

A nighttime aerial view of a city, likely Hanoi, Vietnam, with numerous illuminated skyscrapers and buildings. The sky is dark blue, and the city lights are bright yellow and white. A prominent skyscraper with a curved facade is on the left. The background shows a dense urban area with many smaller buildings and a river or bay on the right.

# Vietnam's Economy in 2023 and Beyond

14-March-2023

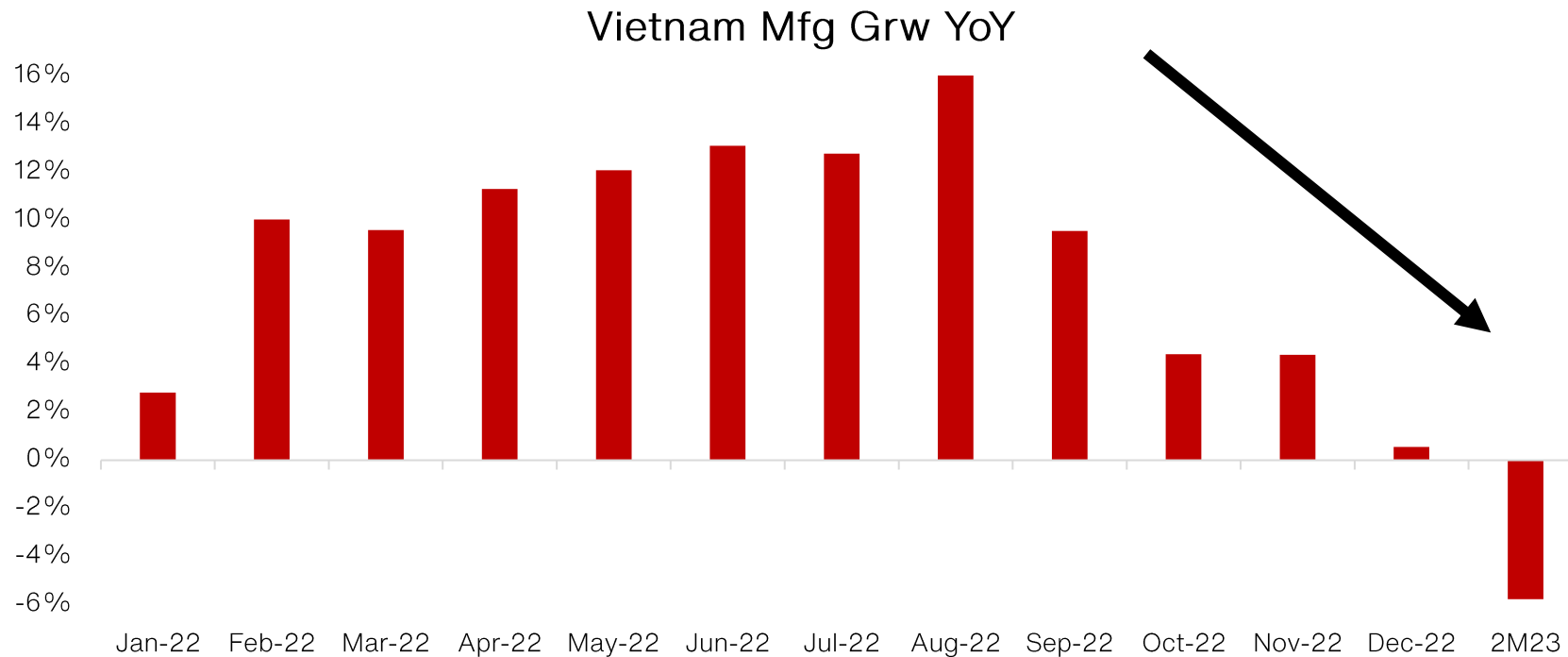
# What We Expect in 2023

**Vietnam's GDP Growth: 8.0% in 2022, 6.0% in 2023F**

	<b>2022</b>	<b>2023F</b>	<b>Pre-COVID Average*</b>
<b>GDP</b>	+8.0%	+6.0%	+7.0%
<b>Real Retail Sales</b>	+15.6%	+9.0%	+9.0%
<b>Manufacturing</b>	+8.1%	+0.0%	+12.0%
<b>Infrastructure Spending</b>	4%/GDP	7%/GDP	3%/GDP
<b>Tourist Arrivals</b>	~20%/Pre-COVID	50%/Pre-COVID	

*\*Average Over 2015 - 2019*

# Vietnam Manufacturing Peaked in Mid-2022



Inventories at US Retailers +20% in 2022



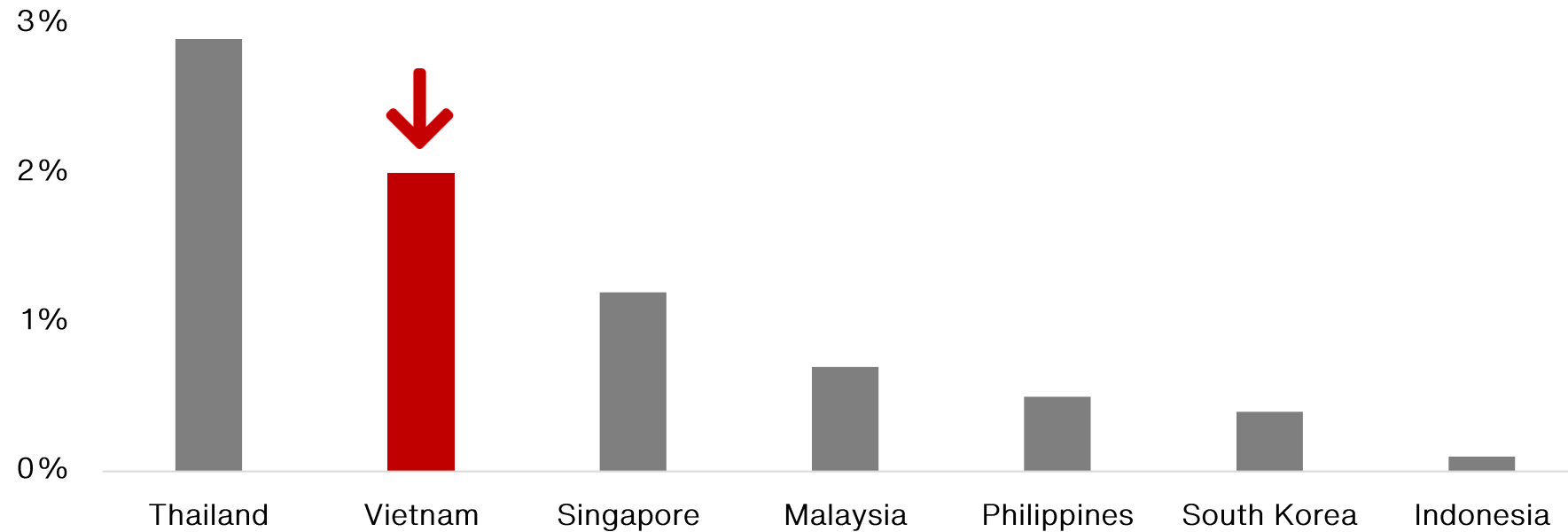
Record ↓ in US Imports of Consumer Goods



Plunging VN Factory Orders

# China's Re-Opening Will Mainly Boost Tourism in Vietnam

Estimated Boost to GDP From Chinese Tourists in 2023\*



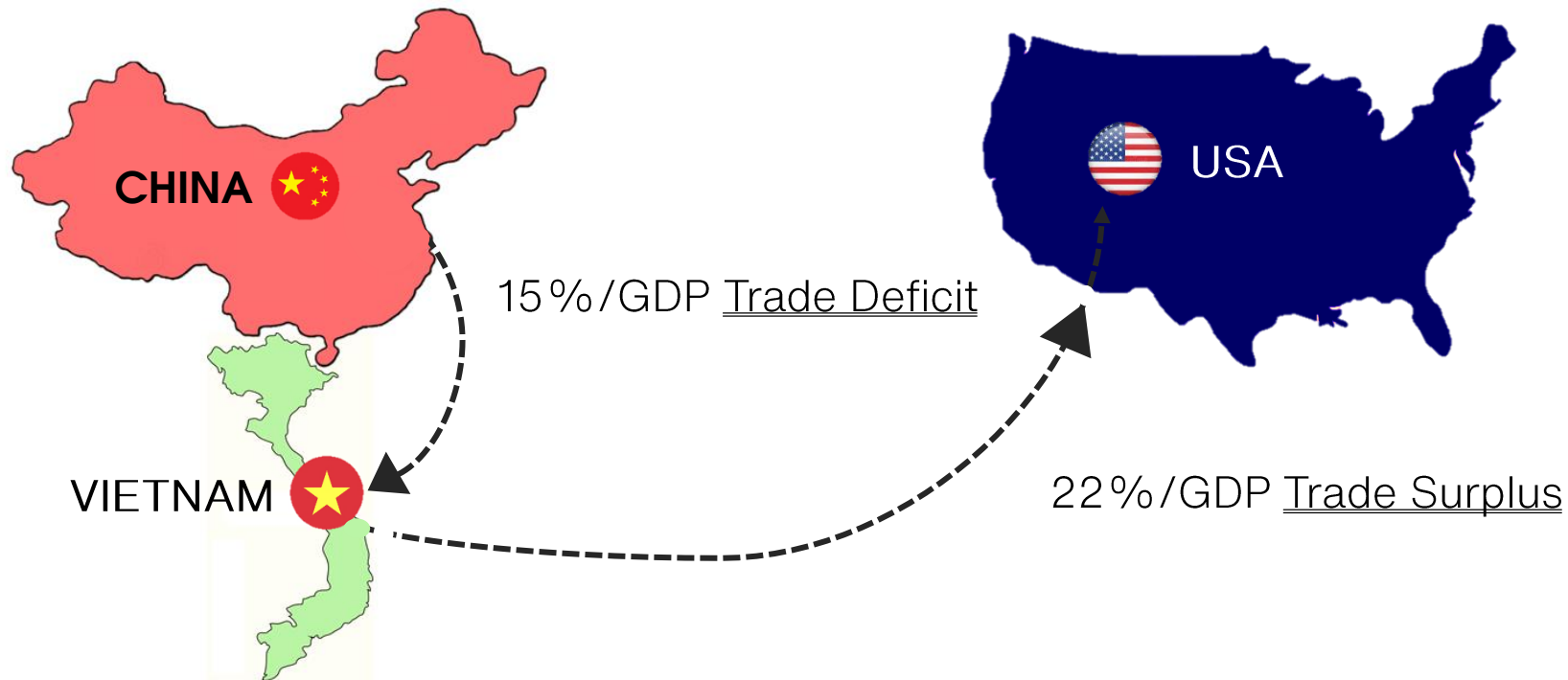
Note: 1) Chinese Tourists = 1/3 of VN Tourist Arrivals, Pre-COVID

2) Vietnam has a 17%/GDP Trade Deficit with China

*(So a Surge in Chinese Domestic Demand Won't Really Help VN's Economy !)*

## Vietnam's Modest Exposure to China

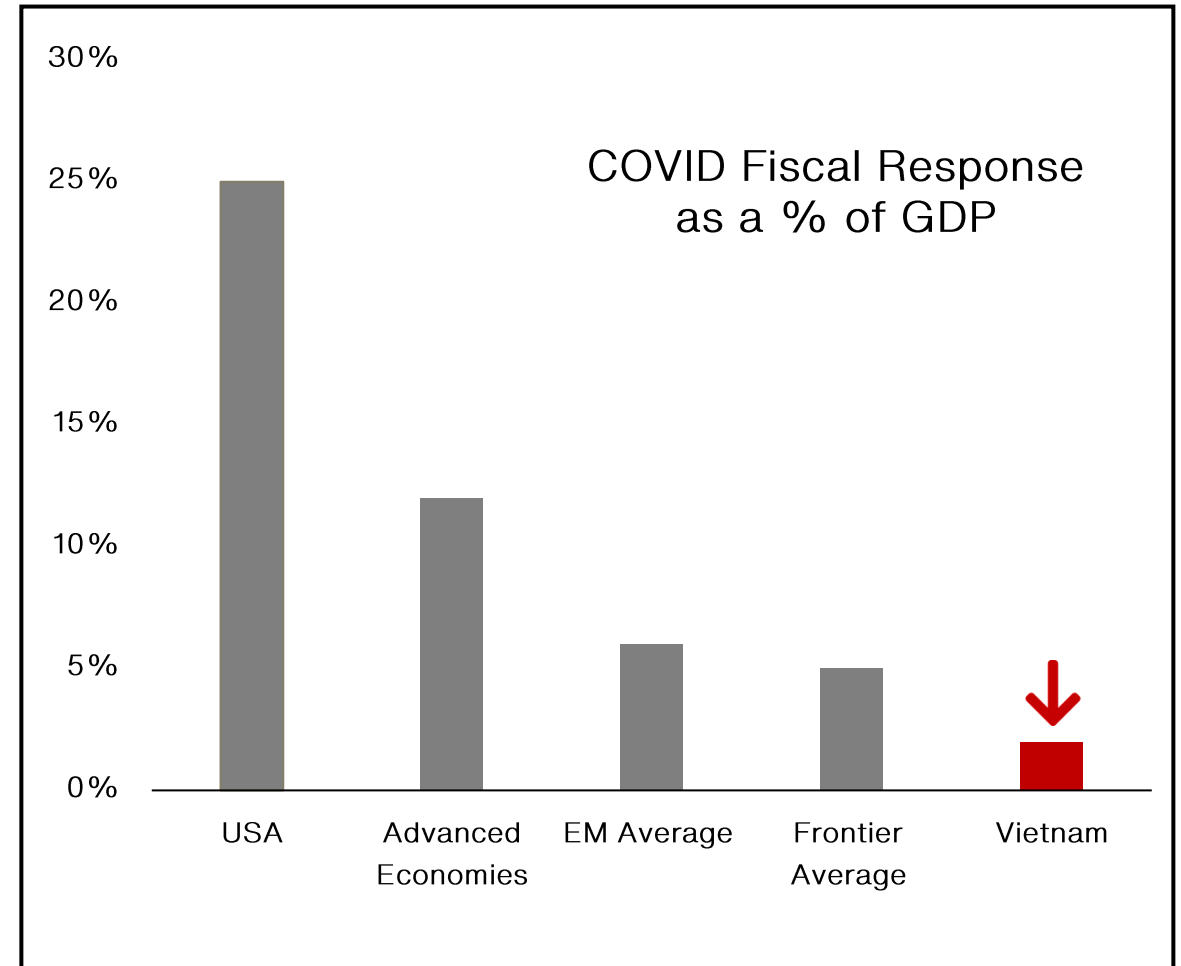
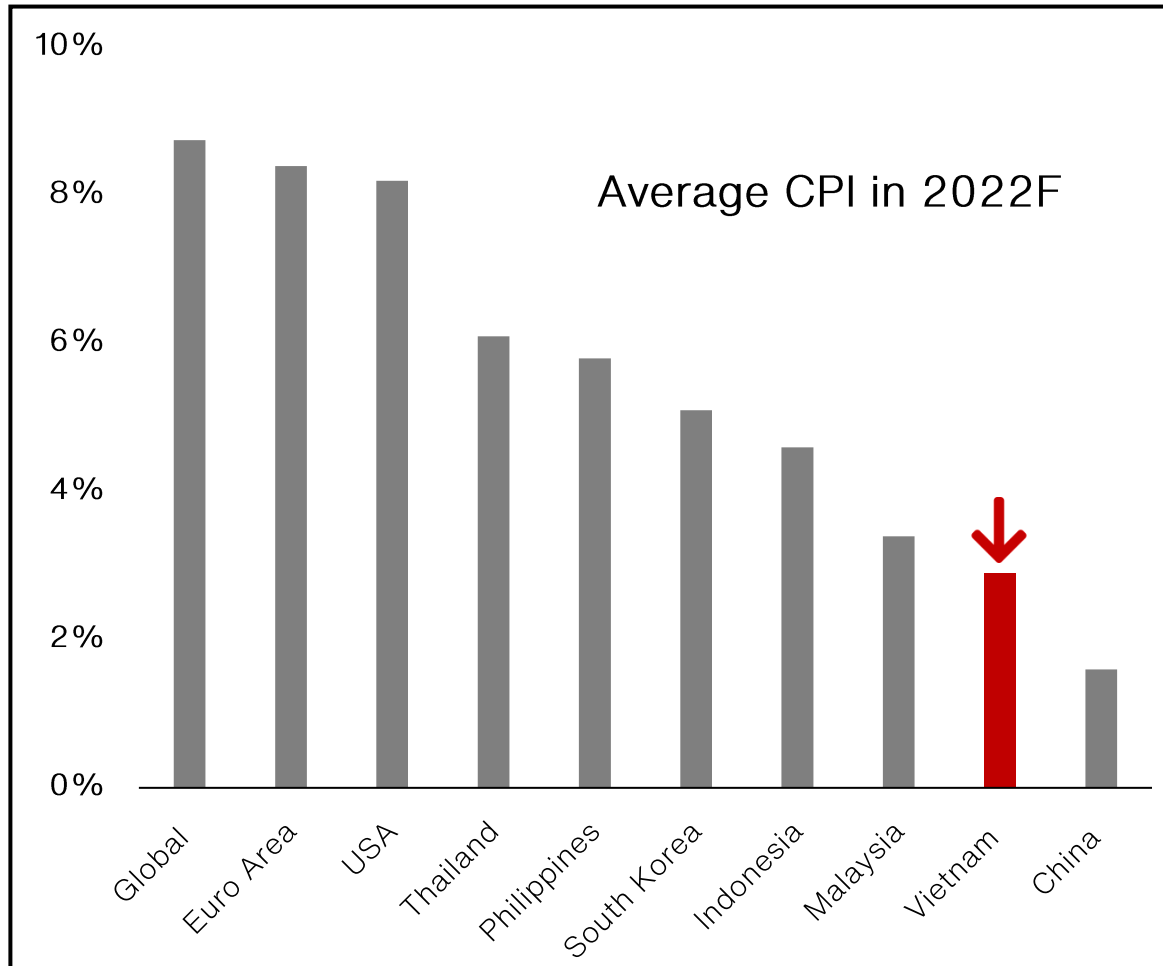
- Vietnam has Minimal Exposure to China's Domestic Economy
- Vietnam Imports from China → Exports to US \*



\* Circa 2/3 of Vietnam-China Trade is in Electronics and Garments

# Macro-Stability: Modest Inflation in Vietnam

Vietnam Did Not Print & Spend Money During COVID



## The Three Main Issues Impacting Vietnam's Real Estate Developers



- 1 Slow Approval Process
- 2 Tight Liquidity in VN's Banking System
- 3 Developers Have a Structural "ALM Mismatch" Problem

These are Financial Issues –  
Not Economic Issues

# Vietnam's Real Estate Market is Fundamentally Healthy



## In Vietnam

The Demand For New Housing Units Outstrips Supply By At Least 2x !



## In Emerging Markets

Real Estate Boom & Bust Cycle → Massive Oversupply (Not in Vietnam)



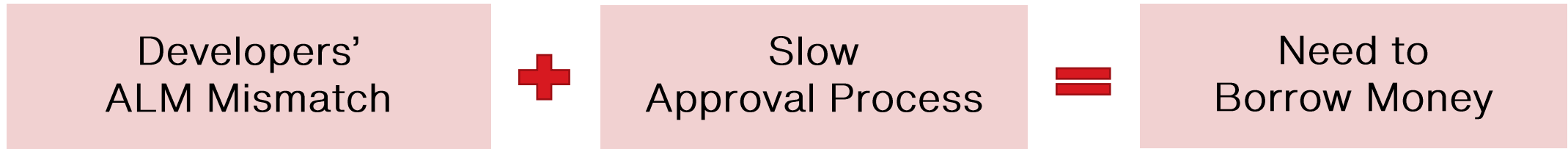
## In China

Gerschenkron Growth Model → Ghost Cities

(There's No Evergrande Risk in Vietnam !)



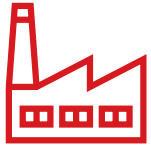
# Understanding the Core Issues



## Understanding the Core Issues (Continued)

- ▶ In 2020-22: Loan Growth > Deposit Growth by 3%pts Annually
  - 2020-21: COVID
  - 2022 : VN Dong Weakness in 2022
  
- ▶ LDR Needs to Fall Below 95% for Deposit Rates to Fall: 8% → 6%
  
- ▶ The Real Estate Market Needs a ~200bp Drop in VN Interest Rates
  - Deposit Rates Need to Fall: 8% → 6%...  
... In Order to Encourage Investors & Home Buyers

## Two Keys to Vietnam's Long-Term Future



FDI, Driven by Geopolitics



Emerging Middle Class, Driven by  
Demographics & Urbanization

# US-China Trade Tensions Benefit Vietnam

## Biden Administration Maintains China Tariffs




OFFICE of the UNITED STATES TRADE REPRESENTATIVE  
EXECUTIVE OFFICE OF THE PRESIDENT

*“Until the day that China chooses a path to have its economy operate more like ours”*

Katherine Tai, USTR  
September 3, 2022

## The US is Courting Vietnam



SCOWCROFT CENTER FOR STRATEGY AND SECURITY

Atlantic Council  
STRATEGY PAPERS

**The Longer Telegram:**  
**Toward A New American China Strategy**

by Anonymous

# High Tech FDI is Pouring into Vietnam

**NIKKEI Asia**

Vietnam to make Apple Watch and MacBook for first time ever

**NIKKEI Asia**

Samsung to begin making semiconductor parts in Vietnam



**REUTERS®**

Samsung, LG plan multi-billion-dollar additional investment in Vietnam

**FINANCIAL TIMES**

“Vietnam to start making Apple Watch and MacBook”

**The New York Times**  
*Big Tech Reconsiders the “Made in China” Way*

**FORTUNE**

‘Producing in China and exporting abroad is no longer viable’

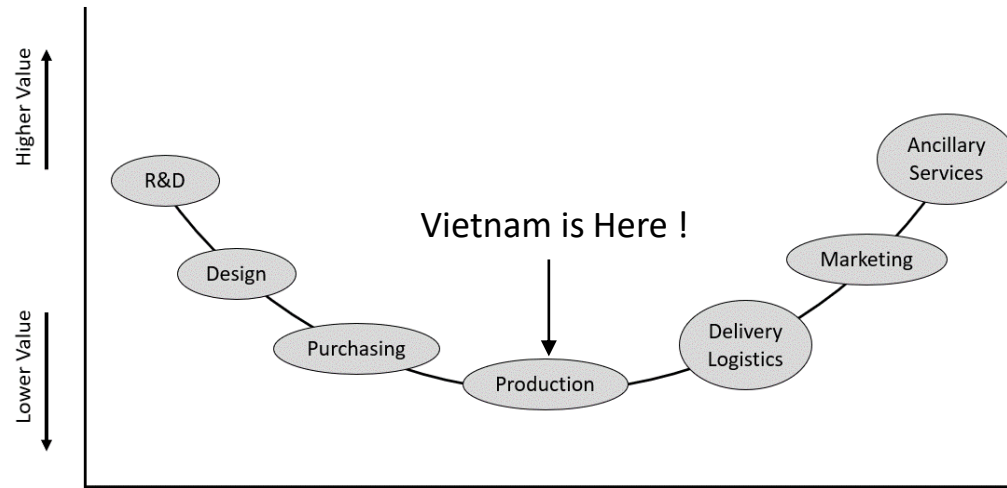
**Bloomberg**  
**Apple Suppliers Are Racing to Exit China, AirPods Maker Says**

**NIKKEI Asia**

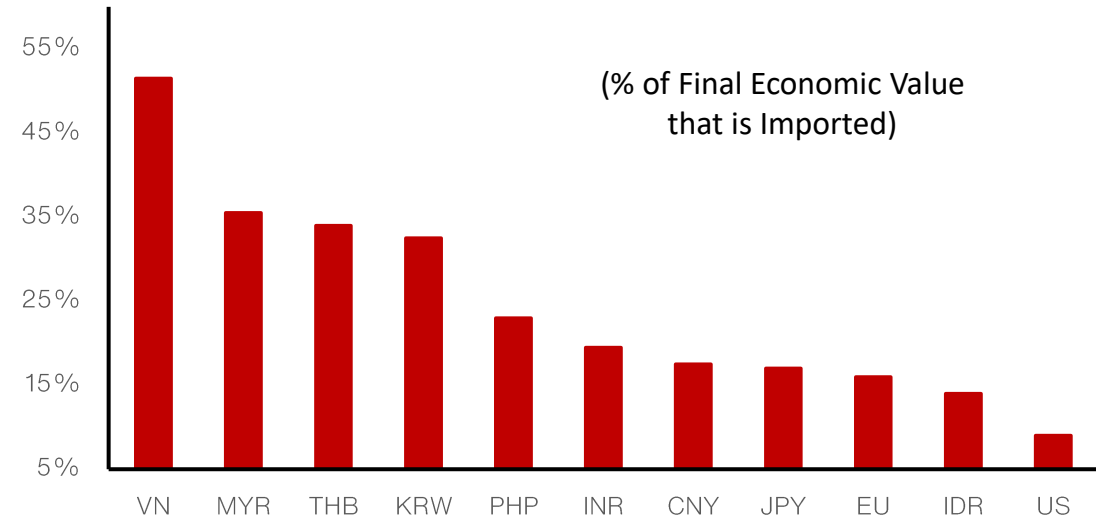
Apple to start making MacBooks in Vietnam by mid-2023

# Vietnam is Moving up the Value Chain

The Smile Curve of Manufacturing Economic Value



Import Content of Exports



# High Tech FDI is Driving Vietnam's Economic Evolution



HARVARD  
UNIVERSITY

*A Developing Economy's Most Powerful Growth Driver is a Rise in the Complexity of the Products it Produces*

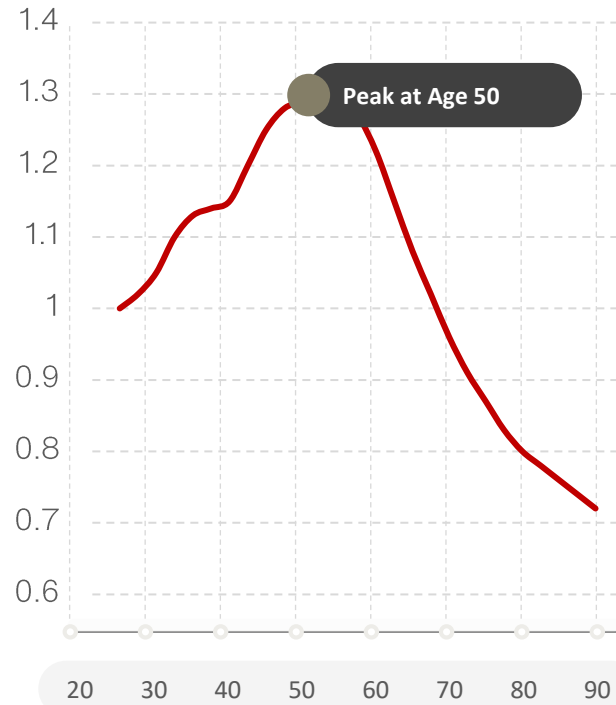


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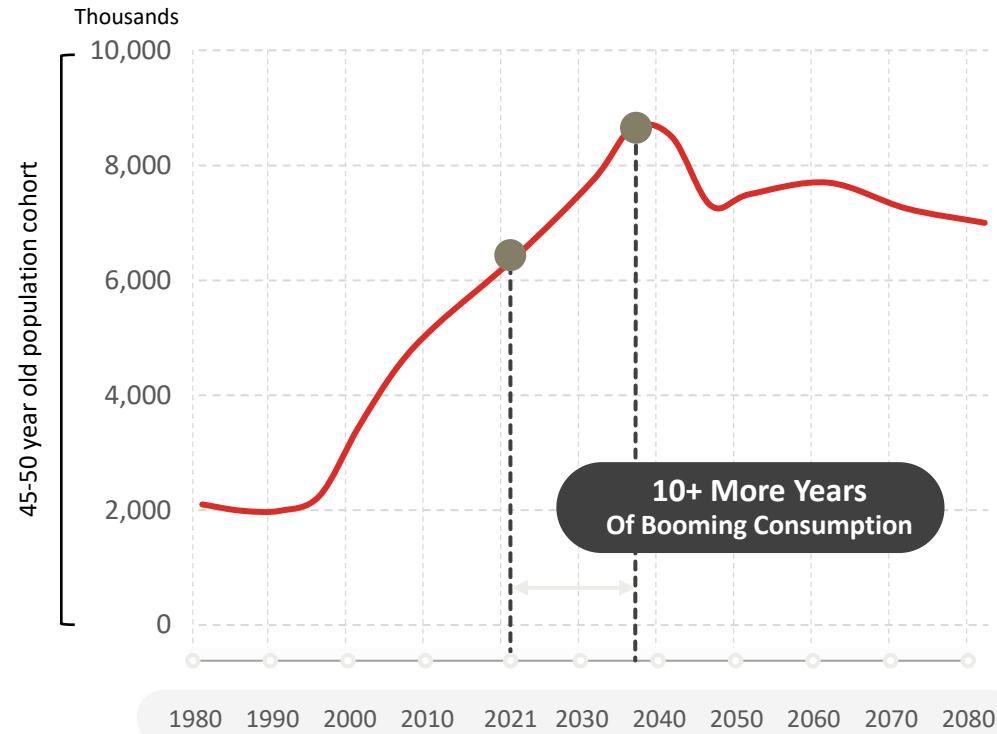
*FDI is Instrumental in Helping Economies  
Move up the Global Value Chain*

# Vietnam's "Demographic Dividend" to Continue for 10+ Years

Consumption by Age\*



Vietnam Population, Age 45-50



\* Notes: 1) This Curve is Consistent Across Countries  
2) Source: University of Pennsylvania



# Thank You

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