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August Industrial Production

Clear impacts of Covid-19 second wave

August PMI continues to fall further below 50

— Vietnam's PMI fell further below the neutral threshold of 50 points in August – only posted at 45.7 points from 47.6 points in July. The second outbreak of the Covid-19 in Vietnam at the end of July led to weakening domestic demand and reflecting in the decline of new orders and output from all three broad sectors. Meanwhile, new export orders contracted for the seventh consecutive month, showing that exporting companies continue to face many difficulties in finding new orders. Comparing PMI figure in the region, countries with good Covid-19 control such as China, Taiwan, and South Korea recorded the highest PMI in recent months with recovery in new export sales, while Southeast Asian countries have not seen any significant improvement.

August industrial production also posted a negative growth rate

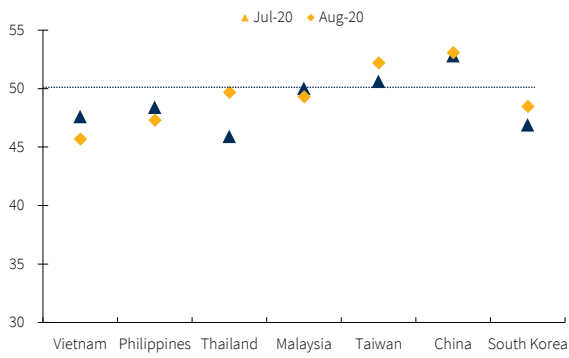
— Vietnam's industrial production index (IIP) declined by 0.6% YoY, of which manufacturing sector posted at -0.1% YoY. Among the secondary industries, notably the electronics IIP fell sharply in August (-2.4% YoY) after two consecutive increase in June and July as Samsung completed the launch of their new flagship phone lines. Other key industries such as clothes and auto production did not see much improve while pharmaceuticals maintained a strong rise (+44.2%).

Industrial production expects to slightly recover in September

— The recent suppression of second wave of Covid-19 in Vietnam and the recovery in new export orders in large partner countries such as China, Taiwan and Korea are positive signals for Vietnam's manufacturing sector, especially consumer goods and intermediaries. We expect both September PMI and IIP will recover slightly, though it will still much depend on how Covid-19 spread will progress in the month

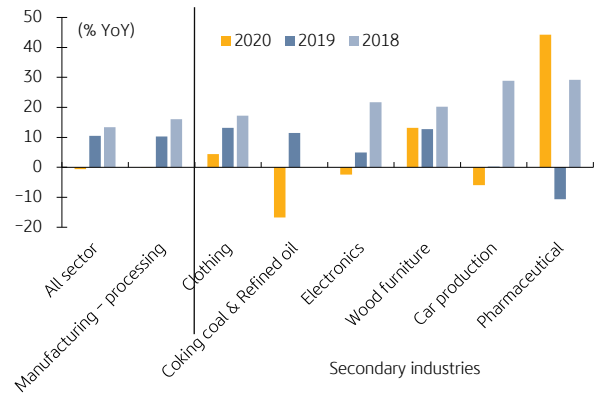


Fig 1. Asia – Regional PMIs, July 20 & August 20 (Points)



Source: IHS Markit, KB Securities Vietnam

Fig 2. Vietnam – Industrial production of main industries (%)



Note: August IIP data for 2018, 2019 & 2020

Source: General Statistics Office, KB Securities Vietnam

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(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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