

VIETNAM

Table 1 **2023**

Population, million	98.9
GDP, current US\$ billion	426.9
GDP per capita, current US\$	4318.1
International poverty rate (\$2.15) ^a	1.0
Lower middle-income poverty rate (\$3.65) ^a	4.2
Upper middle-income poverty rate (\$6.85) ^a	19.7
Gini index ^a	36.1
School enrollment, primary (% gross) ^b	123.1
Life expectancy at birth, years ^b	73.6
Total GHG emissions (mtCO2e)	515.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Vietnam's real GDP is expected to grow by 5.5 percent in 2024. Poverty is expected to decline from 3.9 percent in 2023 to 3.6 percent in 2024. Downside risks to growth include slower-than-expected growth in main trade partners and deterioration of asset quality in Vietnam's banking sector. On the upside, stronger-than-expected global growth could lift growth above the baseline forecast.

Key conditions and challenges

After a difficult year, Vietnam's growth is expected to pick up moderately in 2024. External demand for Vietnam's exports is expected to firm gradually during the year and domestic real estate market is expected to start recovering in late 2024. However, tight global financial conditions, heightened financial sector vulnerabilities, and underinvestment in backbone infrastructure are challenges to Vietnam's short and medium-growth prospects.

Recent developments

Real GDP growth decelerated from a strong post-pandemic rebound of 8 percent in 2022 to 5 percent in 2023, well below potential. This slower growth reflected weak external demand and a downturn in the real estate market. Vietnam's exports declined by 2.5 percent (y/y) as demand from key export markets cooled. Meanwhile, in the real estate market, the number of projects for residential housing and transactions fell by 46.8 percent (y/y) and 18.8 percent (y/y), respectively. The downturn was driven by lower demand due to higher interest rates and slowing construction due to financing constraints experienced by property developers due to tightening regulations

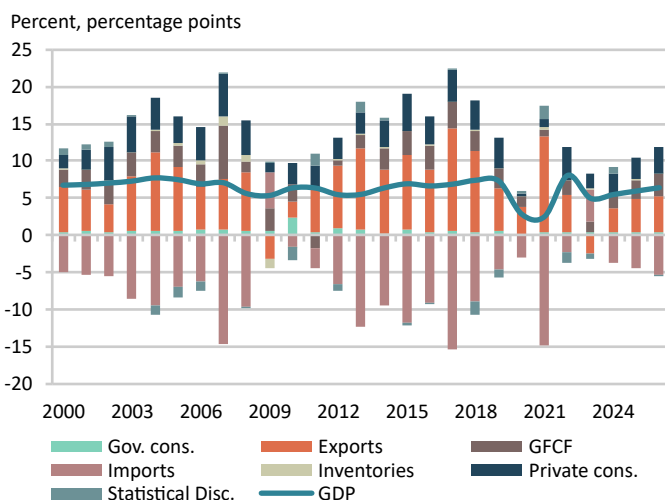
on corporate bond issuance in late 2022. Reflecting these developments, the industrial sector (industry and construction) grew by a tepid 3.7 percent in 2023 compared to 7.8 percent in 2022. Meanwhile, services sector growth slowed to 6.8 percent compared to 10 percent in 2022 as the strong recovery of domestic and foreign tourism was offset by moderating wholesale and retail sales. The agricultural sector grew by 3.8 percent in 2023 compared to 3.4 percent in 2022.

Headline and core inflation slowed as the economy cooled. Average headline inflation in 2023 came in at 3.25 percent (y/y), well below the 4.5 percent inflation target as transport costs softened and domestic consumption moderated. Core inflation averaged 4.1 percent (y/y) in 2023 due to higher housing prices and construction materials.

Amid slower growth, employment and income growth weakened. Total employment growth slowed, dipping from 2.2 to 0.8 percent (y/y) between the first and last quarters of 2023. Average monthly real income growth slowed to an estimated 1.3 percent during 2022–23 compared to 8.3 percent in 2017–19. After a slight rise in poverty (LMIC) in 2022, poverty is estimated to fall to 3.9 percent in 2023 despite slower growth.

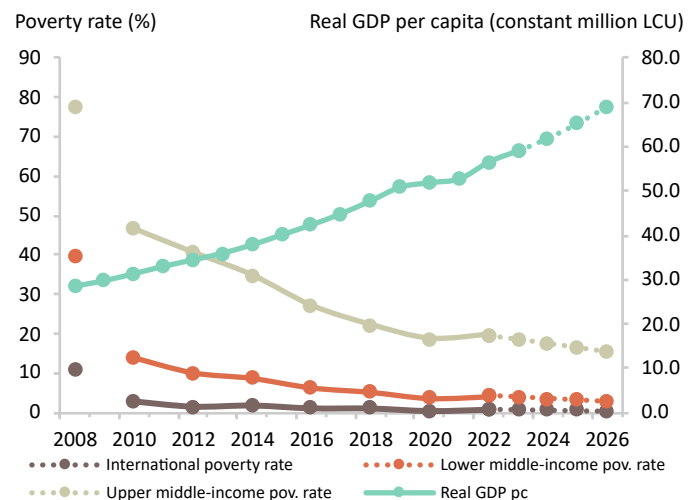
The balance of payments registered a surplus of 1.1 percent of GDP in the first three quarters of 2023, compared to a deficit of 7.2 percent of GDP registered in 2022, underpinned by a large current account surplus (5.1 percent of 2023 GDP). The current account surplus was driven by a mounting surplus in the

FIGURE 1 Vietnam / Real GDP growth and contributions to real GDP growth



Source: World Bank.

FIGURE 2 Vietnam / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

merchandise trade balance (11.1 percent of GDP) as real imports contracted more than real exports. On the other hand, the financial account registered a small deficit (0.6 percent of GDP), as a net outflow of short- and medium-term capital (-\$15.5 billion) outweighed a robust FDI disbursement (US\$13.7 billion). In addition, large errors and omissions suggest continued unrecorded capital outflows amid persistent interest rate gaps with major economies.

To bolster economic activity, the authorities adopted supportive macroeconomic policies. The State Bank of Vietnam cut policy rates by 150 basis points. However non-performing loans rose from 1.9 percent in December 2022 to 4.9 percent in September 2023, despite reintroduced forbearance measures. The fiscal stance was moderately expansionary as deficit rose to 1.2 percent of GDP in 2023 from 0.2 percent in 2022 due to higher public investment and lower revenues. While the disbursement volume of public investment rose 33.3 percent compared to 2022, it only constituted 73.5 percent of planned 2023 budget. Public and publicly guaranteed debt registered 39.8 percent of GDP, significantly below the 60 percent debt-to-GDP threshold.

Outlook

Real GDP is expected to grow by 5.5 percent in 2024 and inch up to 6.5 percent by 2026. We expect a gradual recovery of external demand which will in turn support labor market recovery and firm consumer confidence. The real estate market is forecast to turn the corner in late 2024 and into 2025 as financing constraints for developers ease and housing demand recovers to trend. A new Land Law and other real estate related laws that will come into effect will enhance land valuation and land use, providing additional support to the recovery. This in turn is expected to support recovery of private domestic investment. The CPI will rise slightly from an average of 3.2 percent in 2023 to 3.5 percent in 2024, reflecting an increase in the prices of education and health services, before moderating to 3.0 in 2025-2026. The fiscal deficit is projected to widen to 1.6 percent of GDP given expected weak revenue collection and a civil service salary increase, but the government will revert to fiscal tightening in 2025-2026, in line with the Financial Strategy for 2021-2030. The current account is expected to remain in surplus, thanks to continued recovery of goods exports and tourism. The poverty rate (LMIC) is projected to fall from

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The risks to the outlook are broadly balanced. Slower-than-expected growth in partner countries could further dampen external demand for Vietnam's exports. A slower recovery of the real estate market could weigh on private sector investment. Finally, heightened financial vulnerabilities could affect the banking sector. On the upside, stronger-than-expected global growth could support a faster recovery of Vietnam's export sector.

Continued efforts to speed up the implementation of public investment would help support aggregate demand in the short run while also helping to close emerging infrastructure gaps. On the monetary side, the space for additional interest rate cuts is limited due to the interest rate differential between domestic and international markets. The authorities should improve the banking sector supervisory framework, including monitoring and resolution.

TABLE 2 Vietnam / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	2.6	8.1	5.0	5.5	6.0	6.5
Private consumption	2.2	7.7	3.5	5.0	5.5	6.5
Government consumption	4.5	3.6	4.9	4.5	4.5	4.4
Gross fixed capital investment	2.8	5.6	4.1	5.5	7.4	8.5
Exports, goods and services	14.0	5.0	-2.5	3.5	4.9	5.5
Imports, goods and services	15.8	2.2	-4.3	4.0	5.0	6.0
Real GDP growth, at constant factor prices	2.6	8.4	5.2	5.6	5.9	6.4
Agriculture	3.7	3.5	3.8	3.0	3.0	3.0
Industry	3.2	7.9	3.7	8.3	8.0	7.9
Services	1.7	10.1	6.8	3.9	4.8	5.9
Inflation (consumer price index)	1.8	3.1	3.2	3.5	3.0	3.0
Current account balance (% of GDP)	-1.3	-0.3	1.9	1.7	1.6	1.7
Net foreign direct investment inflow (% of GDP)	4.2	3.7	4.3	4.3	4.3	4.3
Fiscal balance (% of GDP)	-1.4	-0.2	-1.3	-1.6	-1.1	-1.1
Revenues (% of GDP)	18.8	19.0	17.2	15.2	15.3	14.6
Debt (% of GDP)	38.7	34.0	37.3	37.7	36.9	33.3
Primary balance (% of GDP)	-0.2	0.7	-0.4	-0.5	0.0	-0.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	..	1.0	0.9	0.8	0.7	0.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	..	4.2	3.9	3.6	3.3	2.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	..	19.7	18.7	17.6	16.5	15.3
GHG emissions growth (mtCO₂e)	1.2	6.4	4.4	5.4	5.5	5.6
Energy related GHG emissions (% of total)	64.2	64.8	64.6	64.6	64.5	64.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on EAPPOV harmonization, using 2016-VHLSS, 2020-VHLSS, and 2022-VHLSS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projection using annualized elasticity (2016-2020) with pass-through = 0.7 based on GDP per capita in constant LCU.