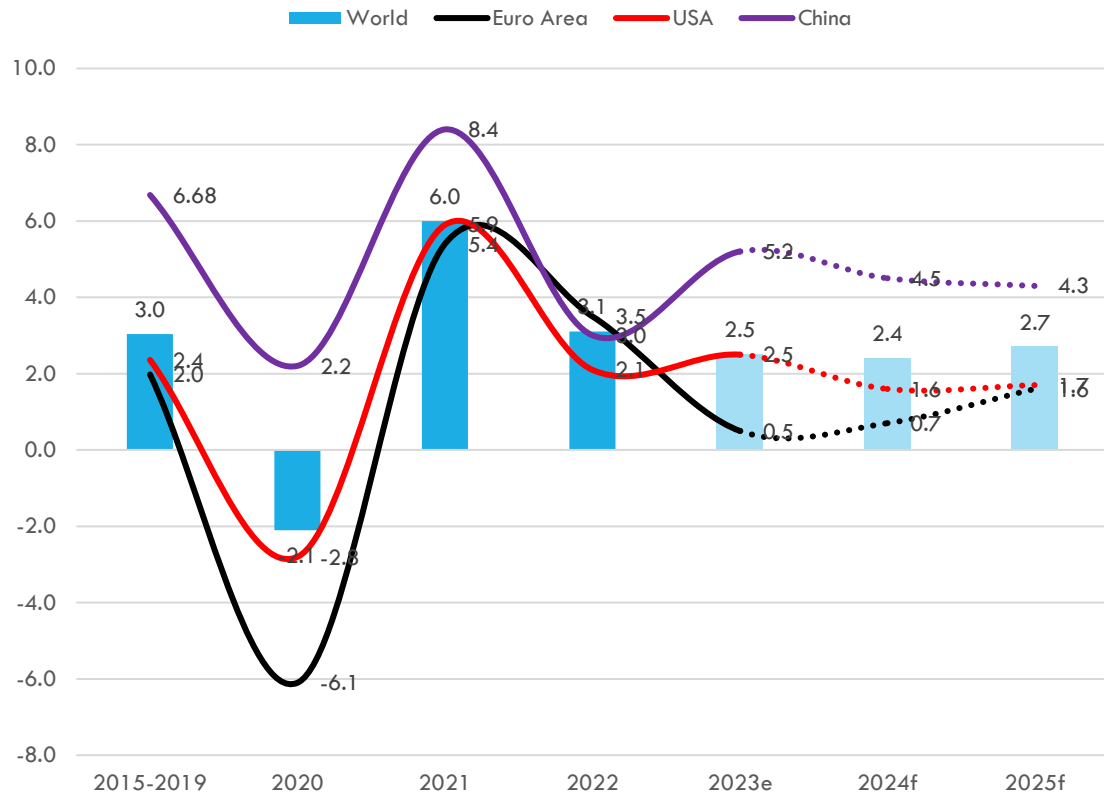


WHAT IS THE ECONOMIC OUTLOOK?



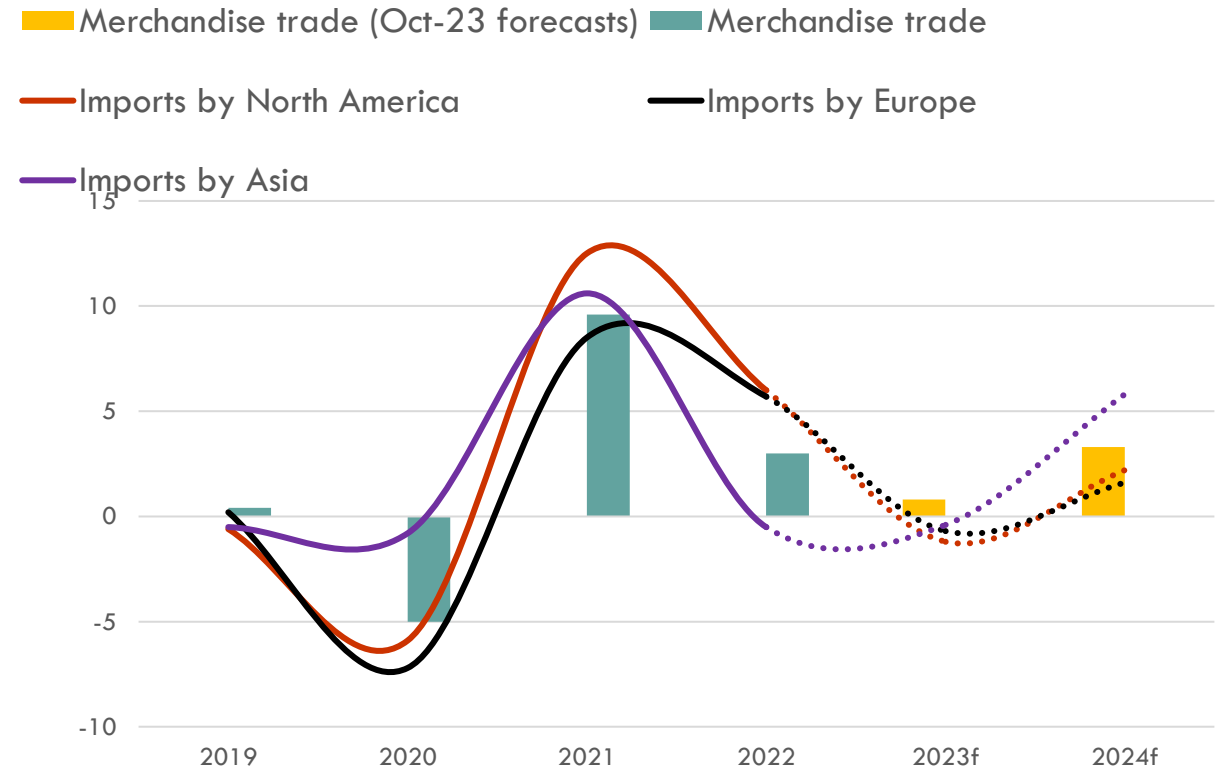
FOR VIETNAM - A MIXED GLOBAL ENVIRONMENT IN 2024

After a sharp slowdown, global growth is expected to remain sluggish and experience uneven recovery in 2024 –25



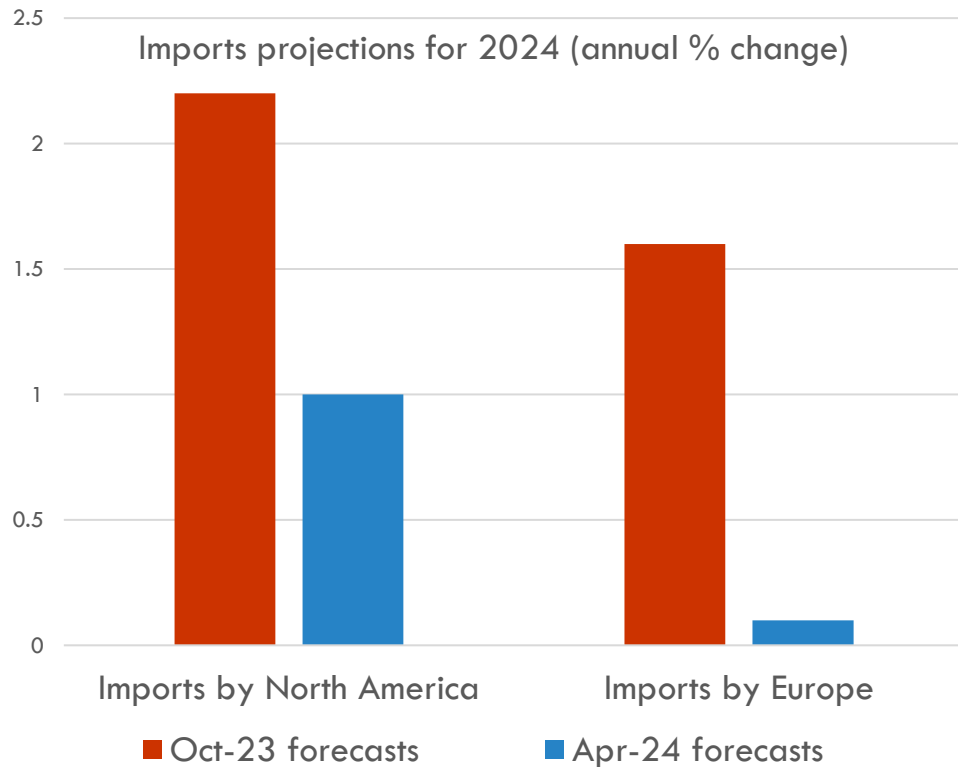
WTO projected demand for exports (imports by US, the EURO zone, and Asia) is expected to improve in 2024

WTO Global Trade Forecast (OCT 2023), percent

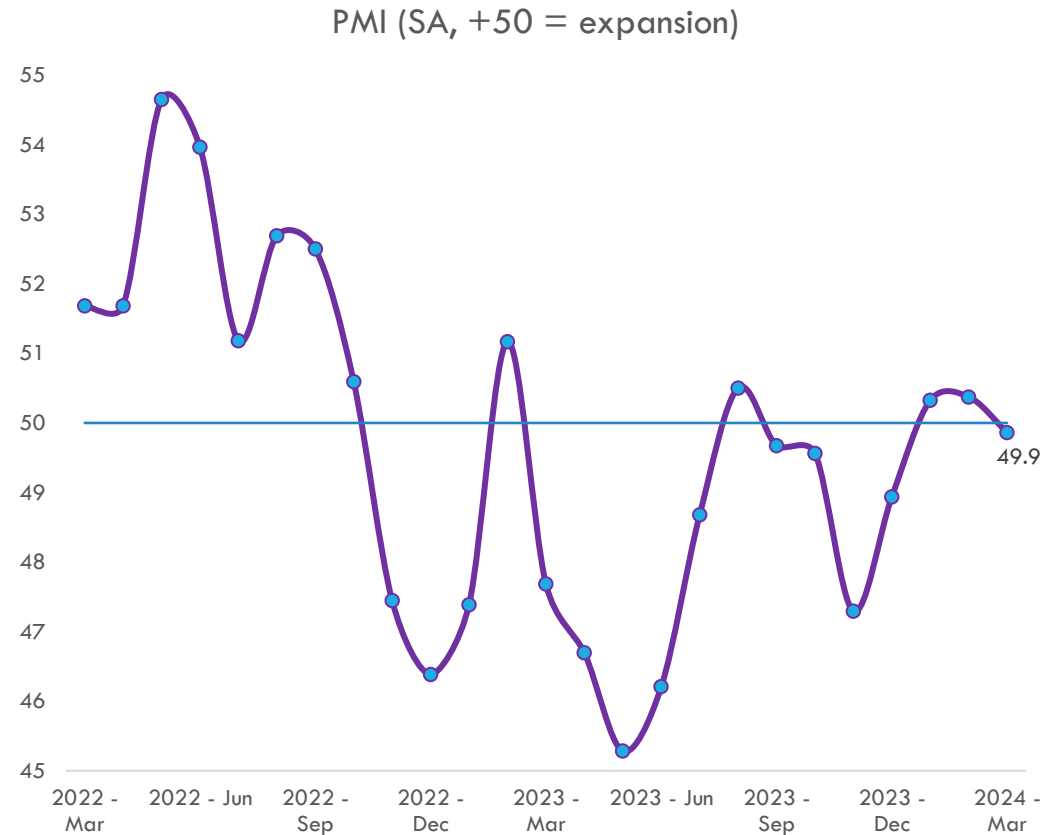


THE PACE OF RECOVERY FOR EXPORTS MAY BE SLOWER THAN EXPECTED

WTO April 2024 projection:
Imports by US and Europe may be
weaker than anticipated
in October 2023



With PMI still hovering at 50 – signaling
moderate short-term expectations



GROWTH TO REMAIN BELOW PRE-PANDEMIC PERIOD IN 2024

GRADUAL RECOVERY OF DRIVERS OF GROWTH

Indicator	2023e	2024f	2025f	External demand:
GDP growth (%)	5.0	5.5	6.0	2024-2025 GEP (JAN 2024) : ➤ Global growth: 2.6% in 2023 to 2.4% in 2024 then pick up to 2.7% in 2025 ➤ US growth estimated 2.5% in 2024 (compared to 2.4% in 2023) and to slow to 1.7% in 2025. ➤ EU to firm up slowly from 0.7% in 2024 to 1.5% in 2025
Consumer Price Index (average, %)	3.2	3.5	3.0	
Current account balance (% of GDP)	1.9	1.7	1.6	
Fiscal balance (*) (% of GDP)	-1.2	-1.6	-1.1	Domestic demand: ➤ Domestic private consumption - ➤ Public sector salary and pension increase (H2--2024) will help ➤ Private investment - ➤ real estate sector ➤ Potential continued spill over effect onto financial sector. ➤ Corporate bond market is recovering: H1-23 VND132 Trillion/ By end FEB 2024 already issuance of VND114.8 Trillion.
Public & publicly guaranteed debt (**) (% of GDP)	39.8	40.4	37.0	

RISKS TO THE OUTLOOK AND RECOMMENDED POLICIES



RISKS TO THE OUTLOOK ARE BROADLY BALANCED

Downside risks:

- Slower-than-expected global growth (especially US / EURO Zone and China)
- Real estate market recovery may take longer than expected
- Further deterioration of financial sector's asset quality resulting from weak performance of the economy –
- Power supply may not grow as fast as power demand

Upside risks:

- Stronger-than-expected recovery in main trade partners, especially in US and EU /
- Interest rate cuts (a function of US inflation rate path)
- Reforms in the real estate sector / land law that will facilitate recovery of the sector, and by extension domestic private investment.

POLICIES AND POINTS OF DISCUSSION

Fiscal Policy:

Continue policy support is warranted to bolster the recovery.

Sustaining efforts to speed up the implementation of public investment

Monetary Policy:

Continue accommodative policies but space for additional interest rate cuts is more limited

Financial Sector:

Strengthen the mandate of the State Bank of Vietnam to improve supervision of bank and credit institution, bank resolution, and legal protection of supervisors

Structural Reforms to energize the economy:

**Ease regulations
Improve access to finance and accelerate investment in power structures**

THANK YOU



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