

October Trade Data

Exports improved – Imports decreased

October exports surpassed imports, the FDI sector was the main driver

- According to the General Statistics Office, the export and import turnover in October reached USD27.3 billion (0.1% YoY) and USD26.2 billion (7.7% YoY) respectively.
- In October, exports surpassed imports by USD1.1 billion. Specifically, the FDI sector's export turnover exceeded import turnover by USD2.8 billion (–32.5% YoY, +88.7% MoM) with exports reaching USD20.41 billion (+2.9% MoM) and imports of USD17.6 billion (–4.1% MoM), reflecting a strong recovery in exports in this sector while imports showed signs of decline. The domestic sector still had a trade deficit of USD1.7 billion (+34% YoY, +51.48% MoM).
- As of the end of October, Vietnam had a trade deficit of USD1.64 billion, mainly because FDI enterprises promoted the import of raw materials to hoard inventories in 1Q and 2Q for business activities in 3Q and 4Q as planned.

Export turnover has remained stable since the beginning of the year despite the negative impacts of the pandemic

- Exports of essential commodities such as machinery and equipment, telephones, textiles, footwear, wood all increased (Figure 4). According to the General Department of Customs, the export value of phones, electronics and computers as of October 15, 2021 hit USD81.87 billion (+11% YoY), accounting for 40% of the total value, mostly coming from FDI enterprises.
- The demand of the world market bounced back dramatically, which helped improve exports to key markets such as the US, China, Hong Kong, Taiwan, South Korea (Figure 3). To be more specific, September exports to the US reached USD7.03 billion (–9.54% YoY), 9M21 exports to the US significantly grew by 25.8% YoY.
- Effective FTAs like EVFTA, UKVFTA, CPTPP continued to contribute to export growth thanks to the incentives from the opening of the economy.

Import turnover gradually decreased compared to previous months

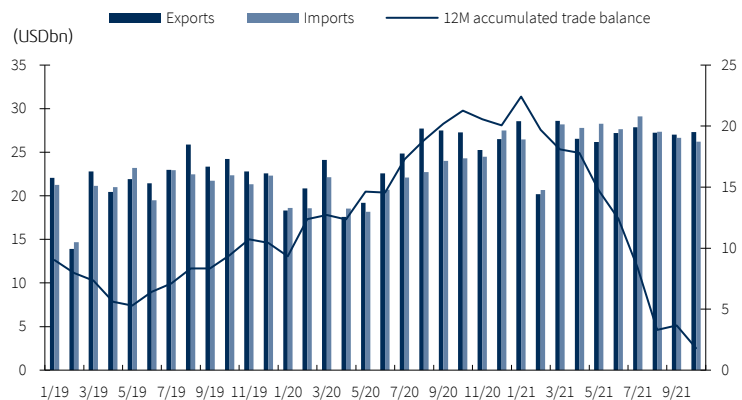
- Imports of the FDI sector showed signs of decline (–4.1% MoM), mainly due to the decrease in imports of input materials as FDI enterprises had hoarded enough inventories and raw materials for production. Specifically, imports of fabrics, textile materials, and phones all decreased 10% compared to the previous month (Figure 5).

- Goods for domestic consumption still declined, namely agricultural produce (-12% MoM), and dairy (-17% MoM), despite the reopening of the economy. We believe this may be attributable to lower income of consumers as a result of the negative impacts of COVID-19, which caused them to spend less.

We expect imports and exports to recover in the last months of the year with the following reasons:

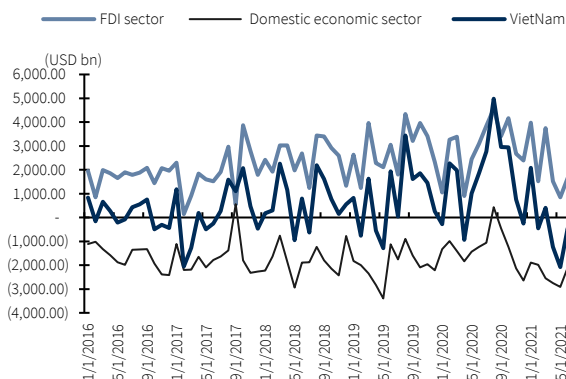
- Production activities were gradually boosted after the relaxation of social distancing measures from the end of 3Q. (PMI rebounded to 52.1 points in October, above the neutral threshold of 50 points – Figure 6).
- Consumption demand in export partners such as the US and EU is growing, thanks to eased social distancing restrictions (sales of retail & catering, and services is declining after a spike shortly after the lockdown was lifted, it is still higher than that over the same period – Figure 7).
- Peak season of consumption is usually at the end of the year.

Fig 1. Vietnam – Imports & Exports (USDbn)



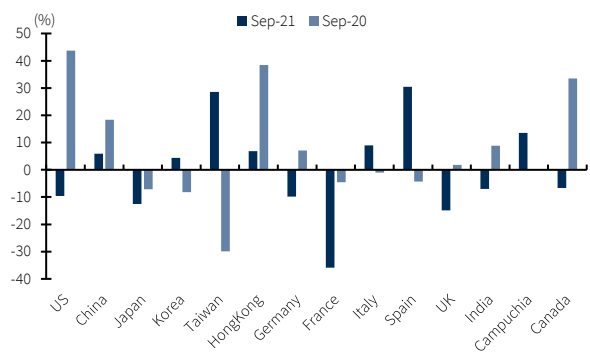
Source: Fiiipro, KB Securities Vietnam

Fig 2. Vietnam – Trade Balance



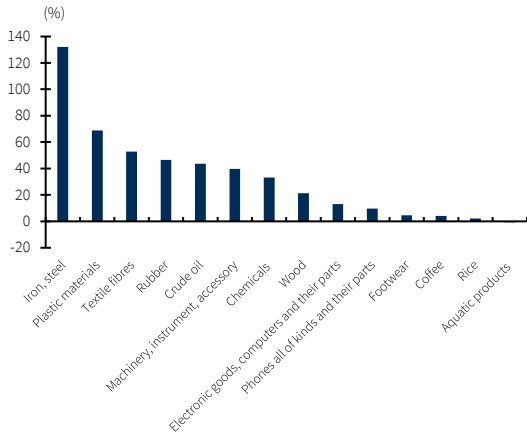
Source: General Statistics Office of Vietnam, KB Securities Vietnam

Fig 3. Vietnam – Export to countries



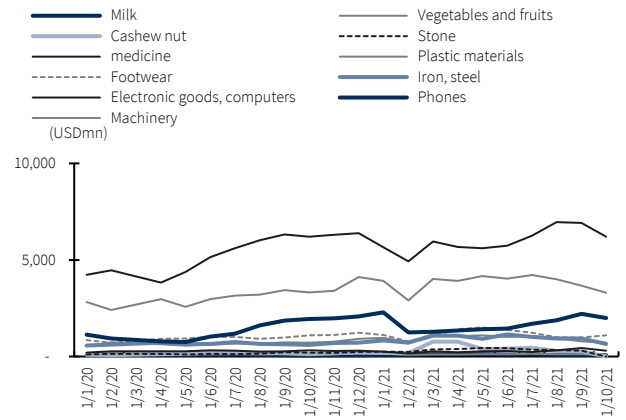
Source: Vietnam Customs, KB Securities Vietnam

Fig 4. Vietnam - 10M export growth (%)



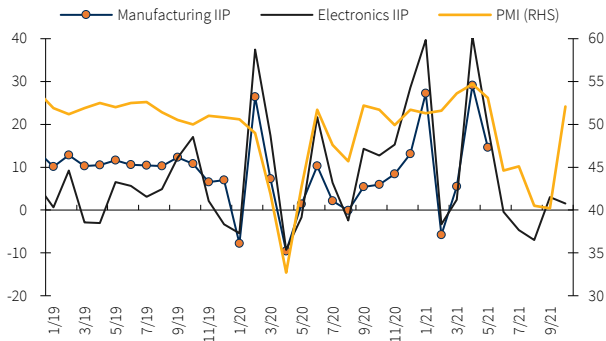
Source: General Statistics Office of Vietnam, KB Securities Vietnam

Fig 5. Vietnam - Import 2020-2021



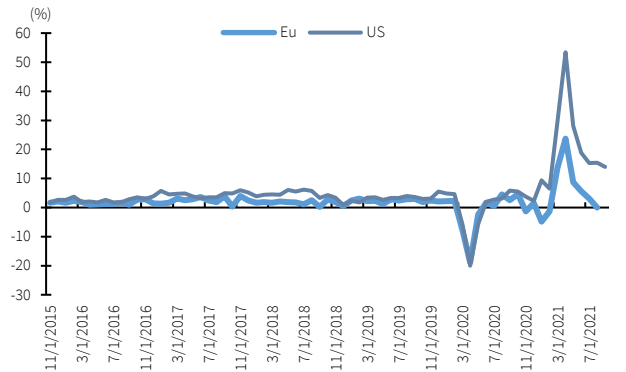
Source: Vietnam Customs, KB Securities Vietnam

Fig 6. Vietnam - IIP & PMI



Source: General Statistics Office of Vietnam and IHS Markit, KB Securities Vietnam

Fig 7. Retail & food, service sales in US and EU (YoY)



Source: Bloomberg, 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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