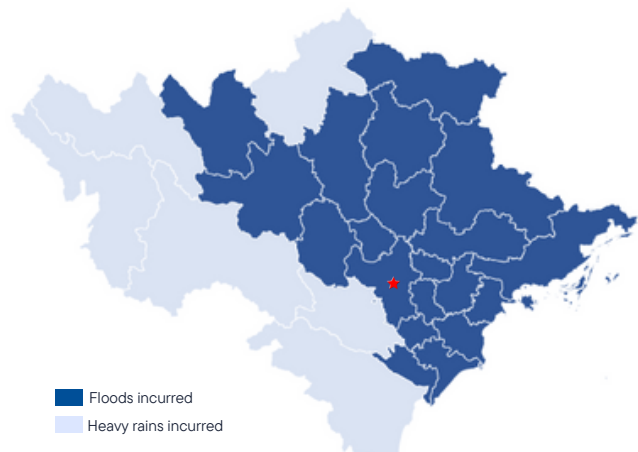
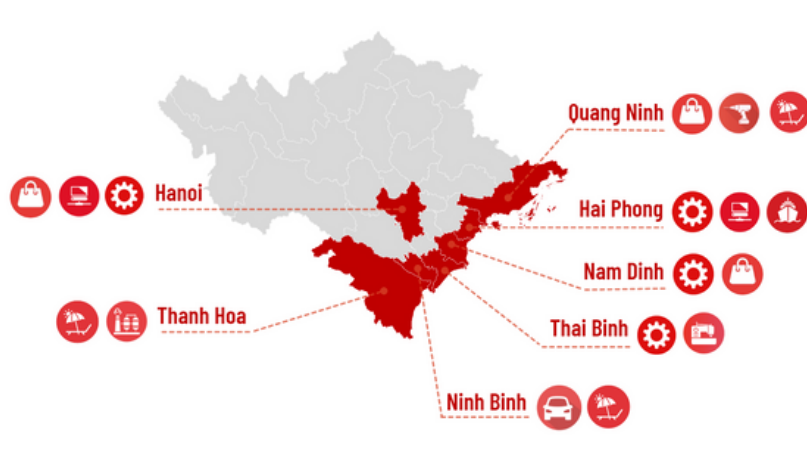


**Business Insight #4**

# The Impact of Typhoon Yagi on Vietnam's Economy

Prepared by Business Information Division

09/2024

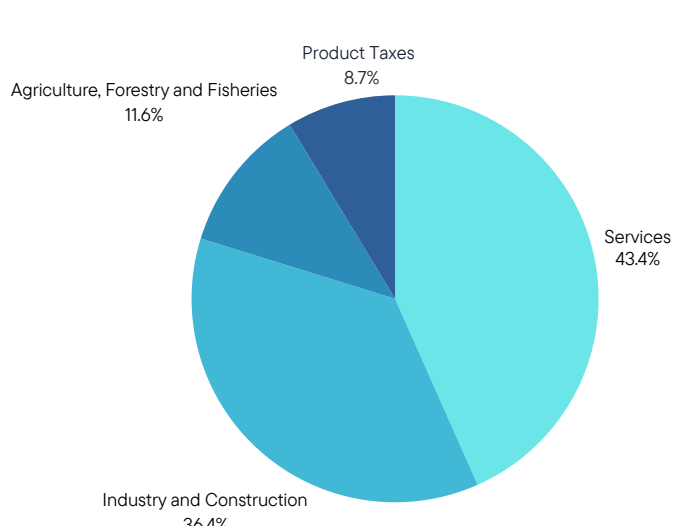
**Provinces affected by Yagi**

**Key industries of the worst-hit provinces**


Provinces	# Companies	# FDI enterprises	Industrial Zones	Key industries	Export turnover (USD Mil)
Ha Noi	237,146	3,493	21	Information Technology; Consumer goods; Electronics and Mechanical engineering	8,691
Quang Ninh	13,821	122	16	Construction materials; Tourism; Consumer goods	3,004
Hai Phong	32,065	754	22	Information Technology; Logistics; Electronics and Mechanical Engineering	14,423
Thai Binh	8,553	97	13	Textile and Garment; Electronics and Mechanical Engineering	1,176
Nam Dinh	9,998	110	13	Consumer goods; Electronics and Mechanical Engineering	1,320
Ninh Binh	7,302	70	9	Automobile; Tourism	1,392
Thanh Hoa	23,248	114	17	Chemical and petrochemical refining; Tourism	2,835
<b>Total</b>	<b>332,133</b>	<b>4,760</b>	<b>111</b>	-	<b>32,841</b>

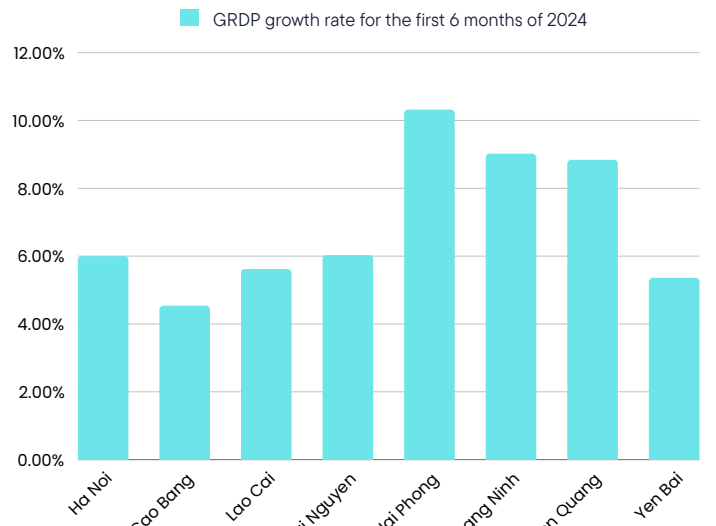
Source: FiinGroup

**Typhoon Yagi's path and affected areas:**

- From September 07 to 08, 2024, Typhoon Yagi hit Vietnam, causing heavy rains and floods to 26 provinces and cities across northern Vietnam and Thanh Hoa. The hardest-hit areas include **Hai Phong, Quang Ninh, Nam Dinh, Thai Binh, Thanh Hoa, Ninh Binh, and Hanoi**. The most severely affected provinces are considered key economic zones in northern Vietnam with **111 industrial parks and 4,760 FDI enterprises** operating in key sectors including electronics and mechanical engineering, information technology, construction materials, forestry and fisheries, textile and garment, automobiles, chemical and petrochemical refining, and tourism. According to statistics from FiinGroup, these regions contribute **25.81%** of GDP, **24.57%** of all enterprises, **21.02%** of FDI enterprises, and contribute to **17.27%** of Vietnam's export value.
- As of September 28, the authorities estimated that Typhoon Yagi caused damage of exceeding VND81.50 trillion. **Hai Phong and Quang Ninh were the two localities that suffered the most, with VND12.20 trillion and VND24.80 trillion, respectively. Hai Duong followed with VND7.40 trillion in damages, while other heavily impacted provinces included Lao Cai (VND6.60 trillion), Yen Bai (VND5.73 trillion), Bac Giang (VND5.00 trillion), and Hung Yen (VND3.6 trillion).** Agricultural production was the hardest-hit sector, incurring damages of more than VND30.80 trillion, accounting for 38% of the total economic losses. The extensive impact of Yagi also disrupted vital industries in the affected regions.
- In addition to the industries directly impacted by Typhoon Yagi, **the Banking and Insurance are also indirectly affected by Typhoon Yagi:**
  - For the banking sector, Typhoon Yagi has severely affected businesses and residents, leading to difficulties in debt repayment and borrowing. State-owned banks like CTG, VCB, and Agribank may be more impacted than other banks. **Outstanding loans affected by the storm total around VND 100 trillion, with 85,000 customers**, especially in Quang Ninh and Hai Phong, where 11,700 customers owe VND23.1 trillion. According to FiinGroup's statistics, the most severely affected provinces have a total short-term loan balance of about VND3,952 trillion, accounting for 37.49% of the country's total short-term debt. The Typhoon Yagi has disrupted business operations in these provinces, which have caused negatively on credit quality, leading to difficulties in debt repayment and challenges in securing new loans. In response, many banks have reduced interest rates by 0.5-2% for storm-impacted individuals and businesses to help customers recover and stabilize their business activities. Besides the interest rate reduction program, it is likely that the State Bank will take additional support measures, such as extending loan terms, deferring interest payments, and restructuring loans. The estimated impact of these support programs on interest income and bank profits will be relatively small. Although the banking sector will see a direct hit to its profit margins, it is expected to last only 1-2 quarters with a slight 1% decrease, which will not have a significant impact on the overall market.
  - For the insurance sector, Typhoon Yagi has posed significant challenges to Vietnam's insurance industry. The estimated insurance claims for damages to people and property caused by the typhoon are already in the trillions of VND and continue to rise. Preliminary statistics as of September 17, 2024 indicate that there have been 329 deaths and missing persons; approximately 1,929 injuries; over 234,700 houses, 1,500 schools, and numerous infrastructure projects collapsed or damaged; 726 dike incidents; more than 307,400 hectares of rice, crops, and fruit trees flooded and damaged; 3,722 aquaculture cages damaged or washed away; nearly 3 million livestock and poultry dead; and nearly 310,000 urban trees broken. These are preliminary figures, as the full extent of the damage caused by Typhoon Yagi and its aftermath has yet to be comprehensively and fully assessed. **The biggest risk for insurance companies may mainly come from the non-life insurance segment**, as it is heavily impacted by natural disasters and climate change, which are increasing in both frequency and severity. Especially, the recent sweep of Typhoon Yagi will significantly raise the cost of insurance claims for companies, leading to negative indirect effects on reinsurers (particularly the Vietnam National Reinsurance Corporation (Vinare) – the largest reinsurer in the country) through their partners.

**GDP Structure In the first 6 months of 2024**


Source: GSO, FiinGroup

**GRDP Statistics Of Several Provinces Affected**


Source: GSO, FiinGroup

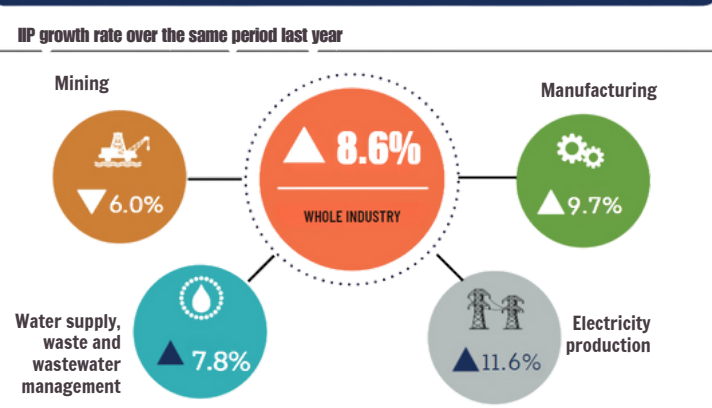
**Impact of Typhoon Yagi on Vietnam's GDP Growth in 2024:**

- Vietnam's GDP grew by 6.42% in the first six months of 2024 compared to the same period in 2023 and target for the whole year 2024 at around 7%. However, typhoon Yagi had brought about substantial negative impacts on GDP growth rate in the Q3 and consequently the whole year of 2024. Accordingly:
- Many sectors were assessed to have been severely damaged by the typhoon, **particularly in agricultural and industrial production, aquaculture, logistics, and tourism**. In which, the logistics industry was especially hard-hit, with 15.4% of companies experiencing serious disruptions and 53.6% facing controllable operational delays (\*). These disruptions are expected to lead to shortages in essential goods, driving up prices for food and construction materials, which in turn will raise production costs and increase inflationary pressure.
  - According to the initial calculation of the authorities, **the estimated damage caused by Typhoon Yagi to the affected areas is above VND81.50 trillion, resulting in a 0.15% reduction in the overall GDP growth for 2024**. Of which, the agriculture, forestry and fishery sector decreased by 0.33%, industry and construction decreased by 0.05%, and services by 0.22%. The GRDP of key localities such as Hai Phong, Quang Ninh, Thai Nguyen, and Lao Cai is expected to decrease by more than 0.5%.

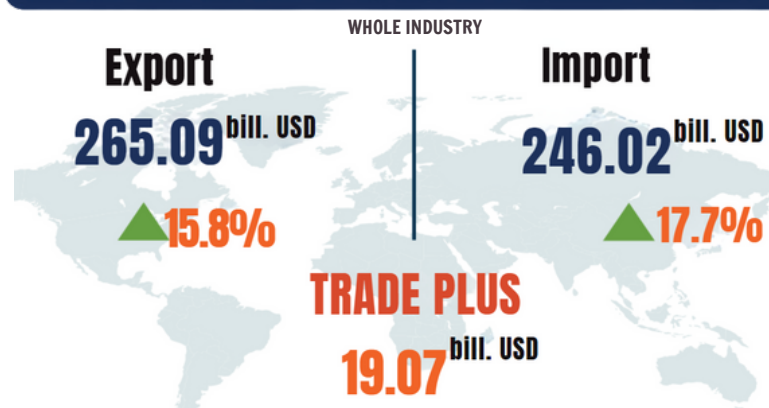
**In response to these challenges, the government took swift action to mitigate the negative impacts on economic growth:**

On September 17, 2024, the Government issued **Resolution No. 143/NQ-CP** to swiftly address the aftermath of Typhoon Yagi, stabilize people's lives, restore business and production, boost economic growth, and control inflation. The government aims for a GDP growth rate of 6.8-7% for 2024. The resolution focuses on supporting affected individuals, workers, vulnerable groups, small businesses, cooperatives, and enterprises. The support will primarily be provided in September and October 2024, with some business assistance policies extended until the end of 2025 to align with the recovery process and seasonal production factors. Despite the external pressure from Typhoon Yagi, Vietnam's resilient economic framework and rapid response measures are expected to help the country minimize long-term damage and support a faster recovery.

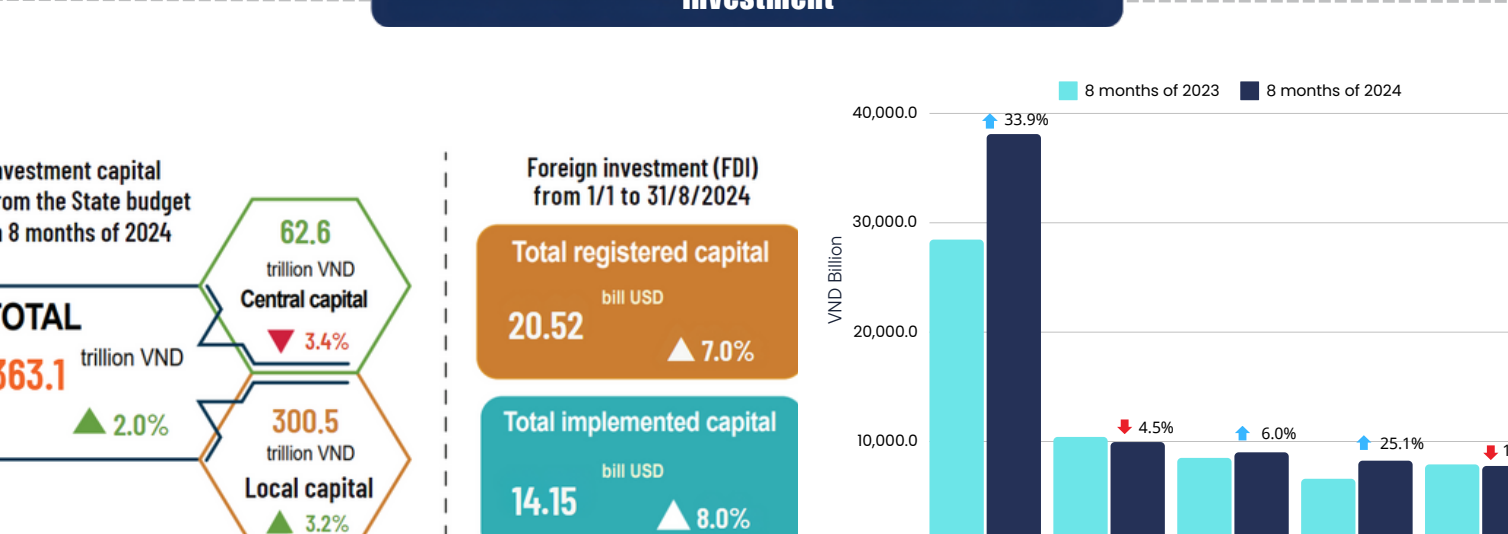
(\* According to CEL Consulting survey, which examined 216 companies affected by Typhoon Yagi. These companies operate in various sectors, including manufacturing (38.7%), retail and distribution (15.1%), and supply chain and logistics (26.9%) from September 10 to 15, 2024

**IIP Growth rate In 8 months of 2024**


Source: GSO, FiinGroup

**Export And Import Of Goods in 8 months of 2024**


Source: GSO, FiinGroup

**Investment**


Source: GSO, FiinGroup

Source: GSO, FiinGroup

**Vietnam's total investment capital in the first 8 months of 2024**
**Investment capital from the state budget of some localities affected by Typhoon Yagi**

Besides GDP trajectory, **Typhoon Yagi is expected to have a negative impact on production, import-export, and investment in Q3 2024, which have been on a growth trajectory during the first eight months of the year.** The storm could disrupt supply chains, damage infrastructure, and cause delays in both domestic and international shipments. As a result, businesses may face increased costs and logistical challenges, especially in industries heavily reliant on exports such as electronics, textiles, and agriculture. Additionally, investment activities may slow down due to uncertainties caused by the storm's aftermath, with investors potentially adopting a more cautious approach.

**Forecast of industries affected by Typhoon Yagi**
**Typhoon Yagi has caused widespread disruptions in Northern Vietnam, IMPACTING multiple sectors:**

- Logistics:** 82.4% of businesses faced moderate to severe disruptions, with power outages, damaged goods, and road landslides affecting supply chains.
- Manufacturing:** Power outages and infrastructure damage forced many factories to halt operations, impacting workers' income and raising production costs, especially for small and medium-sized enterprises.
- Agriculture:** Heavy rains and flooding destroyed crops and killed livestock, causing significant losses. Recovery may take 6 months to 2 years, depending on the sector.
- Trade and Import-Export:** Commercial establishments and traditional markets were damaged, disrupting food distribution and affecting exports in key provinces.
- Tourism:** Many tourism facilities were damaged, threatening the region's ability to attract both international and domestic tourists from late 2024 to early 2025.

**Despite Typhoon Yagi's severe impacts, certain sectors and businesses could BENEFIT from this natural disaster:**

- Construction materials:** Infrastructure damage will boost demand for materials, leading to growth for companies in this sector through government and local rebuilding projects.
- Retail:** Supermarkets and electronics retailers will see increased demand for essential goods, household appliances, and repair products.
- Fertilizer industry:** The need to restart agricultural production will increase demand for fertilizers, driving growth for companies in this industry.
- Public services:** Utilities like electricity, water, and sanitation services will see revenue growth as they aid in recovery efforts.
- Logistics and transportation:** Companies that recover quickly will benefit from urgent goods transport needs, with firms like Gemadept and Viettel Post expected to see increased revenue.
- Banking:** Credit demand will rise as the economy recovers, following banks from increased insurance and production restoration.
- Insurance:** With the massive damage to property and lives following Typhoon Yagi, demand for insurance is expected to increase as businesses and individuals look to protect their assets against future risks.

While the recovery may be slow due to the impacts of natural disasters and international factors, investment and Government support programs and policies remain a key driver of economic growth.

The damages outlined above are based on the available data and focus on key industries that were heavily affected by Typhoon Yagi. In addition to these statistics, Yagi also had a significant impact on other sectors though specific figures for these industries are yet to be fully reported. The total damage is expected to increase when the full assessment is completed.

---End of the Report---

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