

Vietnam

Economics Update

Feb 2019 trade

Feb trade data

	Actual	GSO's estimate
Exports (% yoy)	-3.3	1.6
Imports (% yoy)	4.6	10.4
Trade balance (US\$ m)	-768	-900

- Vietnam registered a trade deficit of US\$768m in Feb due to negative growth of 3.3% in exports.
- 1Q19F trade performance could be the worst since 2016, in our view.

Trade balance turned to deficit due to a contraction in exports

Exports declined 3.3% yoy in Feb (vs. +8.9% in Jan), mainly driven by the weakness in exports of agriculture products (-15.7% yoy in Feb vs. -7.5% yoy in Jan) and textile products (-14.9% yoy in Feb vs. +29.5% yoy in Jan). Import growth also softened in Feb (+4.6% yoy vs. 5.4% yoy in Jan). Due to the negative export growth, trade balance turned to a deficit of US\$768m in Feb, albeit not as wide as the estimated deficit of US\$900m from the General Statistics Office (GSO). In 2M19, Vietnam recorded a trade deficit of US\$64m vs. a trade surplus of US\$445m in the same period last year.

Exports, divergence between the US and China

In the first two months of 2019, Vietnam's exports to the US grew 35.7% yoy while exports to China dropped 16.3% yoy. The strengthening exports to the US was mainly driven by electronics exports (+139.5% yoy) while electronics exports to China declined 39.3% yoy. Cumulatively, Vietnam's electronics exports to both countries increased only a slight 1.1% yoy in 2M19. Exports slowed down amid cooling electronics demand, though US demand gradually diverted to Vietnam because of higher US tariffs on Chinese products.

Broad-based weakness in agricultural exports, especially to China

The contraction in Vietnam's agricultural exports worsened (-15.7% yoy in Feb vs. -7.5% yoy in Jan) due to a wide deterioration across many products, particularly in the exports of fruits and vegetables (-13.0% yoy), cashew nut (-21.3% yoy), coffee (-24.5% yoy), and rice (-30.5% yoy). China was one of the largest markets for Vietnamese agricultural exporters, with a market share of 24.2% in 2018. In 2M19, agricultural exports to China declined 20.3% yoy due to stricter traceability requirements on Vietnamese agricultural products from China, contributing to the disappointment in overall agricultural exports.

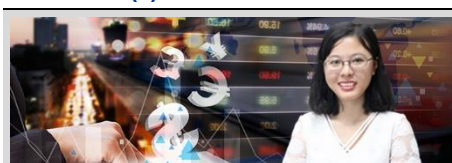
Car importers getting to grips with new regulations

Among the rise in imports of end-use components, consumer goods took the lead with a 32.5% yoy increase in 2M19, boosted by a surge in auto imports, which skyrocketed 56.7x in volume and 17.0x in value against the same period last year. This dramatic rise was due to low base effect resulting from a new regulation from Vietnam that tightened car imports from 1 Jan 2018. Imports of capital goods rose at a slower pace of 7.9% yoy (vs. +12.3% yoy in Jan), while imports of intermediate goods were unchanged (vs. -1.1% yoy in Jan) amid weak demand for electronic products.

We expect weak trade growth in 1Q19F

In 2M19, exports grew 3.8% yoy while imports grew 5.1% yoy, the lowest growth since 2016. We expect 1Q19F trade performance to be soft, at single-digit growth, resulting in weaker economic growth of 6.6% in 1Q19F vs. 7.4% in 1Q18.

Economist(s)



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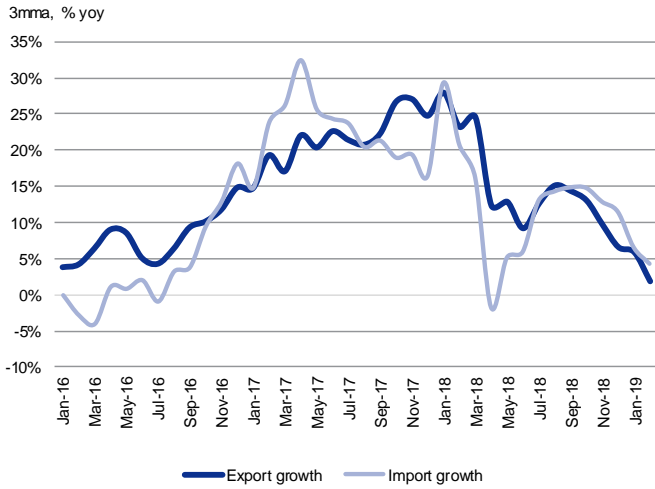
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Figure 1: Highlights of trade performance

	Feb 19		Dec 18	Jan 19	Feb 19	2M19	Dec 18	Jan 19	Feb 19
	US\$ bn	% share	% yoy				% mom		
Total trade	28.6	100.0	0.6	7.2	0.6	4.4	-7.5	8.1	-34.1
Exports	13.9	100.0	-0.4	8.9	-3.3	3.8	-9.7	12.4	-37.0
Domestic	3.8	27.2	10.3	17.8	-4.2	9.2	9.1	9.5	-48.0
FDI	10.1	72.8	-5.2	5.0	-2.9	1.6	-17.0	13.9	-31.6
Imports	14.7	100.0	1.6	5.4	4.6	5.1	-5.3	4.0	-31.0
Domestic	5.8	39.4	7.0	10.0	4.9	7.9	3.1	3.6	-36.4
FDI	8.9	60.6	-2.1	2.3	4.3	3.1	-10.8	4.3	-26.9
Trade balance	-0.8		101.1	690.5	na	-89.4			

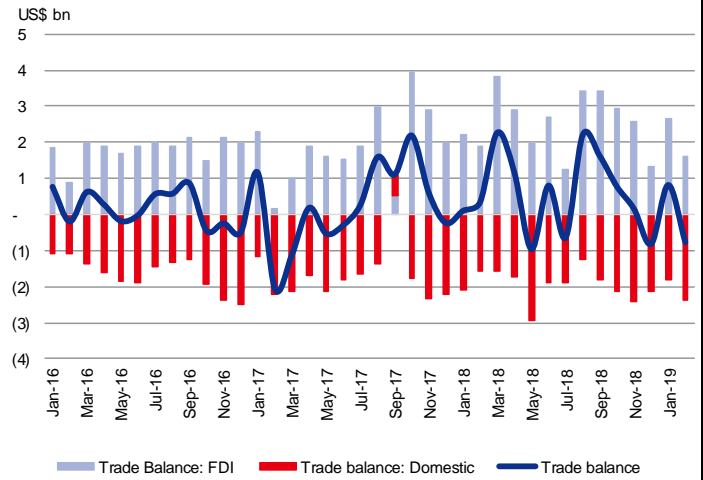
SOURCES: VND RESEARCH, VIETNAM CUSTOMS

Figure 2: Continued trade weakness in Feb 2019



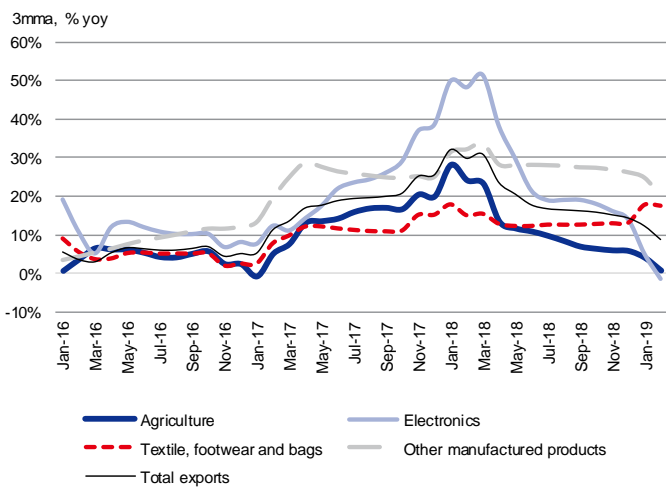
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Figure 3: Trade balance turned to deficit in Feb 2019



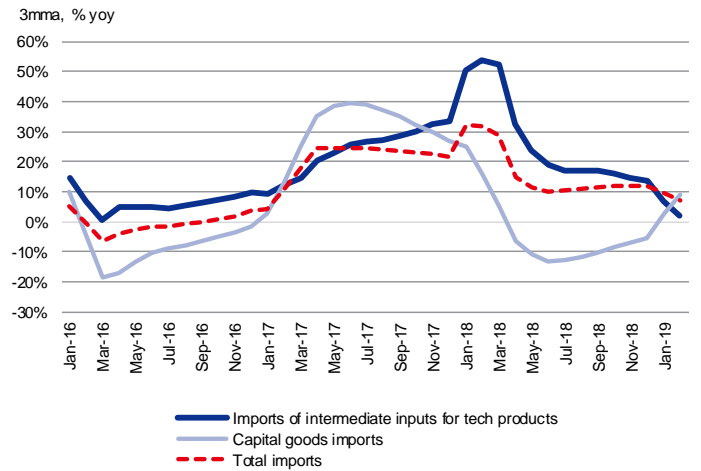
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Figure 4: Breakdown of gross export growth by category



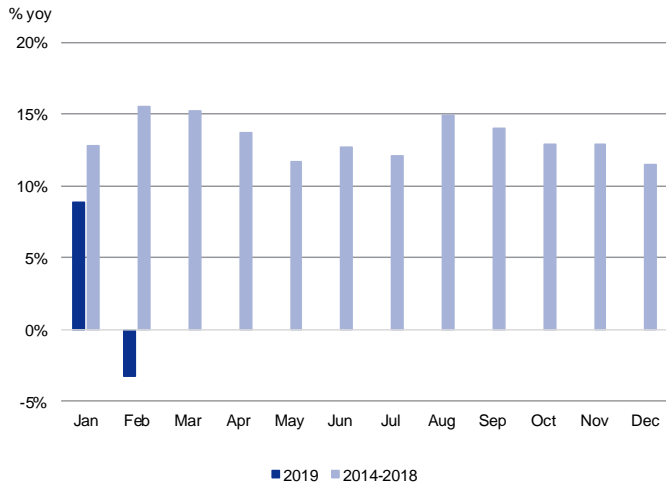
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Figure 5: Breakdown of gross import growth by category



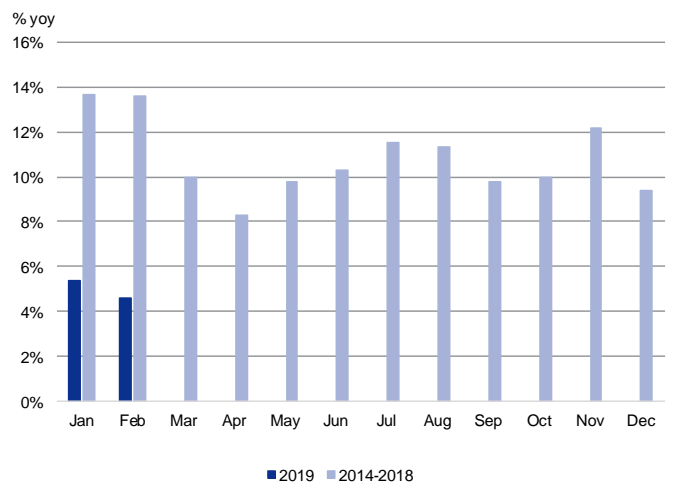
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Figure 6: Export growth (2019 vs. 5-year average)



SOURCES: VND RESEARCH, VIETNAM CUSTOMS

Figure 7: Import growth (2019 vs. 5-year average)



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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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