

News Recap

April 2024



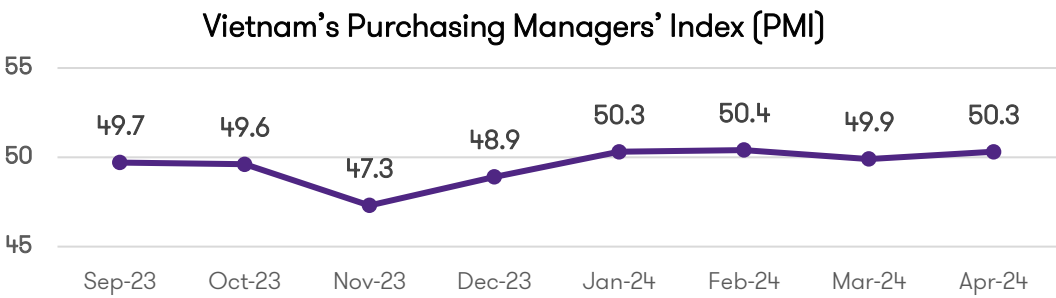
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1. VIETNAM’S MANUFACTURING SECTOR SAW MARGINAL IMPROVEMENT IN APRIL

According to S&P Global, in April 2024, Vietnam's Purchasing Managers' Index (PMI) rebounded to 50.3 compared to March's 49.9, which signals a marginal improvement in Vietnam's manufacturing sector. The highlight of April was the resurgence in new orders after a slight decline in the previous month, and businesses reported success in acquiring new customers. Therefore, purchasing activity also saw an increase. However, the improvement was modest, leading to firms scaling back staffing levels, indicating subdued business confidence.



[Source: S&P Global]



2. HIGHEST FOUR-MONTH FDI CAPITAL DISBURSEMENT IN PAST 5 YEARS

Investor confidence in Vietnam's investment climate is evidenced in the country's positive Foreign Direct Investment (FDI) figures in early 2024. According to the General Statistics Office (GSO), by the end of April, total FDI capital registered in Vietnam reached to nearly USD9.27 billion, up 4.5% over the same period last year. Specifically, newly registered capital reached to USD7.11 billion, surging by 73.2%. Additionally, Vietnam's disbursed capital over the past four months reached to USD6.28 billion, marking a 7.4% increase compared to the same period last year. The GSO highlights that this is the highest FDI disbursement figure for the first four months from 2020 to 2024.

FDI Attraction in Vietnam: First 4 Months of 2024 (USD billion)



[Source: Vietnam Economic Times]

3. EXPERTS POINT OUT CHALLENGES FOR VIETNAM'S ECONOMIC GROWTH

Recently, AMRO* has projected Vietnam to achieve a 6% growth rate in 2024, highlighting the hurdles faced by Vietnam's economy. External factors including slower-than-expected growth in major economies like the EU and China are posing significant threats. Domestically, businesses grapple with challenges while concerns over inflation are exacerbated by adverse weather conditions and currency depreciation. Thus, there is an urgent need for policy measures to navigate through turbulent economic conditions while fostering long-term growth. In line with AMRO's projection, the ADB's recent report also forecasts a 6% GDP growth for Vietnam. The figure of 6% aligns closely with the Government's economic growth target for 2024.

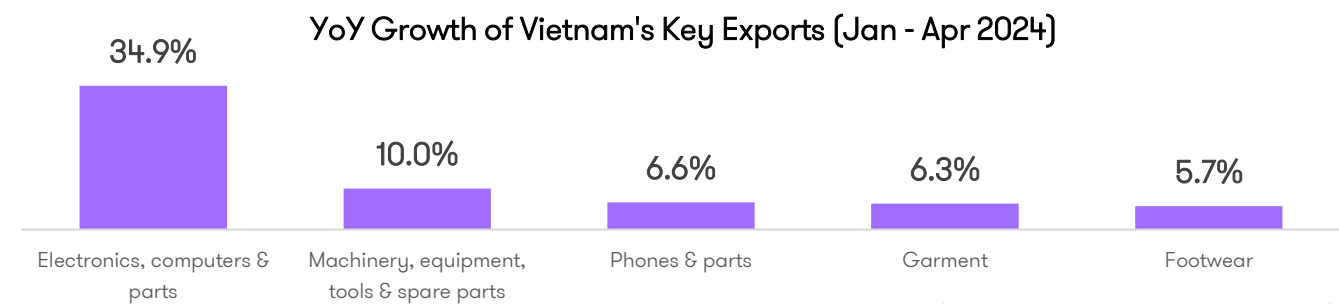
*A macroeconomic research and policy advice organisation for the ASEAN region

[Source: Vietnam Investment Review]



4. VIETNAM’S EXPORT RECOVERY REMAINS STEADY

In the first four months of 2024, Vietnam witnessed a stable recovery in exports. Specifically, export turnover rose by 15%, reaching to USD123.6 billion by the end of April. The domestic sector contributed USD33.6billion, a notable increase of 21%, while the FDI sector’s figure reached to USD90.0billion, up by 12.9%. Export success continues to extend Vietnam's trade balance achievement, with the four-month trade surplus standing at USD8.4 billion. Notably, Vietnam's exports of key products such as electronics, phones, components, textiles, and footwear all showed a strong recovery.



(Source: Vietnam Economic Times)



5. TECH GIANT NVIDIA EXPLORES VIETNAM'S INVESTMENT POTENTIAL

Nvidia Group, a renowned global leader in semiconductor and AI technology, recently visited Vietnam to explore investment opportunities in Hanoi, Ho Chi Minh City, and Da Nang. The Group was reported to be planning to establish an AI Research and Training Center, deploy a supercomputer system, and transfer part of GPU production to Vietnam. During the visit, Nvidia representatives commended Vietnam's readiness for technology advancement, expressing their commitment to supporting Vietnam in terms of human resources and infrastructure improvement. Moreover, the Group met with Vietnam's tech giant FPT Group to sign a partnership memorandum to establish a USD200 million AI factory. Following Nvidia's visit, it is clear that Vietnam's potential for high-tech investment is significantly recognised, showcasing the nation's growing prominence in the global tech landscape.

[Source: TheInvestor]



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6. VIETNAMESE STARTUPS DEMONSTRATE ATTRACTIVENESS

In 2023, Vietnamese startups secured USD529 million in investment, ranking 3rd in Southeast Asia. This finding was highlighted in the 2024 Technology and Innovation Investment Report, presented at the Vietnam Innovation Forum, organised by the National Innovation Centre (NIC) and Do Ventures Investment Fund. The report noted a 17% decrease in total investment compared to the previous year, reflecting global economic challenges impacting Vietnam's technology investment landscape. However, this reduction rate was lower than the 35% decrease in total global venture capital investment, showing that Vietnam remained an attractive market. At the forum, it was also revealed that Vietnam rose two places to 46th in the Global Innovation Index (GII). The figures demonstrate that Vietnam's efforts to foster innovation and technological advancement are yielding concrete results.

[Source: Vietnamnews]



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7. THE GOVERNMENT PROPOSED THE EXTENSION OF VAT REDUCTION

The Government is proposing an extension of the VAT reduction, lowering it from 10% to 8% on specific goods and services, effective from July 01, 2024 until the year's end. Specifically, in its proposal sent to the National Assembly, the Ministry of Finance claimed that measures are needed to bolster business activities, including extending the 2% VAT reduction and postponing payment deadlines for various taxes and fees. This initiative is estimated to reduce the State budget by nearly USD994.7 million. The extension of the VAT reduction is anticipated to further alleviate burdens for businesses as experts expressed concerns about the limited room for lowering interest rates.

[Source: Vietnamnews]



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8. TEXTILE AND GARMENT SECTOR BRACES FOR CHALLENGES IN SECOND HALF OF 2024

In the first three months of 2024, the garment and textile sector's export turnover grew by nearly 10% year-on-year to around USD10 billion, setting the momentum for achieving the sector's target of USD44 billion by year end. However, some textile and garment enterprises are anticipating significant pressures in production and business in the latter half of 2024, primarily due to unstable orders and other factors. Businesses are particularly concerned about the escalating shipping fees resulting from geopolitical tensions in the Red Sea and the stringent sustainability requirements for exports to EU market. These challenges, coupled with labour shortages and rising input costs, present complex hurdles for the industry's growth this year.

[Source: Vietnamnews]



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9. VIETNAM – AFRICA 2023 TRADE TURNOVER ROSE BY 5.7% YOY

The 10th African Trade and Investment Forum 2024 (AFIC10) recently unfolded in Algeria, providing Vietnam with a platform to explore trade opportunities in Africa. At the event, the Vietnamese Embassy and Trade Office in Algeria showcased a variety of Vietnamese products, including coffee, pepper, cashews, macadamia, pharmaceuticals, and handicrafts, receiving positive feedback from attendees. Last year, despite global challenges, Vietnam-Africa's trade turnover rose by 5.7% year over year. Notably, trade with Algeria surged, reaching to USD250 million in 2023, marking a significant 68% increase from the previous year. The upward movement highlights the immense opportunities for bilateral cooperation and investment between Vietnam and African nations.

[Source: Voice of Vietnam]



10. DEMAND FOR VIETNAM'S INDUSTRIAL REAL ESTATE DRIVES RENTAL GROWTH

Vietnam's industrial real estate market is set to experience significant growth driven by sustained foreign investment inflows. According to CBRE*, with demand outpacing supply, rental rates are anticipated to rise steadily, with an annual projected increase of 7-9%. In the northern region, industrial land rentals could see a yearly surge of 3-9%, while in the south, the increase may range from 3-7% annually. Furthermore, asking rents for ready-built warehouses and factories are expected to climb by 1-4% per year over the next three years. CBRE has highlighted positive demand trends, particularly from hi-tech manufacturers in semiconductors and motor technology. This reflects the country's appeal as a manufacturing destination and underscores the growth potential in semiconductors.

*A global commercial real estate service and investment firm

[Source: TheInvestor, CBRE]



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