

Economic Flash

CPI growth hits an 8-year high

Tet hinders trade's acceleration

February witnessed a slowdown in trade activity as import and export growth rates became far less compared to January. Specifically, GSO reported that import value posted USD20.80bn, rising by 10.53% YoY, around one-fourth of the previous rate, while export value even declined by 4.70% YoY to post USD20.00bn. Consequently, the trade balance posted a deficit of USD0.8bn this period.

CPI grows at eight-year high

According to GSO, CPI experienced a significant increase compared to the previous month due to increases in food and foodstuff (F&Fs), traffic, and housing and construction materials (HCM) prices. CPI in February 2021 surged by 1.52% MoM, marking the highest monthly rate in eight years. The Lunar new year was the reason for the hike in F&Fs, while the recent upturn in crude oil prices sustained the upward momentum in traffic price.

New FDI surges to one-year high

In the month, the total registered capital climbed to a 10-month high of USD3.44bn (+ 202% YoY), driven by newly registered FDI. On the other hand, a long Tet holiday impacted the disbursement activity when the disbursed amount dropped to a one-year low of USD0.99bn (+ 16.47% YoY), although just temporary.

IIP dives near to 2-year low in Tet-holiday month

A sharp decline in February raised concerns about the sustainability of industrial growth in the future. According to the latest estimates from GSO, as of February-end, IIP plunged by 21.13% MoM and 7.18% YoY, which dragged the production level near to a level seen in April.

KIS leading economic index

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

	1Q20	2Q20	3Q20	4Q20F	2019	2020F	2021F
GDP	3.82	0.36	2.62	4.48	7.02	2.91	5.94
Trade balance	3.82	1.92	10.72	2.54	10.42	19.01	1.77
CPI	4.87	3.17	2.98	0.19	5.23	3.24	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

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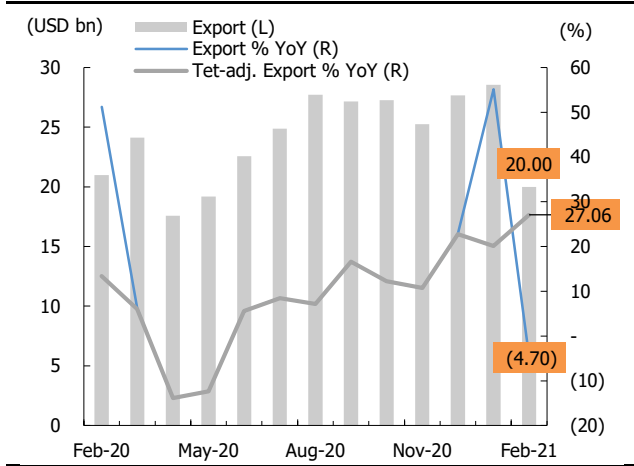
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I. Tet hinders trade's acceleration

Tet halts trade's upward momentum

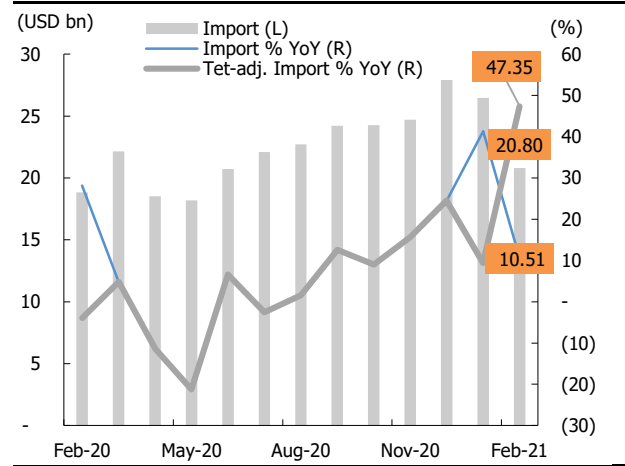
February witnessed a slowdown in trade activity, which mainly resulted from the Tet seasonality. According to GSO, import and export activities became less bright this period as their growth rates were much lower than the previous month. Specifically, import value posted USD20.08bn, growing by 10.53% YoY, which equals to one-fourth of rate in January, while export even recorded a contraction as declining by 4.70% YoY to posting USD20.00bn. After adjusting for Tet-seasonality, export and import growth rates were 27.06% YoY and 47.25% YoY, respectively. The trade balance recorded a deficit of USD0.80bn this month.

Figure 1. Vietnam monthly export



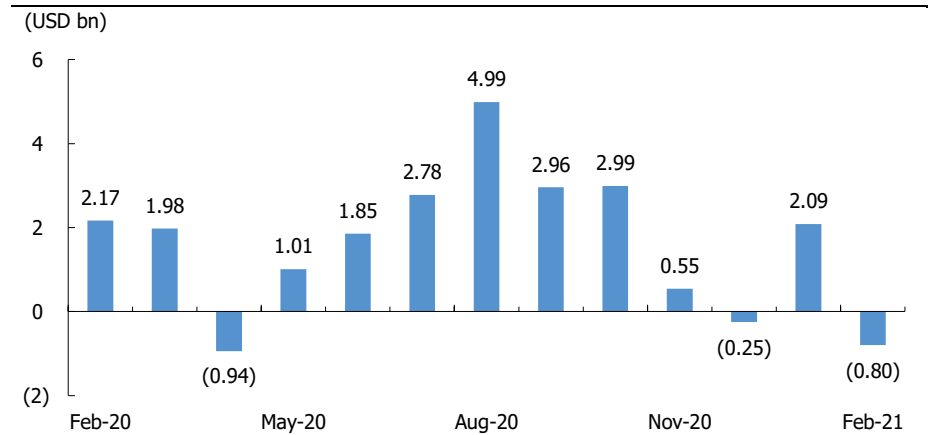
Source: KIS, GSO

Figure 2. Vietnam monthly import



Source: KIS, GSO

Figure 3. Vietnam monthly trade balance



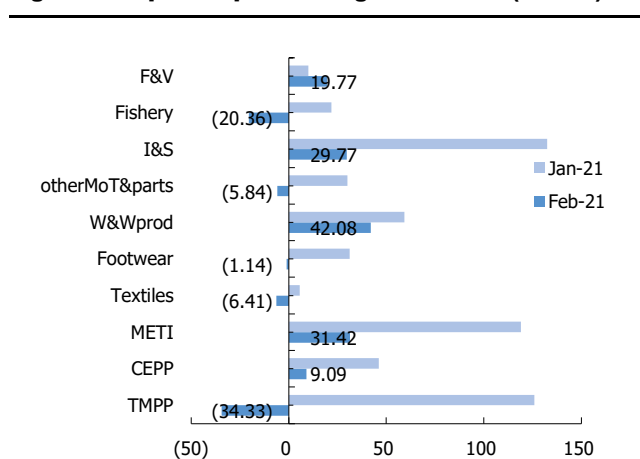
Source: KIS, GSO

The reduction in goods sold overseas this month compared to the same period last year was characterized by the prevailing declines in growth rates of major items such as CEPP, METI, and TMPP. CEPP and METI slowed down significantly as their growth rates just posted 9.09% YoY and 31.42% YoY, around one-fourth of corresponding rates in January. The contraction was more

obvious in the context of TMPP. The export value of this item modestly posted USD3.20bn, being nearly a half of the January value and resulted in a negative growth rate of 34.33% YoY, dragging the overall growth by 7.97 percent points (pps). Besides, textiles and footwear returned to deteriorations after recording improvements in the previous month.

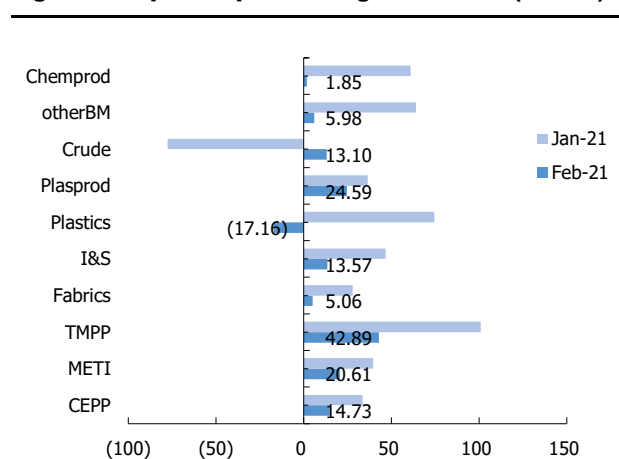
Nine over ten major items in import structure also experienced same deceleration with export's move with smaller magnitudes. More impressively, import values of CEPP, METI, and TMPP rose by 14.73% YoY, 20.61% YoY, and 42.89% YoY, posting USD5.20bn, USD2.90bn, and USD1.35bn, respectively. Generally, such growth rates just equal to a half of January. On the opposite direction, imported amount of crude oil reached USD0.54bn, increasing by 90.58% YoY and partly offer the overall deceleration in import activity.

Figure 4. Top 10 export item: growth rates (% YoY)



Source: KIS, GSO

Figure 5. Top 10 import item: growth rates (% YoY)



Source: KIS, GSO

TMPP: telephones, mobile phones and parts, CEPP: computers, electrical products and parts, METI: machine, equipment, tools and instruments, otherMoT&parts: 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, Chemprod: chemical products.

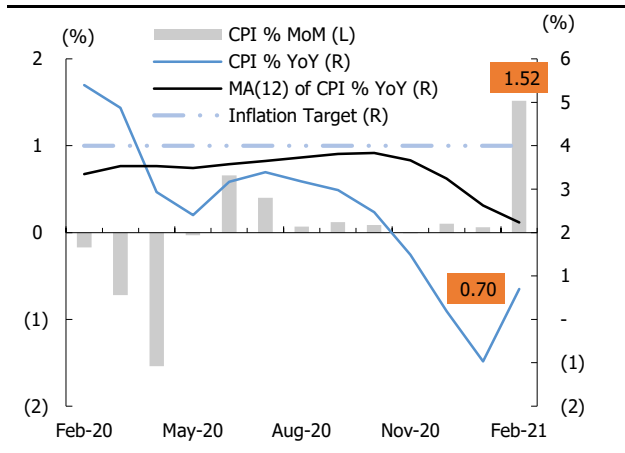
II. CPI grows at eight-year high

CPI surges monthly due to the combination of F&Fs, traffic and HCM

According to GSO's publish, the Consumer Price Index (CPI) experienced a significant increase compared to the previous month due to increases in food and foodstuff (F&Fs) and traffic, and housing and construction materials (HCM) prices. CPI in February 2021 surged by 1.52% MoM, marking the highest monthly rate in eight years. Regarding sectoral contributions, F&Fs, traffic, and HCM rose by 1.61% MoM, 1.55% MoM, and 4.00 %MoM, much higher than those in the previous month and were determinants pushing CPI up. In total, such three items contributed a 1.35 percent point to the monthly change of the overall price index. The Lunar new year was the reason for the hike in F&Fs, while the recent upturn in crude oil prices sustained the upward momentum in traffic price.

Considering yearly change, the CPI halt the downturn by increasing 0.7% YoY, 167bps-higher than the previous rate. Hence, the 12-month rolling inflation rate posted 2.23%, 167bps-lower than the government's target rate of 4%.

Figure 6. CPI Changes



Source: GSO, KIS

Table 7. Inflation by Sectors

Item	Weight (%)	% MoM	% YoY
Food and foodstuff	36.12	1.61	2.39
Beverage and cigarette	3.59	0.90	2.00
Garment, Footwear, hat	6.37	0.25	0.86
Housing and construction materials	15.73	4.00	0.33
Household appliances and goods	7.31	0.20	0.61
Medicine and health care	5.04	0.01	0.24
Traffic	9.37	1.55	(6.55)
Postal services & Telecommunication	2.89	0.03	(0.50)
Education	5.99	-	4.49
Culture, entertainment and tourism	4.29	0.13	(2.07)
Other goods and services	3.3	0.74	1.99
Consumer Price Index		1.52	0.70

Source: GSO, KIS

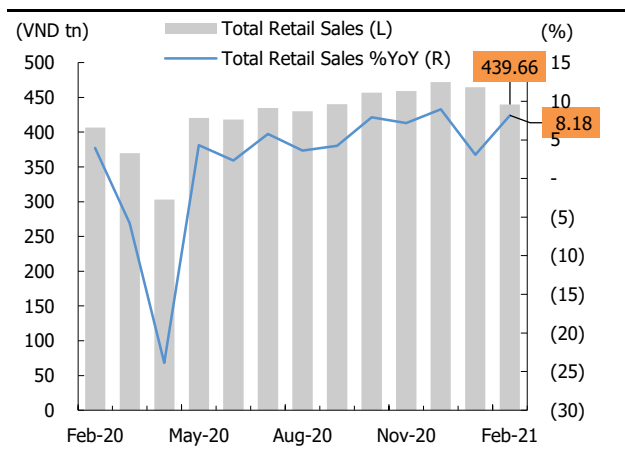
III. Retail sales enhances the upturn

Retail sales strengthens its upturn

The upturn of retail sales became stronger in this period mainly due to the improvements in the retail sector and accommodation and catering (A&C). According to GSO's estimates, the retail sales in February 2021 accelerated as its growth rate posted 8.18%YoY, 5.11 percent-points-higher than the previous month. The increase in growth rate of the retail sector was the main reason for the move of the total retail sales. The retailing activity rose by 10.48% YoY, nearly doubling the previous growth rate, to post VND354.54tn this month. Besides, despite the laggard role in recent months, revenue from A&C activities nearly posted the same level in the previous year, resulting in a slight reduction of 0.12% YoY, much better than January.

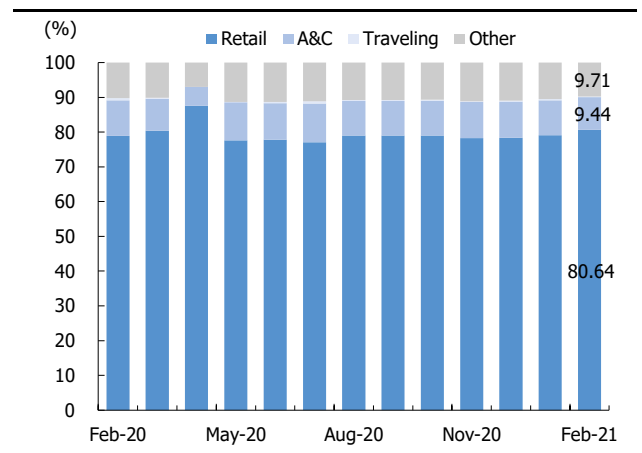
Regarding the structure, the retail value kept overwhelming with the largest share at 80.64% of the total, while A&C and traveling sectors jointly consisted of 9.65% of total revenue.

Figure 8. Monthly retail sales



Source: GSO, KIS

Figure 9. Components of retail Sales



Source: GSO, KIS

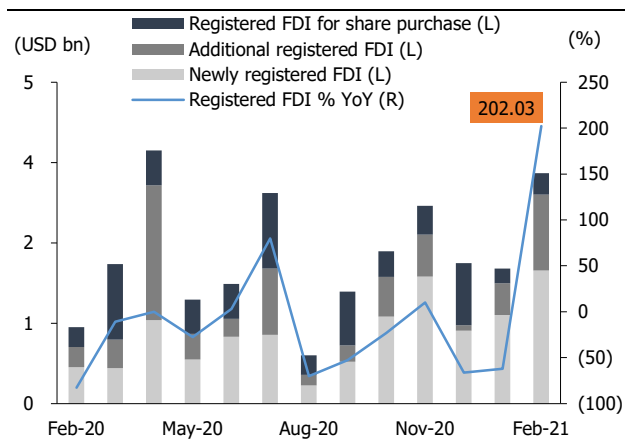
I. New FDI surges to one-year high

New FDI recorded a one-year high

In contrast to our estimates that FDI activity would slow down in Tet-holiday month, February witnessed a surge in new foreign investment inflows with some large-investment projects recorded in the month. In the month, the total registered capital climbed to a 10-month high of USD3.44bn (+ 202% YoY), driven by newly registered FDI.

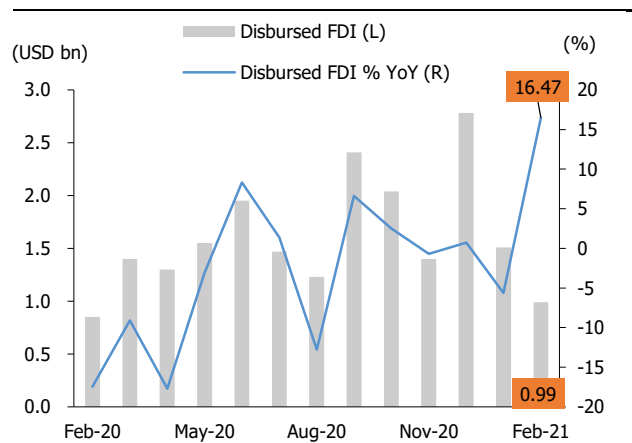
Breaking down by types of investment, the newly registered FDI recorded the highest level in 13 months, at USD1.99bn. Meanwhile, the additional capital for existing projects also posted a new high of USD1.13bn since April, while the amount for share purchase remained low at just USD0.32bn, respectively. On the other hand, a long Tet holiday impacted the disbursement activity when the disbursed amount dropped to a one-year low of USD0.99bn (+ 16.47% YoY), although just temporary.

Figure 10. Registered FDI



Source: MPI, KIS

Figure 11 Disbursed FDI



Source: MPI, KIS

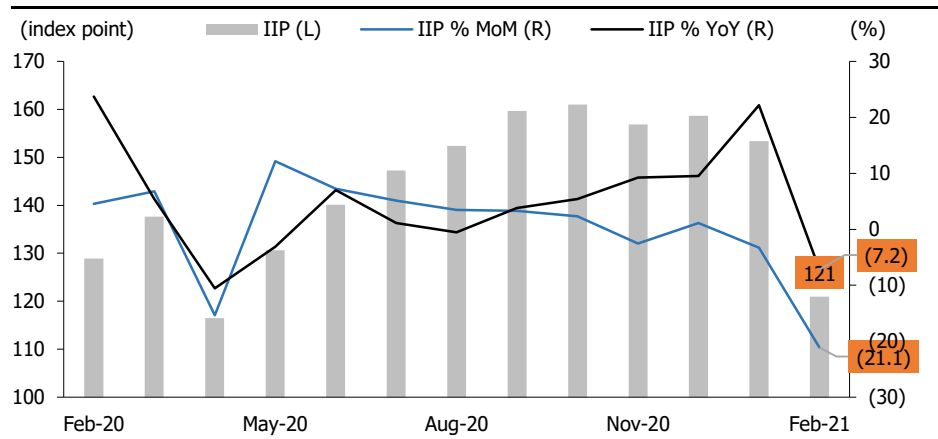
II. IIP dives near to 2-year low in Tet-holiday month

A broad-based sharp decline in IIP in Tet-holiday month

A sharp decline in February raised concerns about the sustainability of industrial growth in the future. Although a long Tet holiday was partly responsible for the plunge, this strong downward magnitude was something worse than our expectation. According to the latest estimates from GSO, as of February-end, IIP plunged by 21.13% MoM and 7.18% YoY, which dragged the production level near to a level seen in April (when a half-month nationwide lockdown took place).

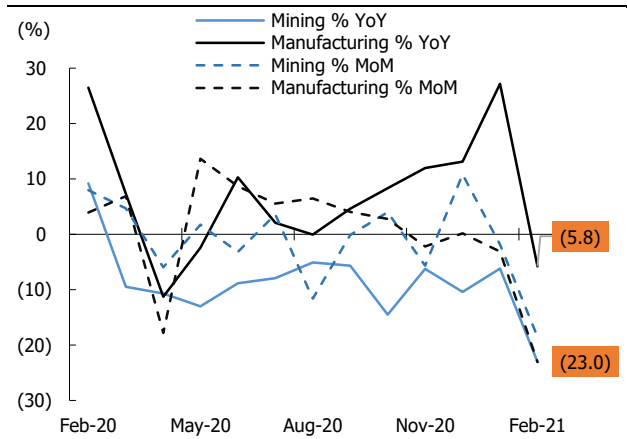
Breaking down by sub-sectors, the manufacturing sector was down faster than the whole industry when declining by 23.09% MoM (+ 5.82% YoY). Meanwhile, mining sector fell by 18.52% MoM to a record low (- 23.03% YoY). Besides, the electricity production & distribution and water supply sectors also reduced by 9.82% MoM (- 2.34% YoY) and 8.68% MoM (+ 0.07% YoY), respectively.

Figure 14. The industrial production



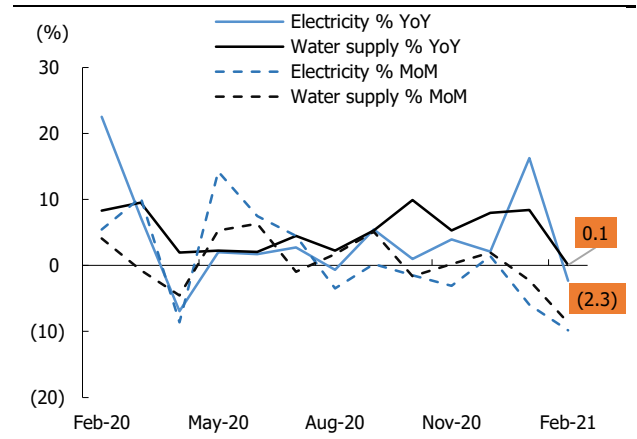
Source: GSO, KIS

Figure 15. Mining and manufacturing sub-sectors



Source: GSO, KIS

Figure 16. Electricity and water supply sub-sectors



Source: GSO, KIS

Macro scorecard

(USD bn, USD, %, % YoY)

	Sep-20	Oct-20	Nov-20	Dec-20	Jan-20	Feb-20	1Q20	2Q20	3Q20	4Q20	2016	2017	2018	2019
Real GDP growth	2.62			4.48			3.82	0.36	2.62	4.48	6.21	6.81	7.08	7.03
Registered FDI	1.67	2.27	2.95	2.10	2.02	3.44	8.55	7.12	5.54	7.32	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	27.16	27.26	25.24	27.65	28.55	20.00	63.52	59.33	79.74	79.00	176.6	215.1	243.5	263.6
Import	24.20	24.27	24.69	27.91	26.46	20.80	59.69	57.41	69.02	76.46	175.0	213.2	236.7	254.4
Export growth	16.57	12.21	10.73	22.75	55.13	(4.70)	7.99	(6.81)	10.61	13.48	8.99	21.82	13.19	8.16
Import growth	12.58	9.00	15.69	24.51	41.32	10.51	4.03	(9.46)	3.74	15.81	5.55	21.85	11.01	7.41
Inflation	2.98	2.47	1.48	0.19	(0.97)	0.70	3.53	3.57	3.81	3.24	2.66	3.53	3.54	2.79
USD/VND	23,188	23,181	23,141	23,126	23,049	23,018	23,637	23,206	23,184	23,126	22,761	22,698	23,175	23,173
Credit growth	6.10	6.15	8.46	10.14			1.30	3.26	6.10	10.14	18.25	18.24	13.89	13.70
10Y gov't bond	2.52	2.21	2.26	2.01	2.03	2.13	3.24	3.07	2.65	2.01	6.23	5.14	5.07	3.37

Source: GSO, Bloomberg, FIA, IMF

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