

# Economic Flash

## Economic recovery remains on track

### Trade reduces in the month of Tet

By GSO's release, trade value continued decreasing in the month of the Lunar new year with export and import values of USD22.95bn and USD25.28bn, declining by 20.87% and 14.31% compared to the previous month. However, a sooner Tet caused the trade activities to resume quickly, resulting in higher export and import value in February 2022 than the same period last year with growth rates of 13.62% YoY and 22.38% YoY, respectively.

### Industrial sector accelerates growth in February

In February, the industrial sector experienced a delay in operation due to Tet's long holiday. However, based on non-seasonally year-over-year growth, IIP grew at approximately the fastest pace in 9 months, at 8.5% YoY. Looking deeper into data, we saw the high growth in the industrial sector was driven by some export-oriented manufacturing industries, which are also key growth drivers in the reopening. Besides, the construction-material manufacturing group, including the manufacturing of steel & cement, returned to high-growth territory in the month.

### CPI increases mainly on F&Fs

According to GSO, CPI accelerated in February with notable increases in food and foodstuff index (F&Fs), garment, footwear, and hat (GFH), and traffic. In more detail, CPI rose by 1.00% MoM, much higher than the muted development in the previous month. F&F and GFH increased by 1.54% MoM and 0.92% MoM under the Tet's demand while the traffic index added more pressure on the CPI's upturn due to higher prices of retailing gasoline.

#### KIS leading economic index

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

	1Q21	2Q21	3Q21	4Q21	2019	2020	2021
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

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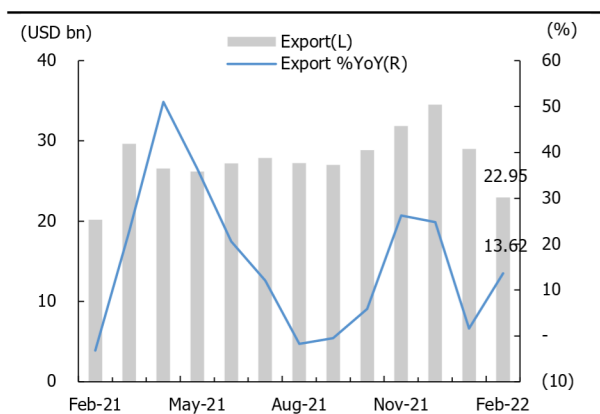
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# I. Trade reduces in the month of Tet

## Trade rebound after Tet

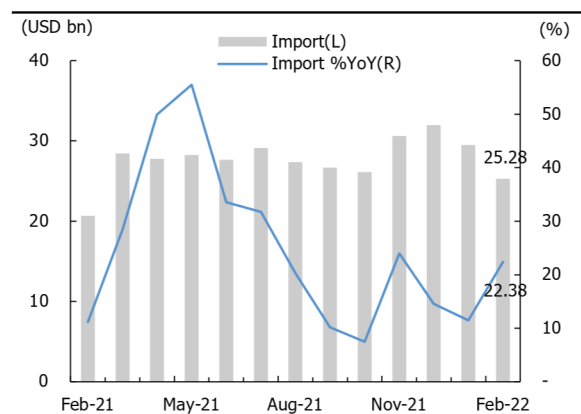
By GSO's release, trade value continued decreasing in the month of the Lunar new year with export and import values of USD22.95bn and USD25.28bn, declining by 20.87% and 14.31% compared to the previous month. However, a sooner Tet caused the trade activities to resume quickly, resulting in higher export and import value in February 2022 than the same period last year with growth rates of 13.62% YoY and 22.38% YoY, respectively. Regarding the accumulation basis, export and import in the first two months of this year were USD51.95bn and USD54.78bn, growing by 6.58% YoY and 16.27% YoY.

**Figure 1. Vietnam monthly export**



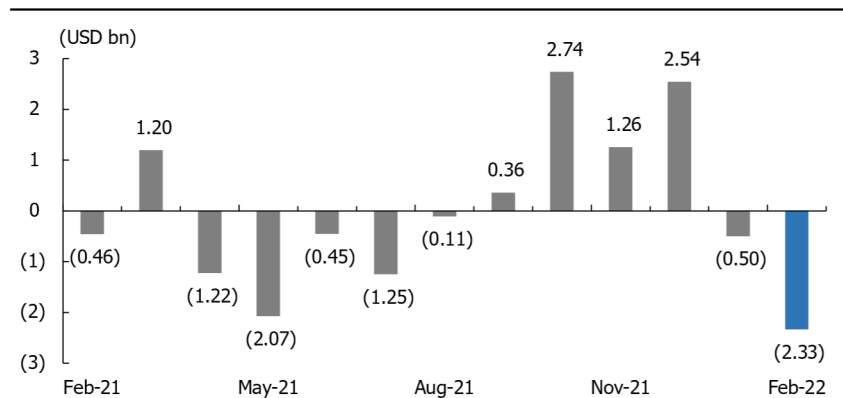
Source: KIS, GSO

**Figure 2. Vietnam monthly import**



Source: KIS, GSO

**Figure 3. Vietnam monthly trade balance**



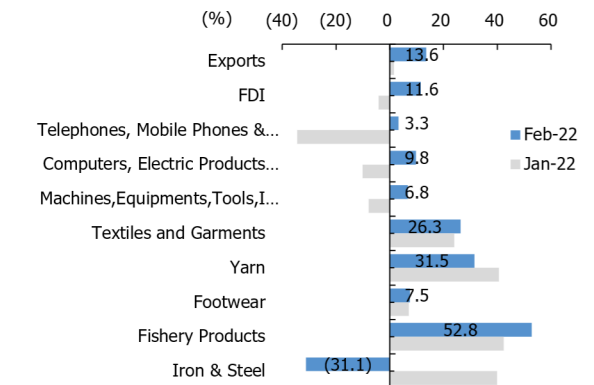
Source: KIS, GSO

Export growth this month is driven by impressive developments of textile and garments, yarn, and fishery products with respective growth rates of 26.32% YoY, 31.54% YoY, and 52.82% YoY, respectively. Products with the most FDI-invested proportions, including phones, computers, and machines, grew less strongly by 3.27% YoY, 9.76% YoY, and 6.75% YoY.

In import structure, most items recorded significantly higher values than the same period last year. Import values of electronic, computer and spare parts

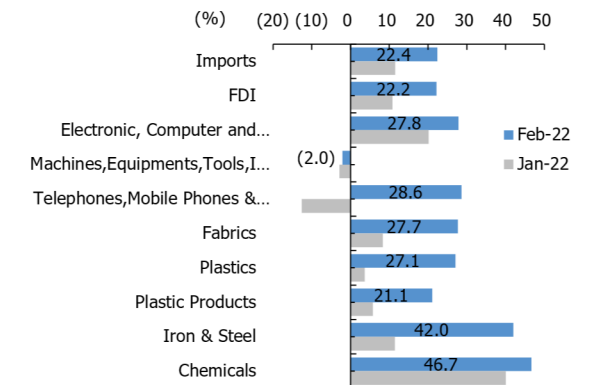
(CEPP) and telephones, mobile phones & spare parts (TMPP) rose by 27.82% YoY and 28.60% YoY. Material items, including fabrics, plastics, iron and steel (I&S), and chemicals, grew more significantly by 27.74% YoY, 27.12% YoY, 42.00% YoY, and 46.68% YoY.

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



Source: KIS, GSO

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



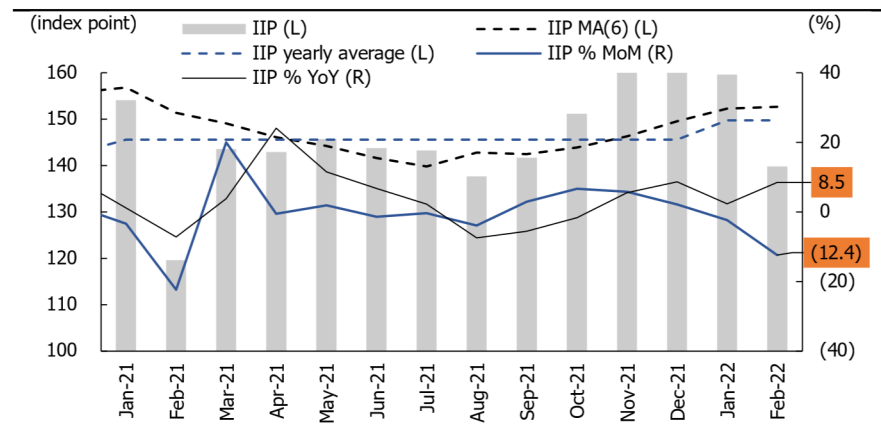
Source: KIS, GSO

## II. Industrial sector accelerates growth in February

**Industrial sector accelerate growth pace in the reopening**

In February, the industrial sector experienced a delay in operation due to Tet's long holiday, with its production down 12.4% MoM. However, based on non-seasonally year-over-year growth, IIP grew at approximately the fastest pace in 9 months, at 8.5% YoY.

**Figure 6. The industrial production**

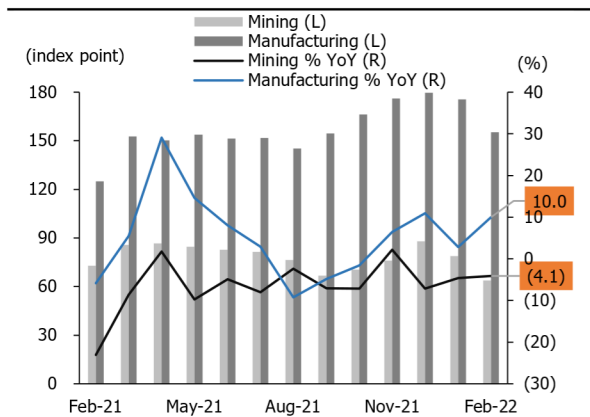


Source: GSO, KIS

Among four level-1 sectors, the manufacturing continued to be a key growth driver for the industrial sector with its growth (-11.5% MoM, +10.0% YoY) far outpacing other sectors, including the mining (-19.1% MoM, -4.1% YoY), the electricity production & distribution (-15.1% MoM, +8.0% YoY), and the water

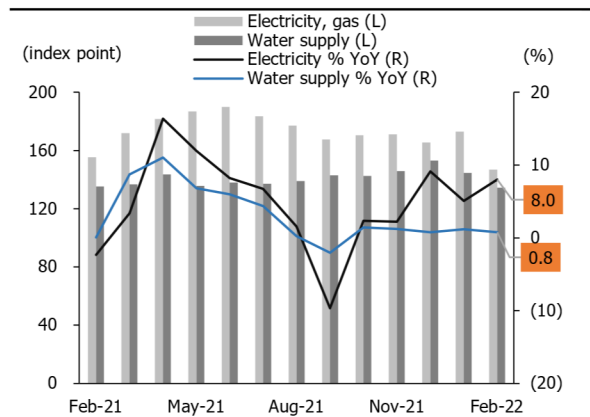
supply & other related activities (-7.0% MoM, +0.8% YoY).

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



Source: GSO, KIS

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

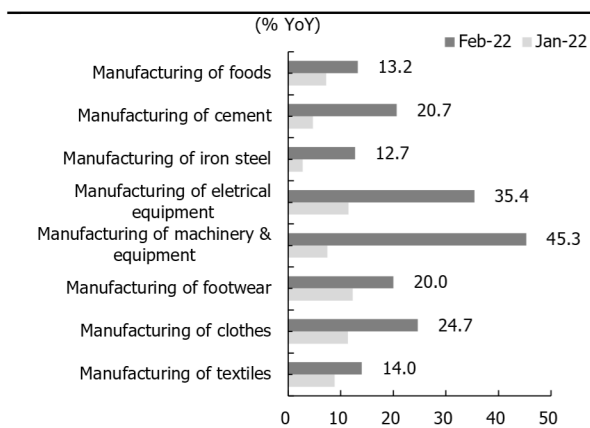


Source: GSO, KIS

Looking deeper into data, we saw the high growth in the industrial sector was driven by some export-oriented manufacturing industries, which are also key growth drivers in the reopening. Textile group, including the manufacturing of textile & clothing & footwear products, continued to be a bright spot in the month with their growths ranging from 14% YoY - 25% YoY. Furthermore, the manufacturing of machinery & equipment and electrical equipment were also benefiting from increased export demand, contributing to industrial growth. Besides, the construction-material manufacturing group, including the manufacturing of steel & cement, returned to high-growth territory in the month.

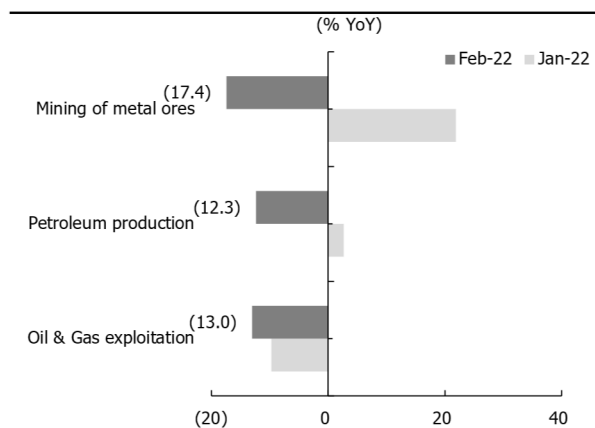
On the other hand, a partial shutdown in the largest oil refinery Nghi Son continued in February, impacting broadly to the production in the oil & gas industry. The reduction in oil & gas exploitation and the manufacturing of petroleum products were dragging down the industrial growth.

**Figure 9. Top growth drivers in February**



Source: KIS, GSO

**Figure 10. Top draggers in February**



Source: KIS, GSO

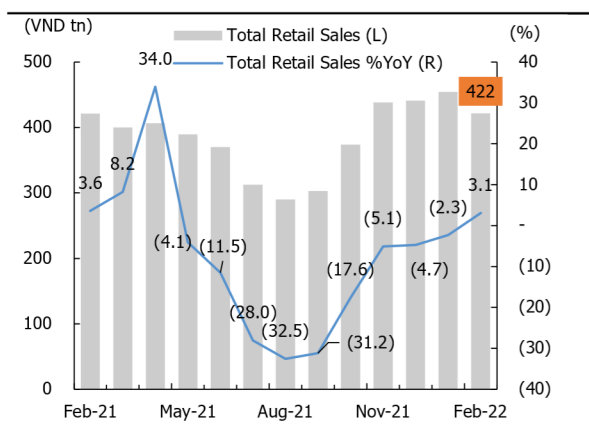
### III. Retail sales recover modestly

**The retail sales recovered on impressive A&C and traveling revenue**

Retail sales in February dropped after peaking in January as the demand for Tet season was fading. Accordingly, the total revenue from selling goods to customers in the retail business was VND454.20tn, growing by 3.09% YoY this month.

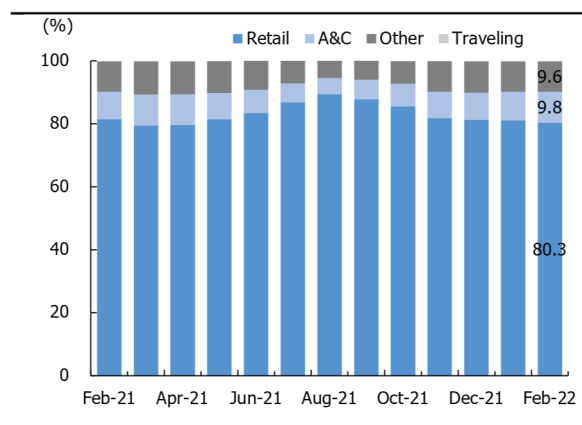
The retail sector mainly drove the modest recovery of total retail sales by increasing by 2.42% YoY. This growth rate will become trivial if we adjust for the increase of 1.68% YoY in CPI. In February, accommodation and catering (A&C) and traveling services were on the bright side of the retail sales picture. A&C seems to be benefitted from various festival activities following the Tet and rising consumer confidence as Resolution 128 was consistent. Accordingly, the A&C increased by 12.58% YoY to VND41.51tn this month. Besides, turnover from traveling services kept high as the government gradually opened to foreign visitors. Traveling services revenue in February was VND1.00tn, increasing by 39.42% YoY.

**Figure 11. Monthly retail sales**



Source: GSO, KIS

**Figure 12. Components of retail Sales**



Source: GSO, KIS

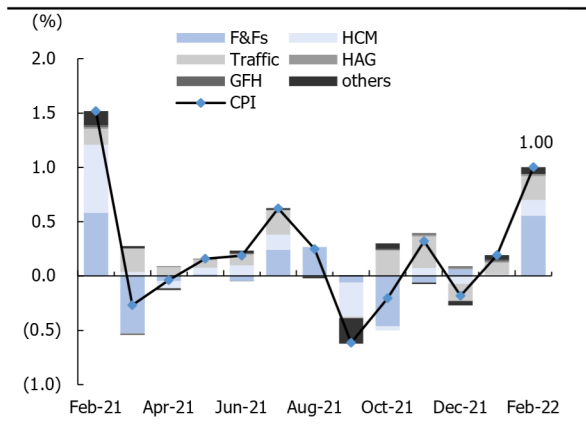
### IV. CPI increases mainly on F&Fs

**CPI rose on Tet's demand and gasoline**

According to GSO, CPI accelerated in February with significant increases in food and foodstuff index (F&Fs), garment, footwear, and hat (GFH), and traffic. In more detail, CPI rose by 1.00% MoM, much higher than the muted development in the previous month. F&F and GFH increased by 1.54% MoM and 0.92% MoM under the Tet's demand and contributed 56 basis points (bps) and 14bps to the overall CPI's monthly change, respectively. Besides, the traffic index added more pressure on the CPI's upturn due to higher prices of retailing gasoline by increasing by 2.35% MoM and contributing 22bps to the overall index.

Regarding the yearly change, CPI rose by 1.68% YoY in this month, 2.32%-lower than the government's target proposed in Resolution 01/NQ-CP on social-economic development plan and tasks in 2022.

**Figure 13. 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	1.54	(0.17)
Beverage and cigarette	3.59	0.37	2.48
Garment, Footwear, hat	6.37	0.07	0.79
Housing and construction materials	15.73	0.92	1.96
Household appliances and goods	7.31	0.19	1.21
Medicine and health care	5.04	0.03	0.26
Traffic	9.37	2.35	15.00
Postal services & Telecommunication	2.89	(0.05)	(0.69)
Education	5.16	0.56	(4.36)
Culture, entertainment and tourism	4.29	0.51	0.08
Other goods and services	3.3	0.22	1.30
<b>Consumer Price Index</b>		<b>1.00</b>	<b>1.68</b>

Source: GSO, KIS

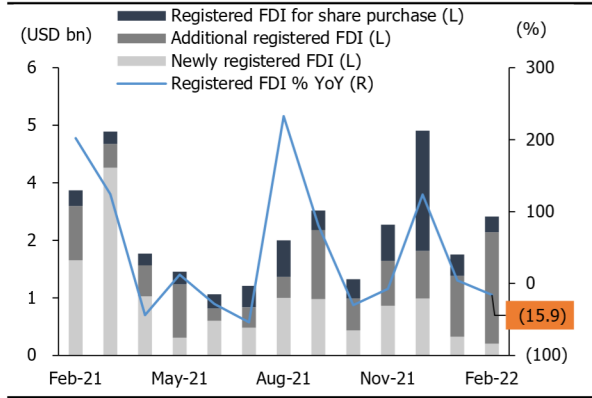
## V. Tet holiday limits foreign investment activities

### ***FDI into existing projects hit a 5-year high thanks to Samsung's investment***

Under the impact of the Tet holiday, a large part of foreign investment activities was slowing down in February despite the accelerating economic recovery. However, the ongoing trend of FDI manufacturer expanding capacities continued to take place in the reopening phase.

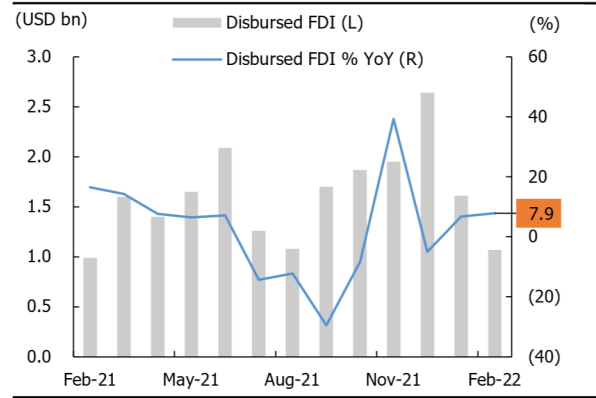
According to the latest update from the Ministry of Planning and Investment, FDI inflows into existing projects continued to be remarkably strong in recent months since the reopening from October last year. In February, the amount of additional FDI registered capital into existing projects accounted for more than 80% of total registered FDI with USD2.32bn (+104.9% YoY), a 5-year high. Meanwhile, the amount of FDI share purchase slowed down to an eight-month low in the month, posting just USD0.33bn (+1.2% YoY). On the contrary, new registered FDI fell to the lowest level in eight years since 2014, posting only USD0.24bn (-87.7% YoY). Part of the slowdown was due to long-off days during Tet and a still quarantine restriction to foreign travelers, but both factors will likely be diminished over time. As a result, the total registered FDI recorded a total of USD2.89bn (-15.9% YoY). On the other side, the FDI disbursement decelerated to USD1.07bn (+7.9% YoY).

**Figure 14. Monthly registered FDI**



Source: MPI, KIS

**Figure 15. Monthly disbursed FDI**



Source: MPI, KIS

## Macro scorecard

(USD bn, USD, %, % YoY)

	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-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	3.02	1.59	2.73	4.69	2.10	2.89	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	27.01	28.87	31.87	34.52	30.84	22.95	78.40	79.95	82.12	95.26	243.5	263.6	282.7	335.7
Import	26.67	26.13	30.61	31.98	29.45	25.28	75.57	83.70	83.12	88.72	236.7	254.4	263.0	331.1
Export growth	(0.50)	5.94	26.27	24.82	8.05	13.22	23.42	34.74	2.99	20.43	13.19	8.16	7.02	18.74
Import growth	10.17	7.69	23.96	14.59	11.30	21.86	26.60	45.79	18.85	15.42	11.01	7.41	3.81	25.90
Inflation	2.06	1.77	2.10	1.81	1.94	1.68	0.30	2.67	2.51	1.89	3.54	2.79	3.24	1.84
USD/VND	22,761	22,752	22,729	22,790	22,663	22,820	23,076	23,020	22,761	22,790	23,175	23,173	23,126	22,790
Credit growth	7.88	8.76	10.10	12.97	2.74	1.82	2.95	6.44	7.88	12.97	10.77	13.75	12.17	12.97
10Y gov't bond	2.14	2.15	2.09	2.11	2.09	2.24	2.40	2.21	2.14	2.11	5.07	3.37	2.01	2.11

Source: GSO, Bloomberg, FIA, IMF



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