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May Industrial Production

Rebound still weighed down by coronavirus

May industrial production down but to a lesser degree

— Overall industrial production index (IIP) continued to decline in May at minus 3.1% YoY although the drop improved dramatically over April's minus 9.4% YoY as operations in several industries resumed after the end of the nationwide lockdown. Most secondary industries registered another month of declines, with clothing down 7.3% YoY; electronics down 4.4% YoY and furniture down 9.2% YoY. The exceptions were pharmaceuticals and chemicals that saw production up 24.3% YoY and 8.4% YoY, respectively.

May PMI bounces back but a reading below 50 indicates weak manufacturing sentiment

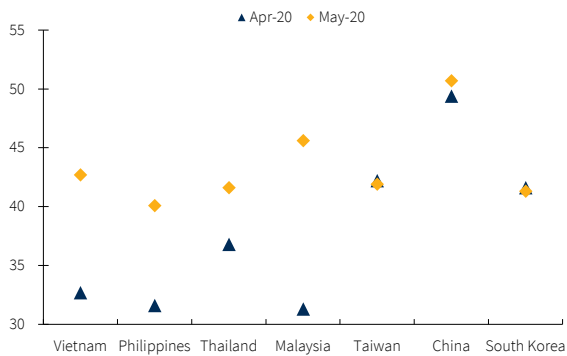
— Business conditions also improved from the previous month, with May's PMI bouncing back to 42.7 points from April's 32.7 points. That said, business sentiment remains fragile and the survey results below 50 likely reflects continued weakness in the manufacturing sector. Production output and new orders extended the downward trend to six consecutive months, especially in May, and new export orders fell faster than total new orders.

Vietnam's quick lockdown exit sees May PMI rebound faster than other Asian markets

— May PMI results in the Asia region showed a clear divergence that favored Southeast Asia over North Asian counterparts. May PMIs rebounded sharply in Vietnam, Malaysia and Thailand mostly due to the resumption of manufacturing operations after April's shutdowns, while PMIs in South Korea and Taiwan were dragged down by strong drops in the outlook for output and new orders. That said, Vietnam's PMI is unlikely to recover the 50 level in June as more time will likely be needed before business sentiment improves.

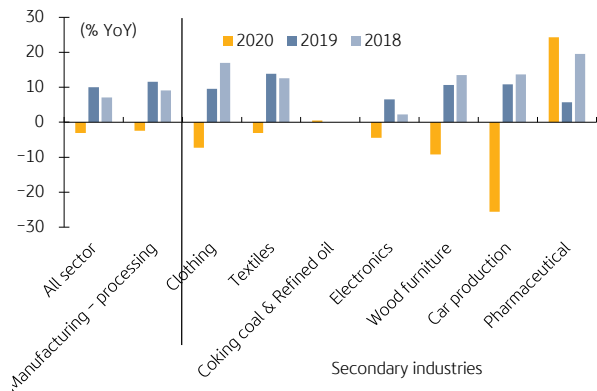


Fig 1. Asia – Regional PMIs, Apr 20 & May 20 (Points)



Source: IHS Markit, KB Securities Vietnam

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



Note: May 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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