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Vietnam's socio-economic report 2024

Implications and opportunities for the consumer sector

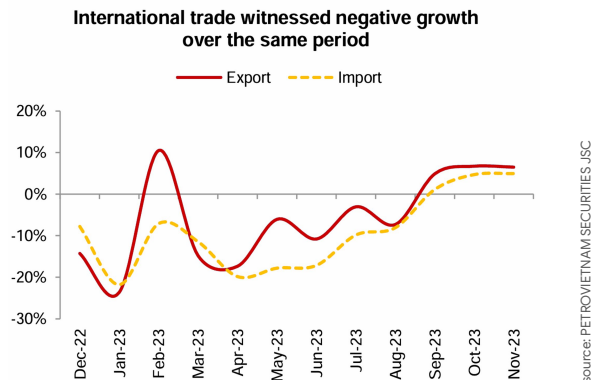
Vietnam's economy overview: 2023 in retrospect

Vietnam's 5% economic growth for 2023 misses official target of 6.5%, weighed by drop in export demand

Trade balance

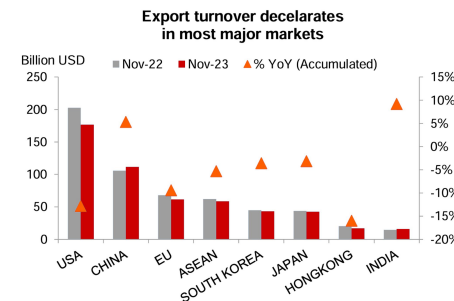
Record trade surplus in 2023 not indicative of positive export outlook

Trade surplus in the first 11 months of 2023 reached a record \$25.35 billion but total import-export turnover shrank by 7.65% YoY. Import activities notably dropped, primarily due to domestic manufacturers discontinuing imports of production inputs due to lower demand for new orders.



Among Vietnam's top 5 main export markets, China is the only market witnessing positive growth.

Other major markets such as the US, EU, ASEAN, Japan, and Korea all recorded lower export values over the same period.



Despite growth below government targets this year, Vietnam remains among the world's fastest-growing economies. Anticipated improvements in import and export activities in 2024 are driven by increased domestic and foreign consumer demand with rising purchasing power.

According to IMF forecasts on economic prospects in 2024, Vietnam's economic growth rate is expected to reach **5.8%** compared to 2023, ranking 20th among the forecasted countries.

Vietnam's economy overview: 2023 in retrospect

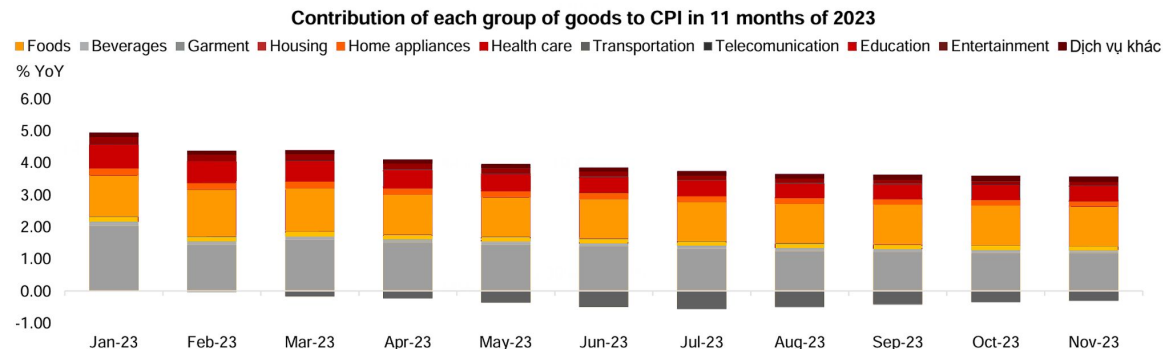
Inflation and exchange rates are well-controlled, while interest rates is expected to remain low throughout 2024

Inflation

Inflation gradually stabilised month-by-month, lead to 2023 average rate of 3.25%

In late 2023, inflation was notably driven by higher food costs, housing costs due to rising construction material prices) and higher education-related prices.

Education expenses experienced the most significant growth over 12 months due to increasing tuition. Conversely, the YoY decline in gasoline prices played a pivotal role in reducing transportation costs, making it the most positive factor influencing the 2023 CPI.



Interest rates

Interest rates and credit growth expected to remain low in 2024

Vietnam's interest rates in 2023 decreased sharply and is expected to remain at a low level throughout 2024.

Interest rates of commercial banks are lower than the pre-pandemic level due to the State Bank's management efforts to improve banking system liquidity.

Credit expansion fell below anticipated levels, reaching only 9.15% by the end of Nov 2023. Despite the decreasing interest rates, the economy faced subdued capital demand due to the struggles of a majority of manufacturing enterprises.

Vietnam's consumer goods sector: driving 2024 GDP growth

Retail of consumer goods and services plays the leading role in Vietnam's 2023 economic growth

Consumption sector and economic growth

Consumption sector expected to be the driving factor for GDP growth

Retail sales increased from 2022 but still fall below pre-COVID levels. It surged by 9.6% for the year; however, this total remained below the pre-pandemic level of \$18 million in 2019.

The projected growth in the consumption of goods and services for 2024 is estimated at 10%, driven by the gradual recovery of domestic purchasing power after a challenging economic phase.

Tourism is anticipated to exhibit strong recovery, with international visitor numbers to Vietnam expected to return to pre-epidemic levels in 2024. **However, spending levels may not experience a rapid increase.**

Consumer spending

Lower demand for non-essential goods...

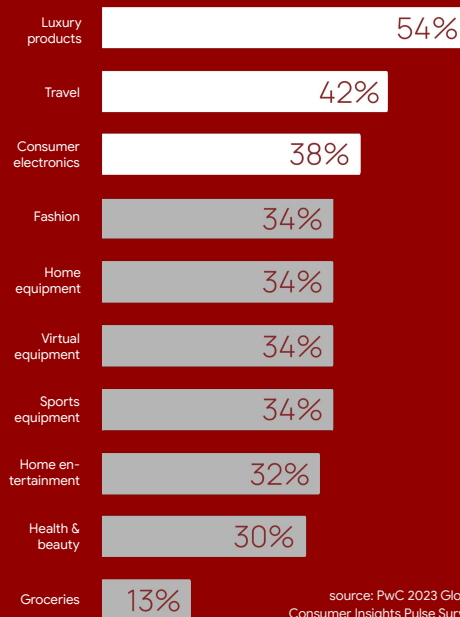
62% of Vietnamese consumers say they expect to cut non-essential spending

... with spending cutbacks impacting some discretionary categories more sharply

Luxury, travel and consumer electronics products expected to face the greatest decrease spending.



% of consumers expecting to spend less over the next 6 months



source: PwC 2023 Global Consumer Insights Pulse Survey

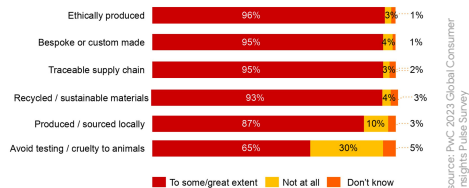
Vietnam's consumer goods sector: key business trends

ESG and online shopping remains popular, while AI applications saw significant growth since 2022

ESG

Consumers are purposefully choosing healthier, more sustainable, and local options.

Environmental and social cues attract price premiums - for instance, 96% of Vietnamese consumers are willing to pay more for products from ethical companies.



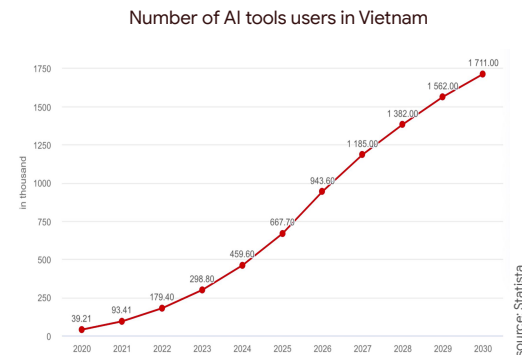
AI

VN's AI market is expected to continue to experience significant growth with consumer goods sector seeing widespread application

Vietnam's AI market is surging, expected to hit US\$713.10 million in 2024. This growth is fueled by widespread AI adoption, algorithm advancements, infrastructure development, & increased R&D investment.

Expected annual growth rate
17.59%
(CAGR 2024-2030)

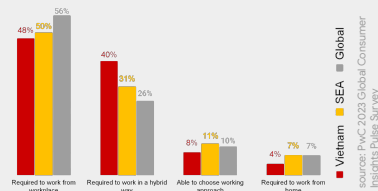
The consumer market drives AI growth through increased use of consumer-facing applications like virtual assistants and chatbots, expanding the AI market. Many online retailers in VN are now using conversational AI and chatbots for real-time customer queries and order updates.



Omnichannel shopping

Online shopping continues to thrive

In VN, office work is back, shifting mobility and channel preferences.



A significant number of consumers favor omnichannel shopping, seeking a 'phygital' experience. Despite the continued surge in online shopping, with 64% of Vietnamese consumers anticipating increased frequency, physical shopping remains essential for the experience and quality assurance it offers.

Opportunities for businesses in the 2024 consumer market

In 2023, Vietnam's consumers seem to be evolving in several ways: (1) they are more value-conscious, (2) they are prioritising ESG considerations, (3) they continue to prefer omnichannel platforms and digital services and (4) they are becoming more familiar with AI technologies. Key opportunities for businesses in Vietnam emerge:

1. Explore more premium offerings catering to affluent customers

Despite an overall reduction in spending across categories of goods, within existing categories, consumers are increasingly favouring either **premium** or **value-for-money** products, leaving mid-priced items potentially unsold.

To thrive in the maturing consumer market, companies should focus on innovation, expanding their product range to meet sophisticated demands and provide a wider range of premium goods.

Premiumisation would be attractive, particularly for the younger generation who prioritise social cues such as health and purposefulness when shopping and thus are more willing to splurge.

2. Utilise AI in managing retail channels and understand consumer behaviour

Big Data is pivotal in the Fourth Industrial Revolution (4.0). Enterprises failing to employ AI and analyse data, particularly image data, risk defeat by rivals implementing solutions to monitor consumer behavior.

source: P.A.T. Consulting's CEO Phi Anh Tuan

