

April 25, 2022

Macro Outlook 2022

Intensified inflation pressures in 2Q22

KB Securities Vietnam's (KBSV) forecasts for Vietnam's economy in 2022 are as follows:

- 1) **GDP in FY22 should grow by 6.3%**, of which 2Q22 GDP is expected to maintain its upward momentum (6.0% YoY) in the context of economic reopening with the 'living with COVID-19' campaign.
- 2) **Headline CPI this year may rise to 3.8%, which is within the Government's target cap at 4.0%**, since the State Bank of Vietnam (SBV) will continue to flexibly manage monetary policy and exchange rate policy, assisting the stabilization of the M2 money supply. Furthermore, spikes in commodities prices, especially gasoline prices, are expected to slow down.
- 3) **Deposit rates may inch up 0.5%. At the same time, lending rates may also increase marginally by 0.2–0.3%** in the wake of soaring inflation and growing credit demand after the economic reopening. The SBV will likely keep the policy rates unchanged and target credit growth to reach 14%, equivalent to the increase in 2021.
- 4) **The USD/VND exchange rate should rise slightly by 0.5–1%**, thanks to stable USD supplies.

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I. Vietnam market outlook in 2022

Vietnam's economy continued to show signs of picking up pace, especially in the industrial and construction sector. The strong recovery of import-export activities and the returns on private sector investment and FDI helped maintain the growth momentum.

We expect that Vietnam's macro stability will remain until the end of the year. The motivations should come from promoted disbursement of public investment capital, the rebound in domestic consumption and manufacturing & processing activities, boosted exports thanks to effective FTAs, and FDI inflows, despite increased pressures on inflation and exchange rate. In addition, the resumption of international commercial flights may also drive the services sector. KBSV believes that the USD/VND exchange rate and inflation will remain manageable under the Government's target cap.

The highest risks in 2022 should be the Russia-Ukraine geopolitical tensions and the resurgence of the COVID-19 pandemic in China, which may hinder the strong growth of the Vietnamese economy in the time ahead.

Table 1. Vietnam – Macroeconomic indicators in 2022F

	Unit	KBSV's forecasts		
		1Q22	Jan 2022	Apr 2022
GDP growth	% YoY	5.03	6.3	6.3
Headline CPI	% YoY	1.92	3.8	3.8
Credit growth	% YTD	5.04*	14	14
Refinance rate	%/annum	4	4	4
USD/VND exchange rate	VND	22,850	23,000	23,000

Source: KB Securities Vietnam

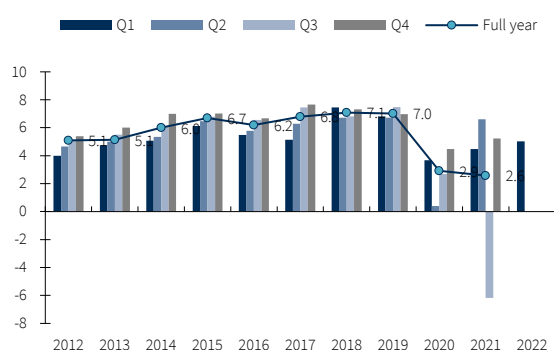
Date: As of March 31, 2022

II. 1Q22 Macro highlights

1. GDP growth

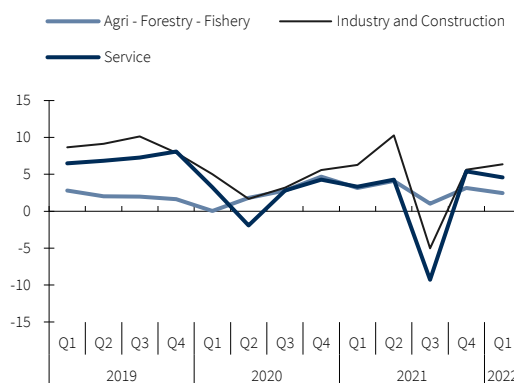
Data from the General Statistics Office (GSO) show that the economic picture in the first three months of 2022 has seen positive changes following the ‘living safely with COVID-19’ strategy. In particular, GDP growth was estimated at 5.03% YoY in 1Q22 vs. 4.72% in 1Q21 and 3.66% in 1Q20. However, it is still lower than the pre-pandemic levels.

Fig 1. Vietnam – GDP growth by quarter (%YoY)



Source: General Statistics Office, KB Securities Vietnam

Fig 2. Vietnam – GDP growth across sectors (%YoY)



Source: General Statistics Office, KB Securities Vietnam

From the demand side, consumption, private investment and FDI all showed signs of recovery (Figures 3, 4).

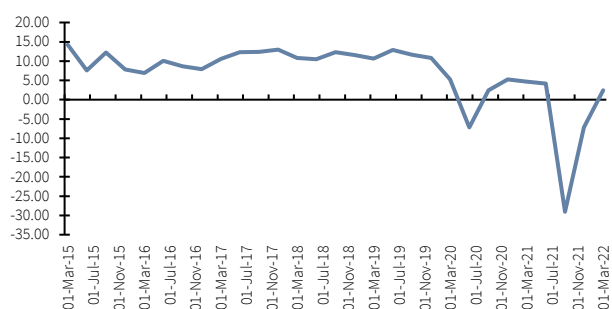
Personal consumption expenditures recovered well

Final consumption expenditure in the first quarter of 2022 picked up 4.3% YoY, showing positive signals for recovery after lockdowns. Along with that, trade and services were gradually back to normal again, with retail sales of goods reaching VND1,062.2 trillion (+5.8% YoY), considerably contributing to the increase in the total retail sales of goods and services of VND1,318 trillion in 1Q22 (flat QoQ and +4.4% YoY).

The total social investment capital in 1Q22 rose to a six-year high

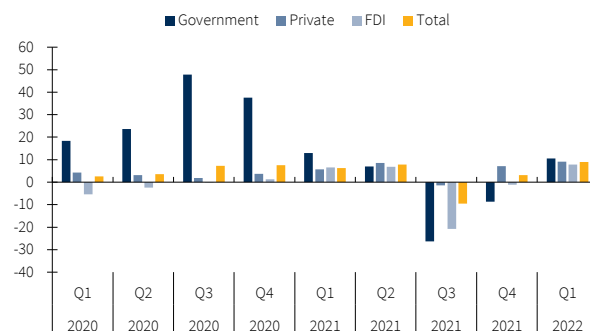
The total social investment capital in the first quarter of 2022 reached VND562.2 billion (+8.9% YoY), the highest level compared to the same period during 2018–2022. The gains came from the private sector (VND323.1 trillion, +9.1% YoY), the state sector (VND76.3 trillion, +10.6% YoY), and FDI (VND102.6 trillion, +7.9% YoY).

Fig 3. Vietnam – Retail sales of goods and services (%YoY)



Source: General Statistics Office, KB Securities Vietnam

Fig 4. Vietnam – Social investment capital (%YoY)



Source: General Statistics Office, KB Securities Vietnam

From the supply side, the industry & construction and services showed signs of improvement (Figure 2).

Industry and construction showed signs of recovery

Industrial and construction sector gained 6.85% YoY in 1Q22. Specifically, the industrial sector rose by 7.07% YoY against 6.44% YoY in 1Q21, driven by the manufacturing and processing industry (+7.79% YoY, contributing 2.05 ppts to overall GDP growth).

The Index of Industrial Production (IIP) in the first quarter of 2022 expanded by 6.4% YoY, with 61 provinces and cities across the country recording positive growth.

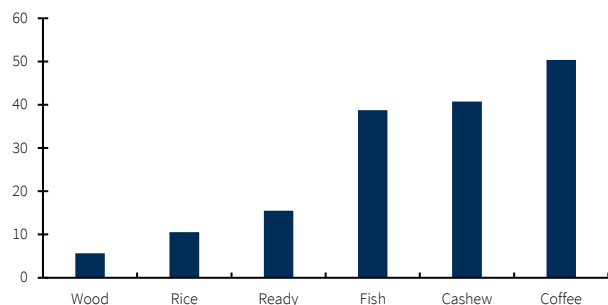
Services sector bounced back after resumption of business operations

Services sector increased by 4.58% YoY after businesses resumed production and business activities, with financial & insurance up 9.75% YoY; transportation & warehousing up 7.06%, and wholesale & retail up 2.98% YoY. Only the accommodation and food services sector saw a decrease of 1.79% since it was not until the end of March that the Vietnamese government fully reopened tourism in the new normal and allowed dine-in food and beverage venues to operate as normal, lifting the requirement to close before 9 p.m.

Agriculture, forestry & fishery sector played as the backbone of the economy

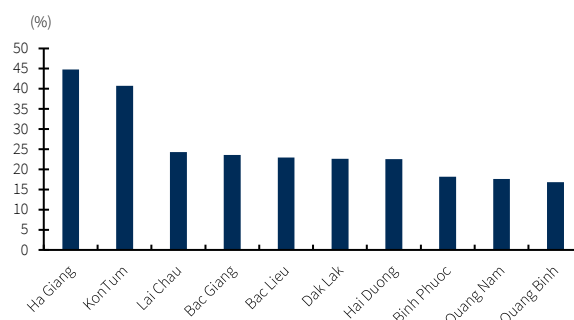
Agriculture, forestry and fishery sector grew by 2.45% YoY thanks to favorable weather conditions. Livestock production has been recovering despite surging feed costs. Aquaculture and fishery bounced back strongly, with pangasius prices climbing to a record high in 2018 after lingering low for two consecutive years. Along with that, shrimp prices were also higher. However, catch fishery output remains limited due to high gasoline prices that prompt many fishing boats to 'sadly' lie on the shore. Export turnover of some agricultural products increased sharply in the first quarter, contributing to maintaining the growth in the agriculture, forestry & fishery sector (Figure 5).

Fig 5. Vietnam – Export growth of agriculture, forestry & fishery products (%YoY)



Source: General Department of Customs, KB Securities Vietnam

Fig 6. Vietnam – 10 provinces with the highest IIP growth rate 1Q22 (%)



Source: General Statistics Office, KB Securities Vietnam

2. Inflation rate

Inflation pressures have intensified since the start of the year

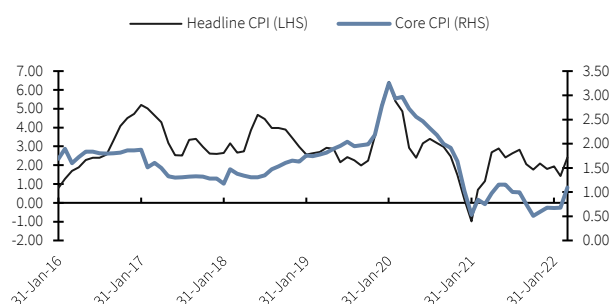
Headline CPI in the first quarter of 2022 increased by 1.92% YoY. It was attributable to the growing demand for raw materials for production amid disrupted supply chains, causing commodity prices to surge across the globe. In addition, the conflict between Russia and Ukraine and the sanctions against Russia, the leading natural gas exporter and the second-largest crude oil exporter in the world, pushed global energy prices to fresh record highs. Core inflation tends to be similar to headline inflation, with the average core CPI increasing by 0.81% over the same period in 2021.

Rising petrol and gas prices affected CPI the most

In the first quarter of 2022, the main factors affecting CPI include:

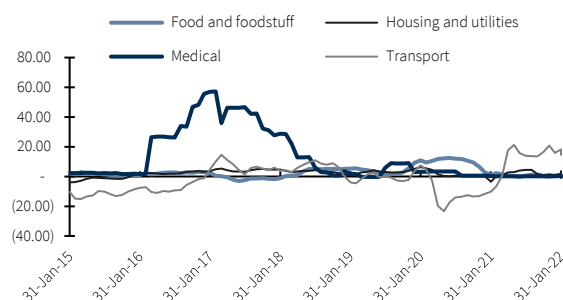
- 1) Food prices decreased by 1.2% YoY, making headline CPI go down 0.26 ppts;
- 2) Construction materials prices rose by 8.08% YoY because of increased cement, iron, steel, and sand prices in line with surging input costs. Headline CPI gained 0.16 ppts as a result;
- 3) Domestic gasoline prices jumped by 48.81% YoY, contributing to a 1.76 ppts gain in headline CPI;
- 4) Gas prices climbed 21.04% YoY, contributing to a 0.31 ppts gain in headline CPI;
- 5) The prices of educational services decreased by 4.24% YoY, causing headline CPI to decline 0.23 ppts as some provinces and centrally-run cities exempted part of or full tuition fees for the first semester of the school year 2021–2022 due to the impact of the COVID-19 pandemic.

Fig 7. Vietnam – Headline and core CPI (%YoY)



Source: General Statistics Office, KB Securities Vietnam

Fig 8. Vietnam – Price movements across key sectors (%)



Source: General Statistics Office, KB Securities Vietnam

3. Policy rates & monetary policy

The SBV continued to keep policy rates unchanged

In the first quarter of 2022, the SBV continued to keep policy rates unchanged and maintain low cost of funds so that credit institutions could continue cutting lending rates to support pandemic-hit businesses, accelerating the economic recovery. According to the SBV, credit growth hit 5.04% YTD in 1Q22 compared to 2.16% YTD in 1Q21, reflecting a significant increase in the capital absorption in the new normal.

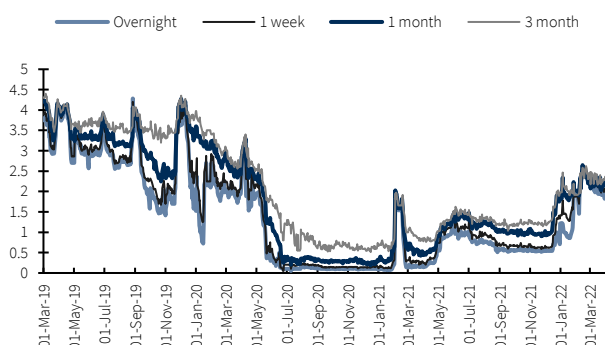
Interbank rates rose to a new base

In 1Q22, interbank rates rose to a new base with overnight, one-week, and one-month interest rates increasing by 67 bps, 62 bps, and 43 bps compared to the end-2021, respectively. Notably, interbank rates increased sharply by 135bps in February 2022 from the end-2021 level. It reflects liquidity shortages across banks during the peak season of the Tet holiday.

Deposit rates remained stable at low levels

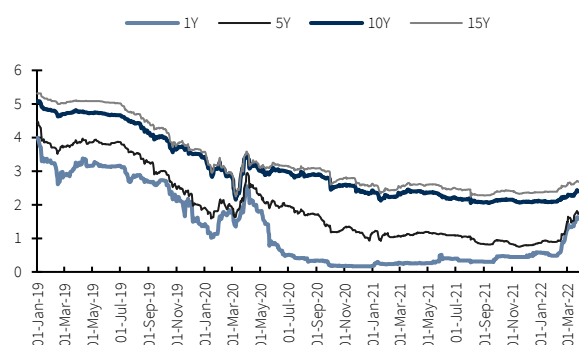
In the first quarter, deposit rates, especially in small banks, inched up for terms less than 12 months of maturity. However, the fluctuation was within a relatively narrow range (<0.5%), showing that deposit rates remained stable at low levels.

Fig 9. Vietnam – Interbank rates (%)



Source: Bloomberg, KB Securities Vietnam

Fig 10. Vietnam – Government bond yields (%)



Source: Bloomberg, KB Securities Vietnam

4. USD/VND exchange rate

USD/VND interbank rate stood at VN22,850

USD/VND exchange rate remains stable at around 23,120, contributing to macro stability and helping businesses hedge against risk exposure associated with the exchange rate. Besides, the USD supplies remained abundant thanks to remittances, FDI and trade surplus, helping the USD/VND interbank exchange rate stay around 22,850 (+0.05% YTD).

Unofficial rate remained high as the gap between domestic and global gold prices widened

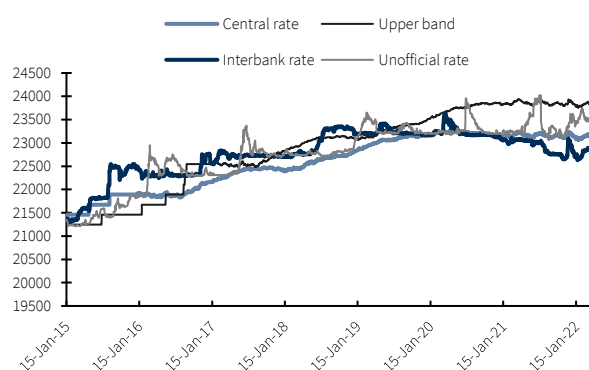
The unofficial rate moved sideways at high levels in the first quarter as the gap between domestic and global gold prices widened, leading to rising gold smuggling. The gap was once as much as VND13 million/tael but narrowed down to VND11 million/tael as of March 31. During the first quarter, the unofficial rate inched down 0.8% to 23,400 from 23,590.

The nominal effective exchange rate (NEER) was up while the real effective exchange rate (REER) was down

The NEER and REER showed opposite trends. Specifically, as of the end of March 2022, the NEER increased 3.44% YTD due to USD appreciation (similar to stronger VND against the currency basket of trading partners). Meanwhile, the REER decreased 0.38% YTD by the end-1Q22 due to soaring global inflation relative to domestic inflation, helping improve the price competitiveness of exports. It is similar to the strong recovery of Vietnam's import-export turnover in 1Q22 compared to 1Q21, reaching USD176.35 billion, up 14.37% YoY. The trade balance was estimated to have a trade surplus of USD809 million.

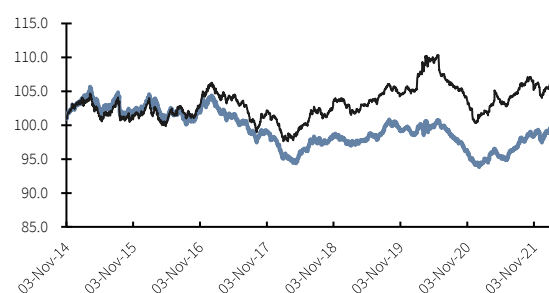
However, both the NEER and REER have moved within a reasonable range and not posed pressure on VND devaluation since Vietnam applied the central exchange rate regime pegging VND to a currency basket in August 2014.

Fig 11. Vietnam – USD/VND exchange rate (VND)



Source: Bloomberg, KB Securities Vietnam

Fig Vietnam – NEER & REER



Source: Bloomberg, KB Securities Vietnam

III. Macro outlook in 2022

1. 2022F GDP growth

2022F GDP growth is expected at 6.3%

We maintain our 2022F GDP growth at 6.3% on the expectation that GDP growth in 2Q22 to maintain its upward momentum (6.0% YoY) after the economic reopening with the "living with COVID-19" campaign, supported by: (1) public spending; (2) exports boosted by effective FTAs; (3) returns on FDI inflows; and (4) the recovery of domestic consumption.

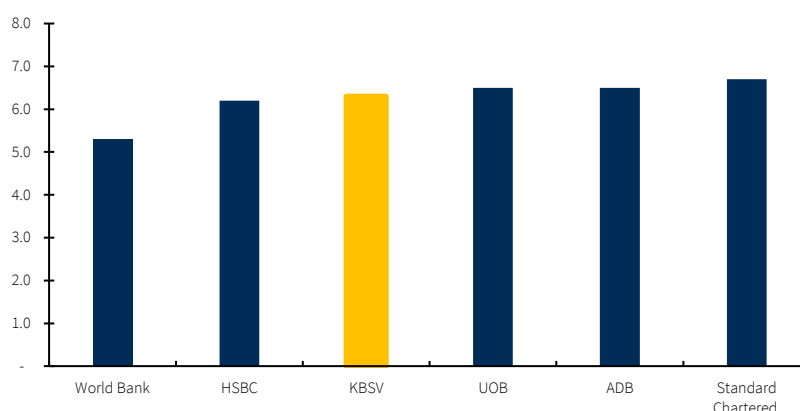
On the other hand, the Russia-Ukraine war combined with China's zero-Covid policy in response to the resurgence of COVID-19 can negatively affect exports, production and domestic inflation. These two main risk factors will be closely followed and updated.

Table 2. Vietnam – Economic stimulus packages during 2022-2023 (VNDbn)

Item	Value (VNDbn)
Health, epidemic prevention	60,000
Social Security and Employment Support	53,150
Support the recovery of businesses, cooperatives, business households	110,000
Infrastructure development, development investment	113,850
Institutional, administrative and business environment reform	13,000
Total	347,000

Source: Government Report, KB Securities Vietnam

Fig 13. Vietnam – 2022F GDP growth (%)



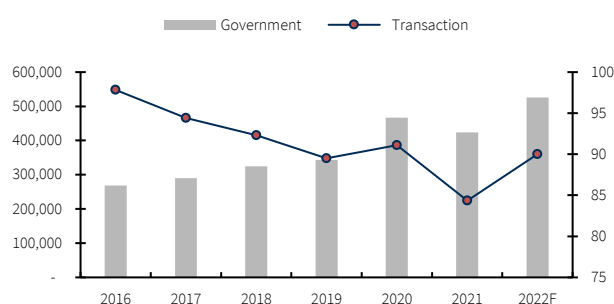
Source: HSBC, World Bank, Asian Development Bank, United Overseas Bank, Standard Chartered, KB Securities Vietnam

Public spending should be key driver supporting economic growth

Disbursement of public investment showed positive signals in the first three months of the year, with investment capital disbursed from the State budget capital estimated at VND76.3 trillion, equaling 14.4% of the year plan and increasing +10.6% YoY.

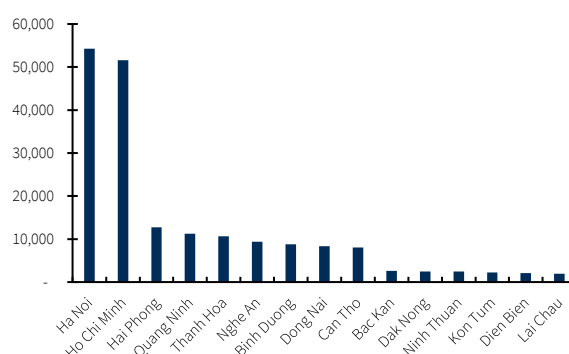
Public investment should be the driving force for economic recovery. The General Statistics Office estimated that if public investment increases by 1% YoY, GDP will inch up 0.058%. Therefore, the Government took more drastic and effective measures to speed up the disbursement of public spending and promptly handle bottlenecks, ensuring the disbursement rate reaches 100% under Dispatch 126 and Directive 01 dated February 8, 2022. Besides, the State Treasury is also more flexible in controlling capital expenditure with two mechanisms: (1) Control first, disburse later; and (2) Disburse first, control later, and shorten the time for capital payment, boosting disbursement and preventing the end-of-the-year rush for disbursement.

Fig 14. Vietnam – Disbursement of public spending (VNDbn)



Source: General Statistics Office, KB Securities Vietnam

Fig 15. Vietnam – Disbursement across localities (VNDbn)



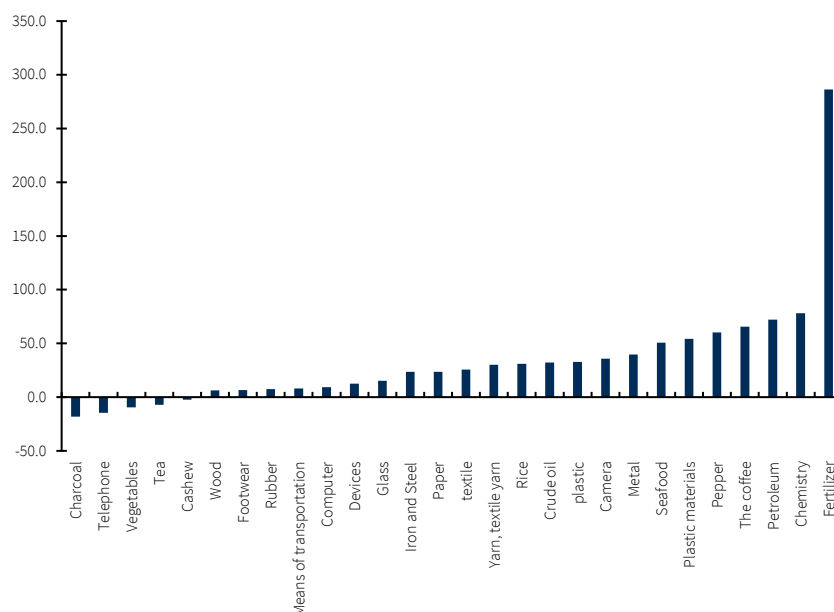
Source: Government Report, KB Securities Vietnam

Exports continue to maintain growth in 2022

In the first quarter of 2022, Vietnam's export turnover of goods reached USD88,579 billion (+12.9% YoY). Data from the General Department of Customs also show that traditional exports to major trading partners witnessed strong growth compared to the same period in 2021 (Figure 16). The drivers of Vietnam's export growth in 2022 include:

- The reopening of the major economies, leading to growing demand for goods and services.
- Effective FTAs (CPTPP, EVFTA, UKFTA, RCEP), domestic exporters are gradually grasping competitive advantages when benefiting from preferential tariffs.
- Rising export prices of goods, especially Vietnam's main exports (iron and steel, agro-forestry-fishery, rice), helping to boost export value.
- The recovery of the manufacturing sector when Vietnam implements the strategy of 'living with COVID-19'.

Fig 16. Vietnam – Export growth by product in 2M22 (%)



Source: General Department of Customs, KB Securities Vietnam

Table 3. Roadmap for tax exemption at EVFTA and CTPP

	Products	Current tariff	Tariff cut schedule
EVFTA	Footwear	8%	0 – 8Y
	Textile	12%	0 – 6Y
	Fisheries	8% (catfish) & 20% (shrimp)	4Y (catfish); Immediate (shrimps)
	Coffee	0% (unroasted); 7.5% (roasted)	Immediate
	Timber	0% (interior); 7% (wooden planks)	6Y
CTPP	Coffee		Immediate except for Mexico (5–10Y)
	Textile		0 – 4Y (Canada), Immediate (Japan), 16Y (Mexico)
	Timber		Immediate except for Japan (15Y)
	Fisheries		Immediate (Canada, Japan), 3Y (Mexico)
	Footwear		Immediate (Canada), 0–16Y (Japan)
RCEP		Remove tariffs on at least 64% of tariff lines immediately. After 20 years, Vietnam will have removed approximately 90% of tariff lines for partner countries which, in return, will have removed 90–92% of tariff lines for Vietnam. Other ASEAN members will remove almost all tariff lines for Vietnam.	

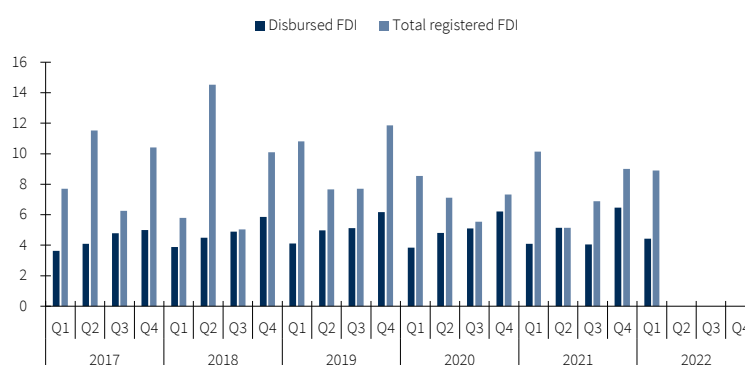
Source: KB Securities Vietnam

FDI should continue to flow into Vietnam

We believe that the confidence of foreign investors will improve in 2022 thanks to the following reasons: (1) Vietnam has fully reopened international trade from March 15, 2022, facilitating cooperation between Vietnam and partners and speeding up the implementation of backlogged projects; and (2) Vietnam remains an attractive destination, supported by plenty of signed FTAs, favorable geographical location, abundant labor force with relatively low labor costs, and the Government's support policies.

In 1Q22 alone, disbursed FDI reached USD4,420 million (+7.8% YoY). Meanwhile, newly registered FDI was only USD8,907 million (-12.1% YoY) compared to the 1Q21 high with the main contributions from two newly registered billion-dollar projects worth USD4.41 billion. As a result, excluding the above two projects, registered FDI still recorded an increase of +14.2% YoY, with the number of new projects increasing by 37.6% YoY and projects with capital adjustment jumping by 41.6% YoY, reflecting foreign investors' optimism about the business environment and continued diversification of the supply chain in Vietnam.

Fig 17. Vietnam – Disbursed and registered FDI (USDmn)

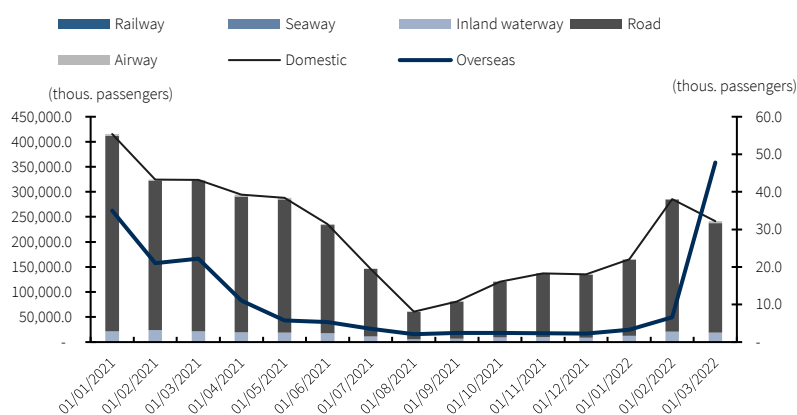


Source: Ministry of Planning and Investment, KB Securities Vietnam

Domestic consumption witnessed a strong recovery

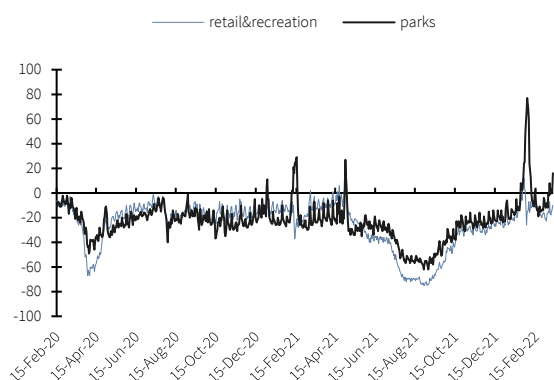
We also expect tourism and food services to rebound in 2022. This sector has recently shown more positive signals thanks to the following factors: (1) the reopening of international trade, tourism from March 15, 2022; (2) the rising number of domestic and international arrivals (Figure 18), corresponding to a marked increase in Google Mobility Index compared to the end-September low (Figure 19).

Fig 18. Vietnam – Domestic & international arrivals (thousand passengers)



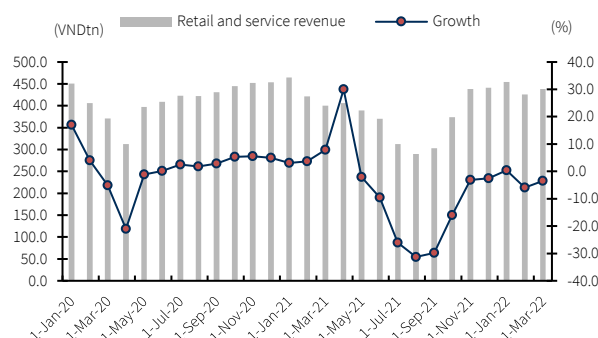
Source: General Department of Customs, KB Securities Vietnam

Fig 19. Vietnam – Mobility to retail shopping malls & amusement parks (%)



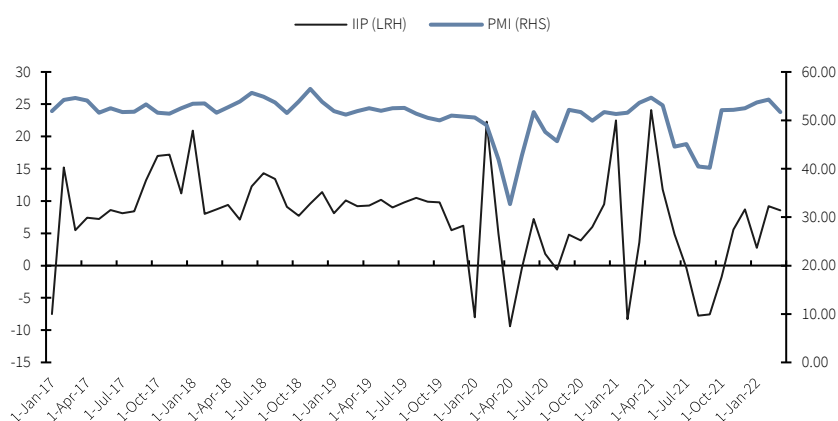
Source: Google Mobility, KB Securities Vietnam

Fig 20. Vietnam – Total retail sales of goods & services (VNDtn)



Source: Fiiipro, KB Securities Vietnam

Fig 21. Vietnam – IIP & PMI



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

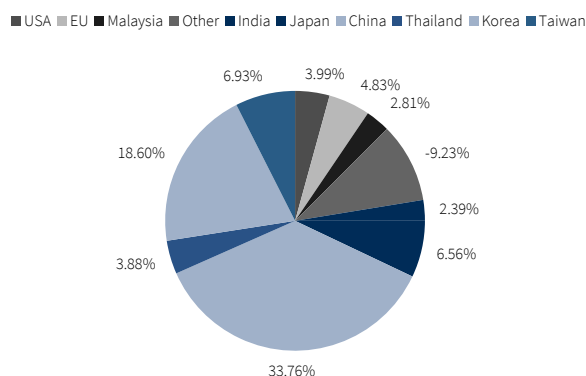
Geopolitical tension between Russia and Ukraine may adversely impact economic growth

On February 28, 2022, four days after Russia attacked Ukraine, both sides agreed to meet to end the war. However, rounds of negotiation talks ended without any progress up to the present. Therefore, the risk of increased geopolitical tension between Russia and Ukraine is still present, which may hinder the recovery of the world economy in general and Vietnam in particular because: (1) The war in Ukraine contributed to rising inflation, interest rates, as well as narrowing space of fiscal and monetary policies of the Government and the State Bank; (2) disruptions in global chains have pushed prices of commodities, agricultural products, and energy; (3) Vietnam's exports can be adversely affected since consumer demand in the US and EU, Vietnam's major trading partners tends to decline due to the direct impact of the war.

China's Zero Covid strategy has negatively affected the global supply chain and Vietnam's imports and exports

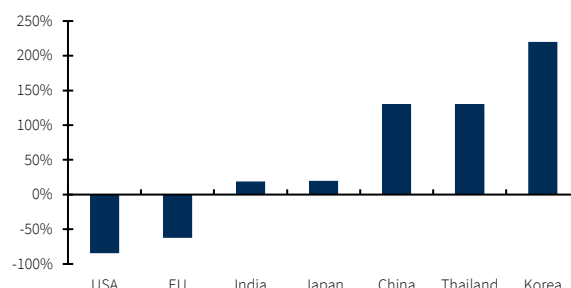
China has been struggling with the worst COVID-19 outbreak ever since its well-controlled pandemic in 2020, following the "Zero Covid" strategy and imposed lockdowns in megacities, seaports, and border gates. It is hurting global supply chains and import-export activities between Vietnam and China.

Fig 22. Global – Export turnover (%)



Source: General Department of Customs, KB Securities Vietnam

Fig 23. Vietnam – Export growth to foreign markets (%)



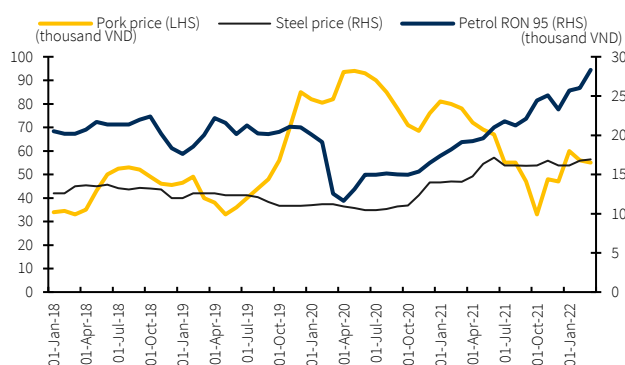
Source: General Statistics Office, KB Securities Vietnam

2. 2022F inflation rate

Despite the appearance of risk factors that may cause inflation to heat up in 2022, we expect Vietnam's inflation to remain manageable at 3.8% for the whole year 2022, underpinned by: (1) supportive monetary policy of the State Bank that helps stabilize the M2 money supply and alleviate pressure on inflation; (2) stable commodity prices, especially petrol prices, thanks to member nations of the International Energy Agency (IEA), including the US, releasing 240 million barrels of oil from strategic reserves over the next six months. Besides, in the base case scenario, the Russia-Ukraine conflict is expected to cool down by the end of the second quarter, helping to ease supply shortages.

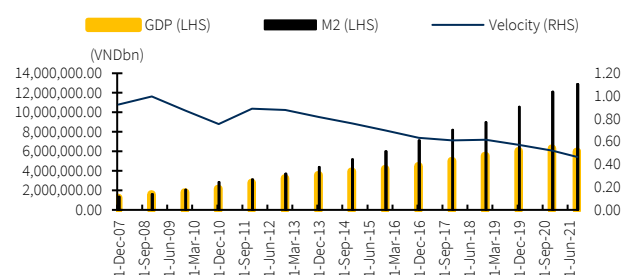
We believe rising hog prices against the current low may put enormous pressure on inflation in the coming months. In particular, inflation pressures will likely elevate in the second quarter before cooling down in the second half of this year due to growing domestic demand and surging commodity prices worldwide.

Fig 24. Vietnam – Commodities prices (thousand VND/kg)



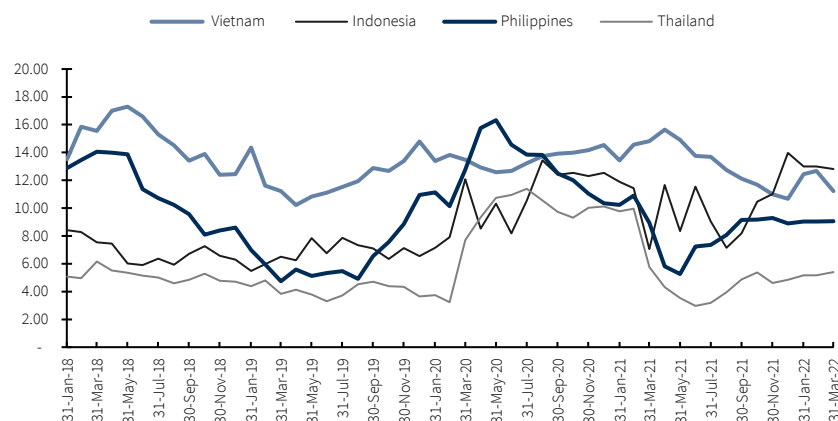
Source: AHAV, Hoa Phat Group, PVOil, KB Securities Vietnam

Fig 25. Vietnam – M2, GDP, velocity of money (VNDbn)



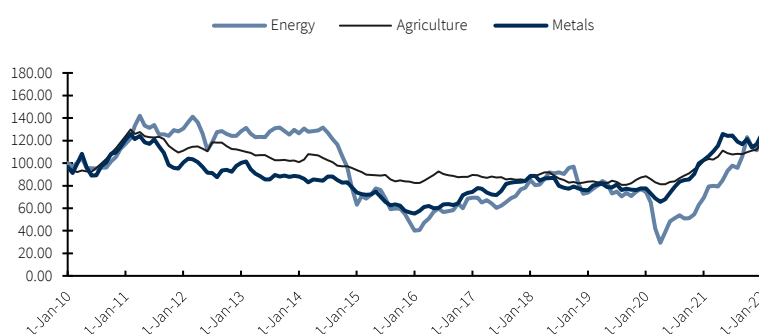
Source: Bloomberg, KB Securities Vietnam

Fig 26. Asia – M2 money supply (%YoY)



Source: KB Securities Vietnam

Fig 27. Global – Commodities prices (USD)



Source: World Bank, KB Securities Vietnam

M2 money supply should increase steadily between 12–14% YoY

The State Bank will continue to manage monetary policy and exchange rate policy flexibly, helping the M2 money supply increase steadily by 12–14% YoY. Therefore, it will not put too much pressure on inflation (Figure 26).

Petrol prices will remain high but not heat up in the short term, expected to cool down in the second half of the year

In the short term, domestic petrol and oil prices will likely remain high but not heat up because: (1) IEA member nations, including the US, will release a total of 240 million barrels of oil from the reserves in the next six months to ease off energy prices, in the context that the war between Russia and Ukraine shows no signs of de-escalation; (2) the balance of the Petroleum Price Stabilization Fund (BOG) in early 2022 was over VND900 billion. Therefore, there is still room left for the Ministry of Industry and Trade to continue stabilizing petrol prices; and (3) the Government has been trying to stabilize the petroleum market by passing the Resolution on reducing the environmental protection tax rates on petroleum, oil, and grease until the end of 2022, helping reduce the average consumer price index (CPI) in 2022 to an estimated 0.76%–0.85%. Domestic retail fuel prices in the last three quarters will follow the adjustment on March 11. In the base case scenario, fuel prices should cool down, assuming the de-escalation of the war in Ukraine in late 2Q22.

Pork prices will likely increase to about VND60,000–70,000/kg

We forecast pork prices may rise to VND60,000–70,000/kg thanks to the recovery in consumption amid dwindling pork supply due to slow pig re-herding in late 2021 and early 2022 due to African swine fever, high bran prices, and low pork prices. However, pork prices will unlikely reach their peak in 2020 thanks to the Government's priority over boosting domestic supply.

Table 4. Vietnam – 2022F headline CPI

No.	Groups	Weight (%)	+/- (% YoY)	Contribution to overall CPI (%)
1	Food and foodstuff			
	Grains	3.67	8	0.3
	Foodstuff	21.28	4	0.9
	Outdoor eating	8.61	3.5	0.3
2	Beverages and tobacco	2.73	1.5	0.0
3	Clothing and footwear	5.7	1.1	0.1
4	Housing, water, electricity, gas and other fuels	18.82	3.1	0.6
5	Furniture, household equipment and maintenance	6.74	1.5	0.1
6	Health	5.39	3.5	0.2
7	Transportation	9.67	9	0.9
8	Communication	3.14	-0.2	(0.0)
9	Education	6.17	5	0.3
10	Entertainment	4.55	2	0.1
11	Miscellaneous goods and services	3.53	2.5	0.1
Total				3.8

Source: KB Securities Vietnam

3. 2022F interest rates

The SBV may keep policy rates unchanged and aim toward credit growth of 14%

We expect the monetary policy to remain supportive until the end of 2022.

However, the State Bank will likely keep the policy rates unchanged and target credit growth to reach 14%, equivalent to the increase in 2021, given elevated inflation pressures with inflation projected at 3.8% in the base case scenario.

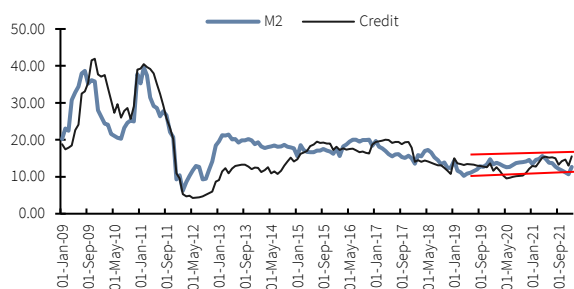
Deposit rates may inch up by 0.5% in 2022

In our estimates, deposit rates hit rock bottom and are likely to increase in the second half of 2022 due to: (1) Banks' raising deposit rates to keep real interest rates positive and attractive enough to maintain the competitive advantage given rising inflation; (2) growing credit demand in the wake of the economic recovery. Deposit rates will likely increase marginally by 0.5%, corresponding to the base case scenario where inflation rises by 3.8%.

Lending rates will likely increase slightly

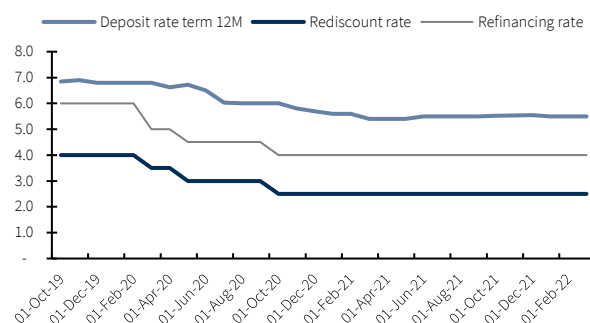
Lending rates tend to increase in line with deposit rates. However, it may increase by only 0.2 – 0.3% as the Government asks banks to maintain lending rates at low levels to aid pandemic-hit businesses.

Fig 28. Vietnam – M2 and credit growth (%)



Source: State Bank, KB Securities Vietnam

Fig 29. Vietnam – Deposit and policy rates (%)



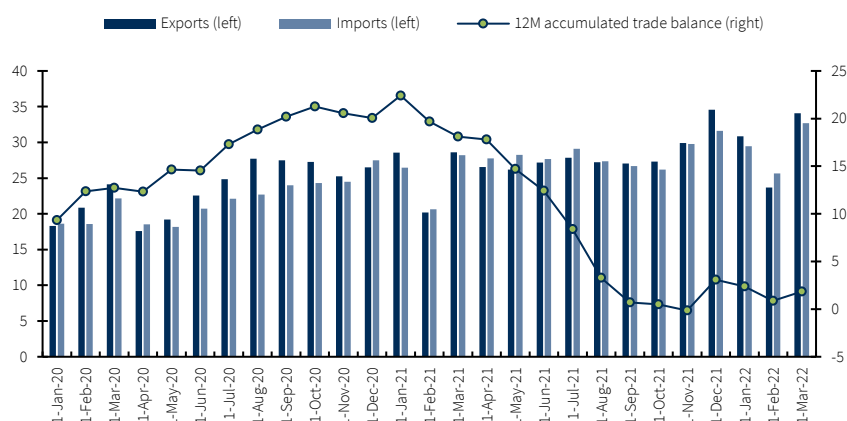
Source: State Bank, KB Securities Vietnam

4. 2022F USD/VND exchange rate

The USD supply should be equivalent to the 2021 level

The USD supply in 2022 should be equivalent to the 2021 level, thanks to the recovery of exports and returns on FDI and remittances into Vietnam. Specifically, exports of major commodities in the first three months of 2022 increased with higher volume and prices. We, therefore, believe that Vietnamese enterprises will continue to enhance exports to capitalize on preferential tariffs under FTAs in the coming months to bring in a large amount of foreign currency. In addition, the World Bank (WB) and the Global Knowledge Partnership on Migration and Development (KNOMAD) assessed Vietnam to be the eighth largest remittance recipient in the world and the third largest in the Asia-Pacific region this year. As a result, we expect remittances to Vietnam to maintain a growth momentum of 5-7% in 2022. In addition, FDI commitments to Vietnam will return to a positive trend as foreign investor confidence improves when Vietnam has fully reopened international trade (as analyzed in 2022F GDP growth).

Fig 30. Vietnam – Imports-exports

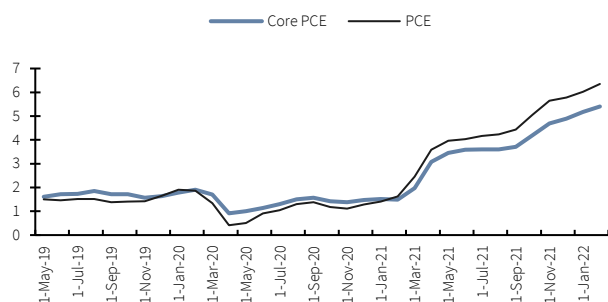


Source: Fiiipro, KB Securities Vietnam

USD/VND exchange rate is forecast to increase slightly

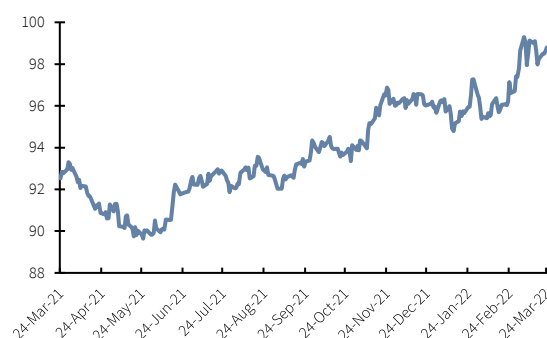
A stronger USD can lead to a 0.5%–1% increase in the USD/VND exchange rate in 2022, in the context of stable USD supplies. In 1Q22 alone, the US Dollar Index (DXY), which measures the strength of the US dollar against the currency baskets, rose by 2.8% QoQ to 98,312. It was backed by: (1) Geopolitical tensions between Russia and Ukraine; (2) future half-point interest rate increase to curb inflation supported by many US Fed officials at the Fed's March meeting.

Fig 31. US – PCE and core CPE (index)



Source: Bloomberg, KB Securities Vietnam

Fig 32. US – US Dollar Index



Source: Bloomberg, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

(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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