PMI™
by S&P Global

Week Ahead Economic Preview

Flash PMI surveys and China's GDP

14 April 2023

A busy week for economy watchers culminates with flash PMI updates, which will provide important assessments of business conditions at the start of the second quarter for the US, Eurozone, UK, Japan and Australia. Of primary importance is the degree to which stronger than anticipated growth in March, led by improving service sector performances, can be sustained in April given the headwinds of higher interest rates and banking sector stress. The PMI price indices will also be eagerly awaited for inflation signals (see box on right).

However, before the flash PMIs, a flurry of official data releases will add to the economic picture in the first quarter.

In Asia, China will update its mainland GDP statistics which are widely expected to show an improvement on the sluggish 2.9% rate of growth seen in the fourth quarter of last year. PMI data have already risen sharply so far this year due to the reopening of the economy. Retail sales, industrial production and investment details will be important to monitor. Japan will meanwhile publish data on industrial production and its tertiary sector, as well as new inflation numbers after February saw a solid 3.3% annual rise.

In the Americas, the US flash PMI surveys are preceded by a variety of housing market data that will be important to monitor in terms of the impact of recent rate hikes. Canada meanwhile sees house price, retail sales, producer price and consumer price updates – all of which will be eyed for insights into whether the central bank has been correct to be the first major western central bank to pause its policy tightening. Also look out for Brazilian industrial production.

In Europe, final eurozone inflation numbers are anticipated to confirm the cooling of headline price pressures signalled by the flash data. It's also a crowded week in the UK economic data calendar, with official updates to the labour market and retail sales, as well as producer and consumer prices. The latter has proven worryingly stubborn in the UK, having risen slightly to 10.4% in February, and any further stickiness will drive up Bank of England rate hike expectations.

From a central bank perspective, the only decision this week comes for Indonesia, where rates are expected to remain on hold.

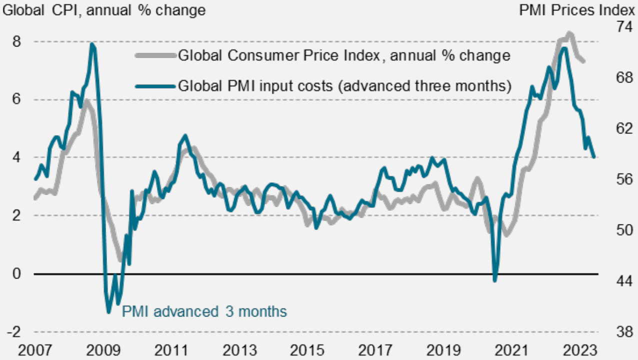
Inflation cooling, slowly

Recent official data are showing headline inflation cooling. Consumer prices in the US are now rising at an annual rate of 5.0%, down from 6.0% in February and almost half the 9.1% rate seen in May of last year. Rates are also cooling in Europe. In the eurozone, the annual rate of inflation has fallen to 6.9% in March from a peak of 10.6% last October. In the UK, the rate has proven stickier at 10.4% up to February, but this is down from a high of 11.1% last October. Base effects, notably from energy, have helped these reductions in the annual rate of inflation and should help further in the months ahead.

This cooling is confirmed by the PMI data, which showed firms' input costs rising globally at the slowest rate for 28 months in March, which should feed through to lower consumer price inflation in the coming months. However, it should be noted that even this lower PMI input cost index reading remains consistent with global consumer prices rising at an annual rate of approximately 4%, which could worry many central bankers, especially as the recent growth in costs is being buoyed by wage growth.

Hence the upcoming flash PMI data for April will be eagerly assessed not just for signs of recession risks, but of the extent to which inflation pressures in the service sector – which has been the main driving force of the recent expansion of output –is proving "sticky".

Global PMI input prices vs. CPI inflation



Source: S&P Global Market Intelligence, JPMorgan.
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Key diary events

Monday 17 April
Greece Easter Holiday
United Kingdom Natwest Regional PMI
South Korea Trade Data (Mar)
Singapore Trade Balance (Mar)
Italy CPI (Mar)
Canada Wholesale Sales (Feb)

Tuesday 18 April
China GDP (Q1)
China Industrial Production (Mar)
China Retail Sales (Mar)
China Unemployment Rate (Mar)
United Kingdom Average Earnings (Feb)
United Kingdom Unemployment Rate (Feb)
Italy Trade Balance (Feb)
Eurozone Trade Balance (Feb)
Canada CPI (Mar)

Wednesday 19 April
Japan Industrial Production (Feb)
United Kingdom CPI (Mar)
United Kingdom PPI (Mar)
United Kingdom RPI (Mar)
South Africa CPI (Mar)
Eurozone CPI (Mar)
United States Mortgage Market Index
Canada Housing Stats (Mar)
India M3 Money Supply
Brazil Industrial Production (Feb)

Thursday 20 April
Japan Trade Data (Mar)
Germany PPI (Mar)
Spain Trade Balance
Belgium Consumer Confidence (Apr)
Greece Current Account (Feb)
Eurozone Trade Balance (Feb)
Canada New Housing Prices Index
Eurozone Consumer Confidence (Apr)

Friday 21 April
Brazil Holiday
Flash PMI (Apr)
South Korea PP (Mar)
Japan CPI (Mar)
Hong Kong CPI (Mar)
Canada Retail Sales (Feb)

* Press releases of indices produced by S&P Global and relevant sponsors can be found here.

What to watch

Worldwide Flash PMIs for April

Flash PMIs, set for release at the end of the week, will be keenly awaited, providing a preliminary view of economic developments and, in particular, whether the recent growth across the service sector will continue to mask the manufacturing malaise. Our special report on page 4 provides a recap on what to watch out for. Furthermore, providing a glimpse of the recent trends in inflation, the flash PMI results will be valuable in identifying the potential risks to global economy.

Americas: US Mortgage Market Index, Canada CPI, Housing data and retail sales

Data set for release over the course of the week covering North America will be highly illuminating in terms of the housing market. With the Fed continuing to hike interest rates, the passthrough effect on mortgages and households is still coming through. Look out for housing starts, building permits and mortgage application data.

Data for retail sales across Canada will also reveal consumer spending trends for March, published alongside house price, producer price and all-important inflation numbers.

Europe: Eurozone CPI, trade data and consumer confidence and UK inflation for March

The Eurozone is set the release its final CPI and trade figures. Latest data from S&P Global Eurozone Composite PMI indicated a further easing of price pressures in March as operating expenses across the manufacturing sector fell, and thus resulted to the softest rise in charges for the provision of goods and services in nearly two years.

The UK is also set to release its figures for inflation for March as well as important labour market data, which notably include wage growth statistics.

Asia-Pacific: China GDP, industrial production, retail sales and unemployment data, Japan industrial production, and Singapore trade data

Some strong sets of data for mainland China are scheduled to be released in the coming week. This includes GDP (Q1), industrial production and retail sales figures as well as investment and unemployment data. All of which will give a holistic view of the economy amid its reopening.

Elsewhere, key releases from APAC include Japan’s industrial production and Singapore’s trade data.

Special reports:

Global growth accelerates in March but doubts persist regarding recession risks | Chris Williamson | page 4

Vietnam Economy Moderates in Early 2023 | Rajiv Biswas | page 7

Recent PMI and economic analysis from S&P Global

Global	Monthly PMI Bulletin: April 2023	12-Apr	Chris Williamson Usamah Bhatti
	Global inflation pressures moderate but remain elevated thanks to higher service sector prices	11-Apr	Chris Williamson
	Global economic growth accelerates further in March amid service sector revival	11-Apr	Chris Williamson
	Supply improvement boosts global factory output, but demand continues to fall	05-Apr	Chris Williamson
Americas	US flash PMI signals faster economic growth in March, but also warns of rising price pressures	28-Mar	Chris Williamson
Europe	UK economic resilience in March signalled by flash PMI	24-Mar	Chris Williamson
	UK wage growth cools amid uncertain economic outlook	17-Mar	Chris Williamson
Asia-Pacific	Singapore manufacturing output weakens in early 2023	31-Mar	Rajiv Biswas
Africa	Nigeria cash crisis hits activity in February	7-Mar	Andrew Harker
Commodities	Weekly Pricing Pulse: Commodities down amid market turmoil	23-Mar	Michael Dall

S&P Global Economics & Country Risk highlights

US Weekly Economic Commentary: Big wheel keeps on turning — but it's slowing

Data out last week — admittedly looking in the rearview mirror — showed the economy exhibiting decent forward momentum, but there are signs that momentum is slowing. In this month's forecast update, issued April 6, we revised up our forecast for first-quarter GDP growth to +1.9% (annualized), from last month's -0.4%. However, concerns over the potential tightening of financial conditions from a pull-back in bank lending led us to mark down growth over the remainder of the year, on average, by 0.3 percentage point.

Click here to read our research and analysis

PMI Insights: Inflation trends, China re-opening, top 10 indicators

Tune in for the latest trends seen in our Purchasing Managers Index data. Economists on our Purchasing Managers' Index team use the prism of our PMI datasets to look at some of the most important themes in the global economy at the start of 2023. These include inflation, the recent reopening of China's economy, and supply chain risks.

Click here to listen to this podcast by S&P Global Market Intelligence

For further information:

For more information on our products, including economic forecasting and industry research, please visit https://www.spglobal.com/. For more information on our PMI business surveys, please visit here.

Special Focus

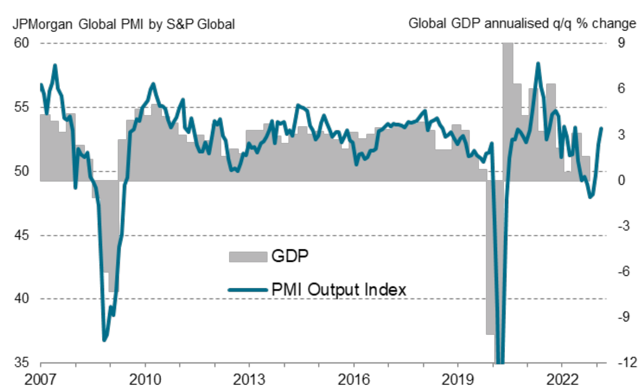
Global growth accelerates in March but doubts persist regarding recession risks

S&P Global's PMI surveys surprised to the upside in March, allaying worries of imminent recessions in the world's major economies. But nagging doubts about the resilience of the upturn persist, as a deeper dive into the PMI survey data underscores how the current growth revival could prove short-lived.

Robust global GDP growth

At first sight, the news from the PMI surveys looks promising. With the headline JPMorgan Global PMI – compiled by S&P Global – rising from 52.1 in February to 53.4 in March, the survey data are indicative of worldwide GDP rising at a robust quarterly annualized rate of approximately 3%.

Global PMI vs. GDP



Source: S&P Global Market Intelligence, JPMorgan.
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This marks a major reversal of the situation seen late last year, when the PMI had sunk into contraction territory. If the initial pandemic lockdown months of early 2020 are excluded, the downturn recorded late last year had been the steepest since the global financial crisis.

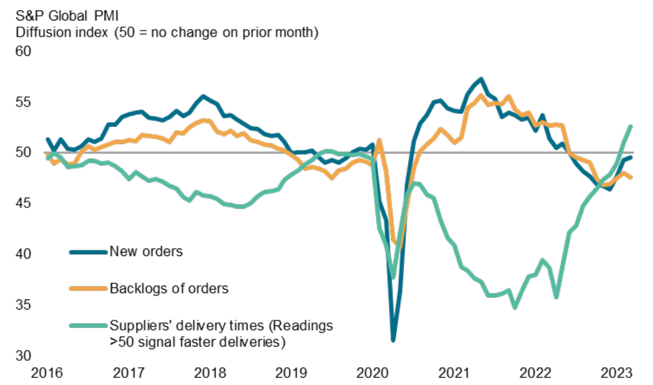
However, delve deeper into the recent data and cracks soon start to appear, most notably in the reliance on the service sector, which looks vulnerable to weakening demand in the months ahead.

Manufacturing buoyed by improving supply

Looking first at manufacturing, the sector has stabilised since sliding into a downturn late last year, providing welcome support to the global economy. But this improvement has been fueled by improving supply chains rather than an upturn in demand.

Supplier delays, which plagued manufacturing and led to an unprecedented backlog of uncompleted work since the pandemic, have eased to the extent that March saw the greatest improvement in supplier performance since 2009. Factories are hence now able to reduce these accumulated backlogs of work.

Global manufacturing order books and supplier delivery times



Source: S&P Global Market Intelligence, JPMorgan
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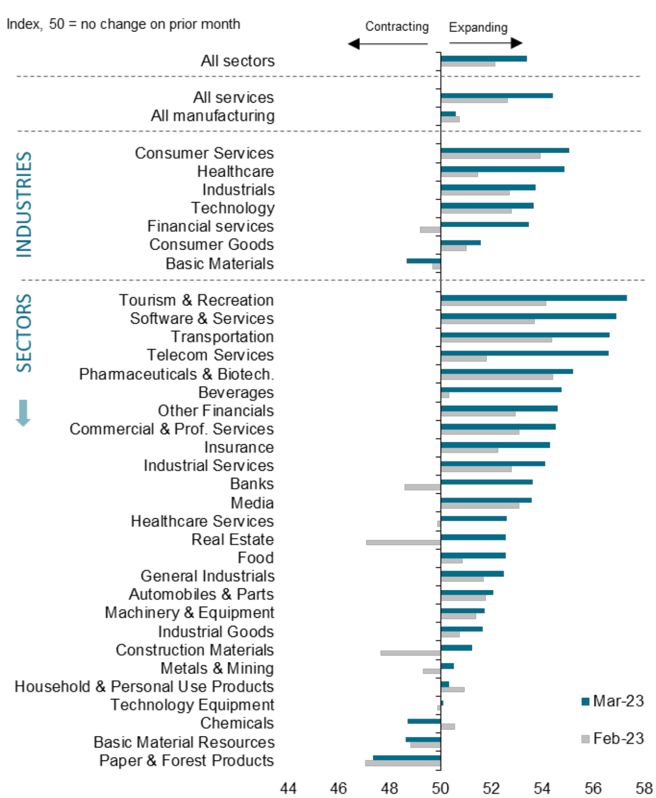
Unfortunately, inflows of new orders into factories continued to fall globally in March. Unless these order inflows pick up, existing backlogs of work will soon become depleted, meaning current production volumes will prove unsustainable.

Service sector reliance amid policy headwind

Global PMI sector output



Source: S&P Global, JPMorgan.
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Turning to services, the news is better, in that the rate of growth hit the highest since December 2021, with the sector reviving substantially from the downturn of late 2022 on the back of rising inflows of new business.

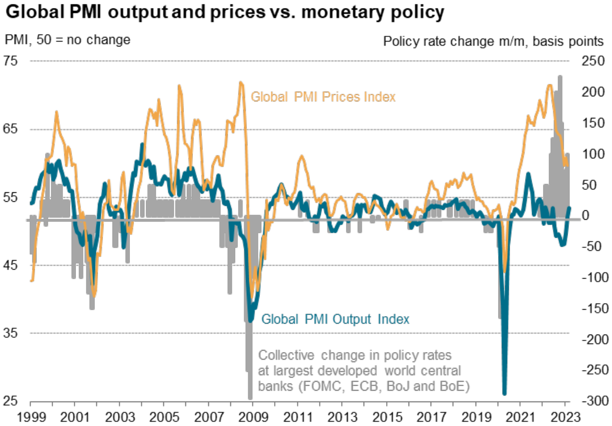
Looking further into the detail, the services expansion was driven first and foremost by resurgent tourism & recreation and travel, reflecting a broader improvement in spending by consumers. A further key development was a surprising revival of activity and demand in the financial services sector.

There are of course factors that have helped boost services growth: consumers and businesses are benefitting from a peaking of policy rates being in sight, labour markets remain robust, and there remains a tailwind from the travel and spending curbs seen during the pandemic, notably in recent weeks from the reopening of the Chinese mainland.

However, given the banking sector stress witnessed in March, as well as the further recent tightening of monetary policy in the US and Europe, it would be a surprise to see the consumer and the financial services sector retain their roles as such prominent growth drivers of the global economy in the coming months.

As our chart illustrates, the recent upturn in global output has been surprising in the context of recent policy hikes, and with the full impact of policy changes widely thought to occur with a significant delay, there should be more headwinds from interest rates evident in the months ahead.

Global PMI output and prices vs. monetary policy



Source: S&P Global Market Intelligence, JPMorgan.
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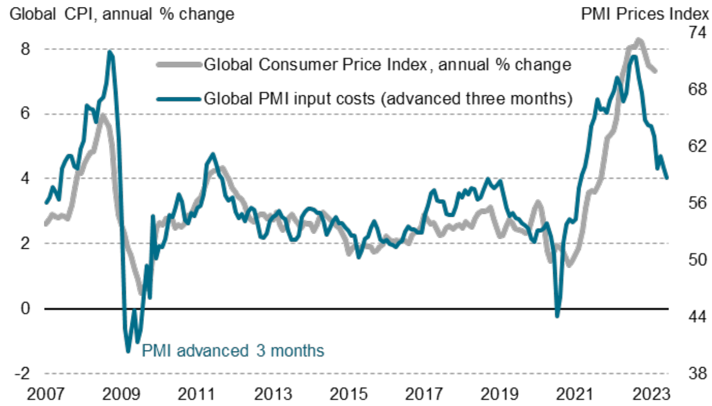
Cooling inflation

A key factor to consider is the speed with which inflation is likely to cool in the months ahead, given this will determine the future interest rate path. Headline consumer price inflation is showing signs of having peaked globally, and PMI survey data on companies' costs, which acts as a leading indicator of consumer price inflation, suggests price growth should continue to moderate substantially further in the coming months. The rate of inflation of costs has cooled almost continually since hitting a near 14-year peak last May, such that average input costs measured across manufacturing and services rose in March at the slowest rate for 28 months.

Global PMI input prices vs. CPI inflation



Source: S&P Global Market Intelligence, JPMorgan.
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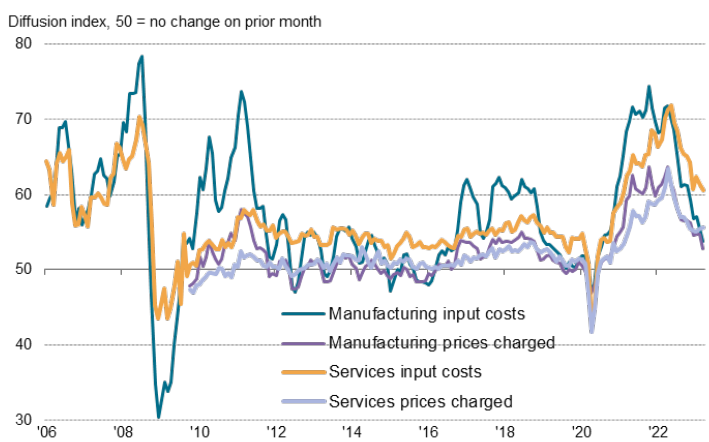
One area of concern to watch is wage growth. Although manufacturing input cost inflation has slowed well below its long-run average over the past two months, sinking to a 32-month low in March thanks to the improving supply situation, service sector input cost inflation remains far above its long-run average, with companies citing higher staff costs as a key driver of upward cost pressures.

Selling price inflation has also remained higher in services than manufacturing. Moreover, while selling price inflation in manufacturing has fallen close to its long run average, the equivalent rate of inflation in services continues to run well above its long run average. This could clearly add to some near-term persistence of above-trend global inflation.

Global PMI inflation indices



Source: S&P Global Market Intelligence, JPMorgan.
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Assessing the outlook

Looking ahead, while near-term recession odds have fallen, we retain the view that the PMI sub-indices suggest that the recent upturn is based on poor foundations and a slide back into contraction cannot be ruled out. In particular, the global manufacturing rebound has been buoyed by better supply chains (allowing backlogs of orders to be fulfilled) rather than increasing demand, and rising service sector activity looks vulnerable to the recent tightening of financial conditions. An upside is that inflation looks to be cooling rapidly, albeit with some caution needed in terms of wage growth, meaning peak policy rates are in sight. Any slide into recession could therefore be swiftly met with looser policy.

March's flash PMI data, to be published on 21st April, will of course help further assess the developing situation.

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Special Focus

Vietnam Economy Moderates in Early 2023

Vietnam's GDP growth rate moderated to a pace of 3.3% y/y in the first quarter of 2023, after rapid GDP growth of 8.0% y/y in 2022. Vietnam's manufacturing export sector has faced increasing headwinds due to slowing growth in the US and EU, which are two key export markets accounting for over 40% of Vietnam's goods exports. Vietnam's goods exports fell by 11.9% year-on-year in the first quarter of 2023.

Vietnam is expected to resume rapid economic growth over the medium-term economic outlook, as a key beneficiary of the shift in global manufacturing supply chains towards competitive Southeast Asian manufacturing hubs.

Vietnam's GDP Growth Softens as Exports Weaken

Vietnam's real GDP grew by 8.0% in 2022, as the economy rebounded strongly from the economic disruption caused by the COVID-19 pandemic during second half of 2021. However economic growth momentum has moderated to 3.3% y/y in the first quarter of 2023, reflecting the impact of weakening growth in industrial production and exports.

Vietnam's goods exports rose by 10.6% in 2022. However, the economic slowdown in the US and EU, which together account for 42% of Vietnam's total goods exports, has resulted in a significant weakening in exports during the first quarter of 2023, with goods exports declining by 11.9% y/y.

The US remains Vietnam's largest export market, accounting for 29.4% of total merchandise exports. Vietnam's exports to the US rose by 13.6% in 2022, with the bilateral trade surplus with US increasing to USD 95 billion.

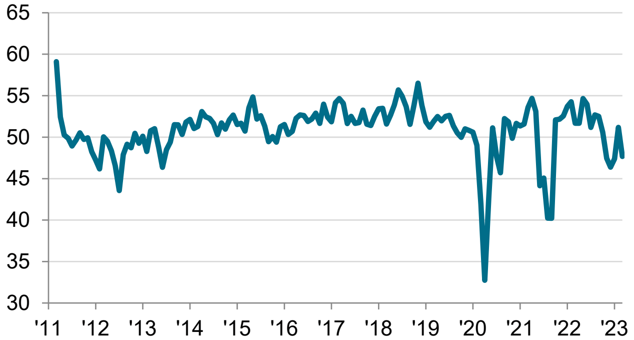
Vietnam's industrial production rose by 7.8% y/y in 2022, with manufacturing output up by 8.0% y/y. However, the manufacturing sector has slowed in early 2023, with industrial production declining by 6.3% y/y for the first two months of 2023.

The S&P Global Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) fell to 47.7 in March 2023, down from 51.2 in February and below the 50.0 neutral mark for the fourth time in the past five months. The March reading signaled contractionary business conditions.

The March survey indicated a decline in both total new orders and new export orders. The decline in overall new orders was the fourth in the past five months, while new business from abroad dipped for the first time in three months. In turn, backlogs of work decreased at the fastest pace since last November. Matching the weakening picture for new orders, manufacturing production also dropped in March following a rise in February. The reduction was only modest, however. Investment goods production increased, but falls were seen in the consumer and intermediate goods categories.

S&P Global Vietnam Manufacturing PMI

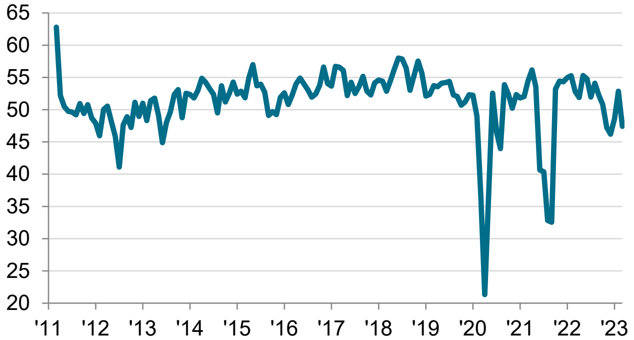
sa, > 50 = improvement since previous month



Source: S&P Global.
Data were collected 10-23 March 2023.

S&P Global Vietnam Manufacturing New Orders

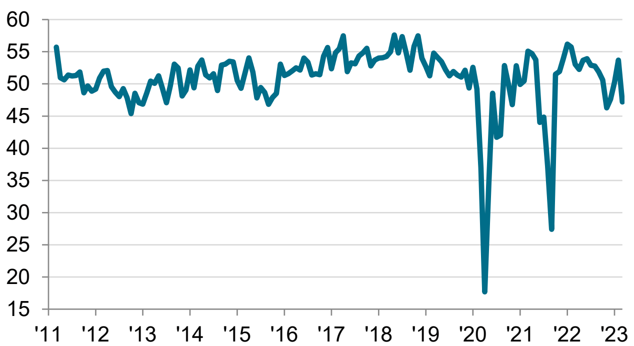
sa, > 50 = improvement since previous month



Source: S&P Global.
Data were collected 10-23 March 2023.

S&P Global Vietnam Manufacturing New Export Orders

sa, > 50 = improvement since previous month



Source: S&P Global.
Data were collected 10-23 March 2023.

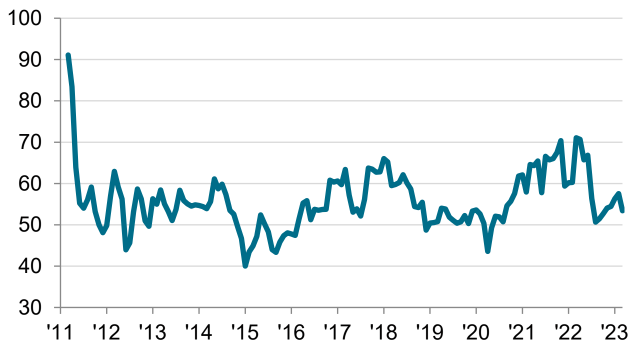
The March PMI survey also indicated that inflationary pressures eased at the end of the first quarter of 2023. Although increased supplier charges meant that input costs continued to rise, the rate of inflation was the softest since last October, ending a spell of accelerating cost inflation. With input prices rising at a slower pace and firms keen to price competitively in order to stimulate demand, output prices increased marginally in March.

The CPI inflation rate moderated to 3.4% y/y in March 2023, compared with a rate of 4.3% y/y in February.

In response to rising inflation and the strengthening USD versus the dong, Vietnam's central bank, the State Bank of Vietnam (SBV), raised its policy rate by 200bps in two 100bp steps during September and October 2022. However, with Vietnam's economy slowing significantly in early 2023, the SBV has started easing monetary policy. The SBV cut its policy rates by 100bps on March 15th and again by 50bps on April 3rd as concerns have increased about the impact of rising interest rates on the property sector, which has faced rising liquidity pressures.

S&P Global Vietnam Manufacturing Input Prices

sa, > 50 = improvement since previous month



Source: S&P Global.
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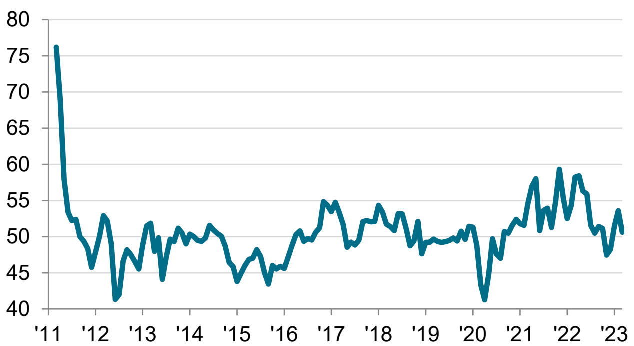
S&P Global Vietnam Manufacturing Output Prices

sa, > 50 = improvement since previous month



Source: S&P Global.
Data were collected 10-23 March 2023.

Medium term growth drivers

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.

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

Secondly, Vietnam has a relatively large, well-educated labor 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 foreign direct investment 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 disruptions created turmoil in global supply chains for many industries, including autos and electronics. Supply chain diversification has been further driven by renewed manufacturing supply chain delays in China during 2022, due to COVID-19 related disruptions to production and logistics in some Chinese cities.

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. 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.

Vietnam is also a member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) among 11 Pacific nations, including the G-20 economies of Canada, Mexico, Japan and Australia. In March 2023, the UK Government substantially concluded negotiations on the UK's accession to the CPTPP. As the UK is the world's fifth largest economy, its accession would significantly increase the overall economic size of the CPTPP grouping, providing Vietnam with substantial competitive advantages for exporting to the UK market as well as attracting UK foreign direct investment.

A very important trade deal that took effect in 2020 is the EU-Vietnam Free Trade Agreement (EVFTA). 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. 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. In 2022, Vietnam's exports to the EU reached USD 56 billion, up 10.2% y/y.

Vietnam will also benefit from the Regional Comprehensive Economic Partnership (RCEP) free trade agreement that was implemented from 1st January 2022. The fifteen RCEP countries are the ASEAN ten nations, plus China, Japan, South Korea, Australia and New Zealand. Vietnam has already ratified the RCEP agreement and will therefore benefit immediately from the date of RCEP implementation. 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 favor 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 further widened, reaching USD 69.7 billion, with the overall bilateral trade deficit for goods and services at USD 68 billion. In 2021, the bilateral deficit for trade in goods widened considerably further, reaching USD 91 billion, boosted by Vietnam's growing exports of electronics and machinery to the US. Vietnam had the third largest goods trade surplus with the US in 2021. By 2022, the bilateral trade deficit for trade in goods had increased to USD 116 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 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 semiannual 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".

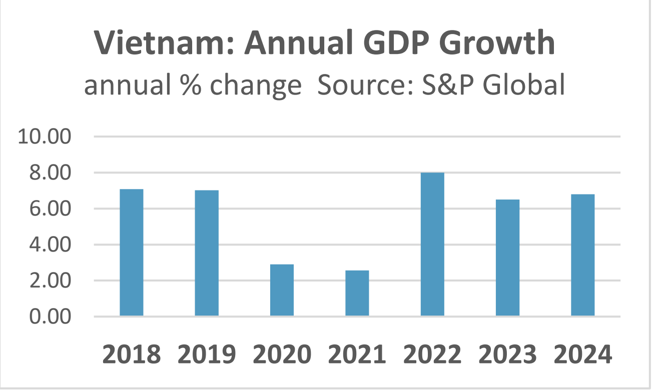
Nevertheless, consistent with the 1988 Act, the US Treasury considers that its continued enhanced engagements with Vietnam, as well as a more thorough assessment of developments in the global economy as a result of the COVID-19 pandemic, will enable the US Treasury to better determine whether Vietnam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

US government concerns about currency manipulation have been further addressed following a bilateral agreement in July 2021 between the US and Vietnam whereby Vietnam has committed to refrain from competitive devaluation of the dong. The agreement was announced in a joint statement by US Treasury Secretary Janet Yellen and State Bank of Vietnam Governor Nguyen Thi Hong. In its December 2021 and June 2022 semiannual reports, the US Treasury stated that it continues to engage closely with the State Bank of Vietnam to monitor Vietnam's progress in addressing the US Treasury's concerns and is thus far satisfied with progress made by Vietnam.

Economic outlook

Due to the severe economic impact of lockdowns triggered by the COVID-19 Delta wave in mid-2021, the pace of Vietnam's economic growth moderated to 2.6% in 2021, compared with the

2.9% growth rate recorded in 2020. There was a strong rebound in GDP growth momentum in 2022, at a pace of 8.0 % y/y, as domestic demand and manufacturing export production returned to more normal levels.



The economic outlook from 2023 to 2026 is for rapid economic expansion, with GDP growth forecast to grow at a pace of around 6.5% in 2023, with sustained strong growth at a pace of around 6.7% per year over 2024-2026. However, Vietnam's economy faces near-term risks from the slowdown in key export markets, notably the US and the EU.

Over the medium-term economic outlook, a large number of positive growth drivers are creating favorable 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.

With strong economic expansion projected over the next decade, Vietnam's total GDP is forecast to increase from USD 327 billion in 2022 to USD 470 billion by 2025, rising to USD 760 billion by 2030. This translates to very rapid growth in Vietnam's per capita GDP, from USD 3,330 per year in 2022 to USD 4,700 per year by 2025 and USD 7,400 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. Vietnam already has a domestic automaker of electric vehicles, Vinfast, which launched its first EV in Vietnam in 2021. In March 2022, Vinfast announced a USD 2 billion investment to build an auto manufacturing plant in North Carolina, for manufacturing EV buses and SUVs, as well as EV battery manufacturing, with construction expected to commence in 2023.

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.

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