

Tet Holiday Trade Data

Yet to see worrying signs from the coronavirus

Initial data show little impact from coronavirus

Little impact from the coronavirus in preliminary data given most near-term disruption limited to trade over land routes (primarily agricultural products) and only a small proportion of input materials have been affected so far. That said, the situation is early and China factories have not operated at maximum capacity, with softer data likely to be seen in the months ahead. Preliminary 15-day trade data from the Customs Office indicates healthy February exports at USD9.6 billion and imports at USD9.6 billion or an accumulated trade deficit of USD0.3 billion to February 15th from the start of the year.

Like-for-like Tet holiday data indicate positive trade growth

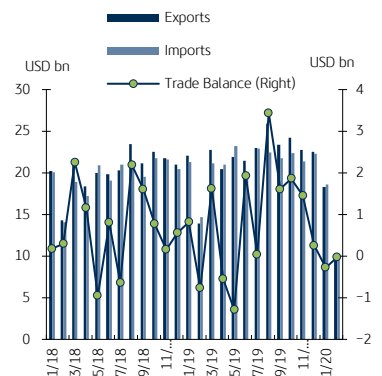
Adjusting for the Tet holidays, we estimate that exports grew by 22% during the Tet 2020 season at USD16.9 billion. This compares to Tet 2019 when exports fell by nearly 3% vs Tet 2018. Imports increased by 14% during this same period compared to the 4.6% growth during Tet 2019. Our like-for-like comparison uses 15-day trade data for January and February to align preliminary trade data from the Customs Office according to the Tet holidays for better comparison. We examine import-export activities between January 16, 2020 and February 15, 2020 for the Tet 2020 holiday and February 1, 2019 to February 28, 2019 for Tet 2019. Although this attempts to adjust for seasonality from Tet, it remains an imperfect exercise as Tet 2020 had five working days before the holidays began vs a single working day before Tet began in 2019 (when plants often pull forward production to boost output before the holidays).

Some signs that production is being shifted to Vietnam

Exports in textiles and footwear witnessed a sharp rise during the first half of February and we believe this may represent a shift in production by multinational companies to Vietnam due to a slowdown in production in China. Exports in mobile and accessories did not see a similar jump in production but this may also be due to the quiet period before new product launches. Samsung Electronics are currently rolling out new models and has already announced they do not expect any production delays in Vietnam. Moreover, our tech team in Korea expects Samsung to shift production of low-/mid-end phones to Vietnam due to production disruptions at its ODM makers in China.

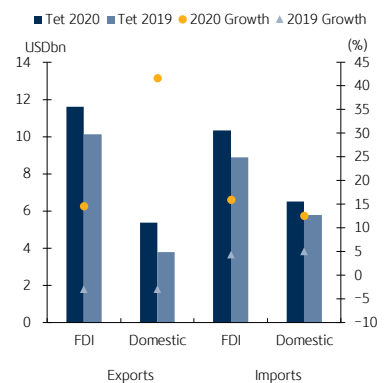
February 21, 2020

Vietnam – Exports/imports & trade balance, Jan 18–Feb 20 (USDbn)



Source: Customs Office, KB Securities Vietnam

Vietnam – Exports/imports during Tet holiday periods by type of business, 2019 & 2020 (USDbn, % YoY)



Source: Customs Office, KB Securities Vietnam

No worrying signs yet from the coronavirus

Export growth during Tet 2020 at 42% for domestic suppliers and 15% for FDI companies

Overall, exports from the domestic economic sector increased sharply by 41.7% according to our Tet 2020 comparison, while export growth from the FDI sector remained healthy at 14.7% during the same period. Exports in fruits and vegetables were impacted the most from the coronavirus – and fell by 14.7% during Tet 2020 – but other agricultural products, like rice and coffee, all witnessed healthy growth.

Remarkable growth in exports for textile and footwear makers during Tet 2020 vs Tet 2019

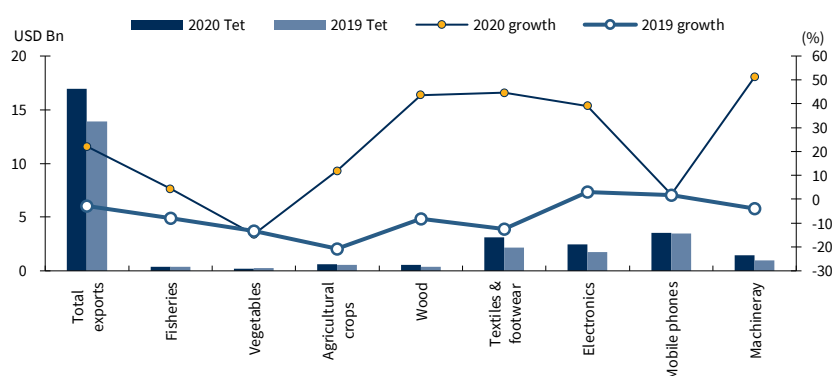
The key takeaway from our Tet 2020 export data is the remarkable growth in the textile and footwear industries, which grew by 44.6% at USD3 billion. This is well above the USD2 billion in monthly exports for these products usually seen during the Tet season for the past three years. We attribute this jump to multinational companies shifting production to Vietnam to offset the shortfall in textile and footwear orders arising from the shutdown of plants in China.

Exports in electronics should start reflecting new models from Samsung Electronics

Exports in electronics rose by a modest 2% during Tet 2020 but this data also represents production prior to the launch of new models. Samsung Electronics has since launched its new models on February 12th for release on March 6th. Our tech team in Korea does not expect any production delays in Vietnam for Samsung's new models. They also believe that Samsung may shift more production of its low- and mid-end phones to Vietnam to compensate for production delays at its ODM makers in China.

Exports in textiles & footwear were the big positive surprise during Tet 2020 as multinationals shift production to Vietnam

Fig 1. Vietnam – Exports during Tet holiday periods by main items (USDbn, %YoY)



Note:

2020 Tet period: January 16 to February 15

2019 Tet period: February 1 to February 28

Source: Customs Office, KB Securities Vietnam.

Overall imports not impacted by the coronavirus during Tet 2020 and mostly contained to a handful in input materials

Imports of textiles mixed as cotton & textiles fall but overall fabric imports rise sharply by 11%

Demand for electronics & home appliances continues to grow and seem unaffected by the coronavirus

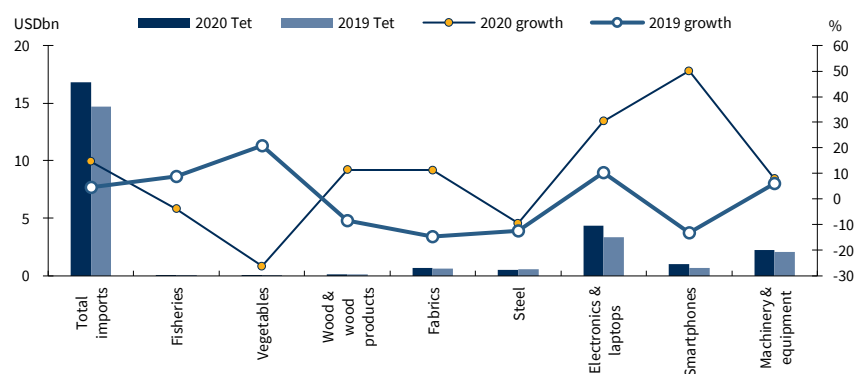
Most of the coronavirus impact has been contained to input materials, such as fertilizers, pharmaceutical raw materials, tobacco raw materials & agricultural commodities

The growth in imports for the domestic economic sector increased to 12.6% during Tet 2020, while the FDI sector witnessed import growth of 16.0%. Both sectors fared well compared to the 4%–5% levels of growth seen during Tet 2019. The largest impact from the coronavirus were seen in the imports of input materials, with sharp declines seen in fertilizers, pharmaceutical raw materials, tobacco raw materials and agricultural commodities (with many items falling more than 30% vs Tet 2019).

Imports for textiles (cotton, yarn & fabric) were mixed as cotton and textiles fell by 5.5% during Tet 2020 despite overall fabrics imports increased sharply by 11.4%)

Imports of electronics, mobile phones and machinery remained healthy during Tet 2020. Most notably, imports for electronics and home appliances were higher in the February data vs figures from January, implying that demand continues to grow for these items. We believe new product launches and the ability to import these items by ship (Vietnam's ports less affected by the coronavirus) may have allowed these imports to avoid any direct impact from the coronavirus.

Fig 2. Vietnam – Imports during Tet holiday periods by main items (USDbn, %YoY)



Note:
 2020 Tet period: January 16 to February 15
 2019 Tet period: February 1 to February 28
 Source: Customs 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

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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