

Week Ahead Economic Preview

Worldwide August PMIs, US NFP and Eurozone flash HICP data

Worldwide manufacturing and services PMIs offer the first comprehensive look at economic conditions around the globe in August next week. A busy economic calendar also finds **US August labour market update** and **flash eurozone inflation figures**. Several countries, including Australia, Canada and India, also release **Q2 GDP**.

With the number of global COVID-19 cases yet to peak into end-August, the worldwide manufacturing and services PMIs will be watched in the coming week for the first indication of how the global economy has fared in the past month. Recent surveys have shown the emerging markets coming under particular pressure from the Delta variant, with resulting supply issues also hitting worldwide production and driving up prices, notably where demand is rebounding sharply.

August US non-farm payrolls will also be due alongside unemployment and wage growth data. As the Fed has indicated, the tapering of asset purchases could be on the cards before the year-end, so each set of labour market data will be studied for clues as to how aggressive the Fed may be with their taper.

On prices, inflation indications will be expected from a number of regions including the flash August CPI reading from the eurozone. The IHS Markit Flash Eurozone PMI prelude with sustained price pressures for the bloc, supporting an expectation of higher readings for August, one to watch for confirmation with the release.

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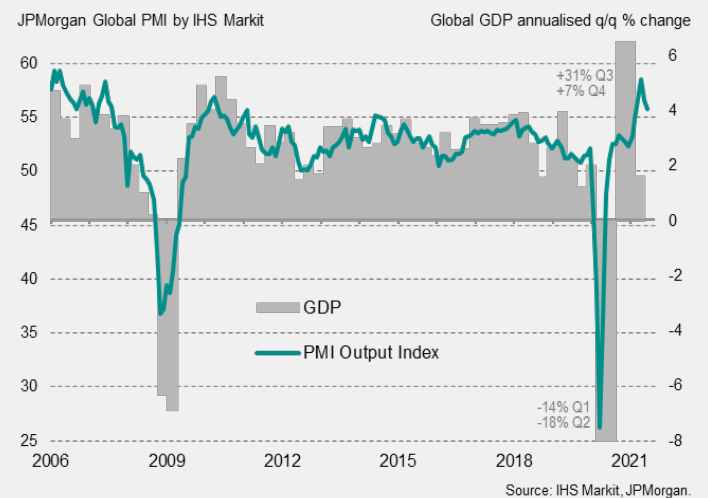
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August worldwide PMI updates

Preliminary 'flash' PMI reports showed the eurozone outpacing the UK and US in August, both of which saw growth rates slow sharply amid supply constraints. Japan and Australia meanwhile fell deeper into decline, with falling activity often linked to the spread of the Delta variant. In all, the flash data hint at the pace of global economic growth having slowed further in August, marking the second quarter as a peak.

Global economic growth and the PMI



Of key importance in the final data will be the wider performance of Asia-Pacific manufacturing, and the resulting signals for the health of global supply chains and prices, as well as the impact of the Delta spread on service sector business conditions around the globe. July's data showed many poorly vaccinated emerging economies back in steep downturns.

Factory output growth vs vaccination rates



Key diary events

Monday 30 Aug

United Kingdom, Philippines Market Holiday

Japan Retail Sales (Jul)

Thailand Manufacturing Production (Jul)

United Kingdom Nationwide House Price (Aug)

Eurozone Consumer Confidence (Aug, final)

Germany CPI Prelim (Aug)

Tuesday 31 Aug

Malaysia Market Holiday

South Korea Industrial Output (Jul)

Japan Unemployment Rate and Industrial Production (Jul)

China (Mainland) NBS Manufacturing PMI (Aug)

Australia Current Account Balance (Q2)

Thailand Current Account (Jul)

Germany Unemployment Change (Aug)

United Kingdom BOE Consumer Credit, Mortgage Lending and Approvals (Jul)

Eurozone HICP (Aug, flash)

India GDP (Q1)

Canada GDP (Q2)

United States Consumer Confidence (Aug)

Wednesday 1 Sep

Worldwide Manufacturing PMIs, incl. global PMI* (Jul)

Australia GDP (Q2)

Indonesia Inflation (Aug)

Germany Retail Sales (Jul)

Eurozone Unemployment Rate (Jul)

United States ADP National Employment (Aug)

United States ISM Manufacturing PMI (Aug)

Thursday 2 Sep

South Korea CPI (Aug)

South Korea GDP Growth (Q2, revised)

Australia Trade Balance (Jul)

Eurozone Producer Prices (Jul)

Canada Trade Balance (Jul)

United States Factory Orders (Jul)

Friday 3 Sep

Worldwide Services & Composite PMI (Jun), incl. Japan, Brazil, Eurozone, India*

United Kingdom Reserve Assets Total (Aug)

Eurozone Retail Sales (Jul)

United States Non-Farm Payrolls, Unemployment and Average Earnings (Aug)

United States ISM Non-Manufacturing PMI (Aug)

* Press releases of indices produced by IHS Markit and relevant sponsors can be found [here](#).

What to watch

Worldwide manufacturing and services PMIs

August manufacturing and services PMIs will be released in the coming week, offering a comprehensive view into global economic conditions midway into the third quarter. [Flash PMI surveys](#) pointed to the eurozone leading the way with expansion amongst developed world economies in August, having avoided the lockdown measures associated with rising COVID-19 cases. This is while the likes of Japan and Australia remain weighed down by the detrimental impact of the COVID-19 Delta variant. Other APAC economies and emerging market as a whole will be tracked in the coming week for indication of the economic conditions, given the lingering COVID-19 impact and the differing vaccination rates across different countries.

UK and US notably experienced some waning of growth momentum according to flash PMIs, afflicted by near-record and record high supply delays according to flash PMI surveys. Price pressures will be scrutinised as well for any changes to the current trend of easing price inflation.

US August non-farm payrolls

The August US labour market update will be due on Friday with the consensus pointing to 763k new job additions for non-farm payrolls and the unemployment rate easing further to 5.2%. According to [US flash PMI](#), jobs growth was seen slowing in August. Following the July upside surprise, a strong reading here could re-flame taper worries, while disappointments could again fan fears of growth slowdown in the US.

Eurozone August flash HICP

August flash eurozone inflation figures will be due on Tuesday. Economists polled by Refinitiv provided a median estimate of 2.5% year on year (y/y) for the CPI, up from the prior 2.2% y/y reading in July. As seen via the [IHS Markit Flash Eurozone PMI](#), firms' costs and prices again rose at some of the fastest rates in the past 20-years, supporting the expectation of an acceleration.

Australia Q2 GDP

Australia Q2 GDP will be due on Wednesday and IHS Markit is looking for Q2 growth to print at 2.3%. A strong reading is expected ahead of a weaker Q3, which has seen private sector output contract so far according to the [IHS Markit flash Australia Composite PMI](#).

Special report:

Vietnam: Escalating COVID-19 Wave Disrupts Economy Rajiv Biswas | [page 4](#)

Recent PMI and economic analysis from IHS Markit

Global	Eurozone leads as US and UK growth wanes, Japan and Australia contract	23-Aug	Chris Williamson
	Understanding... PMI backlogs of work: a key indicator of capacity utilisation, providing insights into investment, hiring and inflation	12-Aug	Chris Williamson
	Monthly PMI Bulletin: August 2021	10-Aug	Chris Williamson, Jingyi Pan
	New virus waves dampen global economy, hit supply and push prices higher	6-Aug	Chris Williamson
	Global economic recovery remains driven by consumer services while basic materials output lags	5-Aug	Jingyi Pan
Europe	Case study: anticipating the UK recession during the global financial crisis	25-Aug	Chris Williamson
	Eurozone flash PMI holds close to 15-year high in August, job market booms	23-Aug	Chris Williamson
	Case study: Lessons from 2017 in using PMI data to map Eurozone GDP revisions	18-Aug	Chris Williamson
	Case study: PMI data sent early signals of GFC impact on Eurozone GDP	18-Aug	Chris Williamson
	Italian economy looks set for sustained growth through remainder of 2021 as lockdown measures ease	12-Aug	Lewis Cooper
	Inflationary pressures build as shortages cause prices to soar in Czech Republic	10-Aug	Sian Jones
APAC	Lockdown hits consumer services activity in Australia, but tech sector continues strong growth run	18-Aug	David Owen
	Philippines Economic Rebound Hit by New COVID-19 Wave	12-Aug	Rajiv Biswas
Commodities	Weekly Pricing Pulse: Commodity prices down after broad sell-off	25-Aug	Michael Dall

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Special Focus

Vietnam: Escalating COVID-19 Wave Disrupts Economy

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Vietnam was one of the most resilient economies in the Asia-Pacific region to the shockwaves from the global COVID-19 pandemic during 2020. Strong economic recovery continued in the first half of 2021, with GDP in the second quarter of 2021 rising by 6.6% year on year.

However, after considerable success during 2020 in containing daily new domestic COVID-19 cases to low levels, the situation has deteriorated during the third quarter of 2021, with a significant pickup in reported daily new COVID-19 cases. With COVID-19 vaccination rates remaining very low as a share of the total population, Vietnam remains extremely vulnerable to a further escalation in its COVID-19 wave. The latest IHS Markit Vietnam Manufacturing PMI for July 2021 continued to show contractionary conditions, reflecting the impact of the rising Covid wave.

Escalating new Covid wave hits Vietnam's economy

Vietnam has been one of the world's fastest growing emerging markets in the past decade, boosted by strong foreign direct investment (FDI) inflows into its manufacturing sector. The pace of economic growth slightly exceeded 7% in both 2018 and 2019. Rapid growth of manufacturing exports and large new inflows of foreign direct investment have been important growth drivers for Vietnam, notably driven by rapid expansion in the textiles and electronics sectors. Total electronic and electrical manufacturing exports accounted for 33% of total merchandise exports in 2019, with textiles, clothing and footwear accounting for a further 19.4%.

Total foreign direct investment inflows reached USD 20.4 billion in 2019, up 6.7% year on year (y/y), driven by strong investment by multinationals in establishing new manufacturing production facilities in Vietnam. Samsung has been a key investor, with total foreign direct investment into Vietnam of around USD 17 billion in the decade to 2018. Vietnam has become the biggest foreign production hub for Samsung Electronics, which

booked USD 66 billion of sales in 2018 out of its Vietnamese operations, which was equivalent to around 28% of Vietnam's GDP. Around 50% of Samsung's smartphones and tablets are produced in Vietnam and exported globally. Samsung has also built its largest R&D centre in Southeast Asia near Hanoi.

However, economic growth momentum moderated significantly in 2020, due to the impact of the COVID-19 pandemic. For calendar 2020, the Vietnamese economy still recorded positive growth of 2.9% y/y, compared with a 7.1% GDP growth rate in calendar 2019. Despite the moderation in growth momentum, Vietnam was one of the very few industrial economies in the Asia-Pacific region that achieved economic expansion in 2020, as the world economy slumped into a recession. IHS Markit estimates that the Vietnamese economy will continue to show positive growth momentum in 2021, expanding at a pace of 3.9% y/y. Disbursed FDI remained resilient in 2020 despite the pandemic, at around USD 20 billion, down only 2% on 2019. However, FDI commitments fell more sharply, by 25% y/y, to USD 28.5 billion.

Economic growth momentum strengthened in the first half of 2021. GDP growth in the second quarter of 2021 was up 6.61% y/y, improving on the 4.65% y/y growth recorded in the first quarter of 2021. A key driver of economic growth momentum has been the rapid growth of exports, which rose by 28.4% y/y in the first half of 2021. The strong performance of industrial exports also boosted the industrial sector, with industrial production up 9.3% y/y in the first half of 2021. FDI inflows in the first half of 2021 remained resilient, at USD 9.2 billion, up 6.8% y/y.

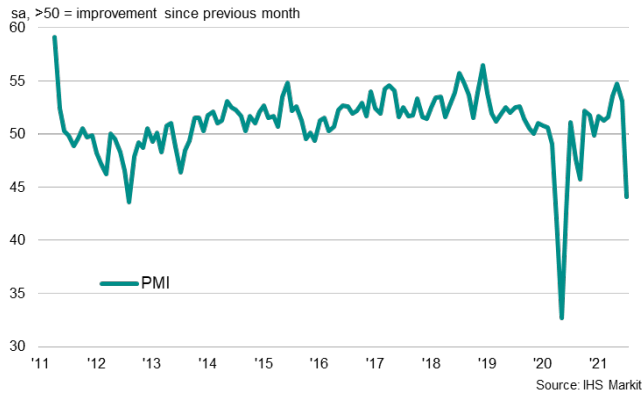
However, a pickup in daily new COVID-19 cases during the past three months has created risks to the near-term outlook. As a result of the rising Covid wave, the government authorities have put in place strict lockdown restrictions for Ho Chi Minh City, many southern provinces, as well as other cities for a wide range of activities, including on public transport, public gatherings and non-essential business activities.

Covid wave triggers widening manufacturing supply chain disruption

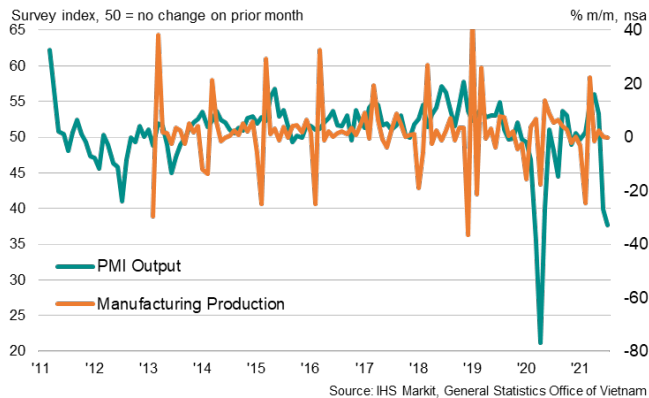
The latest wave of COVID-19 cases in Vietnam led to a sharp decline in business conditions for manufacturers during June and July. The [IHS Markit Vietnam Manufacturing Purchasing Managers' Index \(PMI\)](#) plummeted to 44.1 in June from 53.1 in May, pointing to the most severe deterioration in business conditions for over a year and ending a six-month period of growth.

Although the July PMI reading edged up to 45.1, this remained well below the 50.0 mark signalling neutral business conditions, indicating continuing contraction in the manufacturing sector¹.

Vietnam Manufacturing PMI



Vietnam Manufacturing Output vs Manufacturing Production



Severe disruption to supply chains was noted by firms in the July PMI survey, with the extent of delivery delays the most marked since the survey began more than a decade ago. Companies linked longer lead times to difficulties with transportation both domestically and internationally due to the pandemic, as well as raw material shortages. Manufacturers were also faced with surging input costs. The rate of input price inflation accelerated to the fastest since April 2011. Higher costs for raw materials such as iron and steel, products imported from China and freight charges were all reported by firms.

Output and new orders both decreased at the sharpest rates since the first outbreak of the pandemic in early 2020, while firms scaled back their employment and purchasing activity accordingly. Some business operations have also faced disruption due to temporary plant closures related to COVID-19 clusters. For example, four industrial parks in Bac Giang province in northern Vietnam were temporarily closed in late May,

due to outbreaks of Covid cases, which also impacted on some manufacturing facilities of Foxconn and Samsung.

The impact of factory closures related to the pandemic has become increasingly widespread during July and August. Over 100 seafood processing factories were closed in southern Vietnam during periods in August, while over one-third of textile and garment factories in Vietnam are also reported to have been temporarily closed in recent weeks due to the pandemic.

Samsung Electronics has reported that in Vietnam, which is a key electronics manufacturing hub for the firm, there were production disruptions in certain places during the second quarter of 2021 due to lockdowns that affected operations. However, the firm managed to mitigate the disruptions by shifting production to other parts of their global manufacturing supply chain.

Toyota has announced an estimated 40% drop in global auto production in September due to the impact of global semiconductor shortages as well as disruption to supply chains in Southeast Asian manufacturing hubs, including Vietnam. Toyota temporarily halted several auto assembly lines in Japan for periods during July and August due to disruptions to supply of auto parts from Vietnam.

Manufacturing PMI Suppliers' Delivery Times



The COVID-19 pandemic lockdown measures and temporary company closures were all mentioned by firms participating in the survey as factors leading to sharp reductions in both output and new orders during June and July.

However, despite the deterioration in manufacturing conditions, Vietnam's merchandise exports performed strongly during the first six months of 2021, prior to the significant escalation of the current Covid wave during July and August. According to Vietnam's General Statistics Office, exports in the first six months of 2021 are estimated to have risen by 29.0% y/y to USD 158

¹ Vietnam Manufacturing PMI for August will be updated on September 1, 2021.

billion, while imports increased by 36.3% y/y to USD 159 billion, resulting in a trade deficit of USD 1.0 billion for the first half of 2021.

In the near term, Vietnam’s exports have shown rapid growth, as key export markets, notably the US, China and EU, roll out COVID-19 vaccines, allowing a gradual recovery in economic growth momentum. This has supported a rebound in new orders for key Vietnamese exports, such as garments and electronics. Exports of textiles and garments rose by 15.5% y/y. Vietnam’s exports to its largest export market, the US, rose by 44.7% y/y in the first six months of 2021, while exports to China rose by 24.8% y/y over the same period.

Although Vietnam’s merchandise exports were very resilient in 2020 and have rebounded in the first half of 2021, exports of tourism services have collapsed since March 2020 due to the impact of international travel bans, including Vietnam’s own ban on international travel. Prior to the pandemic, the tourism economy had been growing strongly in recent years, with international tourist visits to Vietnam in 2019 having reached 18 million trips, up 16% y/y. The protracted disruption of international tourism has hit Vietnam’s service sector exports badly in 2020-21. The impact on the overall tourism economy has been mitigated by the significant contribution of domestic tourism to the overall industry while the domestic pandemic had very low daily cases. However, with the rising Covid wave and intensifying lockdown restrictions, domestic tourism activity is also being hit.

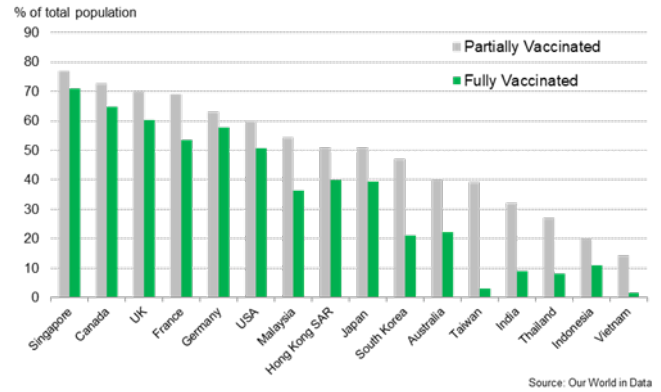
Vietnam’s vaccine rollout

The Vietnam’s COVID-19 vaccine rollout program has lagged significantly behind the rate of vaccination progress in many OECD nations as well as in most other APAC emerging markets. Even by 23rd August 2021, the first dose vaccination rate for Vietnam had only reached 16% of the total population, compared with 80% in Singapore, 56% in Malaysia and 50% in Japan. The fully vaccinated share of the Vietnamese population was still extremely low by 23rd August 2021, at only 2%. On August 25th, Vietnam reported 12,096 daily new Covid-19 cases, a new daily record high.

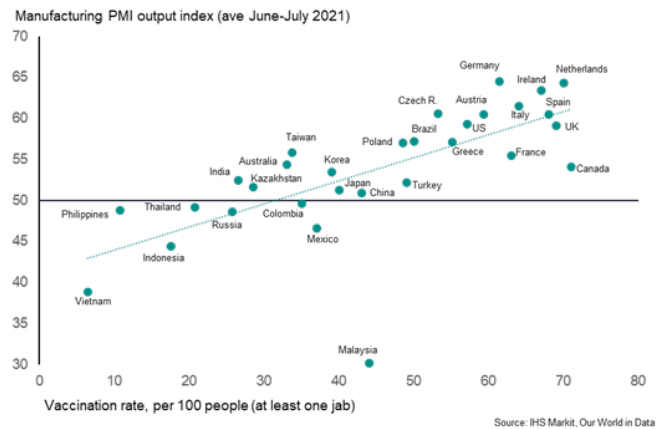
Consequently, Vietnam has remained very vulnerable to escalating new COVID-19 transmission, particularly given the onset of the highly transmissible Covid Delta variant strain in the APAC region during the second quarter of 2021. After having successfully contained the number of new COVID-19 cases throughout most of 2020, Vietnam is now being confronted by a rapidly escalating COVID-19 wave during the third quarter of

2021, which has triggered increasingly severe lockdown measures.

COVID-19 Vaccination Rates, Mid-August 2021



Manufacturing Output Growth and Vaccination Rates



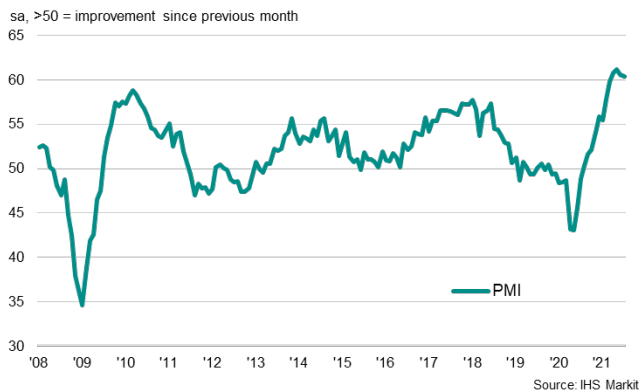
Electronics sector boosted by global demand

A key factor that has driven the sustained strong growth of Vietnam since 2010 has been the rapid growth of electronics manufacturing. The importance of Vietnam’s electronics industry has risen dramatically, with the electronic industry’s share of total GDP rising from around 5% in 2010 to around one-quarter of GDP by 2019, a key factor helping to drive rapid growth of both exports and GDP.

With electronics now being Vietnam’s most important export sector, the impact of global lockdowns due to the pandemic on the global electronics industry had been a negative shock to the sector during the first half of 2020. Amid widespread global lockdown measures aimed at containing the spread of the pandemic, world demand for electronic goods slumped sharply in the second quarter of 2020.

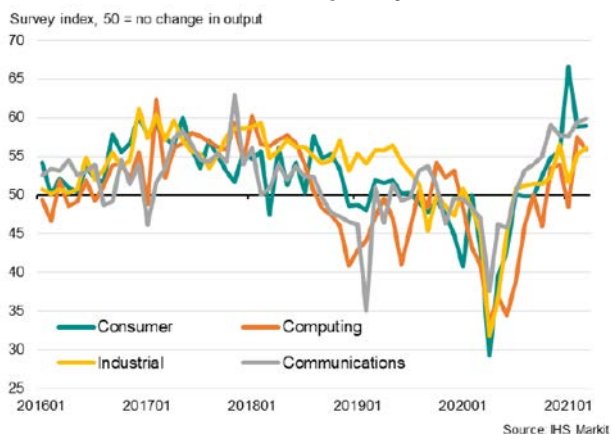
However, since the low points in April and May 2020, the IHS Markit Global Electronics PMI has signalled a very significant rebound. The latest IHS Markit Global Electronics Purchasing Managers' Index for July 2021 was at 60.4, reflecting buoyant demand in key markets. Rebounding consumer spending and industrial production in key economies, notably the United States, mainland China, the European Union, and the United Kingdom, is helping to drive demand for a wide range of electronics products.

Global Electronics PMI



With Christmas orders from the US and Western Europe boosting seasonal demand, the near-term outlook is for continued strong business conditions for the global electronics industry in coming months. According to the PMI data, global electronics new orders rose from a calendar year-to-date low of 34.7 in May 2020 to a level of 59.0 in July 2021, indicating strong expansionary conditions for the electronics industry.

Global Electronics PMI, Output by Sector



Vietnam's exports from phones and components were up 14.1% y/y in the first six months of 2021. Meanwhile, exports of personal computers and related products rose by 22.8% y/y, as the global shift to remote working boosted demand for personal computers. Vietnam has significantly increased its share of global exports of

computers in the past five years and is now competing with China in terms of the total export value of computer products.

Medium-term growth drivers

The pandemic is expected to recede during 2022 as vaccination rollout becomes more widespread across the population of Vietnam. Over the medium-term outlook for the next five years, a number of key drivers are expected to continue to make Vietnam one of the fastest growing emerging markets in the Asian region.

First, Vietnam will continue to benefit from its relatively lower manufacturing wage costs, compared to coastal Chinese provinces, where manufacturing wages have been rising rapidly over the past decade.

Second, Vietnam has a relatively large, well-educated labour force compared to many other regional competitors in Southeast Asia, making it an attractive hub for manufacturing production by multinationals.

Third, rapid growth in capital expenditure is expected, reflecting continued strong FDI by foreign multinationals as well as domestic infrastructure spending. For example, the Vietnamese government has estimated that USD 133 billion of new power infrastructure spending is required by 2030, including USD 96 billion for power plants and USD 37 billion to expand the power grid.

Fourth, Vietnam is benefiting from the fallout of the US-China trade war, as higher US tariffs on a wide range of Chinese exports have driven manufacturers to switch production of manufacturing exports away from China towards alternative manufacturing hubs in Asia.

Fifth, many multinationals have been diversifying their manufacturing supply chains during the past decade to reduce vulnerability to supply disruptions and geopolitical events. This trend has been further reinforced by the COVID-19 pandemic, as protracted supply disruptions from China during February and March 2020 created turmoil in global supply chains for many industries, including autos and electronics.

For example, the Japanese government has introduced a subsidy program in 2020 for Japanese companies to help reduce supply chain vulnerability by relocating production out of China either back to Japan or to certain other designated nations. The Japanese government has allocated an estimated 220 billion yen for the supply chain reshoring program in Japan's supplementary budget for the 2020 fiscal year, equivalent to around USD 2.1 billion. An additional 23.5 billion yen were allocated for supply chain diversification to other selected countries, which includes ASEAN, India and Bangladesh. Vietnam has been one of the

preferred destinations for Japanese firms choosing to shift their production to the ASEAN region in the first round of subsidy allocations announced by the Japanese government.

Free trade agreements

Vietnam is also set to benefit from its growing network of free trade agreements. As a member of the ASEAN grouping of nations, Vietnam already has benefited considerably from the ASEAN Free Trade Agreement (AFTA), which has substantially removed tariffs on trade between ASEAN member countries since 2010. ASEAN also has a network of free trade agreements with other major Asia-Pacific economies, most notably the China-ASEAN Free Trade Area which entered into force in 2010. This network of free trade agreements has helped to strengthen Vietnam's competitiveness as a low-cost manufacturing export hub.

The EU-Vietnam FTA (EVFTA) is a key new free trade agreement that will boost Vietnam's exports and foreign direct investment inflows. The EVFTA is an important boost to Vietnam's export sector, with 99% of bilateral tariffs scheduled to be eliminated over the next seven years, as well as significant reduction of non-tariff trade barriers. For Vietnam, 71% of duties were removed when the EVFTA took effect on 1st August 2020. Vietnam's exports to the EU rose by 21% y/y in the first four months of 2021. The scope of the EVFTA is wide-ranging, including trade in services, government procurement and investment flows. An EU-Vietnam Investment Protection Agreement has also been signed, which will help to strengthen EU foreign direct investment into Vietnam when it is implemented.

Vietnam will also benefit from the Regional Comprehensive Economic Partnership (RCEP) free trade agreement. The fifteen RCEP countries are the ASEAN ten nations, plus China, Japan, South Korea, Australia and New Zealand. The RCEP agreement covers a wide range of areas, including trade in goods and services, investment, e-commerce, intellectual property and government procurement.

US bilateral trade frictions

The US deficit for trade in goods with Vietnam reached USD 55.8 billion in 2019, with the deficit widening by 41.2% compared to 2018. This was slightly mitigated by the USD 1.2 billion surplus in favour of the US for trade in services, but still left the overall bilateral trade deficit at USD 54.5 billion in 2019.

In 2020, the US trade deficit with Vietnam for trade in goods has further widened, reaching USD 69.7 billion.

Reflecting the persistent large bilateral trade surplus that Vietnam has with the US, the Office of the US Trade Representative (USTR) announced on 2nd October 2020 that the US government has launched an official investigation into acts, policies and practices by Vietnam that may contribute to the undervaluation of its currency and the resultant harm caused to US commerce, under section 301 of the 1974 Trade Act.

As part of its investigation on currency undervaluation, USTR consults with the US Department of the Treasury as to issues of currency valuation and exchange rate policy. The US Treasury has informed the US Department of Commerce that Vietnam's currency was undervalued by 4.7% in 2019, partly due to intervention by the Vietnamese government. In December 2020, the US Treasury named Vietnam as a "currency manipulator".

USTR has also launched an investigation into Vietnam's acts, policies, and practices related to the import and use of timber that is assessed to be illegally harvested or traded.

However, in its April 2021 semi-annual Report on Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States, the US Treasury determined that with reference to the Omnibus Trade and Competitiveness Act of 1988, there was insufficient evidence to make a finding that Vietnam manipulates its exchange rate for either of the purposes referenced in the 1988 Act and dropped its labelling of Vietnam as a "currency manipulator".

Nevertheless, consistent with the 1988 Act, the US Treasury considers that its continued enhanced engagements with Vietnam, as well as a more thorough assessment of developments in the global economy as a result of the COVID-19 pandemic, will enable the US Treasury to better determine whether Vietnam intervened in currency markets in 2020 to prevent effective balance of payments adjustment or gain an unfair competitive advantage in trade.

Economic outlook

Due to the impact of the latest COVID-19 wave, the pace of Vietnam's economic growth is expected to be moderate. The Vietnamese economy is expected to show annual growth of 3.9% in 2021. GDP growth momentum is forecast to strengthen to 7.4% y/y in 2022, as increasing vaccine rollout helps to gradually contain the pandemic.

However, a key uncertainty in the near-term outlook is the extent and duration of the current wave of new COVID-19 cases that is hitting the nation. If the Covid wave escalates further, it poses a significant further risk to the near-term outlook for domestic demand, with the added risk of protracted disruption to manufacturing output if more COVID-19 clusters are detected in major manufacturing facilities or logistics supply chains. Furthermore, unless Vietnam can significantly ramp up its vaccination rate in coming months, it remains vulnerable to new Covid waves.

Despite these near-term risks, over the medium-term economic outlook, a large number of positive growth drivers are creating favourable tailwinds and will continue to underpin the rapid growth of Vietnam's economy. This is expected to drive strong growth in Vietnam's total GDP as well as per capita GDP.

Vietnam's total GDP is forecast to increase from USD 270 billion in 2020 to USD 440 billion by 2025, rising to USD 700 billion by 2030. This translates to very rapid growth in Vietnam's per capita GDP, from USD 2,800 per year in 2020 to USD 4,300 per year by 2025 and

USD 6,700 by 2030, resulting in substantial expansion in the size of Vietnam's domestic consumer market.

Vietnam's role as a low-cost manufacturing hub is also expected to continue to grow strongly, helped by the further expansion of existing major industry sectors, notably textiles and electronics, as well as the development of new industry sectors, such as autos and petrochemicals.

For many multinationals worldwide, significant supply chain vulnerabilities have been exposed by the protracted disruption of industrial production in China as well as some other major global manufacturing hubs during the COVID-19 lockdowns. This will drive the further reshaping of manufacturing supply chains over the medium term, as firms try to reduce their vulnerability to such extreme supply chain disruptions. With US-China trade and technology tensions still remaining high, this is likely to be a further driver for reconfiguring of supply chains. A key beneficiary of the shift in global manufacturing supply chains will be the ASEAN region, with Vietnam expected to be one of the main winners.