



Macro Update

Quarter I 2022

April 5, 2022

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MACRO UPDATE 1Q2022

Macro Indicators 1Q22

GDP	+5.03%
Agri., forestry, and fishery	+2.45%
Industry and construction	+6.38%
Services	+4.58%
Industrial Production Index (IIP)	+6.44%
Mining and quarrying	+1.00%
Manufacturing	+7.04%
Production and distribution of electricity	+7.10%
Water supply and waste treatment	+5.25%
Vietnam Exports (USDmn)	88,579
Vietnam Imports (USDmn)	87,770
Net Trade (USDmn)	890
Disbursed FDI (USDmn)	4,420
Registered FDI (USDmn)	7,280
Retail sales of goods and services	+4.44%
CPI	+1.92%
Core CPI	+0.81%

After several months of switching to the living-with-COVID-19 strategy, Vietnam's economy has basically regained its growth momentum and continued to record relatively good fundamentals in 1Q2022.

Specifically, GDP in 1Q2022 increased 5.03% YoY compared with 1Q2021. Industrial activities continued to recover and accelerate, in which IIP recorded positive growth rate of 6.44% YoY 1Q2022 (vs +5.74% YoY in 1Q2021). Furthermore, the PMI continued to show signs recovery in three consecutive months in 1Q2022 (January – 53.7, February – 54.3, March – 51.7).

Disbursed FDI remained strong in 1Q2022 (+7.8% YoY vs +6.5% YoY in 1Q2021) as travel restrictions eased and industrial activities continued to recover and accelerate. Even though registered FDI in 1Q2022 decreased 21.9% YoY, it remained high compared with 2020 and 2019 (+10.4% and +42.2% over 1Q2020 and 1Q2019 respectively) and we are optimistic FDI inflows in the future will remain strong as Vietnam continues to be an attractive investment destination for FDI firms. Last but not least, Consumer Price Index (CPI) 1Q2022 increased 1.92% YoY, a little on the high side due to rising gasoline prices, but inflation still remain far below government's target 4% and remained under control.

Over the past months, there have been several events which could affect Vietnam's economy in terms of growth prospects which include (1) FED rate hike (2) geopolitical tensions at the Russia-Ukraine border; (3) China lockdowns several major cities due to COVID-19 outbreaks, included Shenzhen, Dongguan, Shanghai and Xi'an city; and (4) surging inflation globally. However, despite fear of those events could slowed our growth prospects in upcoming quarters of 2022, we still maintain our expectation that GDP growth rate will gradually recover in the last three quarters of 2022 with supported by (1) the continuing recovery of all industrial activities which will push activities from FDI sector in term of investment and export; and (2) the recovery of service sectors after relaxing majority of service businesses included reopening international tourism and normalization of transportation.

Furthermore, the fiscal and monetary stimulus package worth VND337tn (VND291tn for fiscal package and VND46tn for monetary package), to support the socio-economic recovery and development program after the impact of the COVID-19 pandemic will be disbursed starting in 2Q2022, along with over VND453tn (of total VND530tn) realized Capital under State Budget needed to disburse in 2022 will pushed socio-economic recovery in the last three quarters of 2022. Overall, we maintain our view that Vietnam's economy will have good performance in 2022.

Vietnam's economy continued to record relatively good fundamentals in 1Q202

- Generally, GDP in 1Q2022 rose 5.03% YoY, in which:
 - Agriculture, forestry and fishery sector grew 2.45% YoY in 1Q2022 (vs +3.51% YoY in 1Q2021);
 - Industry and construction sector increased 6.38% YoY in 1Q2022 (vs +6.33% YoY in 1Q2021); and
 - Service sector increased 4.58% YoY in 1Q2022 (vs +3.62% in 1Q2021).

Vietnam's industrial activities continued to recover and accelerate in 1Q2022

- IIP 1Q2022 increased 6.44% YoY (vs +5.74% YoY in 1Q2021), in which:
 - Manufacturing increased 7.04% YoY in 1Q2022 (vs +7.95% in 1Q2021);
 - Production and distribution of electricity IIP increased 7.10% YoY in 1Q2022 (vs +3.32% in 1Q2021);
 - Water supply and waste treatment IIP increased 5.25% YoY in 1Q2022 (vs +6.38% in 1Q2021);
 - Mining IIP growth grew 1.00% YoY in 1Q2022 (vs -8.13% in 1Q2021).



FDI inflows recovered in 1Q2022 and are expected to remain stable in 2022

- Disbursed FDI in Vietnam reached USD4.4bn in 1Q2022 – increasing 7.8% compared with same period last year, while registered FDI in 1Q2022 decreased 21.9% YoY reached USD7.3bn. The capital contribution & share repurchase increased 102% YoY to USD1.6bn in 1Q2022.
- Vietnam's top 3 FDI investors registered in 1Q2022 are Singapore (USD1.8bn, -59% YoY), Korea (USD1.5bn, +35% YoY) and Denmark (USD1.3n).
- Vietnam's top 3 sectors are the manufacturing sector with USD5bn of registered FDI; the real estate sector with registered capital of USD1.7bn; and the production and distribution of electricity, gas, air conditionals sector accounted for USD183mn.

Total trade value of Vietnam remained strong

- Generally, according to GSO, total export-import turnover in 1Q2022 reached USD176bn (+14.5% YoY) with exports reaching USD88.6bn (+13.0% YoY) and imports USD87.8bn (+16.1% YoY). As a result, trade surplus in 1Q2022 reached over USD809mn.

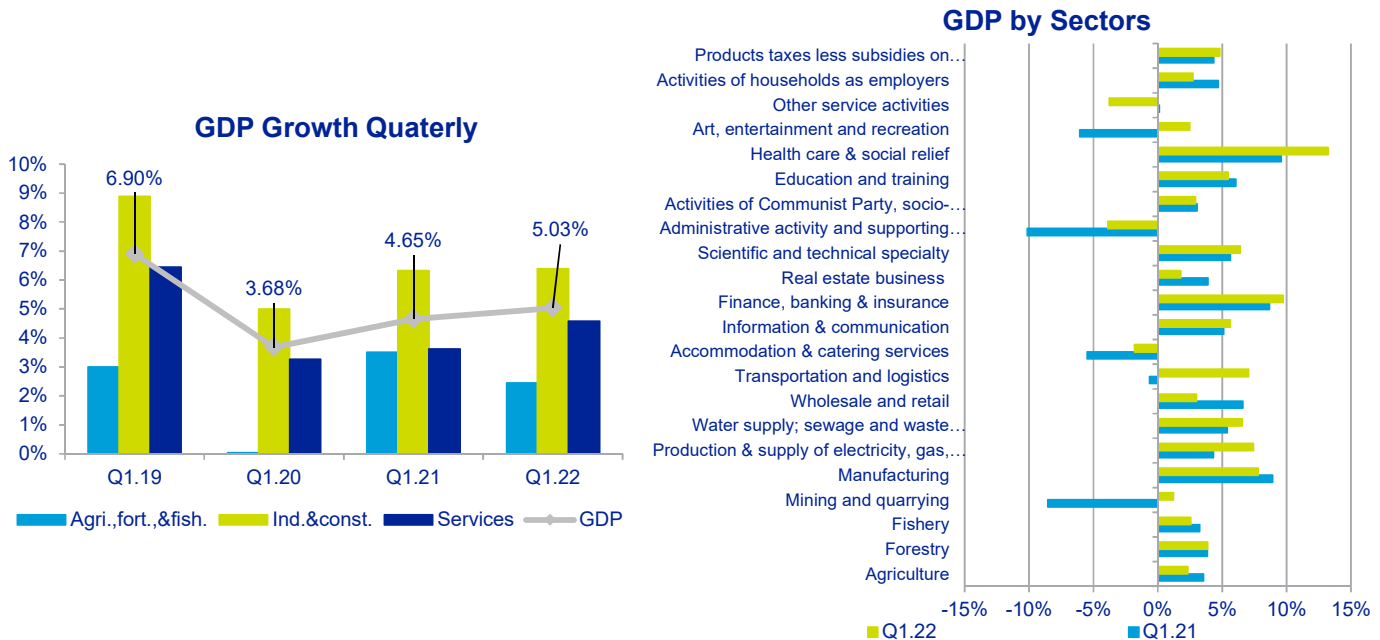
Inflation remained under control, and still far below government's target 4%

- Generally, CPI average in 1Q2022 increased 1.92% compared to average 1Q2021. In addition, average core CPI of 1Q2022 stood at 0.81% YoY.

GDP

Vietnam's economy continued to record relatively good fundamentals in 1Q2022

Vietnam's economy continued to report a recovery of gross domestic product (GDP) in 1Q2022, reaching 5.03% in 1Q2022 compared to 1Q2120 (vs +4.65% in 1Q21). The manufacturing sub-sector, which remained the key growth driver, recovered and reported a 7.79%YoY gain in 1Q2022 (+8.90% YoY in 1Q21). Services sector also gradually revived which recorded 4.58% YoY (+3.62 YoY in 1Q21).



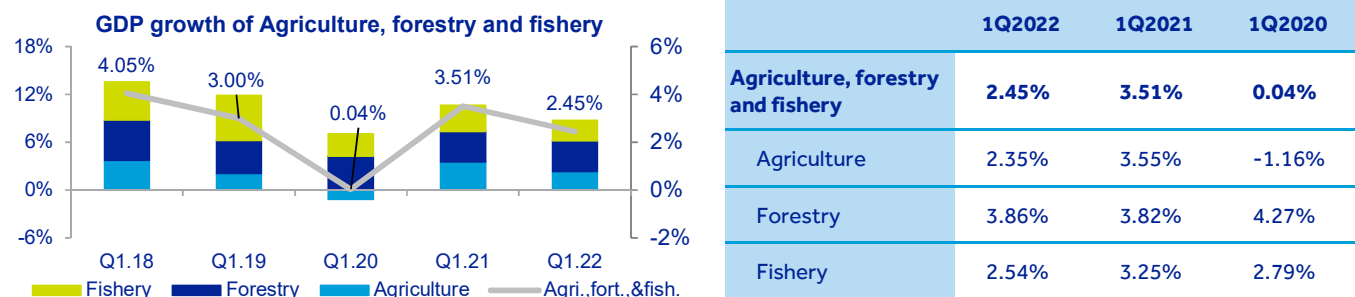
Source: GSO

The agriculture, forestry and fishery sector maintained its growth rate, which grew 2.45% in 1Q mainly thank to prolonged favorable weather conditions, productivity of other crops and livestock also quite good.

The agriculture sub-sector recorded a growth of 2.35% YoY (vs +3.55% YoY in 1Q21) thanks to favorable weather conditions pushing higher yields of rice crop of winter-spring rice crop (increased by 7.4 quintals/ha compared with last rice crop) in conjunction with high productivity of other crops and livestock.

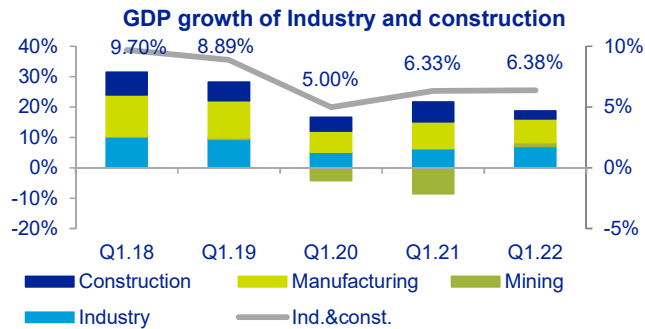
In addition, forestry also continued to maintain its growth rate which grew 3.86% YoY in 1Q2022 (vs +3.82% YoY in 1Q21), mainly due to the manufacturing of wood and of products of wood recovered and stable export.

Furthermore, the fishery sub-sector also revived after reopen the economy and relax social distancing measures, which increased 2.54% in 1Q2022 mainly due to recovery of fishery export and distribution (+38.7% YoY in 1Q22 vs +6.3 % YoY in 1Q21).



Source: GSO

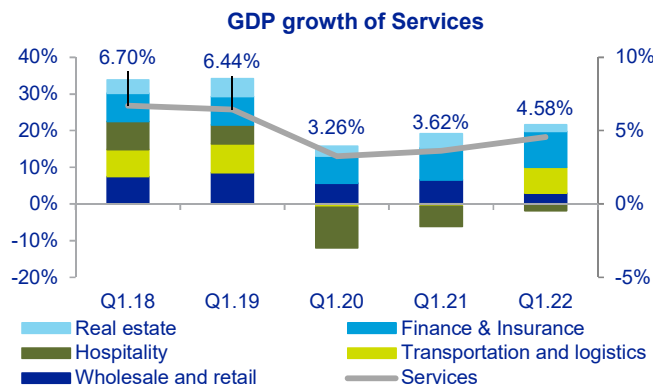
The reopening of the economy and relaxed social distancing measures across the country also helped regain growth momentum of the **industry and construction sector** in 1Q2022. Specifically, this sector recorded growth rate of 6.38% YoY in 1Q2022 (vs. +6.33% YoY in 1Q21). Key growth rate driver of this sector, manufacturing sub-sector, showed strong rebound which recorded a 7.07% YoY in 1Q22 mainly due to restart and recovery of all industrial activities after switched from zero-COVID-19 strategy to living-with-COVID-19 strategy in major economic and industrial areas (IIP of manufacturing increased 6.44% YoY in 1Q2022). In addition, the construction sub-sector also maintained its growth, which increased 2.57% YoY in 1Q2022. Furthermore, mining sub-sector also revived, which posted growth rate of 1.23% YoY in 1Q2022.



	1Q2022	1Q2021	1Q2020
Industry and construction	6.38%	6.33%	5.00%
Industry	7.07%	6.29%	5.10%
Mining	1.23%	-8.54%	-4.18%
Manufacturing	7.79%	8.90%	7.12%
Construction	2.57%	6.53%	4.37%

Source: GSO

The service sector also continued to prosper after transportation resumed and most service activities reopen as social distancing were relaxed in 1Q2022. Specifically, the service sector increased 4.58% YoY in 1Q2022, with health care & social relief sub-sector and finance, banking and insurance services sub-sector increased the most which grew 13.22% YoY and 9.75% YoY respectively in 1Q2022. In contrast, accommodation & catering services sub-sector continued to contract, which declined 1.79% YoY in 1Q2022.



	1Q2022	1Q2021	1Q2020
Services	4.58%	3.62%	3.26%
Health care & social relief	13.22%	9.57%	9.97%
Transportation & logistics	7.06%	-0.65%	-0.90%
Accommodation & catering services	-1.79%	-5.48%	-11.04%
Finance, banking & insurance	9.75%	8.67%	7.40%

Source: GSO

ANALYST COMMENT:

After several months of switching to the living-with-COVID-19 strategy, Vietnam's economy has basically regained its growth momentum and started 1Q2022 with relatively good fundamentals, with GDP in 1Q2022 posting a growth rate of 5.03% YoY, a little lower than our estimations of 5.5% YoY, supported by the strong recovery from activities from the industry and construction sector and thanks to active export activities from the FDI sector.

Over the past month, there were several events which could affect Vietnam's economy in terms of its growth prospects, which were:

- (1) FED rate hike;
- (2) geopolitical tensions at the Russia-Ukraine border;
- (3) China lockdowns several major cities due to COVID-19 outbreaks during March, included Shenzhen, Dongguan, Shanghai and Xi'an city; and

- (4) surging inflation globally.

However, despite fears of those events which could slow our growth prospects in upcoming quarters of 2022, we still maintain our expectation that GDP growth rate will gradually recover in the last three quarters of 2022 with supported by:

- (1) the continuing recovery of all industrial activities after switching from zero-COVID-19 strategy to living-with-COVID-19 strategy in major economic & industrial areas in conjunction with rising global demand which will push activities from the FDI sector in terms of investment and exports.
- (2) The recovery of service sector after relaxing COVID restrictions which affect the majority of service businesses coming from (1) improvement of domestic consumption after COVID-19 contained, (2) reopening international tourism and (3) normalization of transportation of goods help push trading activities especially export from FDI sector.

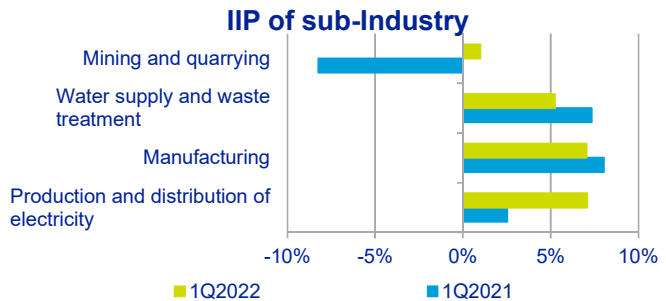
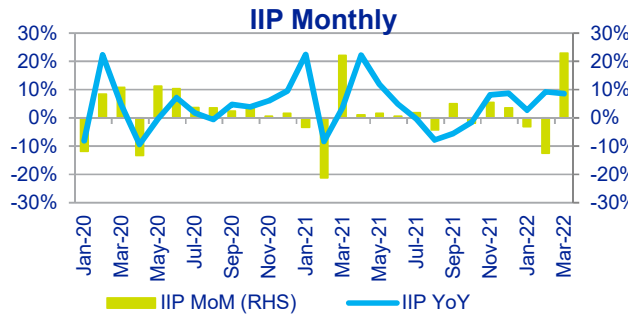
Furthermore, the fiscal and monetary stimulus package worth VND337tn (VND291tn for fiscal package and VND46tn for monetary package), to support the socio-economic recovery and development program after the impact of the COVID-19 pandemic will be disbursed starting in 2Q2022 especially the developing infrastructure package (VND113.85tn), along with over VND453tn (of total VND530tn) realized Capital under State Budget needed to disburse in 2022 will pushed socio-economic recovery in the last three quarters of 2022.

With the macro economic development of Vietnam's economy recently, we updated our projections with 2 scenarios for GDP of 2Q2021 and FY2022 with:

- (1) The positive scenario, with the hypothesis that new living-with-COVID-19 strategy success and no major outbreak in major cities, all industrial activities continue to recover and accelerate and services sector fully recover support by normalized transportation and international tourism. With these assumptions, we expected that GDP of Vietnam for 2Q2021 will grow as high as 7.2% YoY. As a result, forecasted GDP for 1H2022 and FY2022 will reached 6.2% and 6.9% respectively.
- (2) Our second scenario projected with less positive hypothesis that new living-with-COVID-19 strategy success and no major outbreak in major cities, but all industrial activities recover but slow due to weak global demand, and services sector could not fully recover in the last three quarters of 2022. With this hypothesis we expected that GDP for 2Q2021 will be around 5.5% YoY. As a result, forecasted GDP for 1H2022 and FY2022 will reached 5.3% and 5.8% respectively.

INDUSTRIAL PRODUCTION

Vietnam's industrial activities continued to recover and accelerate in 1Q2022

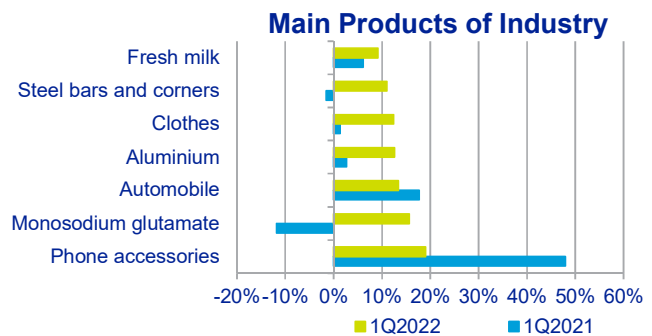
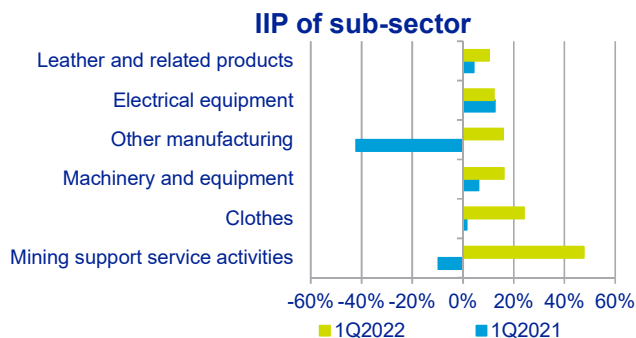


Source: GSO

After switching from a zero-COVID-19 strategy to a living-with-COVID-19 strategy, manufacturing activities in 1Q2022 continued to recover, in which the index of industrial production (IIP) increased 6.44% YoY in 1Q2022, led by manufacturing IIP with grew 7.04% YoY. Production and distribution of electricity IIP and the water supply and waste treatment IIP also increased 7.10% YoY and 5.25% YoY respectively in 1Q2022. Furthermore, mining IIP also posted growth rate of 1.00% YoY in 1Q2022.

Growth of IIP in 1Q2022 was attributed to some sub-sectors, including mining support service activities (+47.7% YoY), manufacturing of clothes (+24.1% YoY) thanks to higher export demand (+22.5% YoY), manufacturing of machinery & equipment (+16.2% YoY), and manufacturing of electrical equipment (+12.2% YoY).

	1Q2022	1Q2021
IIP	6.44%	5.69%
Mining and quarrying	1.00%	-8.23%
Mining support service activities	47.69%	-9.77%
Manufacturing	7.04%	8.04%
Manufacturing of clothes	24.07%	1.38%
Manufacturing of machinery and equipment	16.18%	6.08%
Manufacturing of electrical equipment	12.19%	12.54%
Production and distribution of electricity	7.10%	2.53%
Water supply and waste treatment	5.25%	7.34%

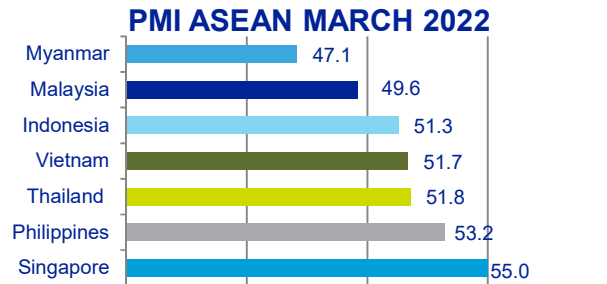
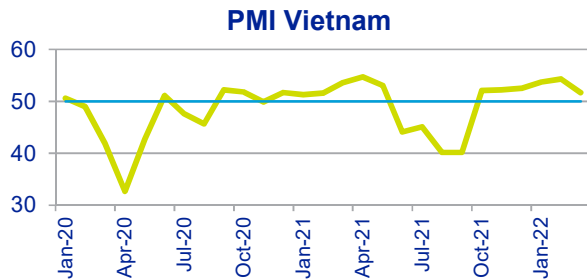


Source: GSO

Vietnam's industrial sector slowed in March but overall 1Q2022 continued to show signs of recovery

According to PMI report, January, February and March PMI recorded at 53.7, 54.3 & 51.7 respectively which continued to show signs of improving as the recent COVID-19 outbreak being controlled and major industrial areas continued to restart their operations. According to the PMI report, after increased in January and February, the improvement of industrial activities slowed in March after the first two months of 2022 caused by surging COVID-19 cases during March which caused labor shortage and reduce productivity. In addition, inflation pressure was also considered to be another reason which slowed the improvement of industrial sector in March. Surging price oil and gas caused input costs to increase at the fastest rate in the past 11 years.

Vietnam's PMI remained in expansionary territory (>50) in March and, along with Singapore, Philippines, Thailand and Indonesia were among countries that reported stronger recovery of the manufacturing sector in March. Specifically, PMI of Singapore (55), Philippines (53.2), Thailand (51.8), Indonesia (51.3), Malaysia (49.6), and Myanmar (47.1).



Source: HIS Markit

ANALYST COMMENT:

After switching to living-with-COVID-19, industrial activities continue to recover and accelerate in the first quarter of 2022. However, some recent challenges factors Vietnam's industrial sector could face in upcoming quarters of 2022 included:

- (1) geopolitical tensions at the Russia-Ukraine border has caused commodity hikes especially major products of these two countries included oil, gas, iron, steel, fertilizer, coal and agriculture products. As of the end of 2021 Vietnam imports around 12% of coal, 10% of fertilizers and 4% of iron & steel from Russia and over 7% of wheat from Russia and Ukraine combined. Rising price of coal, iron & steel, and wheat could put upward pressures on production costs of Vietnam industrial firms. In addition, depressing coal supply and rising coal price could affect production of electricity of Vietnam in upcoming months which could cause electricity shortage and may badly affect production activities in upcoming months.
- (2) Recent surging oil price could also will directly affect Vietnam's domestic gasoline prices and put upward pressure on the transportation fees and will indirectly increase the pressure on prices of other raw production material and again badly impact industrial firms;
- (3) China lockdowns several major cities due to COVID-19 outbreaks, included Shenzhen, Dongguan, Changchun, Jilin, Shanghai and Xi'an city. China still continues to pursue zero-COVID-19 strategy, so China's lockdowns of major industrial and financial cities could cause another major disrupt to global supply chains and further inflated shipping cost & raw production materials price, which in turn could badly affect our industrial sector in upcoming months; and
- (4) major COVID-19 outbreak which could cause labor shortage due to widespread infections among workers.

Fortunately, we expect that some supportive factors which will continue to advocate Vietnam's industrial sector in upcoming months of 2022 included:

- (1) Vietnam's manufacturers remain low-cost manufacturer, stability in the macro economy and with more competitive labor costs in the region could be attractive for firms to invest and establish production plants, which in turn will push industrial activities;
- (2) Vietnam, with a long list of Free Trade Agreements (FTAs) achieved to date such as the EU-Vietnam Free Trade Agreement (EVFTA), the UK-Vietnam Free Trade Agreement (UKVFTA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), also strengthens Vietnam's competitiveness as a low-cost manufacturing export hub;
- (3) The government just issued Decree No. 57/2021/ND-CP (Decree 57), dated 4 June 2021 on corporate income tax incentives for projects manufacturing supporting industries related to supply of raw materials, spare parts, and components to manufacturing industries. New tax incentive expected to attract more investors and strengthens Vietnam's competitiveness as a low-cost manufacturing hub.

Trading Activities

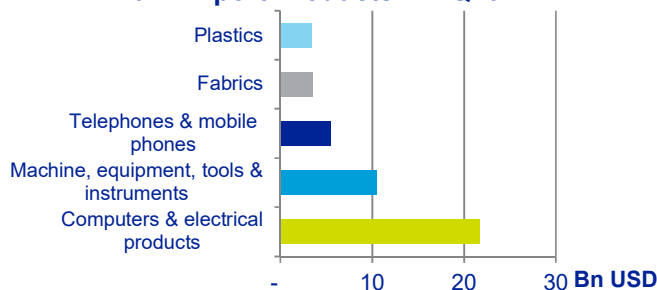
Total trade value of Vietnam remained strong

Trading activities continued to remain solid in 1Q2022 with the total trade value of Vietnam continuing to grow steadily and exports also picked up in 1Q2022. Specifically, total turnover of import-export of goods increased 14.5% YoY in 1Q2022 (vs +25.6% YoY in 1Q21), with exports in 1Q2022 reached USD88.6bn (+13.0% YoY), while imports reached to USD87.8bn (+16.1% YoY), resulting in a trade surplus of USD809mn in 1Q2022.

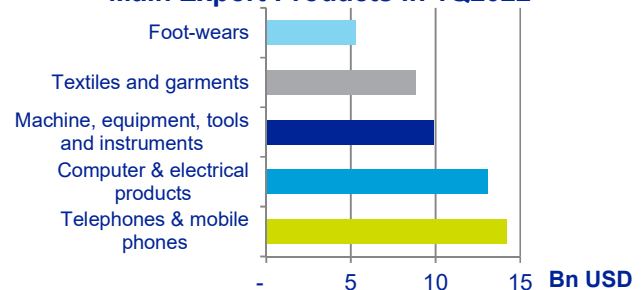
Key exports of 1Q2022 included telephones & mobile phones; computers & electrical products; machine, equipment, tools & instruments; textiles & garments; and footwear. Meanwhile, key imports in 1Q2022 were computers & electrical products; machine, equipment, tools & instruments; telephones & mobile phones; fabrics; and plastics.

(bn USD)	1Q2022	1Q2021	22 vs 21
Exports	88.58	78.40	13.0%
Imports	87.77	75.61	16.1%
Net exports/imports	0.81	2.79	
Key exports			
Telephones & mobile phones	14.24	14.37	-0.9%
Computer & electrical products	13.05	11.95	9.2%
Machine, equipment, tools and instruments	9.92	9.12	8.8%
Textiles and garments	8.84	7.21	22.5%
Foot-wears	5.29	4.80	10.1%
Key imports			
Computers & electrical products	21.73	16.58	31.1%
Machine, equipment, tools & instruments	10.57	10.85	-2.6%
Telephones & mobile phones	5.54	4.81	15.2%
Plastics	3.54	2.98	18.6%
Fabrics	3.43	2.88	18.9%

Main Import Products in 1Q2022

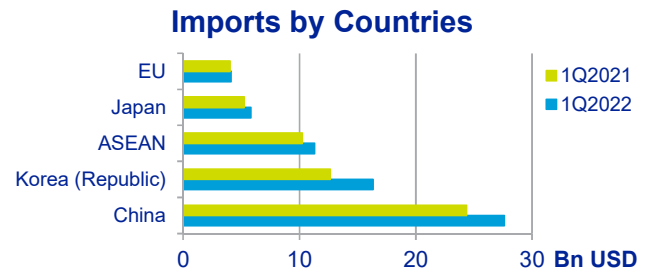
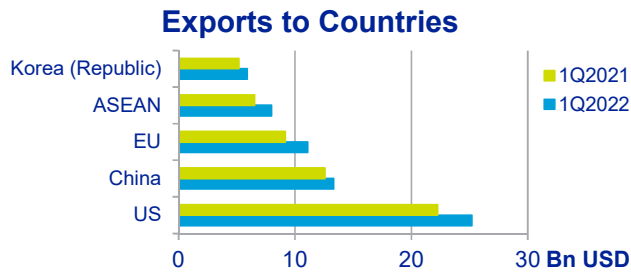


Main Export Products in 1Q2022



Source: Custom Vietnam & GSO

In 1Q2022, the US remained the biggest export market for Vietnam with a turnover of USD25.2bn (+13.3% YoY). The second largest partner, China, recorded USD13.3bn (+5.9% YoY) and third largest partner EU reached USD11.1bn (+21.0% YoY). Meanwhile, China remained top importer to Vietnam in 1Q2022 with import reach USD27.6bn (+13.3% YoY), followed by South Korea (USD16.3bn, +28.9% YoY) and ASEAN (USD11.3bn, +10.5% YoY).



Source: Custom Vietnam & GSO

ANALYST COMMENT:

Exports remained the country's key economic growth driver as manufacturing activities gradually recovered and is expected to continue its upward trajectory given the recovery of the global economy. We expect that trade activities will continue to heat up in 2022 supported by key factors include:

- (1) Vietnam will continue to be an alternative manufacturing hubs for manufacturers to shift production away from China amid never-ending trade war between China & US given our investor-friendly policies, dynamic business climate, relative stable political environment, cost efficiency, and consumer demand prospects;
- (2) Vietnam, with a long list of Free Trade Agreements (FTAs) achieved to date such as the EU-Vietnam Free Trade Agreement (EVFTA), the UK-Vietnam Free Trade Agreement (UKVFTA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), also strengthens Vietnam's competitiveness as a low-cost manufacturing export hub;
- (3) In 2020, Russia was among top exporters of non-fillet frozen fish to EU, so geopolitical tensions at the Russia-Ukraine border could be an opportunity for Vietnam gain export's market share of Russia in EU given EU-Vietnam Free Trade Agreement (EVFTA) with EU.

However, some recent challenges factors to Vietnam's trading activities could face in upcoming quarters of 2022 included:

- (1) geopolitical tensions at the Russia-Ukraine border may not directly impact our trading activities but will indirectly affect us through supply chain disruption and rising shipping fees, which in turn will hamper our trading activities as we are being and export-oriented country;
- (2) China lockdowns several major cities due to COVID-19 outbreaks could magnified the supply chain disruption which in turn will again worsen our trading activities.

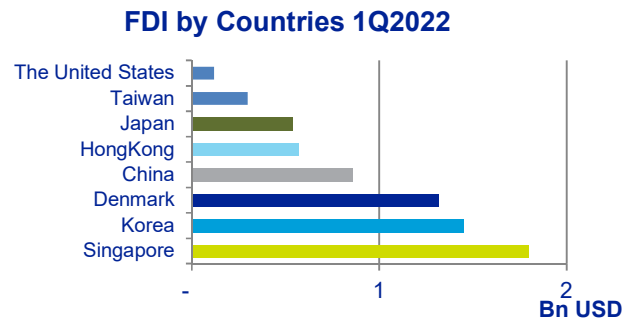
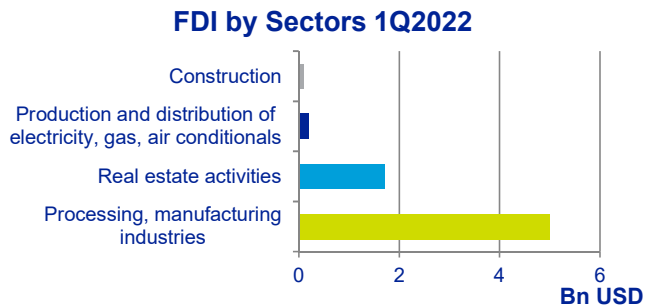
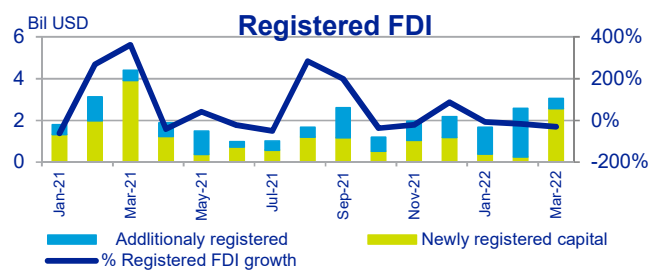
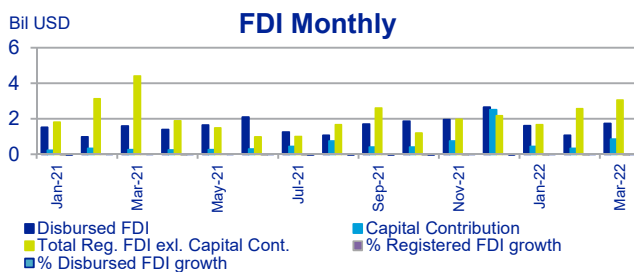
Foreign Direct Investment

FDI inflows recovered in 1Q2022 and are expected to remain stable in 2022

Disbursed FDI in Vietnam reached USD4.4bn in 1Q2022 – increasing 7.8% compared with same period last year, while registered FDI in 1Q2022 decreased 21.9% YoY reached USD7.3bn, but still higher than 1Q2020 and 1Q2019 (+10.4% and +42.2% compared with 1Q2020 and 1Q2019 respectively). The capital contribution & share repurchase continued to surge 102% YoY to USD1.6bn in 1Q2022.

Vietnam's top 3 FDI investors registered in 1Q2022 are Singapore (USD1.8bn, -59% YoY), Korea (USD1.5bn, +35% YoY) and Denmark (USD1.3bn).

The manufacturing sector is the biggest FDI lure in 1Q2022, accounting for over USD5bn of registered FDI in 1Q2022 (over 69% of total FDI registered). The production and distribution of electricity sector ranked second in 1Q2022, with registered capital of USD1.7bn, accounting for 23% of total FDI registered. And the production and distribution of electricity, gas, air conditionals sector accounted for USD184mn (2.5% of total FDI registered).



Source: MPI

ANALYST COMMENT:

We maintain our positive view of FDI inflows into Vietnam which will continue to flow strongly in 2022 mainly due to:

- (1) the trade war between US and China continued and operations diversification wave of companies into other parts of Asia (including Vietnam) will continue not just to avoid the impact of the trade war but also to lower production cost;
- (2) Vietnam, with a long list of Free Trade Agreements (FTAs) achieved to date, stability in the macro economy and with more competitive labor costs in the region could become a good place for companies to move their plant to; and
- (3) Legal and tax incentives for supporting industries related to supply of raw materials, spare parts, and components to manufacturing industries will continue to attract more foreign investors.

Retail sales of goods and services

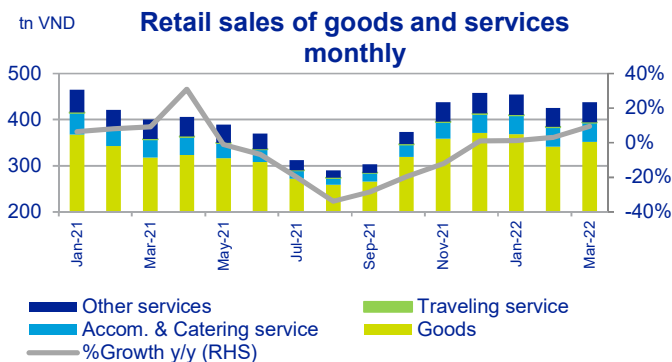
Retail sales of goods and services continue to recover after various economic activities restarted in 4Q2021

Total retail sales of consumer goods and services continued to recover in 1Q2022 after government switched to living-with-COVID-19 strategy starting in 4Q2021. Total retail sales of consumer goods and services of 1Q2022 reported VND1,318tn, increased 4.44% YoY (vs -2.83% YoY in 4Q21 and +4.60% YoY in 1Q21).

Revenue from retail sales of goods in 1Q2022 recovered as lockdown measures relaxed in main economic hubs across country which revived domestic consumption, as a result revenue from retail sales of goods reached VND1,062tn increased 5.76% YoY in 1Q2022.

Even though most businesses like malls, supermarkets, convenience stores, restaurants, barbershops, gyms, financial and legal institutions, and hospitality facilities reopened, revenue from accommodation & catering services could not fully recovered yet as demand from local people did not fully resume and there is still a lack of demand from foreign tourists in 1Q2022. Revenue from accommodation & catering services estimated VND124tn, increasing 1.18% YoY in 1Q2022 (vs -3.74% YoY in 1Q21).

During 1Q2022, there were signs of recovery in international tourism as Vietnam's government lifted restrictions on frequency of international flights from February 15 and removed quarantine measures & reopen for international tourism starting from March 15 (number of foreigner arrivals in Viet Nam in 1Q21 reach almost 91 thousand peoples increased 89% YoY). In addition, domestic consumption for traveling services also picked up in 1Q2022 especially in New Year and Lunar New Year holidays. Specifically, retail sales of traveling services reached VND3.1tn increased 1.86% YoY in 1Q2022 (vs -45.21% YoY in 4Q21 and -60.40% YoY in 1Q21).



	1Q2022	1Q2021
Total Retail sales	4.44%	4.60%
Sale of Goods	5.76%	6.23%
Accom. & Catering service	1.18%	-3.74%
Traveling service	1.86%	-60.40%
Other services	-2.53%	4.50%

Source: GSO

ANALYST COMMENT:

We expect that all revenue of retail sale will continue to recover in the last three quarters of 2022, supported by:

1. By the end of January 2022, all services activities were basically resumed in conjunction with the relaxation of all COVID-19 quarantine measures. We expected that domestic demand will continue to recover in upcoming months of 2022, and in turn will help boost retail sale of goods and services in the last three quarters of 2022;
2. Government also resumed international flights to nine destinations from January 01 2022, include San Francisco or Los Angeles, Singapore, Bangkok, Phnom Penh, Vientiane, Beijing or Guangzhou, Tokyo, Seoul, and Taipei. In addition, Vietnam's government lifted restrictions on frequency of international flights from February 15;
3. The government reopened Vietnam for international tourism from March 15. Foreign arrivals are required to followed COVID-19 entry procedures in Document No 1265/BYT-DP* dated 15 March 2022 issued by Vietnam's Ministry of Health. These new requirements for foreign people entering the country help boost international tourism which in turn will help increase retail sales from traveling service in the last three quarters of 2022.

* Vietnam's Ministry of Health on March 15 released COVID-19 entry procedures for foreign arrivals as per Document No1265/BYT-DP, which are required to:

-
- + *Take a COVID-19 negative test using the RT-PCR method 72 hours before entering Vietnam OR a rapid Antigen test (no self-test) 24 hours before entering Vietnam. This does not apply to children under 2 years of age;*
 - + *Make a health declaration before entry and download the PC-COVID app; and*
 - + *In case a COVID-19 test is not taken prior to departure, a test will be taken within 24 hours after arriving in Vietnam. If negative, travelers can travel anywhere within Vietnam; no quarantine required.*

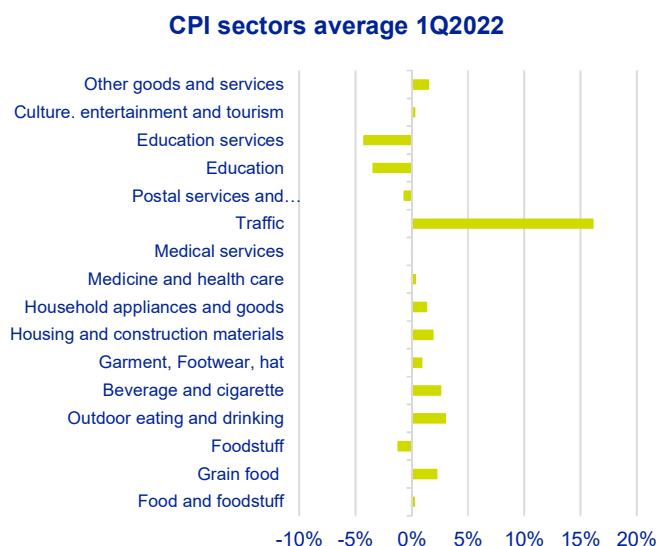
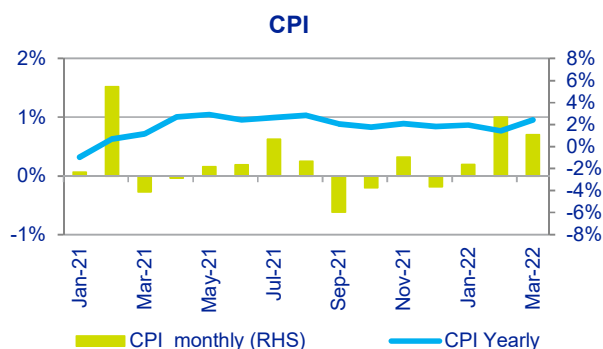
Consumer Price Index

Inflation remained under control, and still far below government's target 4%

Generally, CPI average in 1Q2022 increased 1.92% compared to average 1Q2021 due to:

- (1) Transportation sector increased the most, which increased 16.1% YoY, mainly due to 48.81% YoY upward adjustment of domestic retail gasoline prices.
- (2) Outdoor eating and drinking sector increased 3.0% YoY, mainly due rising demand over major holidays and higher transportation fees;
- (3) Beverage and cigarette sector increased 2.5% mainly due to 1.0% YoY rising retail price of wine, beers, non-alcoholic beverages and cigarettes; and
- (4) Housing and construction materials sector increased 1.9% YoY, mainly due to the retail gas price increase of over 21.04% YoY and home maintenance materials price increased over 8.08% YoY.

In addition, average core CPI of 1Q2022 stood at 0.81% YoY



Source: GSO

ANALYST COMMENT:

In our opinion, the average CPI in upcoming quarters of 2022 will be under upward pressure from:

- (1) geopolitical tensions at the Russia-Ukraine border has caused commodity hikes especially major products of these two countries included oil, gas, iron, steel, fertilizer, coal and agriculture products. Rising fertilizer could put upward pressure on our grain foods and rising agriculture products could put upward pressure on animal feeds price and in turn will affect price of poultry or cattle. And those upward pressure will weight into CPI of food and foodstuff sector in upcoming quarters of 2022;
- (2) The recent escalating oil price due to the impact of the resumption of production activities after COVID-19 and geopolitical tensions at the Russia-Ukraine border. An increase in oil prices will directly affect Vietnam's domestic gasoline prices and put upward pressure on the transportation sector and indirectly increase the pressure on prices of other commodities in different basket groups in the CPI basket;
- (3) Retail gas prices also increases in line with global oil prices and will also put upward pressure directly on housing and construction materials sector. Besides, the gas prices also have an indirect impact on the food and catering services sector in term of rising transportation fee;
- (4) China lockdowns several major cities due to COVID-19 outbreaks could last longer and may magnify the supply chain disruption which in turn will again put upward pressure on our CPI in upcoming quarters of 2022.

However, we expected that upward pressure will be offset or partly offset by key factors:

- (1) Food & catering services sector, especially food prices, will be less volatile as pork production resumed as ASF outbreaks have been contained & Vietnam's pig herds have gradually recovered and other food & foodstuffs will not in supply shortage due to surging demand or supply chain disruptions or low production;
- (2) Oil prices are expected to be stable in 2H2022 as supply and demand will match after production of oil after COVID-19 catch up, and geopolitical tensions at the Russia-Ukraine border ended. In addition, we also expected that retail gasoline price will be stable in 2H2022 too.

Overall, we slightly revised our expectation of CPI for 2022 will increase in range of 3.5% - 4% (vs 3% - 3.5%) and remain within Government's target of 4%.

Economic data - Vietnam

Monthly data	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Industrial Production (YoY)	22.2%	11.8%	4.86%	-0.35%	-7.77%	-5.53%	-1.59%	8.15%	8.67%	2.8%	9.2%	8.5%
<i>Mining and quarrying</i>	-0.7%	-5.9%	-4.92%	-10.92%	-2.81%	-7.10%	-7.18%	6.18%	-7.14%	-1.7%	2.2%	2.7%
<i>Manufacturing</i>	26.4%	14.4%	6.03%	0.70%	-9.28%	-4.86%	-1.59%	8.55%	10.94%	2.9%	9.7%	9.6%
<i>Production and distribution of electricity</i>	19.8%	12.7%	6.19%	1.66%	-1.86%	-9.65%	2.36%	6.85%	9.12%	5.2%	11.9%	4.8%
<i>Water supply and waste treatment</i>	11.8%	4.1%	-0.09%	0.98%	-0.14%	-2.04%	1.45%	0.43%	0.77%	4.1%	4.3%	8.5%
Purchasing Managers Index	54.7	53.1	44.1	45.1	40.2	40.2	52.1	52.2	52.5	53.7	54.3	51.7
Retail Sales (YoY)	30.92%	-1.03%	-6.65%	-19.80%	-33.70%	-28.41%	-19.52%	-12.24%	1.06%	1.26%	3.09%	9.44%
Consumer Price Index (MoM)	-0.04%	0.16%	0.19%	0.62%	0.25%	-0.62%	-0.20%	0.32%	-0.18%	0.19%	1.00%	0.70%
Consumer Price Index (YoY)	2.70%	2.90%	2.42%	2.64%	2.82%	2.06%	1.77%	2.10%	1.81%	1.94%	1.42%	2.41%
Export Value (USDmn)	26,550	26,193	26,500	27,865	27,228	27,026	28,871	31,868	34,517	30,845	23,417	34,061
Import Value (USDmn)	27,775	28,267	27,500	29,112	27,338	26,666	26,133	30,610	31,975	29,449	25,381	32,672
Trade Balance (USDmn)	(1,225)	(2,074)	(1,000)	(1,247)	(109)	360	2,738	1,258	2,542	1,395	(1,964)	1,389
Disbursed FDI (USDmn)	1,400	1,650	2,090	1,007	1,658	2,594	1,870	1,950	2,640	1,612	1,068	1,740
Registered FDI excl Cap. Cont.(USDmn)	1,879	1,483	978	1,260	1,080	1,700	1,184	1,972	2,180	1,658	2,568	3,054

Quarterly data	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
GDP (YoY)	0.39%	2.69%	4.48%	4.48%	6.61%	-6.17%	5.22%	5.03%
<i>Agriculture, Forestry and Fishing</i>	1.80%	2.79%	4.69%	3.16%	4.11%	1.04%	3.16%	2.45%
<i>Industry and Construction</i>	1.69%	3.20%	5.60%	6.30%	10.28%	-5.02%	5.61%	6.38%
<i>Services</i>	-1.93%	2.80%	4.29%	3.34%	4.30%	-9.28%	5.42%	4.58%
Industrial Production (YoY)	0.20%	1.80%	6.31%	5.70%	13.01%	-4.36%	6.37%	6.44%
Retail Sales (YoY)	-5.50%	4.38%	8.04%	5.10%	5.10%	-28.27%	-2.83%	4.44%
Export Value (YTD) (USDmn)	122,789	202,860	281,471	77,344	157,630	240,524	336,250	88,579
Import Value (YTD) (USDmn)	117,327	185,870	262,407	75,308	159,103	242,655	332,250	87,770
Trade Balance (USDmn)	5,462	16,990	19,064	2,036	(1,473)	(2,131)	4,000	890
Disbursed FDI (USDmn)	3,850	4,800	5,110	4,100	5,140	5,259	6,460	4,420
Registered FDI (USDmn)	6,597	5,564	3,316	9,235	4,340	4,040	5,336	7,280

Yearly data	2013	2014	2015	2016	2017	2018	2019	2020	2021
GDP	5.42%	5.98%	6.68%	6.21%	6.81%	7.08%	7.02%	2.91%	2.58%
Industrial Production	5.9%	7.6%	9.8%	7.5%	11.3%	10.2%	8.9%	3.4%	4.8%
Retail Sales	10%	12%	11%	11%	10%	11.7%	12.0%	2.62%	-2.83%
Consumer Price Index	6.6%	4.1%	0.6%	2.7%	3.5%	3.5%	2.8%	3.23%	-3.8%
Export Value (YTD) (USDmn)	132,175	150,042	162,439	175,942	213,770	244,723	264,341	281,471	336,250
Import Value (YTD) (USDmn)	131,312	148,058	165,609	173,262	211,096	237,512	253,919	262,407	332,250
Trade Balance (USDmn)	862	1,984	(3,170)	2,680	2,674	7,211	10,400	19,064	4,000
Disbursed FDI (USDbn)	11.50	12.35	14.50	15.80	17.50	19.10	20.38	19.98	19.74
Registered FDI (USDbn)	22.30	21.92	22.76	24.37	35.88	35.47	22.55	21.06	24.26

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