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July Industrial Production

Signs of slowing down

July PMI drops to below 50 again on weak improvement for consumer goods

— Vietnam's PMI fell below the neutral threshold of 50 points in July – only posted at 47.6 points from 51.1 points in June. Both of the key indicators including output and new orders contracted slightly from June. New orders and output in intermediate and investment goods production continued to decline while output of consumer goods production only increased marginally as Covid-19 epidemic broke out again in the last week of July in Vietnam. Exporting companies continued to face difficulties when new export orders dropped sharply – the sixth month in a row for the first seven months of 2020.

July industrial production also saw weak growth on manufacturing

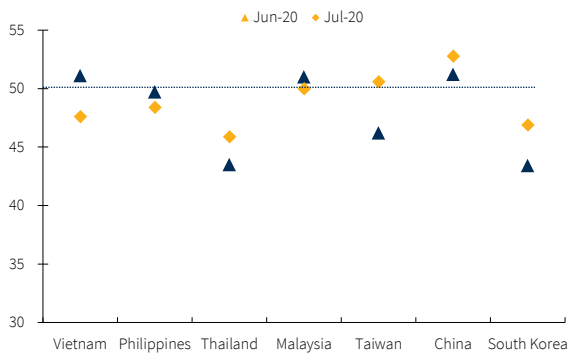
— Vietnam's industrial production index (IIP) only rose by 1.1% YoY, of which manufacturing sector increased by only 2.1% YoY. Among the secondary industries, notably the electronics IIP fell sharply in July (-2% YoY) from an increase of 21.7% YoY in June. Other key industries such as clothes and auto production recovered slightly while pharmaceuticals maintained a strong rise (+39.7%).

Industrial production expects to face difficulties in August

— Covid-19 second outbreak in Vietnam at the end of July is a negative signal for the manufacturing sector when social distancing orders have been implemented in some provinces such as Da Nang. Therefore, August PMI forecast a decline when consumer goods production – the main driving force for the manufacturing sector in the last 3 months will be seriously affected. A positive signal for the electronics industry in the coming period is that Samsung announced that it will soon halt PC production at its facility in Chinese city of Suzhou and Vietnam expects to benefit directly from this.

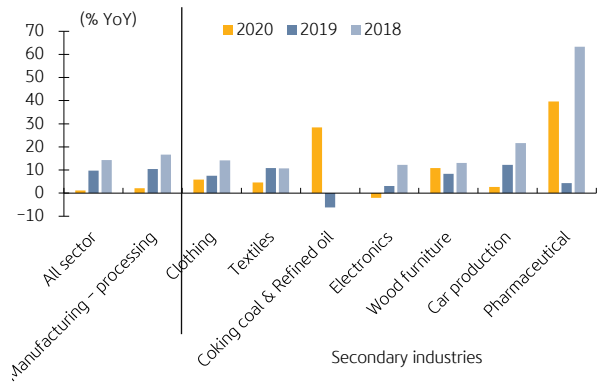


Fig 1. Asia – Regional PMIs, June 20 & July 20 (Points)



Source: IHS Markit, KB Securities Vietnam

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



Note: July 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)

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+15% or more	+15% to -15%	-15% or more

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

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