

# Economic Flash

## Economic activities slow down on Tet

### Soon Lunar New Year limits trade

By GSO's release, trade activity in the first month of 2022 shrunk as heading to the Tet holiday. In more detail, export and import declined to USD29.00bn and USD29.50bn from peak values of USD34.52bn and USD31.98bn in the previous month, respectively. A sooner Tet than 2021 also made trade values temporarily slow down with modest export and import growth rates of 1.59% YoY and 11.49% YoY in January 2022.

### Industrial sector remains strong in 2022 beginning

Looking at the broad picture in January, the production output of most industries continued to be solid thanks to strong growth momentum in the early reopening. Accordingly, taking into account long-holiday seasonal effects, the industrial sector slowed down just modestly in the month, by 3.1% from its record high last month (+2.4% YoY), despite the seasonality.

### Stable CPI on muted F&Fs

According to GSO, CPI remained stable in January 2022 when the food and foodstuff index (F&Fs) was unchanged even in the pre-Tet period. The traffic index provided the most contribution to the increase of CPI this month by increasing 1.18% MoM as the gasoline prices continued to be upwardly adjusted.

### Recovered confidence boosts FDI activity

Thanks to recovered foreign investors' confidence in Vietnam's economy in the reopening, FDI flows into existing projects (both direct and indirect investment) were significantly strong in January. Meanwhile, foreign investment into new businesses remained quiet due to still-uneased border-restricted measures. Overall, total registered FDI reached up to USD2.10bn (+4.2% YoY), while the disbursed amount posted by USD1.61bn (+6.8% YoY).

### KIS leading economic index

(USD bn, %, % QoQ, % YoY)

	1Q21	2Q21	3Q21	4Q21	2019	2020	2021F
GDP	4.48	6.61	(6.02)	2.58	7.02	2.91	2.58
Trade balance	2.82	(3.75)	(1.00)	5.22	10.42	19.01	4.61
CPI	0.30	2.67	2.16	1.89	5.23	3.24	1.84
Discount rate	3.00	3.00	3.00	3.00	4.00	3.00	3.00
VND/USD	23,076	23,020	22,761	22,790	23,231	23,255	22,790
US GDP	NA	NA	7.90	NA	2.29	(3.41)	5.97
China GDP	NA	NA	6.00	NA	5.95	2.34	8.02

Source: KIS

### Contents

I. Soon Lunar New Year limits trade .....	1
II. Industrial sector remains strong in 2022 beginning	2
III. Retail sales recover modestly .....	3
IV. Stable CPI on muted F&Fs .....	4
V. Recovered confidence boosts FDI activity .....	5
<b>Macro scorecard</b> .....	<b>7</b>

**Y Nguyen**

y.nt@kisvn.vn

**Tuan Doan**

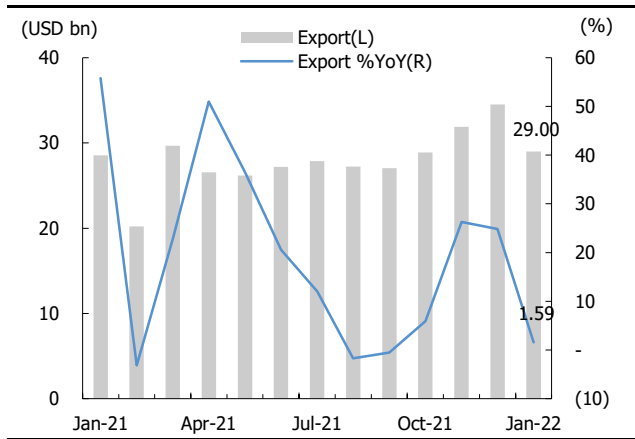
tuan.doan@kisvn.vn

# I. Soon Lunar New Year limits trade

## Trade turnover dropped on Tet holiday

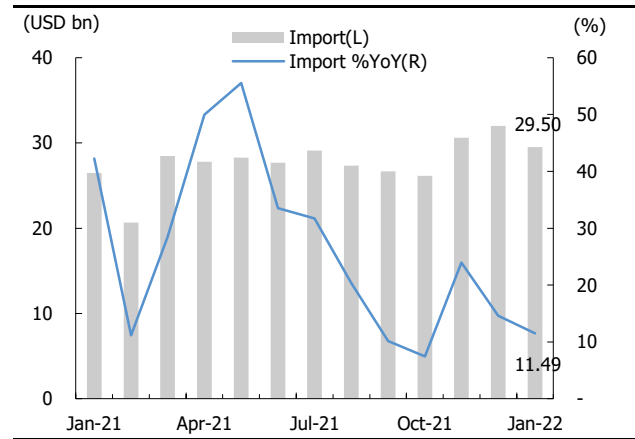
By GSO's release, trade activity in the first month of 2022 shrunk as heading to the Tet holiday. In more detail, export and import declined to USD29.00bn and USD29.50bn from peak values of USD34.52bn and USD31.98bn in the previous month, respectively. A sooner Tet than 2021 also made trade values temporarily slow down with modest export and import growth rates of 1.59% YoY and 11.49% YoY in January 2022, much lower than those in December 2021.

**Figure 1. Vietnam monthly export**



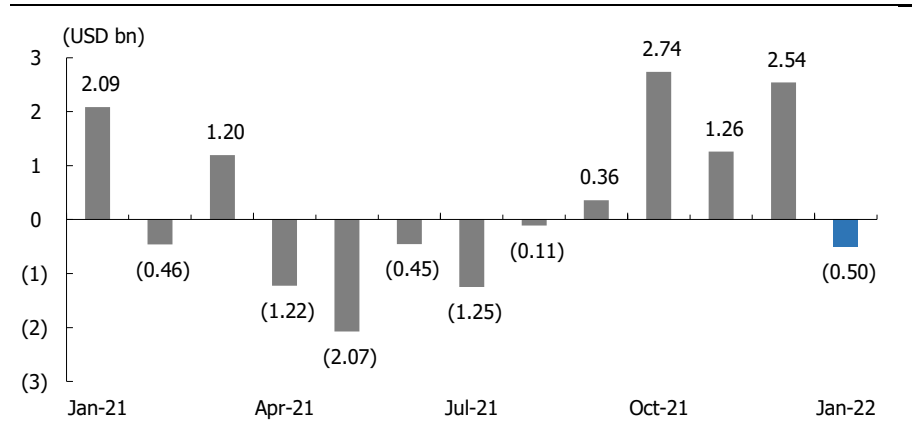
Source: KIS, GSO

**Figure 2. Vietnam monthly import**



Source: KIS, GSO

**Figure 3. Vietnam monthly trade balance**

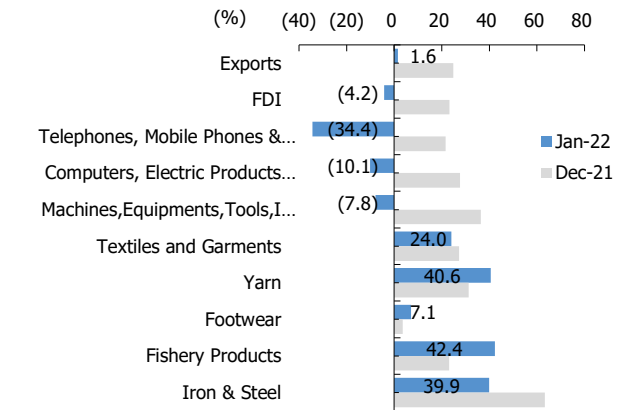


Source: KIS, GSO

Trade activity of FDI block tends to reduce more than others under the Tet effect with a reduction of 4.17% YoY. Export values of high FDI-concentrated products, including phones, computers, and machines, recorded worse-than-average developments as declining by 34.41% YoY, 10.09% YoY, and 7.84% YoY, respectively. The foreign-invested enterprises, such as Samsung, have allowed workers to make the early leave before massive travel time to limit the infection and production disruption, likely resulting in the current development of trade activity in the FDI block. On the other hand, export values of yarn, footwear, and fishery continued accelerating this month by impressively increasing by 40.56%

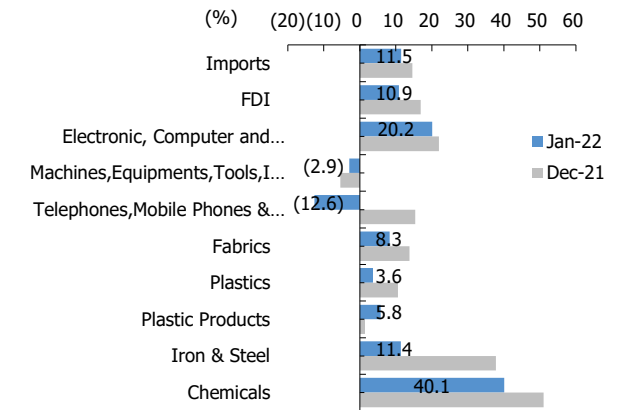
YoY, 7.06% YoY, and 42.35% YoY to reach USD0.55bn, USD2.00bn, and USD0.87bn, respectively.

**Figure 4. Top export item: growth rates (% YoY)**



Source: KIS, GSO

**Figure 5. Top import item: growth rates (% YoY)**



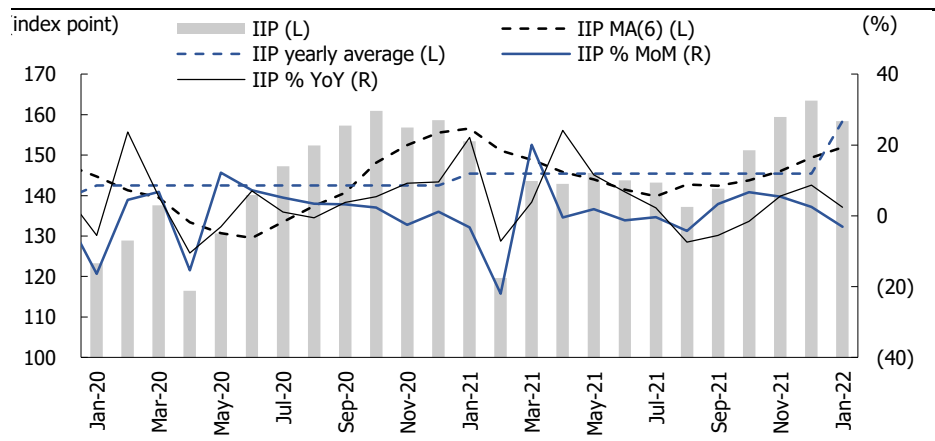
Source: KIS, GSO

## II. Industrial sector remains strong in 2022 beginning

**Industrial production slowed down from its record high due to the seasonality effect**

According to the latest update from GSO, due to the seasonality from Tet's long-holiday, the industrial sector slowed down modestly at the beginning of 2022. Looking at the broad picture, the production output of most industries continued to be solid thanks to strong growth momentum in the early reopening. To be more specific, IIP declined by 3.1% from its record high last month, still growing 2.4% compared to the same period last year despite the seasonality.

**Figure 6. The industrial production**

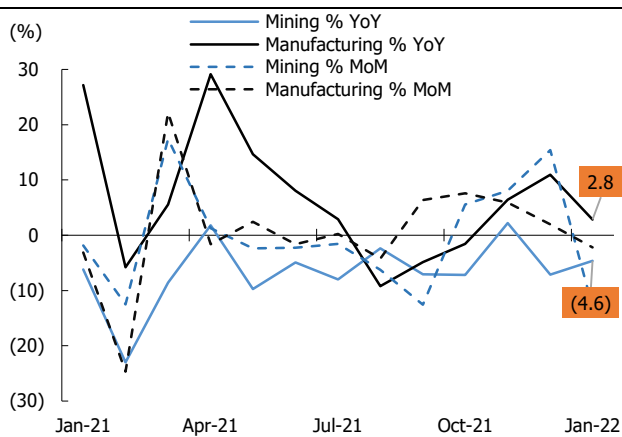


Source: GSO, KIS

Strong performance in the whole industrial sector was primarily led by the manufacturing industry as growth in this industry (-2.2% MoM, +2.4% YoY) continued to outpace other level-1 industries, including the mining (-13.0% MoM, -4.6% YoY) and water supply & other related activities (-8.7% MoM, +1.2% YoY).

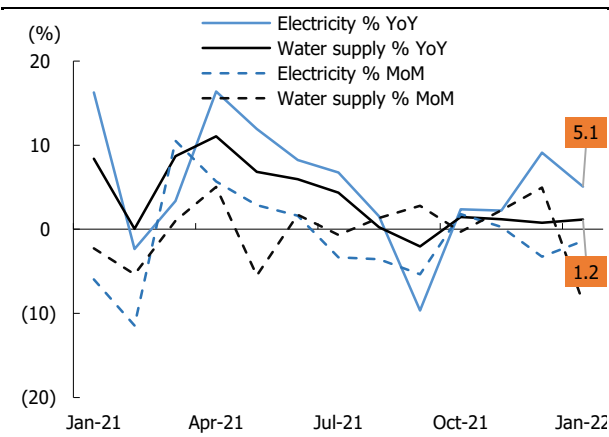
The robust manufacturing activity also supported the output of the electricity production & distribution industry (-1.4% MoM, +5.1% YoY) in the month.

**Figure 7. The Mining and Manufacturing industries**



Source: GSO, KIS

**Figure 8. The Electricity and Water supply industries**



Source: GSO, KIS

Looking deeper into data, two factors that mainly caused a slowdown in the industrial sector included: (1) the Tet-holiday seasonality caused a delay in production activity in the broad-based industrial sector, especially those labor-intensive industries, including the manufacturing of foods and beverages, the seasonally sensitive manufacturing of construction materials, and the manufacturing of electronics, etc. (2) the plunge in the exploitation of crude oil & natural gas.

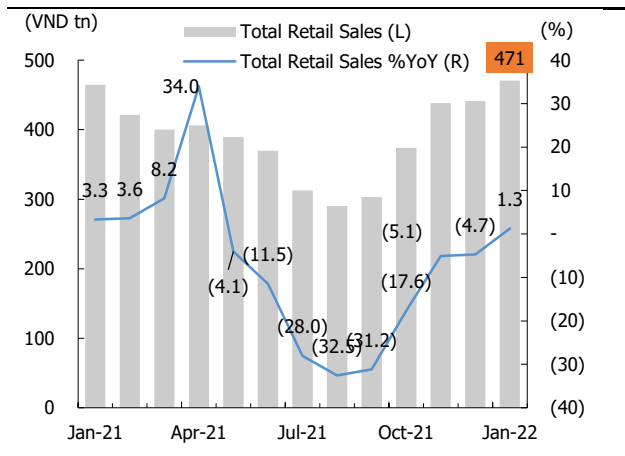
On the other hand, production activity in the textile group, including the manufacturing of textiles, wearing apparel, and footwear, remained highly strong thanks to increased export demand. The manufacturing of machinery & equipment also benefited from a rebound in the foreign demand. Furthermore, data also showed an impressively strong performance from the group of industrial commodities in the month, including the mining of metal ores, the manufacturing of chemicals and rubber & plastics, which were mainly driven by high export demand

### III. Retail sales recover modestly

***The retail sales recovered modestly in the pre-Tet period***

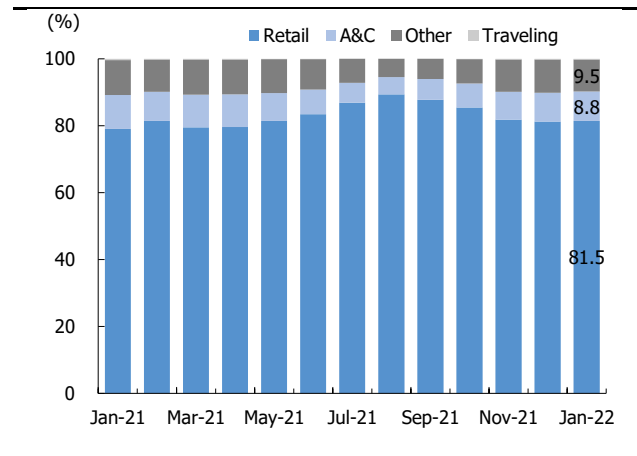
Retail sales in January reached the one-year high in the shopping season for the Lunar New Year. Accordingly, the total revenue from selling goods to customers in the retail business was VND470.68tn, growing by 1.26% YoY this month. Moreover, current total sales also exceeded that in the same period of 2021, marking the first time the turnover of retail businesses returned to expansion territory after eight consecutive months of contraction. However, given a sooner Tet than 2021, the total retail sales somewhat underperformed our expectation as consumers seem to remain cautious to the persistently high number of infected cases. Regarding the structure, the retailing value kept overwhelming, with the largest share at 81.48% of the total, while accommodation and catering (A&C) and traveling sectors jointly consisted of 8.98% of total revenue.

**Figure 9. Monthly retail sales**



Source: GSO, KIS

**Figure 10. Components of retail Sales**



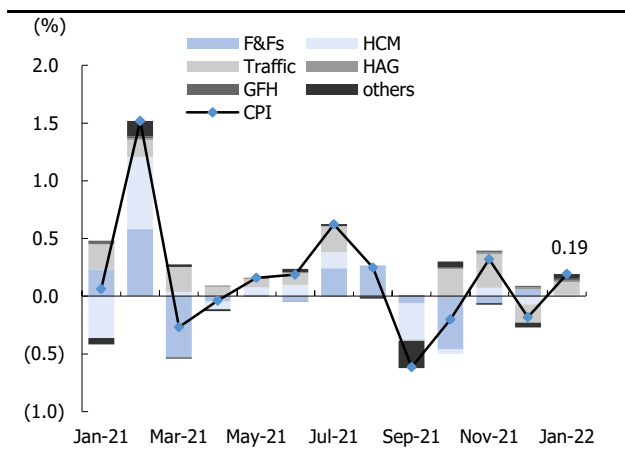
Source: GSO, KIS

## IV. Stable CPI on muted F&Fs

**CPI remained stable with the unchanged food and foodstuff index**

According to GSO, CPI remained stable in January 2022 when the food and foodstuff index (F&Fs) was unchanged even in the pre-Tet period. In more detail, CPI modestly rose by 0.19% MoM, much lower than the increase of 1.52% MoM in the previous Tet. The traffic index provided the most contribution to the increase of CPI this month by increasing 1.18% MoM as the gasoline prices continued to be upwardly adjusted. Besides, beverage and cigarette (B&C) and garment, footwear, and hat (GFH) rose modestly by 0.57% MoM and 0.26% MoM and jointly added four basis points (bps) to the CPI's monthly change. Regarding the yearly change, CPI rose by 1.94% YoY in this month, 2.06% lower than the government's target proposed in Resolution 01/NQ-CP on social-economic development plan and tasks in 2022.

**Figure 11. Monthly CPI change and its contributor**



Source: GSO, KIS

**Table 1. Monthly CPI change by item**

Item	Weight (%)	% MoM	% YoY
Food and foodstuff	36.12	(0.00)	(0.14)
Beverage and cigarette	3.59	0.57	2.75
Garment, Footwear, hat	6.37	0.26	0.88
Housing and construction materials	15.73	0.07	3.51
Household appliances and goods	7.31	0.18	1.22
Medicine and health care	5.04	0.03	0.25
Traffic	9.37	1.18	14.55
Postal services & Telecommunication	2.89	(0.03)	(0.65)
Education	5.16	0.01	(4.63)
Culture, entertainment and tourism	4.29	0.16	(0.11)
Other goods and services	3.3	0.39	1.57
<b>Consumer Price Index</b>		<b>0.19</b>	<b>1.94</b>

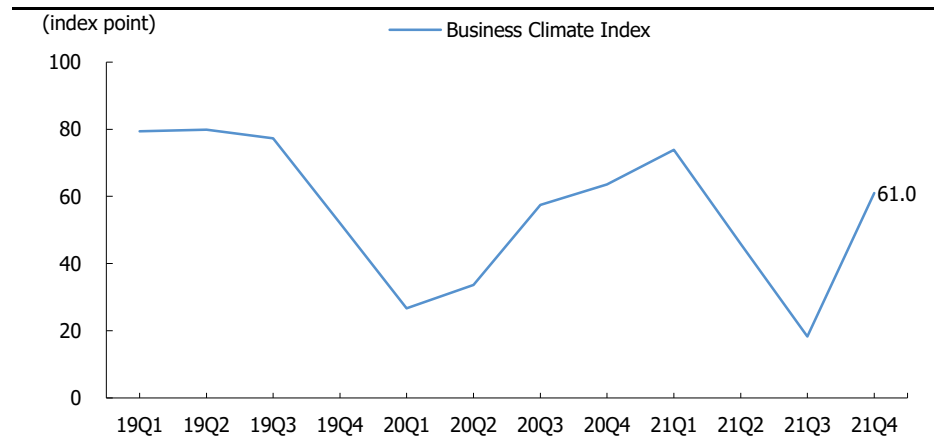
Source: GSO, KIS

## V. Recovered confidence boosts FDI activity

***FDI into existing businesses was solid with recovered FDI's business confidence***

According to the latest update from the Ministry of Planning and Investment, except for a sharp plunge in new FDI registration, other FDI investment activities posted impressive growths in the first month of 2022. It can be seen that foreign investors' confidence remains highly strong in Vietnam's economic outlook following the economic reopening, shown by strongly increased foreign capital into existing projects (both direct and indirect investment), while investment activity into new projects keeps facing difficulties, in temporary, due to still-uneased border-restricted measures.

**Figure 12. Recovered foreign business confidence in the reopening in 4Q21**

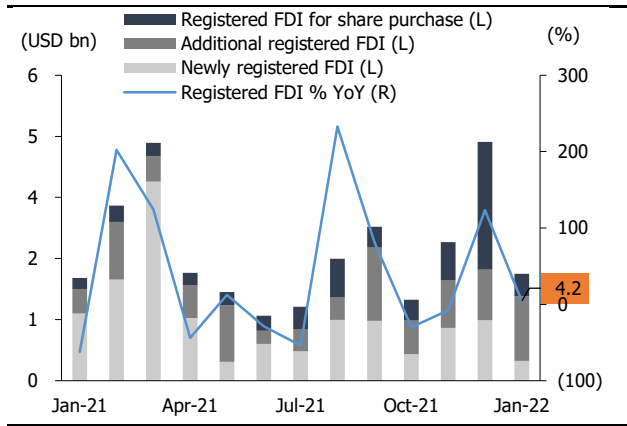


Source: Vietnam's European Chamber of Commerce, KIS

To be more specific, both FDI inflows into existing projects via registering additional capital and share purchasing remained markedly strong in the month. Accordingly, the amount of additional FDI registered capital into existing projects took more than 60% of total registered FDI with USD1.27bn (+169% YoY), followed by about USD0.44bn of foreign investment via share purchase (+100.9% YoY, 21.1% share). Meanwhile, new registered FDI fell sharply to only USD0.39bn (-70.7% YoY, 18.5% share), which is among the lowest levels on record. However, as explained, we believe that a slowdown in FDI into new projects was just affected by temporary factors, as several measures for foreign investors' investment demand were more on the positive side. In total, despite the plunge in newly FDI, total registered FDI reached up to USD2.10bn (+4.2% YoY) in January.

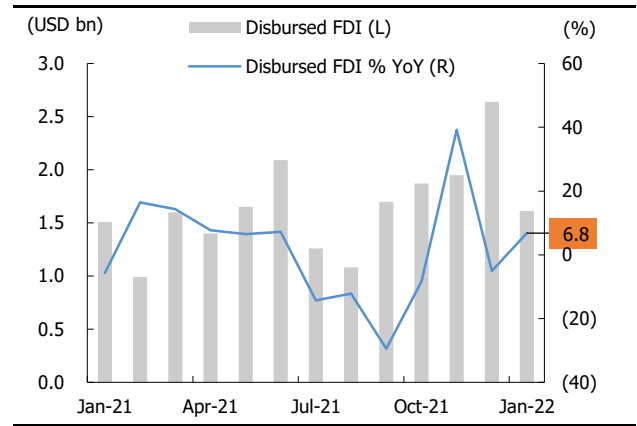
On the other side, the disbursement activity temporarily decelerated due to labor shortages and delayed economic activity because of Tet's holiday, posting USD1.61bn (+6.8% YoY).

**Figure 13. Monthly registered FDI**



Source: MPI, KIS

**Figure 14. Monthly disbursed FDI**



Source: MPI, KIS

## Macro scorecard

(USD bn, USD, %, % YoY)

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	1Q21	2Q21	3Q21	4Q21	2018	2019	2020	2021
Real GDP growth		(6.02)			5.22		4.65	6.61	(6.02)	5.22	7.08	7.03	2.91	2.58
Registered FDI	2.40	3.02	1.59	2.73	4.69	2.10	10.13	5.14	6.88	9.01	35.47	38.02	28.53	31.15
GDP per capita											2,457	2,604	2,656	
Unemployment rate		3.98			3.56		2.42	2.62	3.98	3.56	2.21	2.25	2.48	3.22
Export	27.23	27.01	28.87	31.87	34.52	29.00	78.40	79.95	82.12	95.26	243.5	263.6	282.7	335.7
Import	27.34	26.67	26.13	30.61	31.98	29.50	75.57	83.70	83.12	88.72	236.7	254.4	263.0	331.1
Export growth	(1.71)	(0.50)	5.94	26.27	24.82	1.59	23.42	34.74	2.99	20.43	13.19	8.16	7.02	18.74
Import growth	20.34	10.17	7.69	23.96	14.59	11.49	26.60	45.79	18.85	15.42	11.01	7.41	3.81	25.90
Inflation	1.79	2.06	1.77	2.10	1.81	1.94	0.30	2.67	2.51	1.89	3.54	2.79	3.24	1.84
USD/VND	22,784	22,761	22,752	22,729	22,790	22,790	23,076	23,020	22,761	22,790	23,175	23,173	23,126	22,790
Credit growth	7.45	7.88	8.76	10.10	12.97	1.90	2.95	6.44	7.88	12.97	10.77	13.75	12.17	12.97
10Y gov't bond	2.06	2.14	2.15	2.09	2.11	2.09	2.40	2.21	2.14	2.11	5.07	3.37	2.01	2.11

Source: GSO, Bloomberg, FIA, IMF



## Global Disclaimer

### ■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

### ■ Country-specific disclaimer

**United States:** This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

**United Kingdom:** This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

**Hong Kong:** This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

**Singapore:** This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

#### VIET NAM

JAE HEUNG LEE, Business Director (jhlee@kisvn.vn +8428 3914 8585 - 1466)  
UYEN LAM, Head of Institutional Brokerage (uyen.lh@kisvn.vn +8428 3914 8585 - 1444)  
KIS Vietnam Securities Corporation  
3rd floor, 180-192 Nguyen Cong Tru, Nguyen Thai Binh Ward, District 1, Ho Chi Minh City.  
Fax: 8428 3821-6898

#### SOUTH KOREA

YEONG KEUN JOO, Managing Director, Head of International Business Division (yjkoo@truefriend.com, +822 3276 5157)  
PAUL CHUNG, Sales Trading (pchung@truefriend.com +822 3276 5843)  
27-1 Yoido-dong, Youngdeungpo-ku, Seoul 150-745, Korea  
Toll free: US 1 866 258 2552 HK 800 964 464 SG 800 8211 320  
Fax: 822 3276 5681~3  
Telex: K2296

#### NEW YORK

DONG KIM, Managing Director (dkim@kisamerica.com +1 212 314 0681)  
HOON SULL, Head of Sales (hoonsull@kisamerica.com +1 212 314 0686)  
Korea Investment & Securities America, Inc.  
1350 Avenue of the Americas, Suite 1110  
New York, NY 10019  
Fax: 1 212 314 0699

#### HONG KONG

GREGORY KIM, Managing Director, Head of HK Sales (greg.kim@kisasia.com, +822 2530 8915)  
Korea Investment & Securities Asia, Ltd.  
Suite 2220, Jardine House  
1 Connaught Place, Central, Hong Kong  
Fax: 852-2530-1516

#### SINGAPORE

ALEX JUN, Managing Director, Head of Singapore Sales (alex@kisasia.com.sg +65 6501 5602)  
CHARLES AN, Sales (alex.jun@kisasia.com.sg +65 6501 5601)  
Korea Investment & Securities Singapore Pte Ltd  
1 Raffles Place, #43-04, One Raffles Place  
Singapore 048616  
Fax: 65 6501 5617

#### LONDON

Min Suk Key, Managing Director (peterkey@kiseurope.com +44 207 065 2766)  
Korea Investment & Securities Europe, Ltd.  
2nd Floor, 35-39 Moorgate  
London EC2R 6AR  
Fax: 44-207-236-4811

#### INDONESIA

JONG IN HONG, Managing Director (Jay.hong@kisi.co.id 62 813 1947 1984)  
Korea Investment & Sekuritas Indonesia  
Equity tower, 9th & 22nd Floor Suite A SCBD Lot 9. Jl Jenderal Sudirman Kav. 52-53, Jakarta 12190 Indonesia  
Fax: 62 21 299 11 999

---

This report has been prepared by KIS Vietnam Securities Corp. and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. This report is provided solely for the information of professional investors who are expected to make their own investment decisions without undue reliance on this report and the company accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report is not intended for the use of private investors.