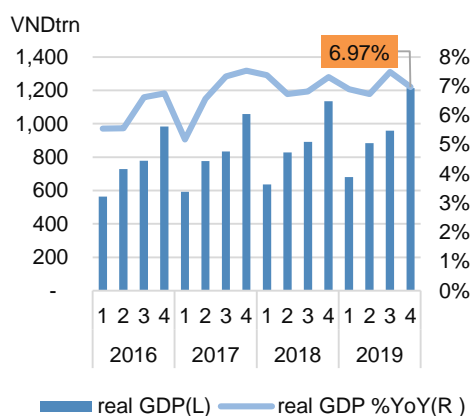


## Macro Indicators

Quarterly data	4Q19	3Q19	2Q19
GDP growth (% YoY)	6.97	7.31	6.73
Disbursed FDI (USDbn)	6.16	5.12	4.98
Monthly data	Jan	Dec	Nov
CPI (% YoY)	6.43	5.23	3.52
IIP (% YoY)	-5.51	6.20	5.41
Export (% YoY)	-13.9*	10.15*	4.66
Import (% YoY)	-10.2*	10.98*	-0.87

Source: GSO, Nikkei, IHS Markit, Bloomberg, FIA. \* GSO estimate.

## Quarterly GDP at 2010 constant price



Source: GSO

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## Trade tumbles seasonally during Tet holiday

**Trade tumbles seasonally during Tet holiday.** According to the GSO estimate, the total trade value fell sharply by 12.08% YoY to reach USD38.1bn in January 2020. In particular, the value of export declined by 13.93% YoY, posting USD19.0bn, while the import value also decreased by 10.16% YoY, recording USD19.1bn. As a result, the trade balance experienced a deficit of USD100mn. Tet holiday in January 2020, which was not only long but also extended, was the probable reason for the plunge in trade activity. ([Page 2](#))

**Housing and construction materials sector pushes up CPI.** In January 2020, Consumer Price Index increased 1.23% MoM, slightly decelerating after hitting the 3-year-high level (1.40%) in previous month. Therefore, CPI increased 6.43% YoY and its 12-month rolling inflation rate posted 3.12%, lower than the Government target rate of 4%. The deceleration in food and foodstuff (FaF) offset the surge in housing and construction materials (HCM) and consequently drove CPI to slow down in this month. ([Page 4](#))

**Registered FDI is exploding thank to a massive capital from Singapore.** As of 20th January 2020, the registered inflow of foreign direct investment (FDI) to Vietnam was USD5.33bn, suddenly jumping by 179.5% YoY, while disbursed FDI was USD1.60bn, increasing by 3.20% YoY. ([Page 6](#))

**Tet holidays blow a winter wind to the industrial sector.** In January, the production index for the whole industrial sector (IIP) surprisingly plummeted by -5.51% YoY to its 8-year trough since February 2013 after seeing a slight increase of 6.2% YoY in December. ([Page 7](#))

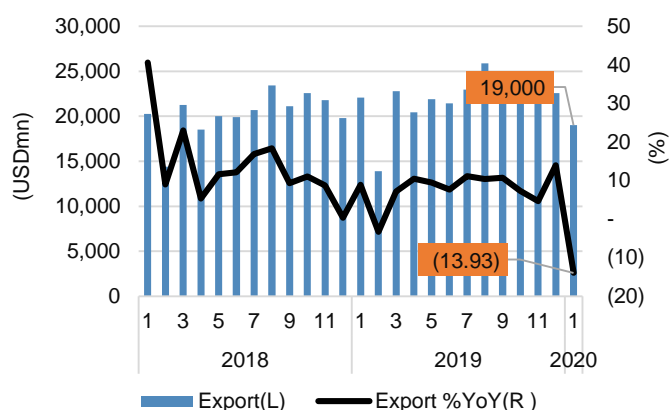
**Vietnam dong remains stable under an upward pressure from a stronger U.S. dollar.** More specifically, in January, the values of the dong, the bath, and the Singapore dollar fell by 0.2%, 3.12%, and 0.52% compared to the U.S. dollar, relatively. On the opposite, the kyat of Myanmar and the rupiah of Indonesia performed relatively well when their values appreciated by 1.11% and 2.33% against the USD. ([Page 9](#))

**Vietnam state budget records a deficit of VND9.5trn.** As of 15th January 2020, total government revenue achieved VND39.1trn, equivalent to 2.6% of the year estimate. Of which, domestic revenue posted VND23.8trn, equaling 1.9% of the annual estimate. Notably, revenue from crude oil reached VND4.2trn, equaling 11.8%, while that from export-import activities was VND11.1trn, equaling 5.4%. ([Page 10](#))

## Trade tumbles systematically during Tet holiday

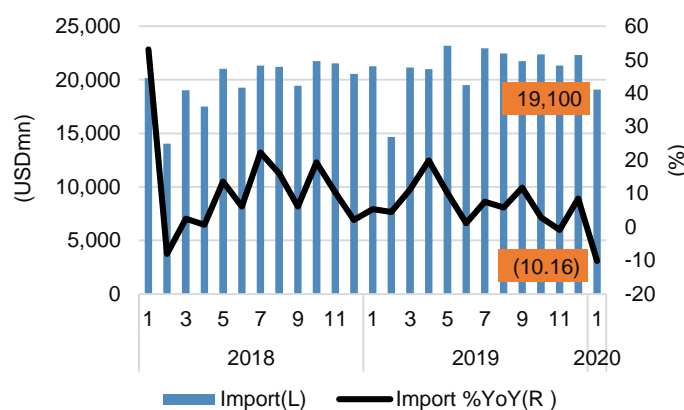
According to the GSO estimate, the total trade value fell sharply by 12.08% YoY to reach USD38.1bn in January 2020. In particular, the value of export declined by 13.93% YoY, posting USD19.0bn, while the import value also decreased by 10.16% YoY, recording USD19.1bn. As a result, the trade balance experienced a deficit of USD100mn. Tet holiday length in January 2020 was more extended than what in January 2019 was the probable reason for the plunge in trade activity.

**Fig 01. Vietnam monthly export**



Source: KIS, GSO

**Fig 02. Vietnam monthly import**



Source: KIS, GSO

In terms of export product structure, trade values systematically drop down on 23 over 30 items. Top-five items showed negative movements except for Computers, electrical products, and parts (CEPP). Specifically, Textiles and Garments, Telephones, mobile phones and parts (TMPP), Footwears, and Machine, equipment, tools and instruments (METI) decreased by 21.07% YoY, 22.49% YoY, 9.55% YoY and 11.09% YoY dragging the overall growth down 314 basis points (bps), 335bps, 77bbps, and 82bbps, respectively. In the general downturn, CEPP grew by 9.95% YoY, pulling the total export growth up by 107bps but decelerating significantly compared to last month. Besides, export plunges in Fishery product (-25.79% YoY), Iron and steel (-50.39% YoY), and still image video cameras and parts (SIVCP: -57.02% YoY) also worsen the total export.

On the import side, most of items (26 over 33 items) experienced reductions in relation to the export downturn. Top-five items, including CEPP, METI, TMPP, Fabrics, and Plastics, reduce their import scales with growth rates are -7.52% YoY, -6.23% YoY, -9.28% YoY, -17.94% YoY, and -16.66% YoY and subtract 449bps to the total import growth.

**Fig 03. Vietnam export by products (% YoY)**

Textiles and Garments	TMPP		Footwears			
	-22.49		-9.55			
-21.07	METI	Other means of TPAT	-4.21	-	20.60	- 2...
			-...	-...	-...	-...
CEPP	-11.09	-6.64	-...	3...	-...	-...
			-...	-...	-...	-...
9.95	Wood and wooden products	Fisher y produ cts	2...	-...	-...	0...
			-...	1...	-	-
	1.93	-25.79	-...	-...	-...	-...

**Fig 04. Vietnam import by products (% YoY)**

CEPP	TMPP		Fabrics		Plastics	
	-9.28		-17.94		-16.66	
-7.52	Iron and steel	Other base metals	Chemical products	Textile leather and...	-30	
					-25.04	-
METI	Plastic products	-16.54	-2.23	-	1...	1...
					-7.35	-...
-6.23	Crude oil	7.45	-	1.	3...	1
					28.08	-1.86

Source: KIS, GSO

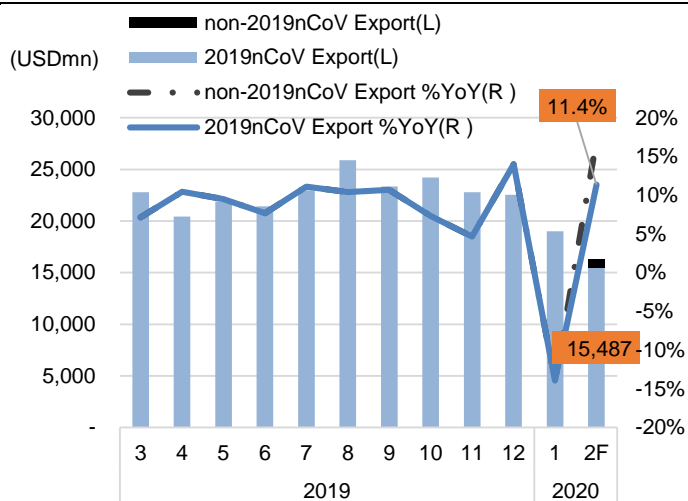
TMPP : Telephones, mobile phones and parts , CEPP: computers, electrical products and parts , METI: machine, equipment, tools and instruments , Other means of TPAT: Other means of transportation parts and accessories thereof.

**PREDICTION:**

We estimate that export will increase by 11.38% YoY, posting USD15.49bn, and import will rise by 9.20%, reaching USD16.02bn in February 2020 in the mix of Tet holiday and spreading coronavirus (2019-nCoV) effects. Firstly, raising concerns about the 2019-nCoV outbreak in China probably damages the private consumption confidence and discourages the trade activity in the next few months. However, the trade activity in February 2020 is likely to move up to offset the Tet holiday effect in January 2020 naturally.

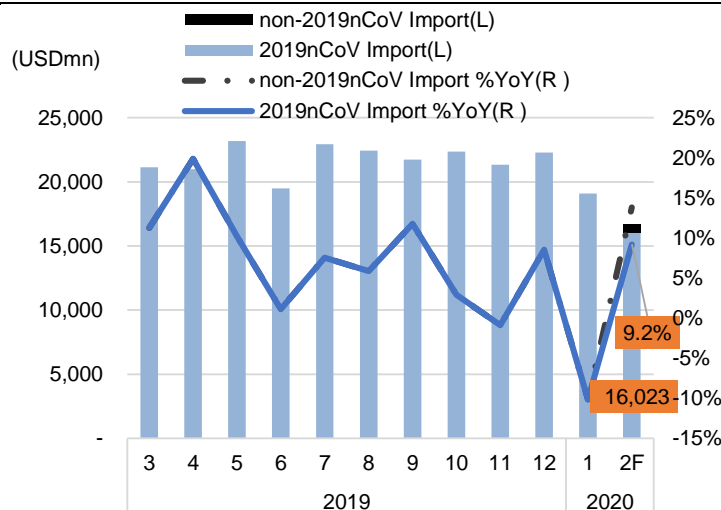
To evaluate the economic effect of 2019-nCoV disease on the performance of trade activity, we use the SARS disease data in 2002-2003 as a peer comparison and assume that 2019-nCoV disease harm Vietnam trade activity via (1) the downturn in China market and (2) the complexity of 2019-nCoV disease to Vietnam. To conduct the prediction, we firstly use our predictive model to capture the predicted value of export and import for February 2020. Secondly, we adjust the forecast values by the SARS-based adjusted ratio, calculated as the ratio between actual and predicted values in the past. Using the historical analysis, we assume that the 2019-nCoV disease will adjust one-third of the growth rates of export and import values.

Fig 05. Export Forecast for February 2020



Source: KIS, GSO

Fig 06. Import Forecast for February 2020



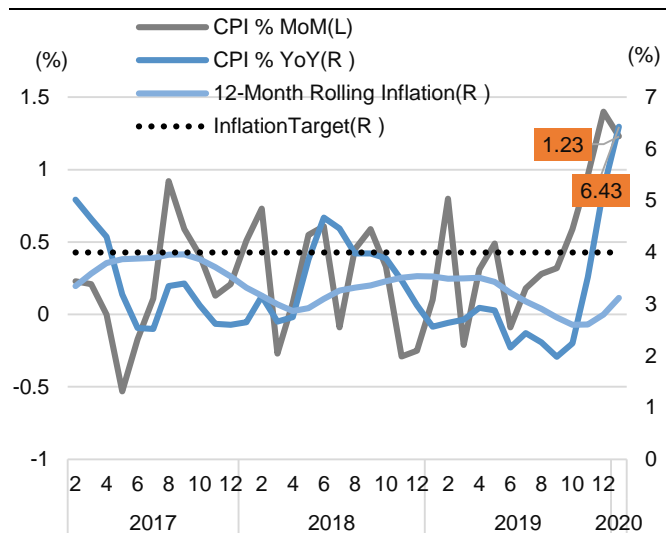
Source: KIS, GSO

### Housing and construction materials sector boosts CPI

In January 2020, Consumer Price Index increased 1.23% MoM, slightly decelerating after hitting the 3-year-high level (1.40%) in previous month. Therefore, CPI increased 6.43% YoY and its 12-month rolling inflation rate posted 3.12%, lower than the Government target rate of 4%. The deceleration in *food and foodstuff* (FaF) offset the surge in *housing and construction material* (HCM) and consequently drove CPI to slow down in this month.

In this month, the pork price became more stable and discouraged the upward momentum of FaF sector. However, Tet holiday effect pushed prices of other products and finally drove FaF to move up. Totally, FaF increased 2.29% MoM, adding up 83bps to the monthly increase of CPI. Besides, housing and construction materials markets became warm in January 2020 and resulted in the significant improvement in HCM sector prices. As a result, HCM rose 1.47% MoM, contributing 23bps to the CPI change.

Fig 07. CPI Change in January 2020

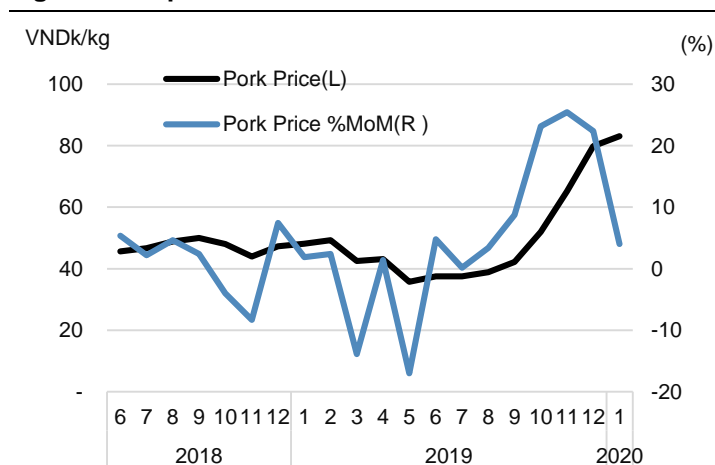


Source: GSO, KIS

Fig 08. Inflation by sector in January 2020

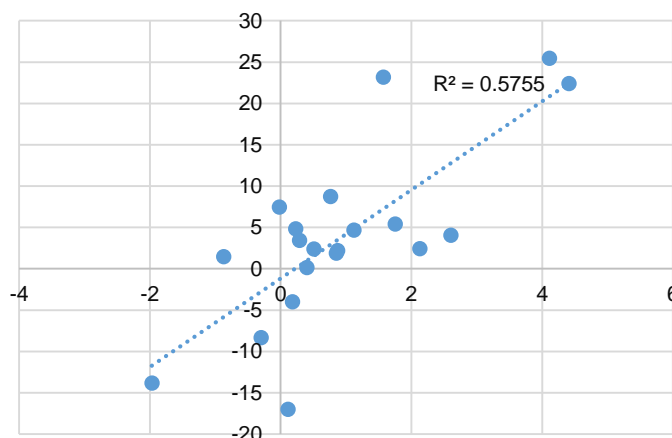
Item	Weight (%)	% MoM (%)	% YoY (%)
Food and foodstuff	36.12	2.29	10.93
Beverage and cigarette	3.59	0.65	2.24
Garment, Footwear, hat	6.37	0.33	1.43
Housing and construction materials	15.73	1.47	6.29
Household appliances and goods	7.31	0.27	1.45
Medicine and health care	5.04	0.17	3.14
Traffic	9.37	0.69	7.5
Postal services & Telecommunication	2.89	-0.03	-0.64
Education	5.99	0.02	4.11
Culture, entertainment and tourism	5.16	0.01	4.14
Other goods and services	4.29	0.25	1.63
<b>Consumer Price Index</b>		<b>1.23</b>	<b>6.43</b>

Fig 09. Pork price movements



Source: GSO, KIS

Fig 10. Pork price %MoM and Foodstuff %MoM Association

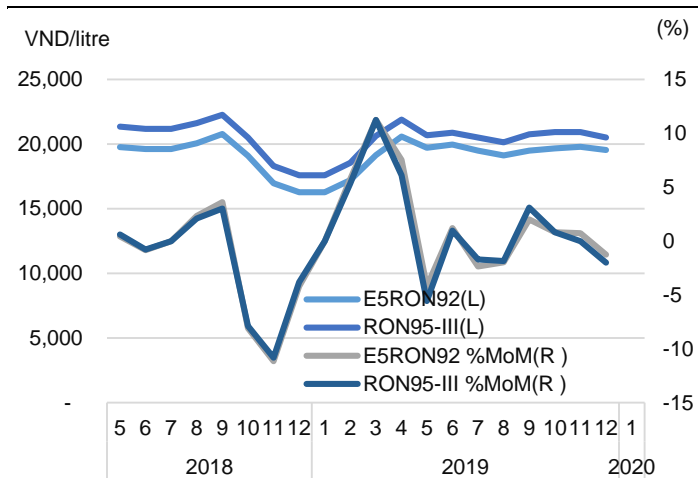


**PREDICTION:**

The spreading 2019-nCoV demotivates global commodity markets and ultimately puts downward pressures on Vietnam CPI in next couple of months:

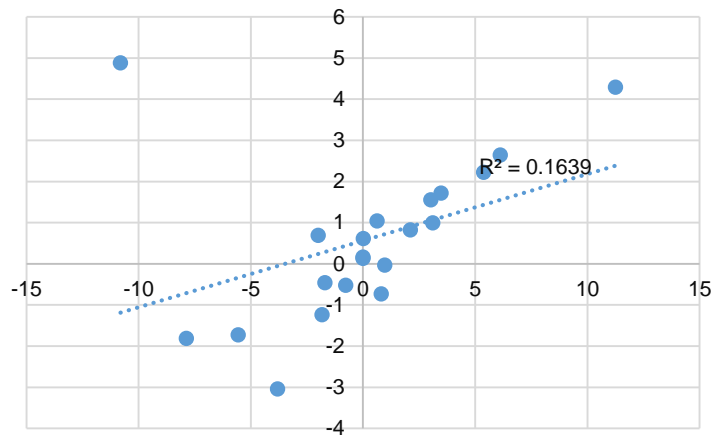
- Upward pressures from Tet holiday were no longer exist and prices in FaF sector will become more stable.
- We predict pork price to adjust in February 2020 after slowing in this month.
- The 2019-nCoV disease will negatively affect the global crude oil prices and consequently dampen the retail petroleum product prices in Vietnam market. Hence, we forecast the CPI in traffic sector will decrease this month.

Fig 11. Petroleum product prices movements



Source: GSO, KIS

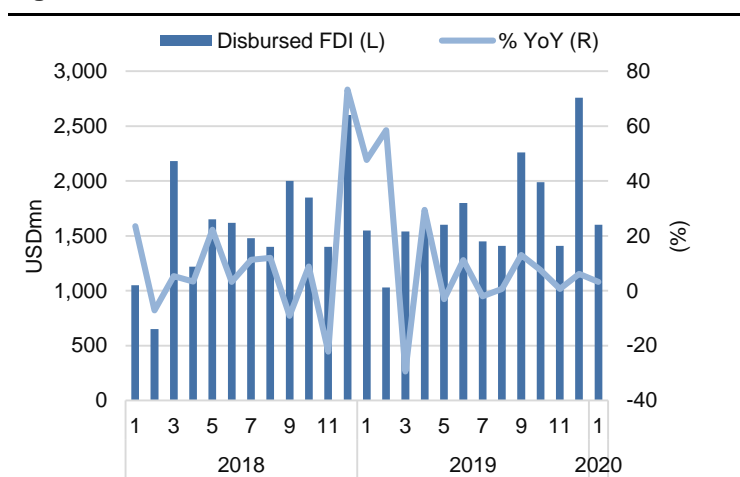
Fig 12. RON95 %MoM and Traffic CPI %MoM Association



### Registered FDI is exploding thank to a massive capital from Singapore

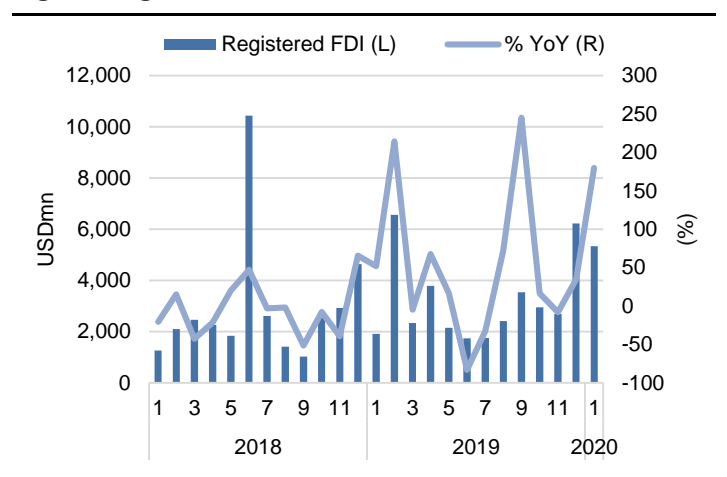
As of 20th January 2020, the registered inflow of foreign direct investment (FDI) to Vietnam was USD5.33bn, suddenly jumping by 179.5% YoY, while disbursed FDI was USD1.60bn, increasing by 3.20% YoY. Most notably, more than 75% of the total registered capital was made up of a USD4bn register capital for a liquefied natural gas-fired power plant project of Singapore’s Delta Offshore Energy Pte.Ltd.

Fig 13. Disbursed FDI



Source: KIS, FIA

Fig 14. Registered FDI

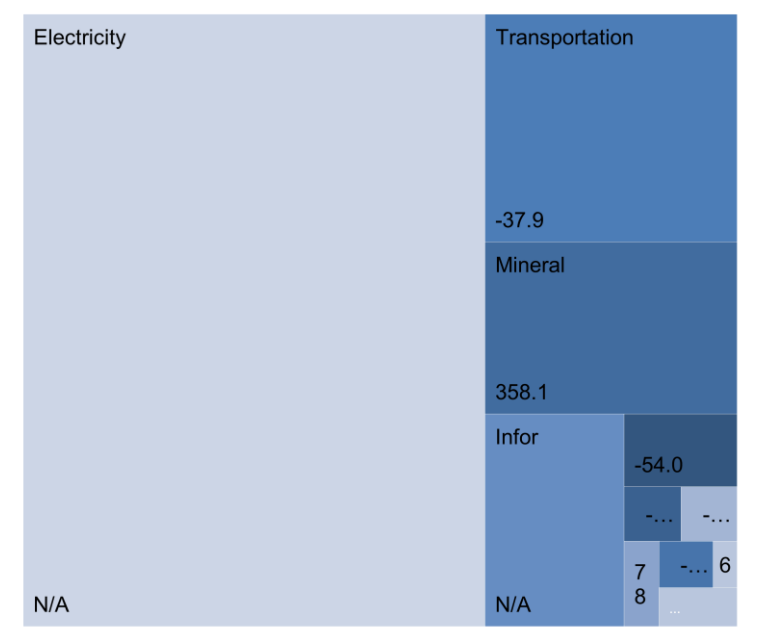


Source: KIS, Bloomberg, FIA

By sector, in January, foreigners invested in 17 sectors and primarily focused on the Electricity sector with registered capital of USD4.04bn, accounting for 75.80% of total registered capital. Processing stood the second position with a registered capital of USD0.86bn, accounting for 16.07%. Professionals and Retail took the 3rd and 4th places when posting about USD0.12bn for each sector, equivalent to 2.23% and 2.21% of the total, respectively.

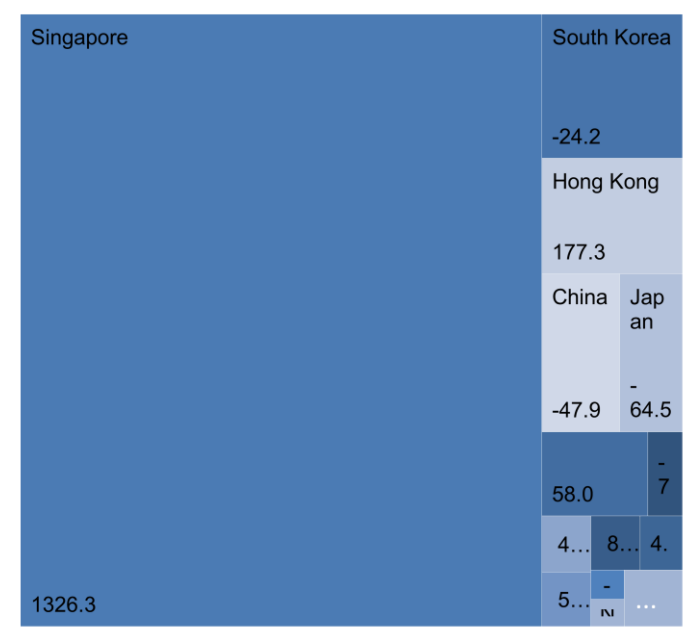
By investor, 59 countries and territories were investing in Vietnam in the first month of 2020. Surprisingly, Singapore became the largest investor with the massive registered capital of USD4.16bn, accounting for 78.09% of the total registered FDI. South Korea ranked second with USD0.27bn and 4.96% of the total. Hong Kong stood the third position with USD0.21bn and 3.98%. China and Japan were the fourth and fifth largest investors with USD0.16bn and USD0.13bn, respectively.

Fig 15. Registered FDI by Sector (% YoY)



Source: KIS, FIA

Fig 16. Registered FDI by Country (% YoY)

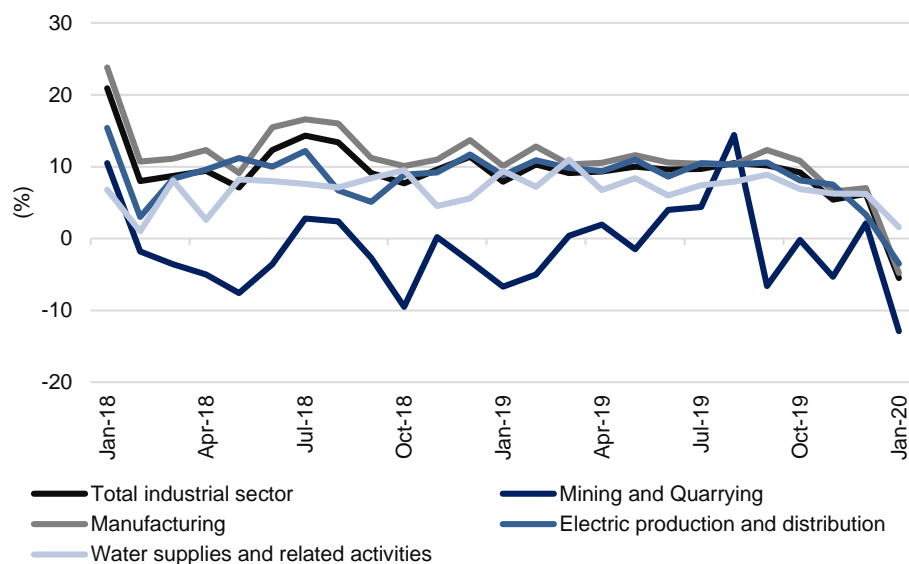


Source: KIS, FIA

### New Year holidays blow a winter wind to the industrial sector

In January, the production index for the whole industrial sector (IIP) surprisingly plummeted by -5.51% YoY to its 8-year trough since February 2013 after seeing a slight increase of 6.2% YoY in December. The seasonality is primarily responsible for this plunge when the operation of the whole industrial sector was interrupted during the 7-day New Year holiday. However, in our opinion, the magnitude of the reduction was abnormally huge, partly showing a weakness in the production capacity.

Fig 17. Industrial Production Index by sector (% YoY)



Source: GSO, KIS

- The production of the *Mining sector* fell sharply by -12.87% YoY to a 3-year bottom although rallying modestly in January. Most notably, 2 of its primary sub-sectors as *the exploitation of crude oil and natural gas* decreased by -10.69% YoY and -18.80% YoY, relatively. However, we saw an impressive rebound in *support service activities for petroleum & natural gas mining* when it suddenly jumped up by 30.21% YoY in the month. *The mining of metal ores* still followed an upward trend when climbing by 34.25% YoY.
- Following the same trend with the whole industrial sector, the production of the *Manufacturing sector* saw a negative growth for the first time since January 2015 and also hit an 8-year low of -4.84% YoY. In line with *the Manufacturing*, most of its sub-sectors saw a slump in production, especially in some labor-intensive industries. On the contrary, *the manufacture of refined petroleum products* took a spotlight in the month when its production grew by 11.15% YoY, thanks to the re-operation of the Nghi Son refinery in late-December.



Fig 18. Mining sector (% YoY)

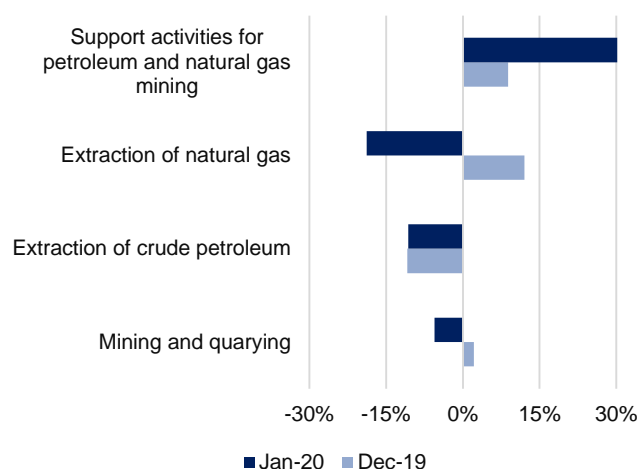
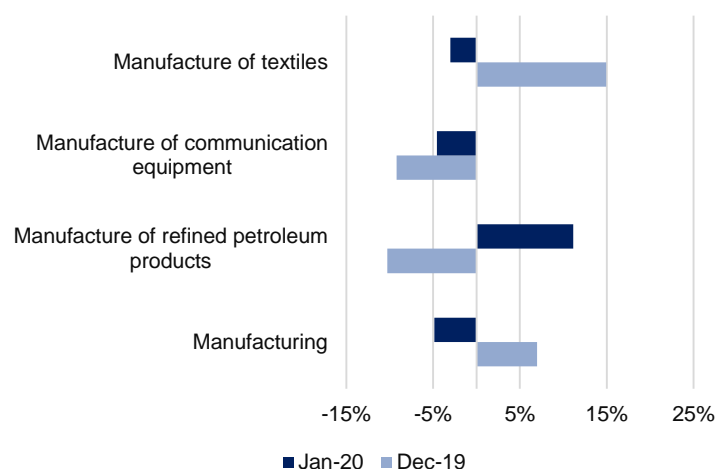


Figure 19. Manufacturing sector (% YoY)



Source: KIS, Bloomberg

**PREDICTION:**

*The recent outbreak of the coronavirus would be a major drawback to the whole industrial sector in February. In the short term, we expect the manufacture of foods, dairy products, textiles, garments, electronic components, communication equipment, and consumer electronics to slow down in the upcoming months.*

*On the other hand, a temporary effect of the seasonality, in our opinion, would drive the IIP up in February in terms of growth rate. A growth of 9% - 12% would be the most likely case in the next month. The re-operation of the Nghi Son refining factory after 2-month maintenance would also be an important factor for the expansion of the industrial sector.*

### Vietnam dong remains stable under an upward pressure from a stronger U.S. dollar

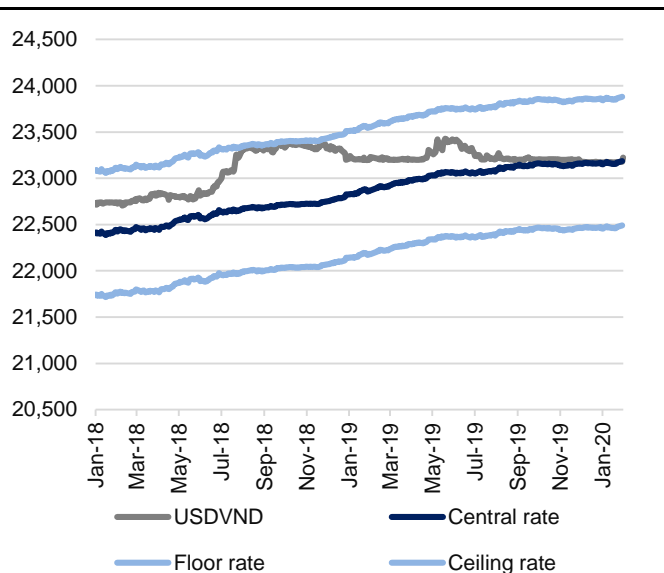
In January, we saw 2 opposite sides of the performance of ASEAN currencies against the greenback. On the one side, the dong of Vietnam, the bath of Thailand, and the Singapore dollar were relatively weak against the USD. More specifically, the values of the dong, the bath, and the Singapore dollar fell by 0.2%, 3.12%, and 0.52% compared to the U.S. dollar, relatively. On the opposite, the kyat of Myanmar and the rupiah of Indonesia performed relatively well when their values appreciated by 1.11% and 2.33% against the USD.

Meanwhile, the interbank USDVND rate just fluctuated in a very narrow range of between 23,171-23,179. On the other hand, the central rate moved upwardly, possibly indicating that the interbank USDVND rate would likely increase in the near term. Most notably, after a 7-day Lunar New Year break, the USDVND rate suddenly jumped to 23,223, equivalent to an increase of 0.23% from its before-the-Lunar-New-Year level.

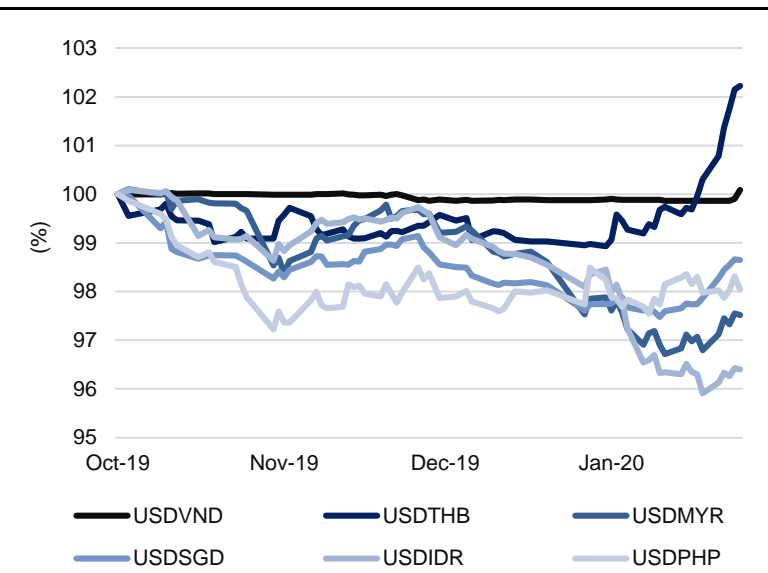
**PREDICTION:**

From our viewpoint, a sudden jump of the interbank USDVND rate is not only due to a stronger U.S. dollar, but also to indicates a high demand for the greenback on the market after the Lunar New Year. Because of that, it would be reasonable to expect that both the USDVND rate and the central rate in February would remain relatively higher compared to its level in January.

**Fig 20. USDVND exchange rate**



**Fig 21. Movements of some ASEAN currencies in 2020**



Source: KIS, Bloomberg

**Vietnam state budget records a deficit of VND9.5trn**

As of 15th January 2020, total government revenue achieved VND39.1trn, equivalent to 2.6% of the year estimate. Of which, domestic revenue posted VND23.8trn, equaling 1.9% of the annual estimate. Notably, revenue from crude oil reached VND4.2trn, equaling 11.8%, while that from export-import activities was VND11.1trn, equaling 5.4%.

At the same time, total expenditure was estimated at VND48.6trn, fulfilling 2.8% of the year estimate. In particular, the regular expenditure posted VND34.5trn, equaling 3.3% of the year plan, the development and investment spending recorded VND2.8trn, equivalent to 0.6%, and the interest payment was VND11.2trn, equaling 9.4%.

As a result, in the first half of January 2020, the state budget recorded a deficit of VND9.5trn.

**PREDICTION:**

*In the context that trade activities and crude oil prices may be affected severely in the near term by the outbreak of Wuhan coronavirus, we expect the government revenue to lower significantly compared to the same period 2018 in Q1 2020. On the other hand, the expenditure on the development and investment may speed up in 2020 as the government is in a hurry to upgrade the infrastructure system.*

## Macro scorecard

	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	1Q19	2Q19	3Q19	4Q19	2016	2017	2018	2019
Real GDP growth (%)							6.82	6.73	7.31	7.31	6.21	6.81	7.08	6.80
Registered FDI (USDbn)	2.41	3.54	2.95	2.68	6.23	5.33	10.09	10.81	7.66	11.86	20.95	35.88	35.47	38.02
GDP per capita (USD)											2,172	2,353	2,551	2,730
Unemployment rate (%)											2.33	2.21	2.21	2.25
Export (USDbn)	25.88	23.36	22.40	22.79	21.80	19.00	58.76	63.77	72.22	68.83	176.6	215.1	243.5	263.6
Import (USDbn)	22.45	21.75	22.50	22.34	22.80	19.10	57.09	63.68	67.14	66.51	175.0	213.2	236.7	254.4
Export growth (%)	10.41	10.68	7.33	4.66	10.15	-13.93	5.10	9.17	10.72	7.29	8.99	21.82	13.19	8.16
Import growth (%)	5.87	11.77	2.89	-0.87	10.98	-10.16	7.25	10.12	8.30	4.22	5.55	21.85	11.01	7.41
Inflation (% YoY)	2.26	1.98	2.24	3.52	5.23	6.43	2.63	2.66	2.23	2.79	2.66	3.53	3.54	2.79
USDVND	23,196	23,203	23,202	23,197	23,173	23,223	23,189	23,301	23,203	23,173	22,761	22,698	23,175	23,173
Credit growth (%)	8.16	9.40			13.70		3.13	7.36	9.40	13.70	18.25	18.24	13.89	13.70
10yr government bond (%)	4.87	4.07	3.70	3.58	3.37	2.88	4.78	4.66	4.07	3.37	6.23	5.14	5.07	3.37

Source: GSO, Bloomberg, FIA, IMF

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