

Vietnam

Economics Update

Jan 2019 trade

Jan trade data

	Actual	GSO's estimate
Exports (% yoy)	8.9	-1.3
Imports (% yoy)	5.4	3.1
Trade balance (US\$ m)	816	-800

- Vietnam recorded a trade surplus of US\$816m in Jan 19 (vs. trade deficit of US\$811m in Dec 18). GSO had estimated a US\$800m trade deficit in Jan 19.
- Continued downtrend in smartphone and electronics exports seen in Jan 19.
- We expect a softer export outlook in 2019F (+12.0% yoy vs. 13.1% in 2018).

Trade surplus of US\$816m in Jan 2019

In Jan 2019, exports grew 8.9% yoy (vs. -0.4% in Dec 2018) while imports grew 5.4% yoy (vs. 1.6% in Dec 18). As a result, Vietnam's trade balance registered a surplus of US\$816m in Jan 19 (vs. a deficit of US\$811m in Dec 18). The General Statistics Office (GSO) had previously estimated a trade deficit of US\$800m for Jan 19. FDI exports recovered in Jan with a growth of 5.0% yoy (vs. -5.2% in Dec). However, growth was much lower than the same period last year (+41.4% yoy in Jan 18) due to a high-base effect and a sharp drop in electronic products exports (-10.7% yoy in Jan 19).

Continued downtrend in smartphone and electronics exports

Exports of top electronic products decreased by 10.7% yoy in Jan 19 (vs. an 11.9% increase in Dec 18), led by a contraction in shipments of smartphones (-16.4% in Jan vs. -26.2% in Dec) and cameras (-15.8% in Jan vs. -8.7% in Dec). Exports of other segments, such as computers, PCs and electronics parts, were nearly unchanged compared to the same period in Jan 18. Subdued demand for smartphones and consumer electronics, underscored by [Samsung's guidance for challenging market conditions in 1H19F](#), is likely to curtail Vietnam's exports in the near term.

Expansion of domestic sector's exports

Despite a slowdown in FDI exports, the domestic sector performed better than expected with an export growth of 17.8% yoy in Jan (vs. 10.3% in Dec). This came on the heels of robust export growth of textiles, handbags and wooden products. Export data breakdown by domestic sector showed that textiles and handbags grew at 36.6% yoy while wooden products grew at 23.5% yoy in Jan. However, exports of agricultural products declined by 7.7% yoy, led by weakness in cashew, coffee and rice exports.

Rebound in capital goods imports

Machinery equipment import growth has remained in the red for 10 months since Feb 18, but there was a rebound in Jan 19 with a rise of 18.1% yoy. It is still too early to conclude if a recovery in capital goods imports could boost exports growth, but this is a good sign that investment is continuing to grow amid trade war uncertainties. In Jan 19, disbursed FDI surged by 47.6% yoy to US\$1.6bn, suggesting continued strength in FDI flows.

We expect a softer export outlook for 2019

We retain our forecast of low double-digit export growth (+12.0% yoy in 2019F vs. 13.1% in 2018). Despite an uncertain global trade outlook, we think the trade negotiations between the US and China create provide some glimmer of light at the end of the tunnel. Therefore, we do not see the trade war as a major risk. Instead, we think a slowdown in China and moderation in global growth will have a bigger impact on Vietnam's export performance.

Economist(s)



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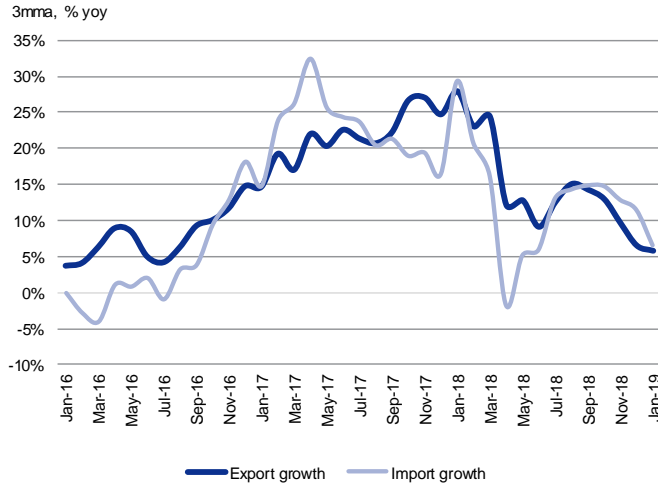
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Figure 1: Highlights of trade performance

	Jan 19		Nov 18	Dec-18	Jan 19	Nov 18	Dec-18	Jan 19
	US\$ bn	% share	% yoy		% mom			
Total trade	43.3		9.6	0.6	7.2	-2.1	-7.5	8.1
Exports	22.1	100.0	8.5	-0.4	8.9	-3.5	-9.7	12.4
Domestic	7.3	32.9	10.3	10.3	17.8	-4.9	9.1	9.5
FDI	14.8	67.1	7.9	-5.2	5.0	-2.9	-17.0	13.9
Imports	21.3	100.0	10.7	1.6	5.4	-0.8	-5.3	4.0
Domestic	9.1	42.7	9.3	7.0	10.0	-0.3	3.1	3.6
FDI	12.2	57.3	11.6	-2.1	2.3	-1.1	-10.8	4.3
Trade balance	0.8		-70.6	101.1	690.5			

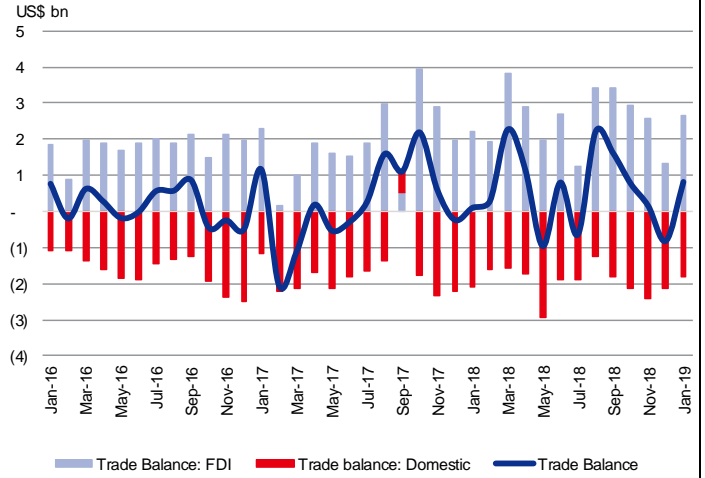
SOURCES: VND RESEARCH, VIETNAM CUSTOMS

Figure 2: Trade weakness since Oct 2018



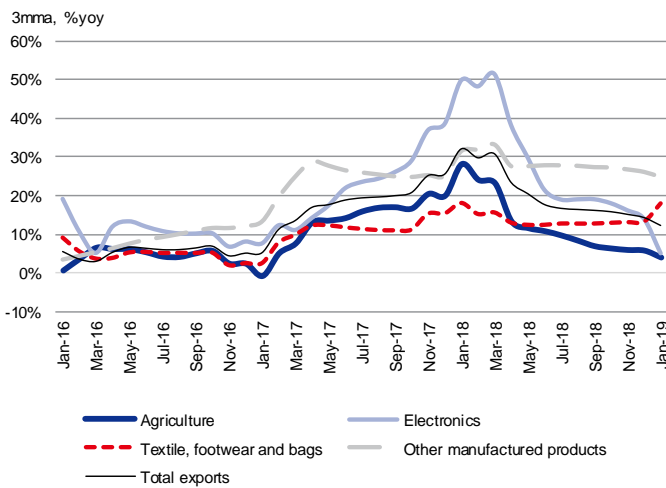
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Figure 3: Trade balance returned to a surplus in Jan 2019



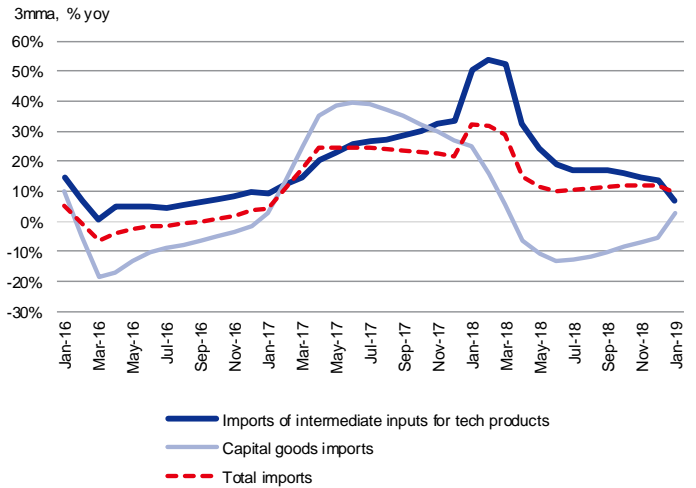
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Figure 4: Breakdown of gross exports growth by category



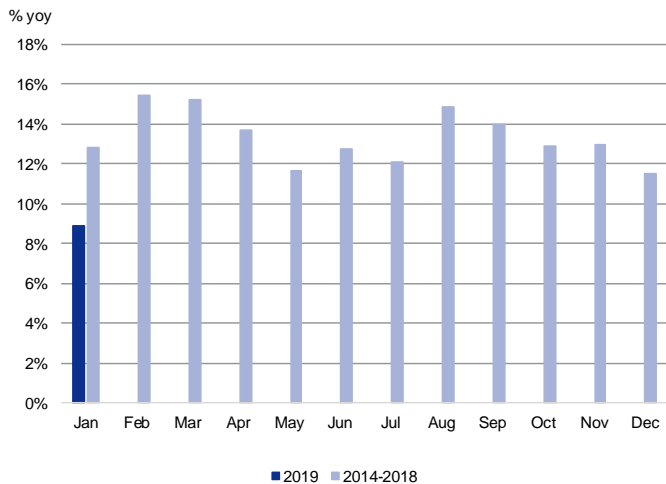
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Figure 5: Breakdown of gross imports



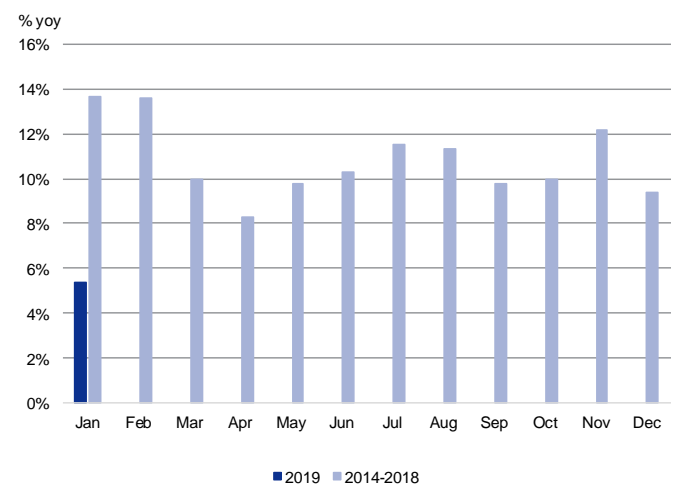
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Figure 6: Export growth (Jan 2019 vs. 5-year average)



SOURCES: VND RESEARCH, VIETNAM CUSTOMS

Figure 7: Import growth (Jan 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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