

Economic Flash

Domestic economic growth is gaining momentum

Trade slows down

October trade activities extended its recovery path to five months with slower rates than the previous month. Specifically, export and import rose by 9.91% YoY and 10.05% YoY, posting USD26.70bn and USD24.50bn, respectively. Consequently, the trade balance recorded a surplus of USD2.20bn, marking the sixth month in series starting from May.

CPI grows modestly

According to GSO's estimates, the retail sales in October witnessed an acceleration as the retailing sector grew with a double-digit rate, first time since February 2020. In contrast, the accommodation and catering (A&C) and traveling sectors kept reducing notably and hindered the overall growth rate back to the pre-pandemic level.

New FDI wave from Singapore investors

In October, FDI inflows bounced back somewhat compared to two previous months, especially newly registered capital reached a 9-month high after shrinking from August and September. Singapore was the largest investors in the month with USD0.74bn registered capital and also in 2020 with a 10-month accumulatively registered capital of USD7.51bn

Manufacturing continues strong growing pace

In October, the expansion in the industrial sector continued accelerating, marking 6-month straight growth since April. More details, IIP was growing at 3.6% MoM and 5.4% YoY with the manufacturing sector mainly driving the growth.

KIS leading economic index

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

	1Q20	2Q20	3Q20	4Q20F	2019	2020F	2021F
GDP	3.82	0.36	2.62	5.03	7.02	2.50	5.94
Trade balance	1.73	0.57	7.41	5.06	10.42	7.94	1.77
CPI	4.87	3.17	3.81	3.09	5.23	3.09	2.41
Discount rate	3.50	3.00	3.00	3.00	4.00	3.00	3.00
VND/USD	23,264	23,206	23,188	23,252	23,231	23,255	23,246
US GDP	(4.80)	(34.20)	NA	7.90	2.3	(5.70)	3.90
China GDP	(6.80)	1.10	NA	6.00	6.10	1.80	8.00

Source: KIS

Contents

I. Trade slows down	1
II. CPI grows modestly	2
III. Retail sector accelerates.....	3
IV. New FDI wave from Singapore investors	3
V. Manufacturing continues strong growing pace	6
Macro scorecard	7

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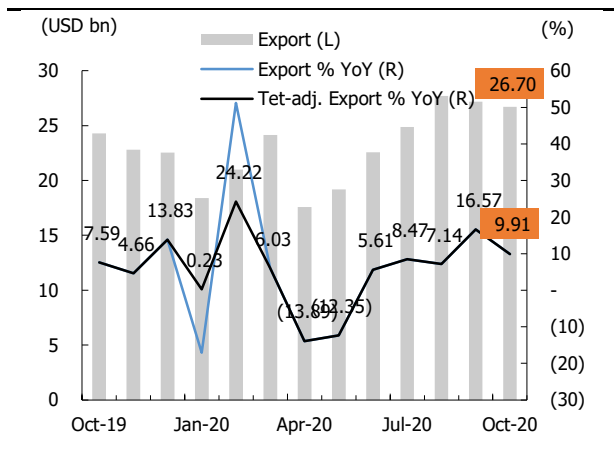
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I. Trade slows down

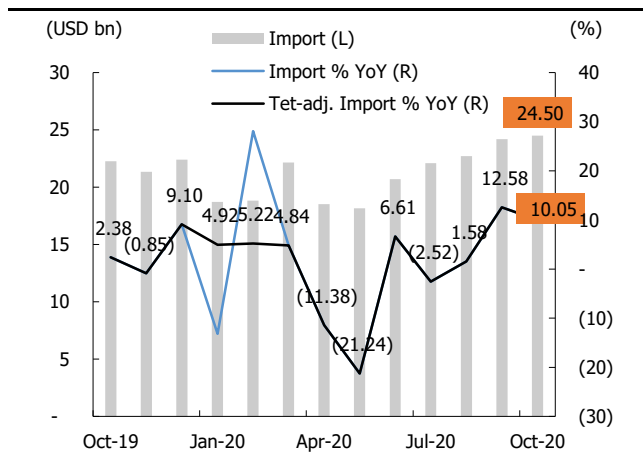
According to GSO's estimates, trade activities in October extended its recovery path to five months with slower export and import rates than the previous month. Specifically, export and import rose by 9.91% YoY and 10.05% YoY, posting USD26.70bn and USD24.50bn, respectively. Consequently, the trade balance recorded a surplus of USD2.20bn, marking the sixth month in series starting from May.

Figure 1. Vietnam monthly export



Source: KIS, GSO

Figure 2. Vietnam monthly import



Source: KIS, GSO

Regarding export structure, most of the essential items witness slowdowns such as computers, electrical products and parts (CEPP), machines, equipment, tools and instruments (METI), and wood and wooden products (W&Wprod), even the textiles turned into reduction by declining by 3.22% YoY. More prominently, footwear exacerbated its performance in this period by tumbling by 21.60% YoY, much-worse than the reduction rate in September. In the minority, telephones, mobile phones and parts (TMPP) and still image, video cameras and parts (SIVCP) improved and partly mitigated the overall slowdown. The TMPP turned into slight growth at 0.64% YoY from the reduction at 4.01% YoY in September, while the SIVCP enhance its upward momentum by climbing 60.45% YoY, 10.43 percent point- higher than the previous period.

Movements of large items within the import structure witnessed obvious contrast in directions. TMPP and CEPP accelerated significantly by soaring by 31.88% YoY and 39.96% YoY, while iron and steel (I&S), plastics, and fabrics were worsening by dropping by 26.01% YoY, 8.96% YoY, and 9.79% YoY. Besides, slowdowns in METI and plastic products (Plasprod) hindered import's growth rate return to the pre-pandemic level.

Figure 3. Vietnam top 10 export items

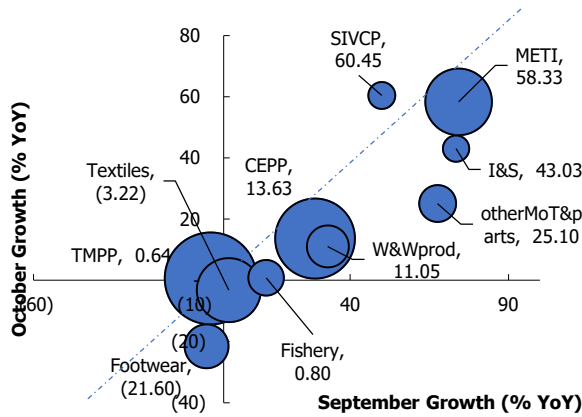
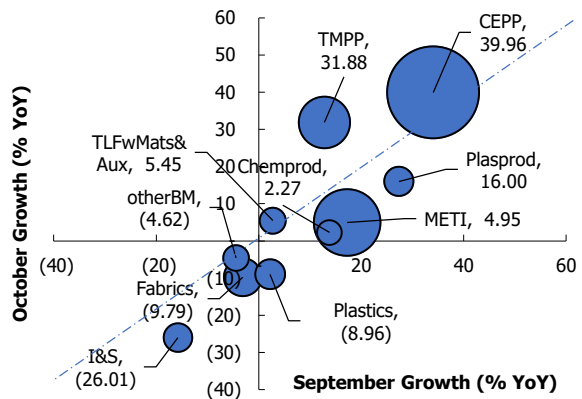


Figure 4. Vietnam top 10 import items



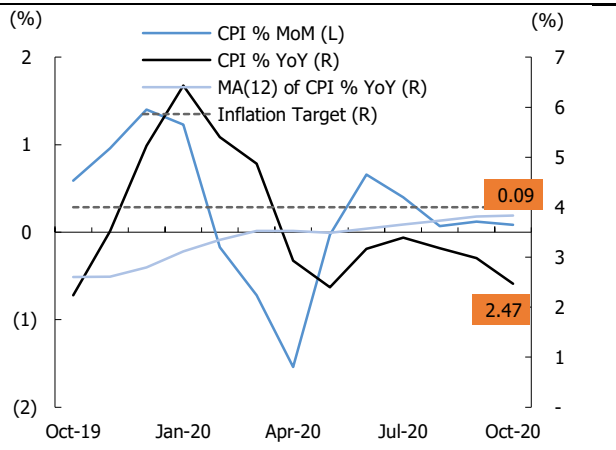
Source: KIS, GSO

TMPP: telephones, mobile phones and parts, CEPP: computers, electrical products and parts, METI: machine, equipment, tools and instruments, otherMoT&p arts: other means of transportation parts and accessories thereof, W&Wprod: wood and wooden products, F&V: fruits and vegetables, I&S: iron and steel, Plasprod: plastic products, TLFwMats&Aux: textile, leather and foot-wear materials and auxiliaries, otherBM: other base metals.

II. CPI grows modestly

The Consumer Price Index (CPI) modestly increased by 0.09% compared to the previous month, recording the series of five rising months. However, the yearly change in CPI tended to slow as the current monthly change was lower than that in the same period in 2019. Specifically, CPI increased by 2.47% YoY in October 2020, 51bps-lower than September 2020. The 12-month rolling inflation rate posted 3.83%, 17bps-lower than the Government target rate of 4%. Education and housing and construction materials (HCM) sub-indices continued rising by 1.52% MoM and 0.29% MoM and virtually push CPI. On the contrary, food and foodstuff (F&Fs) decreased by 0.13% MoM and mainly put downward pressure on the general price index.

Figure 5. CPI Monthly Change



Source: GSO, KIS

Table 1. Inflation by Sectors

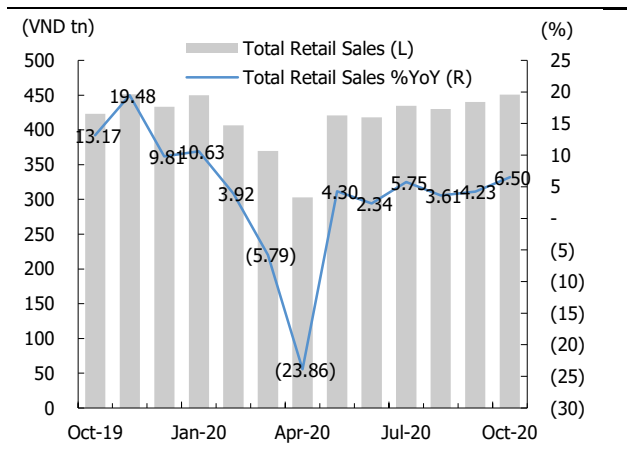
Item	Weight (%)	% MoM	% YoY
Food and foodstuff	36.12	(0.13)	9.50
Beverage and cigarette	3.59	0.08	1.39
Garment, Footwear, hat	6.37	0.06	0.53
Housing and construction materials	15.73	0.29	0.70
Household appliances and goods	7.31	(0.00)	0.88
Medicine and health care	5.04	0.01	0.57
Traffic	9.37	(0.08)	(13.49)
Postal services & Telecommunication	2.89	(0.03)	(0.53)
Education	5.99	1.52	4.19
Culture, entertainment and tourism	4.29	(0.18)	(2.16)
Other goods and services	3.3	0.09	2.27
Consumer Price Index		0.09	2.47

Source: GSO, KIS

III. Retail sector accelerates

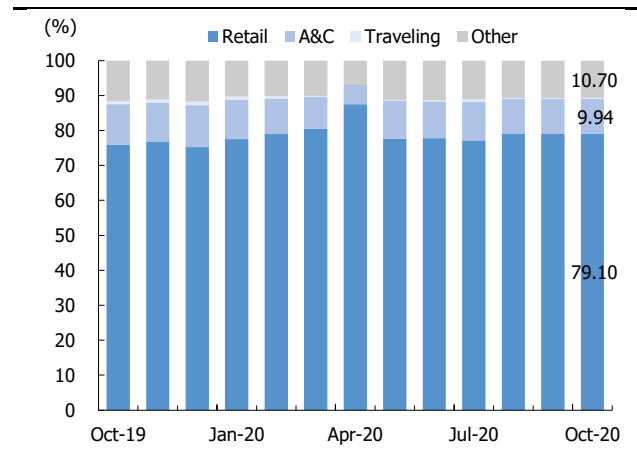
According to GSO's estimates, the retail sales in October witnessed an acceleration by increasing by 6.50%, 227bps-higher than previous month and posting VND450.76tn. The retailing sector grew with a double-digit rate, first time since February this year and was the main reason for lifting retail sales. In contrast, the accommodation and catering (A&C) and traveling sectors kept reducing notably and hindered the overall growth rate back to the pre-pandemic level. Specifically, the retailing rose by 11.06% YoY, 189bps-higher than September performance, while A&C and traveling declined by 9.27% and 69.99% YoY, respectively. The well-controlled pandemic within the country loose customer concerns while COVID resurgences in the EU and the U.S. calmed the government in easing virus curbs. In late October, Prime Minister Nguyen Xuan Phuc directed to delay reopening the border for foreigner travelers and consequently remained the revenues of A&C and traveling operations at a low base.

Figure 6. Monthly Retail Sales



Source: GSO, KIS

Figure 7. Components of Retail Sales



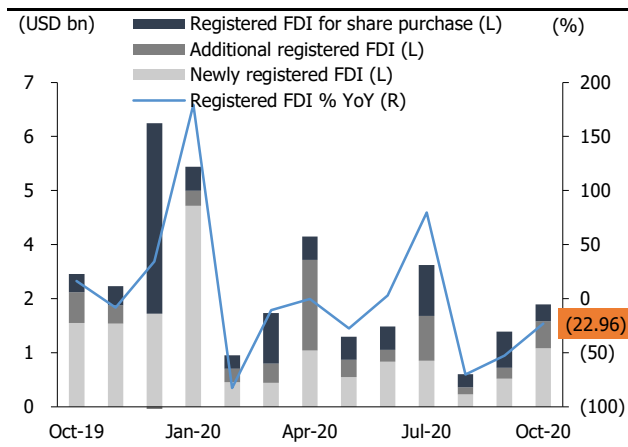
Source: GSO, KIS

IV. New FDI wave from Singapore investors

The latest data in October pointed out that FDI inflows bounced back somewhat compared to two previous months, especially newly registered capital reached a 9-month high after shrinking from August and September. It is also noticed that the FDI inflows concentrated on just a few key industries, including the processing and electricity sectors, while the capital registered in other sectors remained sluggish. Most notably, a new wave of investment capital into the renewable energy industry is promising to boost up FDI in the future.

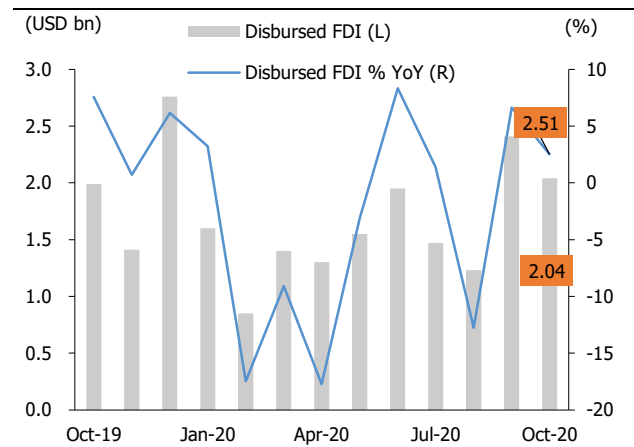
Going into detail, in October, total registered FDI recorded USD2.23bn (-22.96% YoY), and it is also noticing that FDI newly registered reached a 9-month high of USD1.30bn since February. Meanwhile, USD0.59bn was additionally registered for existing projects, while the capital registered for share purchase declined to USD0.38bn. FDI disbursement continued to accelerate, reaching the second-highest of USD2.04bn in 2020, up by 2.51% YoY.

Figure 10. Registered FDI



Source: MPI, KIS

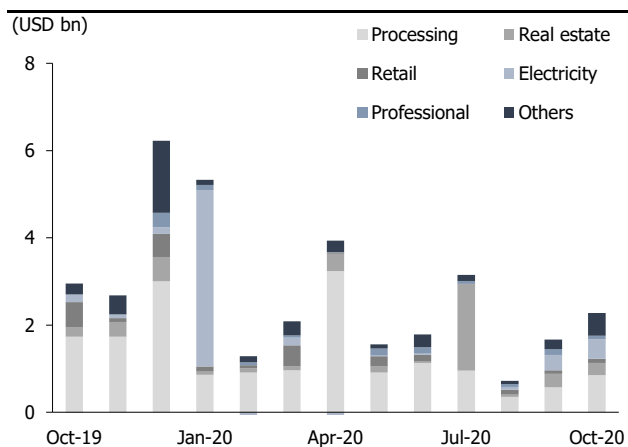
Figure 11 Disbursed FDI



Source: MPI, KIS

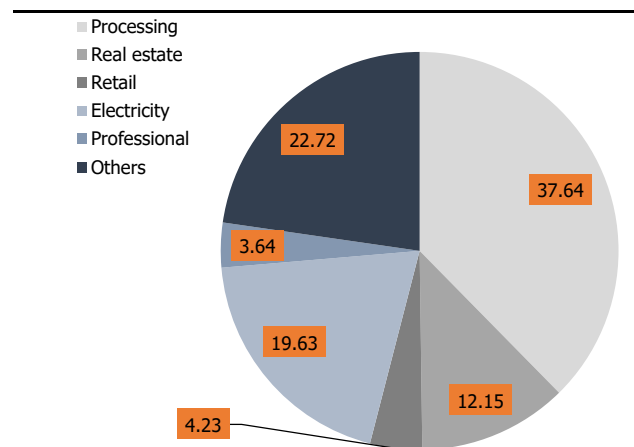
In the month, FDI registered into just processing and electricity sectors accounted for more than half of total registered FDI, at USD0.86bn (37.64% of total) and USD0.45bn (19.63%), respectively. Real estate and retail sectors remained unattractive to foreign investors under the severe COVID-19 impact, posting USD0.28bn (12.15%) and USD0.10bn (4.23%), respectively.

Figure 12. Registered FDI by sector



Source: MPI, KIS

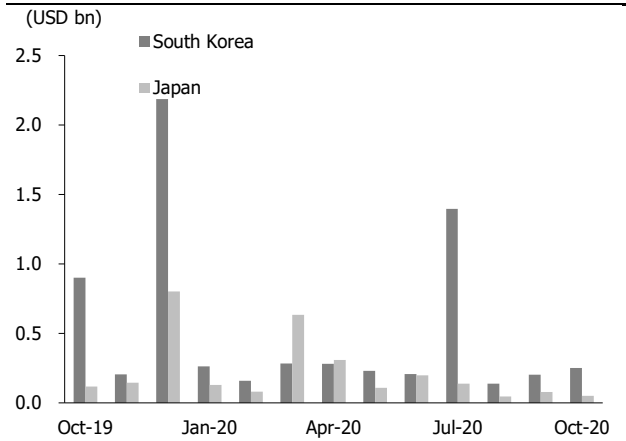
Figure 13. Structure of registered FDI in 2Q20



Source: MPI, KIS

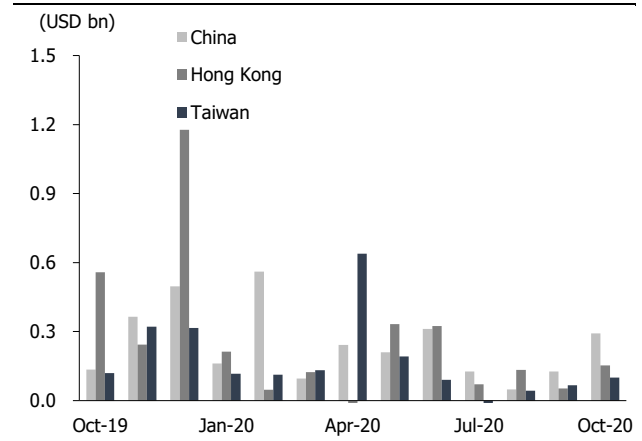
FDI inflows from China, Hong Kong, and Taiwan somewhat bounced back, posting USD0.29bn, USD0.15bn, and USD0.10bn, after stalling in the third quarter, respectively. FDI from South Korea remained weak at about USD0.25bn, while FDI from Japan plunged to the second-lowest of just USD0.05bn since November 2016.

Figure 14. FDI inflows from South Korea, Japan



Source: MPI, KIS

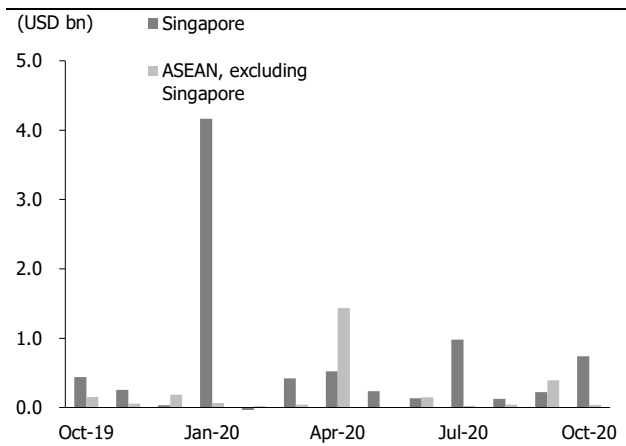
Figure 15. FDI inflows from China, Hong Kong, Taiwan



Source: MPI, KIS

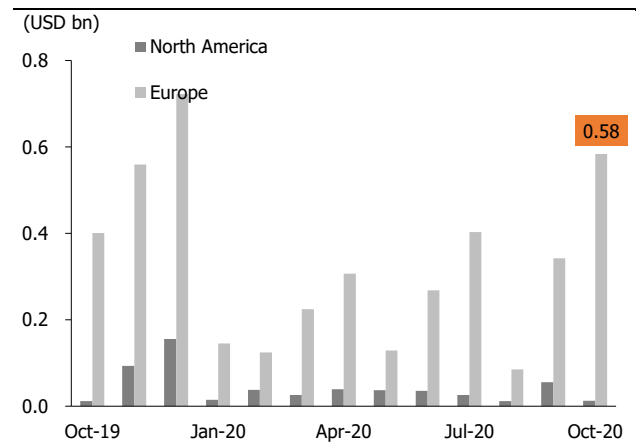
Singapore was the largest investors in the month with USD0.74bn registered capital and also in 2020 for the time being with a 10-month accumulatively registered capital of USD7.51bn. FDI inflows from the Europe region also recorded a high of USD0.58bn in 2020. On the opposite, FDI from ASEAN partners excluding Singapore was insignificant.

Figure 16. FDI inflows from ASEAN partners



Source: MPI, KIS

Figure 17. FDI inflows from Europe and North American



Source: MPI, KIS

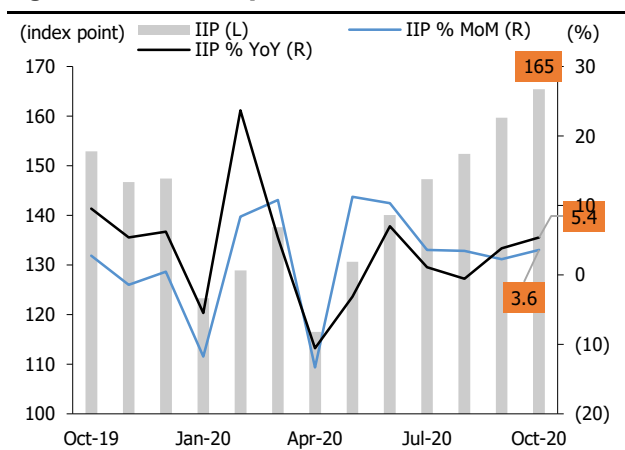
V. Manufacturing continues strong growing pace

In October, the expansion in the industrial sector continued accelerating, marking 6-month straight growth since April. More details, IIP was growing at 3.6% MoM and 5.4% YoY with the manufacturing sector mainly driving the growth.

With robust growth in most industries, the manufacturing sector continued rising significantly by 8.3% YoY. Oppositely, the downward trend in the mining sector was somewhat stronger (down by 14.5% YoY) as the extraction of crude oil and natural gas plunged further.

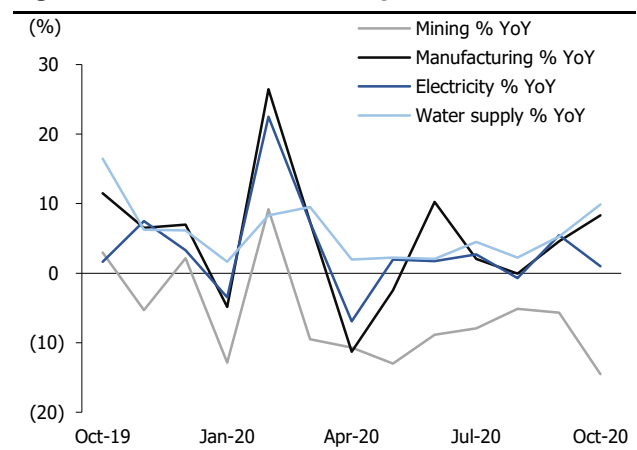
Besides, electricity production & distribution was up by 1.0% YoY, while the water supply industry jumped up by 9.9% YoY.

Figure 18. Industrial production index



Source: GSO, KIS

Figure 19. Level-1 sectoral components



Source: GSO, KIS

Macro scorecard

(USD bn, USD, %, % YoY)

	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	3Q19	4Q19	1Q20	2Q20	2016	2017	2018	2019
Real GDP growth		0.36			2.62		7.31	6.97	3.82	0.36	6.21	6.81	7.08	7.03
Registered FDI	1.55	1.79	3.15	0.72	1.67	2.27	7.66	11.86	8.55	7.12	20.95	35.88	35.47	38.02
GDP per capita											2,172	2,353	2,551	2,730
Unemployment rate											2.33	2.21	2.21	2.25
Export	18.50	21.00	23.00	27.70	27.16	26.70	72.22	68.83	56.9	59.2	176.6	215.1	243.5	263.6
Import	19.40	20.50	22.00	22.72	24.20	24.50	67.14	66.51	56.2	60.3	175.0	213.2	236.7	254.4
Export growth	(15.50)	(2.00)	0.31	2.49	18.02	9.91	10.72	7.29	(3.13)	(5.31)	8.99	21.82	13.19	8.16
Import growth	(15.90)	5.16	(2.94)	2.85	11.63	10.05	8.30	4.22	(1.59)	(7.17)	5.55	21.85	11.01	7.41
Inflation	2.40	3.17	3.39	3.18	2.98	2.47	2.23	2.79	3.53	3.57	2.66	3.53	3.54	2.79
USD/VND	23,282	23,206	23,167	23,175	23,188	23,181	23,203	23,173	23,637	23,206	22,761	22,698	23,175	23,173
Credit growth	1.20	3.26	4.05	4.16	6.10		9.40	13.70	0.68	2.80	18.25	18.24	13.89	13.70
10Y gov't bond	3.07	3.07	2.88	2.88	2.52	2.21	4.07	3.37	3.24	3.07	6.23	5.14	5.07	3.37

Source: GSO, Bloomberg, FIA, IMF

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