

May 04, 2020

Macro Analyst
Thai Thi Viet Trinh
trinhhtt@kbsec.com.vn

April Macro Updates

COVID-19 impacts April numbers

More sharp losses for April PMI and industrial production


— Vietnam's April Index of Industrial Production (IIP) plummeted by 10.5% YoY, with downward trends seen in most sectors (especially manufacturing). With the exception of pharmaceuticals (+29.3% YoY) and oil refining (+4.6% YoY), sectors such as electronics (-10.4%), textiles (-17.6%), metal production (-6.9%) and auto production (-44.2%) all fell. Vietnam's April IHS Markit Purchasing Managers' Index (PMI) also dropped to record low of 32.7 vs 41.9 in March. Severe declines were seen in production output, new orders, employment and purchasing amid suspended production and order cancellations for most companies. Most notable was the first pessimistic outlook for production over the next twelve months due to lingering COVID-10 concerns and fears of a prolonged recovery. Poor PMI numbers were seen across the region and fell below 50 for all countries. Although relaxation of social distancing rules and the restart of production should allow manufacturing to recover in the May survey, downside risk remains and there is only a small chance for PMI to move above the critical 50 reading in the near-term.

April retailing and service industry sales fall by 26% from the same period last year

— Total sales for retailing and services fell sharply by 26% YoY, of which revenue from tourism collapsed by 97.5%. Retail sales dropped by 13.4% YoY, while sales for food & catering services plummeted by 64.7% YoY due to the government-imposed three-week lockdown. Auto and scooter traffic levels have already improved since the end of April and send positive signals for recovery in retail activities in May but tourism may need more time and declines may continue at slightly lower levels seen in April data.

Exports collapsed in April but imports showed more positive signs

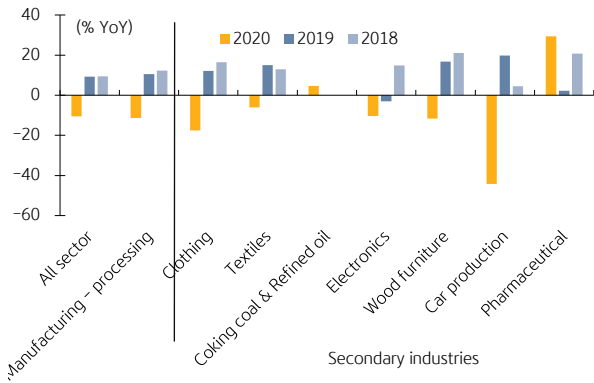
— Preliminary estimates from the General Statistics Office indicate April exports at only USD19.7 billion (down 3.5% YoY) and imports of USD20.4 billion (down 2.3% YoY). These would result in a USD700 million trade deficit for April and reduce the trade surplus to USD3 billion for the first four months of the year. Exports from FDI companies declined more sharply for a 4.5% YoY contraction in April vs the 1.4% YoY decrease seen at domestic companies. With the exception of computers, electronics and components – that rose sharply by 28.2% YoY – most key export items fell, including phones (-14.9%), textiles (-19.2%) and footwear (-10.6%). In contrast, April imports fell more for domestic companies at 4.4%, while FDI companies were largely flat at only -0.7% YoY. With the exception of fabrics (down 17.8% YoY), most import items were broadly unchanged, including computers (up 0.4%) and phones (down 2.3%).



Total registered FDI also dropped sharply for the first four months of the year

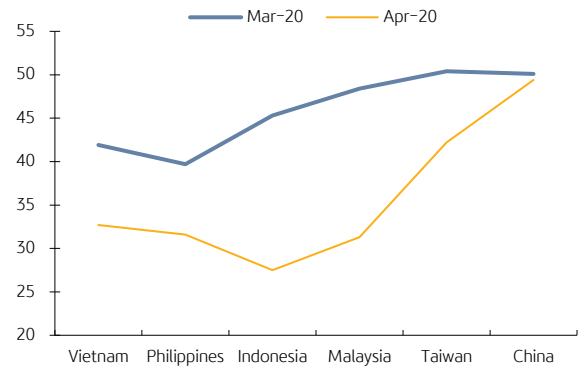
— Registered FDI recorded USD12.3 billion in the first four months of 2020 or down 15.5% over the same period last year. The decline is even larger at a drop of 22.5% YoY after removing the large projects in 2019 (Vietnam Beverage’s capital contribution and share purchases for USD3.9 billion) and 2020 (the LNG gas power plant for USD 4.0 billion). The one bright spot was the recovery in April’s total registered FDI at USD3.8 billion or up 81% MoM, with new and additional registrations for the processing and manufacturing sectors reaching USD3.2 billion.

Fig 1. Vietnam – Industrial production by main industries



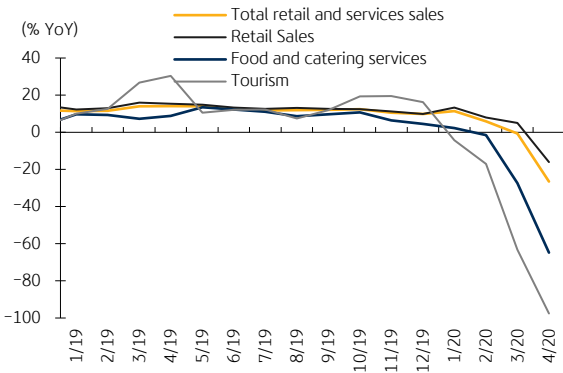
Source: Vietnam General Statistics Office, KB Securities Vietnam

Fig 2. Asian – Regional PMIs



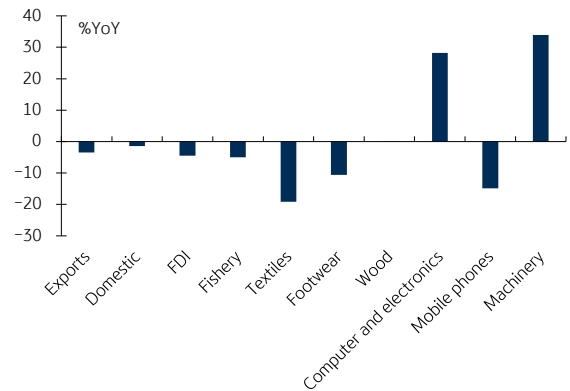
Source: IHS Markit, KB Securities Vietnam

Fig 3. Vietnam – Retail sales



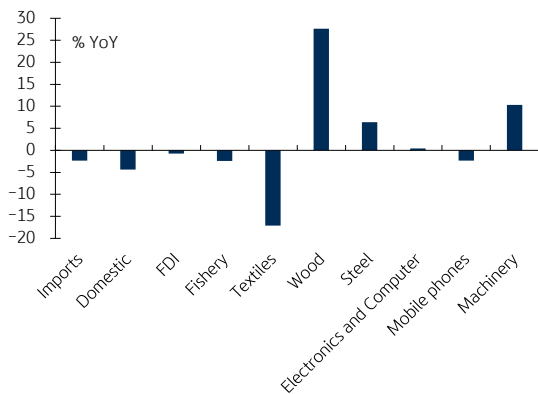
Source: Vietnam General Statistics Office, KB Securities Vietnam

Fig 4. Vietnam – April export movement



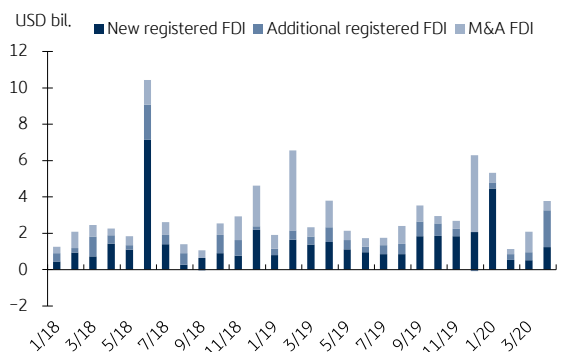
Source: Vietnam General Statistics Office, KB Securities Vietnam

Fig 5. Vietnam – April import movement



Source: Vietnam General Statistics Office, KB Securities Vietnam

Fig 6. Vietnam – FDI registration



Source: Ministry of Investment and Planning, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Head of Research – Nguyen Xuan Binh

binhnx@kbsec.com.vn

Macro/Strategy

Head of Macro & Strategy – Tran Duc Anh

anhtd@kbsec.com.vn

Macro Analyst – Thai Thi Viet Trinh

trinhtt@kbsec.com.vn

Market Strategist – Le Anh Tung

tungla@kbsec.com.vn

Equity (Hanoi)

Head of Equity Research (Hanoi) – Duong Duc Hieu

hieudd@kbsec.com.vn

Information Technology & Logistics Analyst – Nguyen Anh Tung

tungna@kbsec.com.vn

Property Analyst – Pham Hoang Bao Nga

ngaphb@kbsec.com.vn

Power & Construction Material Analyst – Le Thanh Cong

congl@kbsec.com.vn

Financials Analyst – Nguyen Thi Thu Huyen

huyennt@kbsec.com.vn

Equity (Ho Chi Minh)

Head of Equity Research (Ho Chi Minh) – Harrison Kim

harrison.kim@kbf.com

Consumer & Retailing Analyst – Dao Phuc Phuong Dung

dungdpp@kbsec.com.vn

Fisheries & Pharmaceuticals Analyst – Nguyen Thanh Danh

danhnt@kbsec.com.vn

Oil & Gas & Chemicals Analyst – Nguyen Vinh

vinhn@kbsec.com.vn

Research Marketing

Korea Marketing Analyst – Seon Yeong Shin

shin.sy@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276
Email: ccc@kbsec.com.vn
Website: www.kbsec.com.vn

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

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.