

Vietnam

Economics Update

Oct 2019 trade

Oct trade data

	Actual	GSO's estimate
Exports (% yoy)	7.6	-0.6
Imports (% yoy)	2.9	3.5
Trade balance (US\$ m)	1,859.9	-100.0

- Imports fell at a faster pace than exports, lifting the trade surplus to a record high in 10M19.
- In 10M19, exports from domestic companies gained ground from the ongoing US-China trade war.
- A favourable current account surplus helped the SBV to shore up FX reserves, supporting exchange rate stability and monetary policy easing.

Trade surplus hits record high of US\$8.7bn in 10M19

Vietnam's trade surplus expanded to US\$1.86bn in Oct 2019 due to imports weakening to 2.9% yoy (vs. 11.8% in Sep). Exports also slowed to 7.6% yoy in Oct vs. 10.7% in Sep. In 10M19, the 8.3% yoy rise in the value of exports outpaced imports' 7.7% yoy increase. This resulted in a record trade surplus of US\$8.7bn in 10M19 vs. US\$8.1bn in 10M18.

Increase in exports driven by domestic sector

The exports from domestic companies have been relatively strong at 16.8% yoy in 10M19. This is much higher than the FDI sector's 4.8% yoy. Aside from agriculture products, the domestic companies' key export products such as textile, footwear, handbags and wooden products recorded double-digit growth in 10M19. Notably, despite electronics forming a modest 7.9% of total exports by domestic companies in 10M19, domestic electronic companies' exports jumped a whopping 404.0% yoy, which appears to indicate the shift in production from China to Vietnam amid the ongoing trade war.

Trade divergence between the US and China in electronics exports

In 10M19, Vietnam's top export destinations were the US (US\$50.3bn) and China (US\$33.0bn). However, Vietnam's exports to the US rose 27.6% yoy in 10M19 while exports to China dipped -1.4% yoy. By key product, agriculture exports were heavily hit in both markets, especially rice, coffee and cashew products. Textile, handbag and footwear exports increased 10-11% yoy while exports of electronic products to China decreased 6.8% yoy but to the US climbed 76.7% yoy.

Vietnam's external position strengthened

We believe the record high trade surplus, combined with strong remittance inflows and sustained FDI inflows have helped to strengthen Vietnam's balance of payments (BOP) this year. This allowed the State Bank of Vietnam (SBV) to raise FX reserves to around US\$73bn, which is equivalent to about 3.3 months of import cover in Oct 2019. In addition, the improvement in BOP has also supported the stability of the US\$/VND and SBV's monetary easing. On 18 Nov 2019, the SBV lowered the ceilings of deposit rates for short-term tenors and lending rates for priority sectors by 50bp. Coupled with the 25bp policy rate cut in Sep 2019, this lends further support to credit growth. Even so, credit growth could fall short of the SBV's target of 14.0% for 2019.

Economist(s)



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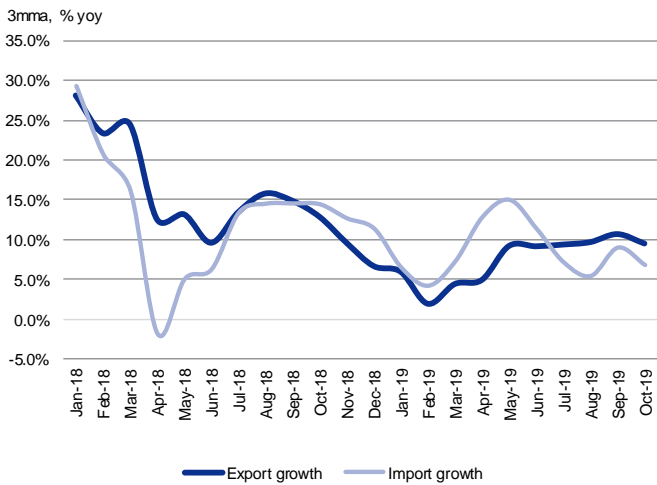
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Figure 1: Highlights of trade performance

	Oct-19		Aug-19	Sep-19	Oct-19	10M19	Aug-19	Sep-19	Oct-19
	US\$ bn	% share		% yoy				% mom	
Total trade	46.6		8.3	11.2	5.3	8.0	5.3	-6.7	3.3
Exports	24.2	100.0	10.4	10.7	7.6	8.3	12.6	-9.8	3.7
Domestic	7.8	32.1	23.5	25.7	22.0	16.8	4.1	-13.0	9.0
FDI	16.4	67.9	5.2	5.1	1.8	4.8	17.1	-8.3	1.4
Imports	22.4	100.0	5.9	11.8	2.9	7.7	-2.1	-3.1	2.9
Domestic	9.9	44.2	16.6	17.4	16.1	13.7	-5.6	-4.0	13.1
FDI	12.5	55.8	-0.4	8.3	-5.6	3.7	0.4	-2.5	-4.0
Trade balance	1.9		53.4	-2.2	136.5	19.8			

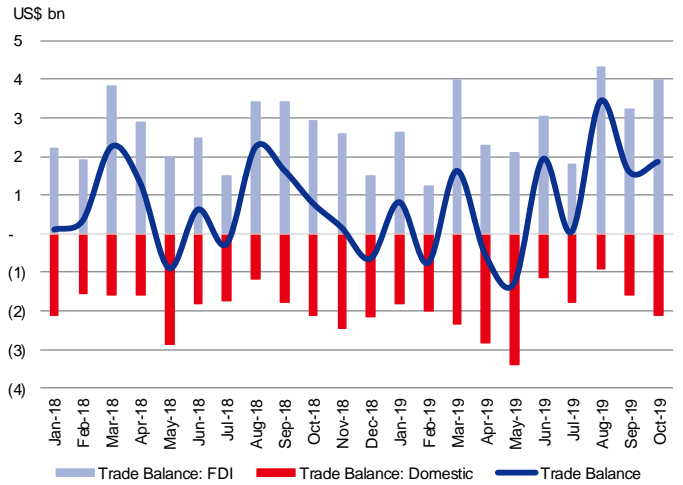
SOURCES: VNDIRECT RESEARCH, VIETNAM CUSTOMS

Figure 2: Moderate trade growth (Jan 2018 - Oct 2019, 3m average)



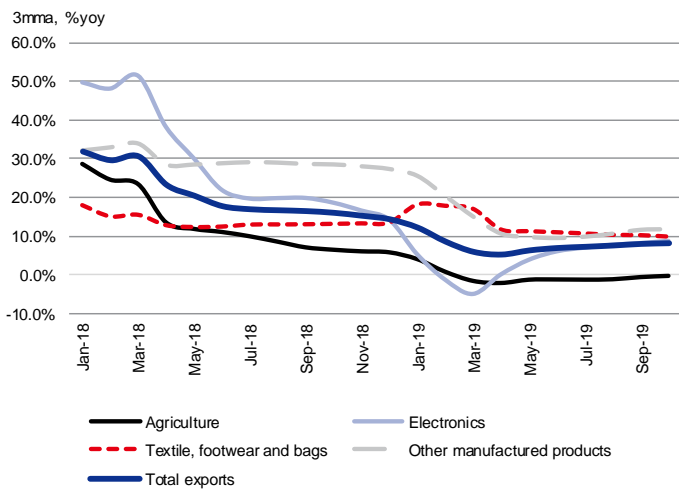
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Figure 3: Improving trade surplus (Jan 2018 - Oct 2019)



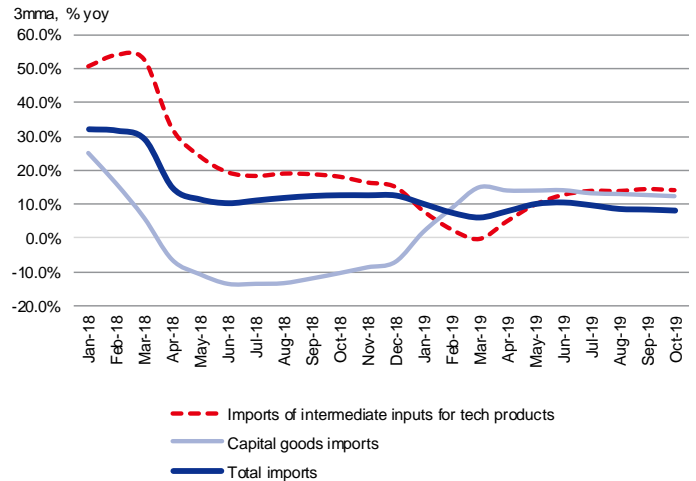
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Figure 4: Breakdown of gross exports growth by category



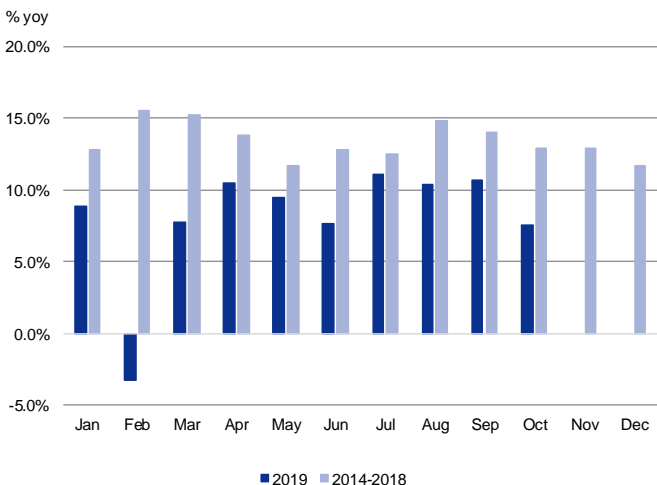
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Figure 5: Breakdown of gross imports growth by category



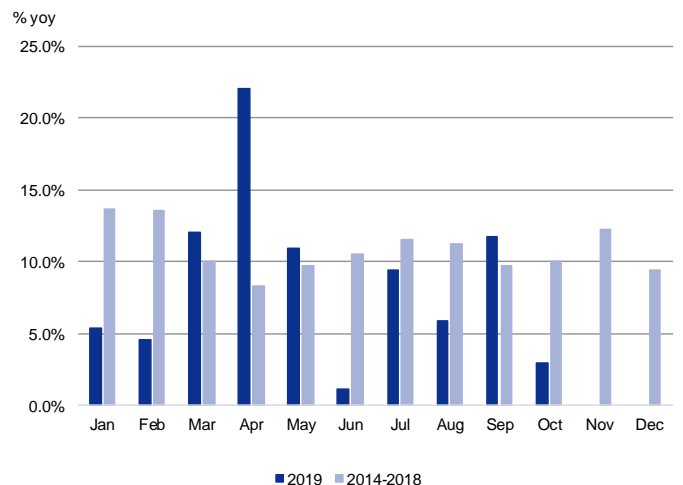
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Figure 6: Export growth (2019 vs. 5-year average)



SOURCES: VNDIRECT RESEARCH, VIETNAM CUSTOMS

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



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Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association (“IOD”) regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

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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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2019		
777 companies under coverage for quarter ended on 30 September 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58,8%	0,9%
Hold	26,3%	0,0%
Reduce	14,9%	0,1%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **DELTA** – Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HREIT** – Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, Declared, **TMB** – Excellent, Certified, **TNR** – Very Good, Declared, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

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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