



Macro Update

Quarter II 2022

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Macro Indicators 2Q22

GDP	+7.72%
Agri., forestry, and fishery	+3.02%
Industry and construction	+8.87%
Services	+8.56%
Industrial Production Index (IIP)	+10.83%
Mining and quarrying	+5.02%
Manufacturing	+12.31%
Production and distribution of electricity	+4.30%
Water supply and waste treatment	+6.79%
Vietnam Exports (USDmn)	96,832
Vietnam Imports (USDmn)	97,581
Net Trade (USDmn)	(750)
Disbursed FDI (USDmn)	5,640
Registered FDI (USDmn)	4,480
Retail sales of goods and services	+11.71%
CPI	+2.96%
Core CPI	+1.25%

MACRO UPDATE 2Q2022

Vietnam's economy posted exceptionally strong growth figures in the second quarter, with 2Q GDP coming in at 7.72% growth YoY, the highest rate since 2011, and 1H GDP growth hitting 6.4%.

Industrial activities continued to post strong figures, in which IIP recorded a positive growth rate of 10.83% YoY 2Q2022 (vs +12.37% YoY in 2Q2021). Furthermore, the PMI continued to show signs recovery in three consecutive months in 2Q2022 (April – 51.7, May – 54.7, June – 54).

Disbursed FDI remained strong in 2Q2022 (+9.7% YoY vs +7.1% YoY in 2Q2021) as travel restrictions eased and industrial activities continued to recover and accelerate. Even though registered FDI in 2Q2022 increased just 3.22% YoY, (vs -22% YoY in 2Q2021) 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) 2Q2022 increased 2.96% YoY, a little on the high side due to rising gasoline prices, but average inflation rate in 6M2022 still remain 2.44% YoY and far below government's target 4% and remained under control.

There are several exogenous risk factors which may bring uncertainties to Vietnam's economic growth prospects in upcoming months of 2022, which include:

- (1) The FED and other major central banks continue to hike rates. According to the Financial Times, central banks are raising rates rapidly in the most widespread tightening of monetary policy for more than two decades, with a total of more than 60 rate hikes from various central banks in the past three months;
- (2) Quantitative Tightening program of the US FED;
- (3) prolonged geopolitical tensions between Russia and Ukraine, which have lead to surging oil and food prices;
- (4) China still continues to pursue zero-COVID-19 strategy with mass testing and lockdowns when cases surging; and
- (5) surging inflation globally.

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

- (1) the continuing recovery of all industrial activities which will push activities from FDI sector in term of investment and export;
- (2) Vietnam emerged as a substitute manufacturing center to cover output losses caused by the zero-COVID-19 strategy in China; and
- (3) the strong recovery of service sectors, after relaxing all COVID-19 related restrictions on service businesses, coming from (1) improvement of domestic consumption, (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, along with over VND337tn (of total VND530tn) of Capital under State Budget needed to disbursed toward the year end of 2022, which will push socio-economic recovery in the last two quarters of 2022.

Overall, we upgraded our view that Vietnam's economy will grow in range between 7.1% - 10.4% YoY in 2H2022 and 6.8% - 8.5% YoY in 2022.



Vietnam's economy recorded strong growth in 2Q2022 thanks to strong rebound of service sector

- Generally, GDP in 2Q2022 rose 7.72% YoY, in which:
 - Agriculture, forestry and fishery sector grew 3.02% YoY in 2Q2022 (vs +4.01% YoY in 2Q2021);
 - Industry and construction sector increased 8.87% YoY in 2Q2022 (vs +10.36% YoY in 2Q2021); and
 - Service sector increased 8.56% YoY in 2Q2022 (vs +4.22% in 2Q2021).

Vietnam's industrial activities continued to recover and accelerate in 2Q2022

- IIP 2Q2022 increased 10.83% YoY (vs +12.37% YoY in 2Q2021), in which:
 - Manufacturing increased 12.31% YoY in 2Q2022 (vs +14.84% in 2Q2021);
 - Production and distribution of electricity IIP increased 4.30% YoY in 2Q2022 (vs +12.37% in 2Q2021);
 - Water supply and waste treatment IIP increased 6.79% YoY in 2Q2022 (vs +5.14% in 2Q2021);
 - Mining IIP growth grew 5.02% YoY in 2Q2022 (vs -3.87% in 2Q2021).

Disbursed FDI grew strongly and registered FDI recovered in 2Q2022

- Disbursed FDI in Vietnam reached USD5.6bn in 2Q2022 – increasing 9.7% compared with same period last year, while registered FDI in 2Q2022 increased 3.2% YoY reached USD4.5bn. The capital contribution & share repurchase decreased 20% YoY to USD640mn in 2Q2022.
- Vietnam's top 3 FDI investors registered in 2Q2022 are Singapore (USD3.6bn, -32.5% YoY), Republic of Korea (USD2.4bn, +42.6% YoY) and Denmark (USD1.3n, +11x YoY).
- Vietnam's top 3 sectors in 2Q2022 are the manufacturing sector with USD3.4bn of registered FDI; the informatics and communications sector with registered capital of USD329mn; and the real estate sector with registered capital of USD294mn.

Total trade value of Vietnam remained strong

- Trading activities continued to remain solid in 2Q2022 as Vietnam's total trade value continued to grow steadily. Specifically, total turnover of import-export of goods increased 18.8% YoY in 2Q2022 (vs +40.2% YoY in 2Q21), with exports in 2Q2022 reached USD96.9bn (+21.2% YoY), while imports reached to USD97.5bn (+16.4% YoY), resulting in a trade deficit of USD573mn in 2Q2022.
- Generally, according to GSO, total export-import turnover in 6M2022 reached VND371.2bn (+16.8% YoY) with exports reaching USD185.9bn (+17.4% YoY) and imports USD185.2bn (+16.3% YoY). As a result, trade surplus in 6M2022 reached over USD710mn.

Inflation remained under control and within the government's target 4%

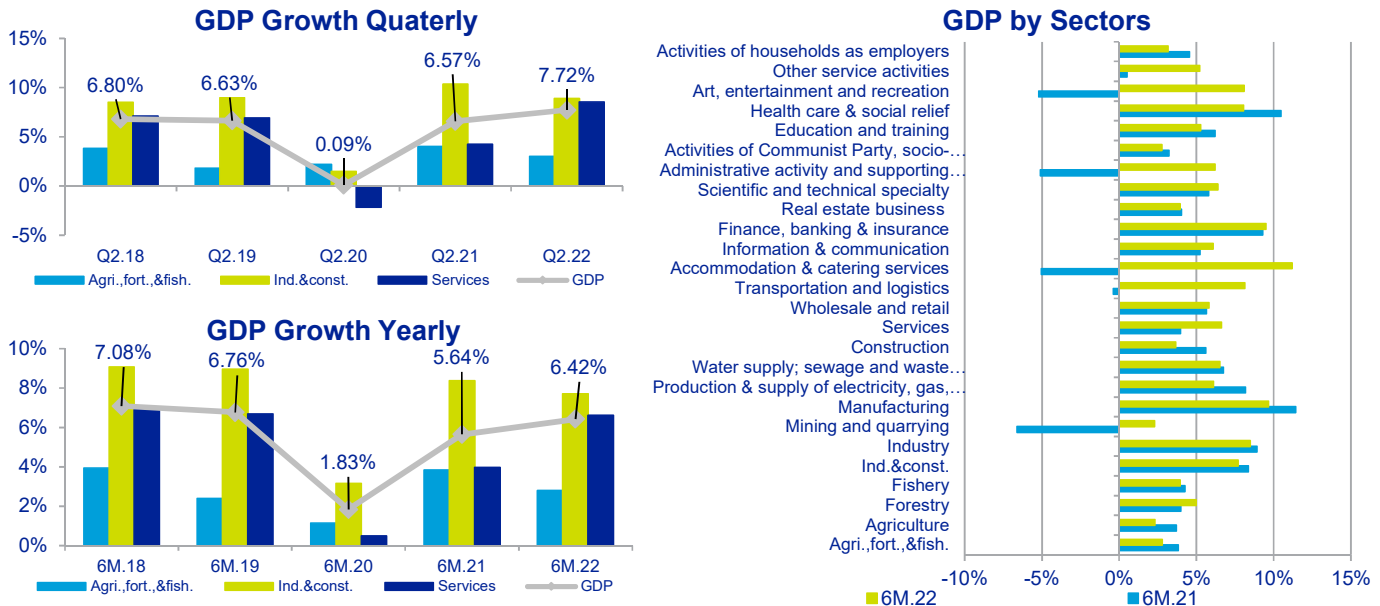
- CPI of 2Q2022 increased 2.96% YoY.
- Generally, CPI average in 6M2022 increased 2.44% compared to average 6M2021. In addition, average core CPI of 6M2022 stood at 1.25% YoY.



GDP

Vietnam's economy recorded strong growth in 2Q2022 thanks to the rebound of the services sector

Vietnam's economy continued to report a recovery of gross domestic product (GDP) in 2Q2022, reaching 7.72% in 2Q2022 compared to 2Q2120 (vs +6.57% in 2Q21). The services sector was key growth driver of 2Q2022 which posted a highest growth rate due to the recent relaxation of COVID-19 restrictions and strongly recovery of all service activities, recorded 8.56% YoY (+4.22% YoY in 2Q21). In addition, industrial and construction sector continued to recover and reverse to pre-pandemic level, which reported an 8.87%YoY gain in 2Q2022 (+10.36% YoY in 2Q21).



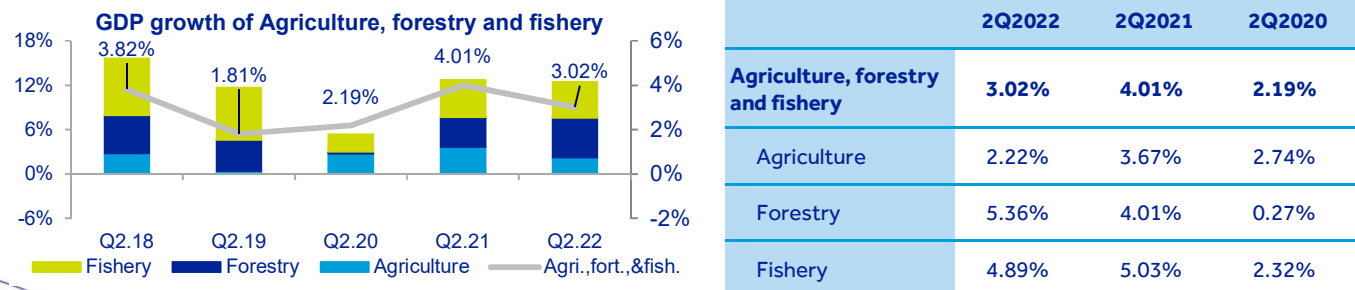
Source: GSO

The agriculture, forestry and fishery sector maintained its growth rate, which grew 3.02% in 2Q.

The agriculture sub-sector slowed and recorded a growth of 2.22% YoY (vs +3.67% YoY in 2Q21) mainly due to lower yields of rice crops caused by unfavorable weather conditions in conjunction with decreased area of spring rice cultivation (decreased by 1.9 quintals/ha compared with last rice crop). In addition, farmers limited usage of fertilizers and pesticides due to surging price, which in turn also lower yields of rice crop and various perennial trees. Besides that, livestock production continued to recover but faced difficulties due to the high price of animal feed.

Forestry also continued to maintain its growth rate which grew 5.36% YoY in 2Q2022 (vs +4.01% YoY in 2Q21), mainly due to favorable weather for planting and tending forests and the manufacturing of wood and of products of wood recovered (+10.3% YoY in 2Q22 vs +6.7% YoY in 2Q21) & stable export (+2.8% YoY in 2Q22) after the COVID-19.

Furthermore, the fishery sub-sector also revived, which increased 4.89% in 2Q2022 mainly due to recovery of fishery consumption and the prices of farmed pangasius & shrimp are at a high level due to a strong increase in export demand (+35.4% YoY in 2Q22 vs +17.7% YoY in 2Q21). d

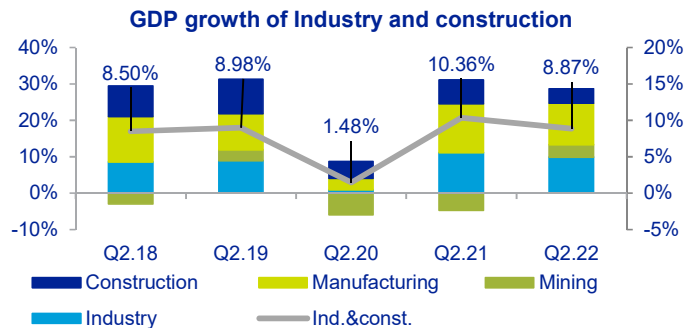


Source: GSO

The **industry and construction sector** in 2Q2022 basically regained its growth momentum, thanks to reopening of the economy, and recorded a growth rate of 8.87% YoY in 2Q2022 (vs. +10.36% YoY in 2Q21).

The key growth driver of this sector, the manufacturing sub-sector, showed a strong rebound to pre-pandemic levels, which recorded a 11.45% YoY in 2Q22, mainly due to restart and recovery of all industrial activities after switching from the zero-COVID-19 strategy to the living-with-COVID-19 strategy in major economic and industrial areas (IIP of manufacturing increased 10.83% YoY in 2Q2022) and further expansion of manufacturing activities as Vietnam has emerged as a substitute manufacturing center to cover capacity shortages caused by the zero-COVID-19 policies in China. Furthermore, the mining sub-sector also revived, which posted growth rate of 3.4% YoY in 2Q2022.

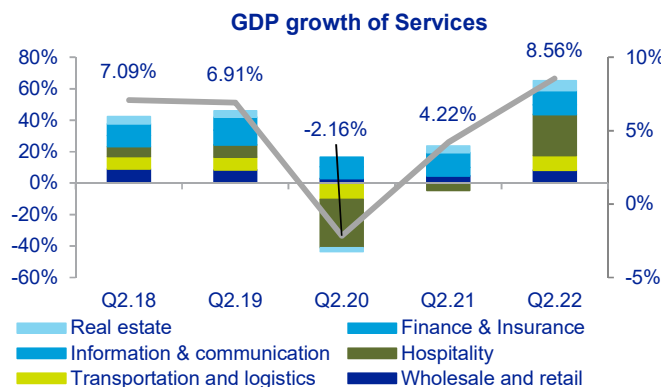
However, the construction sub-sector growth slowed, which increased 3.96% YoY in 2Q2022.



	2Q2022	2Q2021	2Q2020
Industry and construction	8.87%	10.36%	1.48%
Industry	9.87%	11.18%	0.87%
Mining	3.40%	-4.68%	-5.94%
Manufacturing	11.45%	13.35%	3.16%
Construction	3.96%	6.52%	4.68%

Source: GSO

The **service sector** recovered strongly in 2Q2022 with essentially all COVID-19 restrictions being lifted, including the reopening international tourism and normalization of transportation in 2Q2022. Specifically, the service sector increased 8.56% YoY in 2Q2022, with accommodation & catering services sub-sector and entertainment & recreation sub-sector lead the growth which expanded over 25.92% YoY and 14.01% YoY respectively.



	2Q2022	2Q2021	2Q2020
Services	8.56%	4.22%	-2.16%
Transportation & logistics	9.37%	-0.11%	-10.43%
Accommodation & catering services	25.92%	-4.47%	-30.55%
Finance, banking & insurance	9.17%	9.50%	6.13%
Entertainment & recreation	14.01%	-4.31%	-2.75%

Source: GSO

Generally, GDP 6M2022 rose 6.42% YoY compared to same period last year (+5.64% YoY in 6M2021). In which the **agriculture, forestry and fishery sector** grew 2.78% YoY in 6M2022 (vs +3.82% YoY in 6M2021); the **industry and construction sector** recorded growth of 7.70% YoY in 6M2022 (vs +8.36% YoY in 6M2021); and the **service sector** increased 6.6% YoY in 6M2022 (vs +3.96% in 6M2021).

ANALYST COMMENT:

After the successful switch to the living-with-COVID-19 strategy since 4Q2021, Vietnam's economy has regained its growth momentum and continued to prosper in 2Q2022. GDP in 2Q2022 posted a strong growth rate of 7.72% YoY, the highest since 2011 and a little higher than our positive estimations of 7.2% YoY, supported by the strong recovery from the services sector and the acceleration of the industry and construction sectors thanks to active export activities from the FDI sector.

There are several exogenous factors which we're keeping close watch on which could affect Vietnam's economic growth prospects, which are:

- (1) The FED and other major central banks continue to hike rates. According to the Financial Times, central banks are raising rates rapidly in the most widespread tightening of monetary policy for more than two decades, with a total of more than 60 rate hikes from various central banks in the past three months;
- (2) Quantitative Tightening program of the US FED;
- (3) prolonged geopolitical tensions between Russia and Ukraine, which have lead to surging oil and food prices;
- (4) China still continues to pursue zero-COVID-19 strategy with mass testing and lockdowns when cases surged; and
- (5) surging inflation globally.

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

- (1) Global food price crisis could be an opportunity for many Vietnamese agricultural products to further gain export's market share globally, especially rice and aquatic products. Specifically, according to statistical report by Ministry of Industry and Trade, exports from agriculture, forestry and fishery products reached USD13.08bn in 5M2022 (+20.3% YoY, and 8.5% of total export turnover). Those above in turn could accelerate growth rate of agriculture, forestry and fishery sector in 3Q and 4Q.
- (2) 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.
- (3) The strong recovery of service sectors, after relaxing all COVID-19 related restrictions on service businesses, coming from (1) improvement of domestic consumption, (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 is expected to be disbursed starting in 2Q2022 especially the developing infrastructure package (VND113.85tn), along with over VND337tn (of total VND530tn) realized Capital under State Budget needed to disburse in 2022 will pushed socio-economic recovery in the last two quarters of 2022.

With the macro economic development of Vietnam's economy recently, we upgraded our projections with 2 scenarios for GDP of 3Q2022, 4Q2022 and FY2022 with:

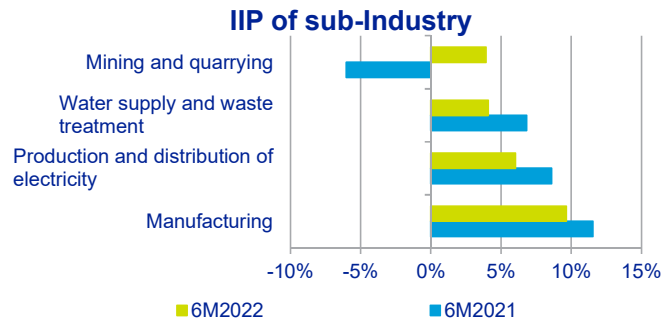
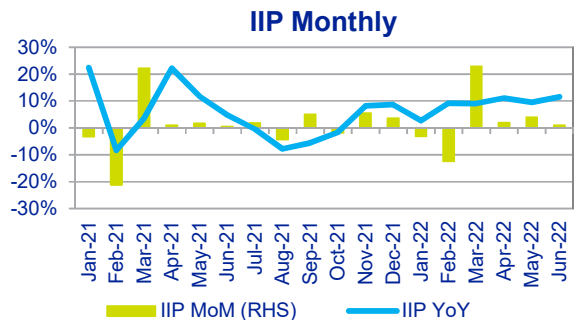
- (1) The positive scenario, with the hypothesis that all industrial activities continue to accelerate and services sector fully recover and pick up in 3Q and 4Q support by normalized transportation, rising domestic consumption and surging international tourism. In addition, we also assume that SBV will grant new credit growth quota in 3Q2022. With these assumptions, we expected that GDP of Vietnam for **3Q2022 and 4Q2022** will grow as high as **14.7% YoY and 6.8% YoY** respectively. As a result, forecasted GDP for **2H2022 and FY2022** will reached **10.4% and 8.5%*** (previous projection: +7.7% YoY and +6.9% YoY) respectively.
- (2) Our second scenario projected with less positive hypothesis that all industrial activities recover but on a slower trajectory due to weak global demand, and services sector could not fully recover in the last two quarters of 2022. In addition, we also assume that SBV will grant new credit growth quota late in this scenario, which will be granted in 4Q2022. With this hypothesis we expected that GDP for **3Q2022 and 4Q2022** will be around **10.4% YoY and 4.5% YoY** respectively. As a result, forecasted GDP for **2H2022 and FY2022** will reached **7.1% and 6.8%** (previous projection: +6.3% YoY and +5.8% YoY) respectively.

Third quarter figures under both scenarios are expected to be particularly strong YoY as 3Q 2021 experienced negative GDP growth of -6.17% as the worst effects of the months long lockdowns across Vietnam resulted in economic contraction before starting the recovering in Q4 as restrictions lifted and businesses started the return to normal operations.



INDUSTRIAL PRODUCTION

Vietnam's industrial activities continued to recover and accelerate in 2Q2022

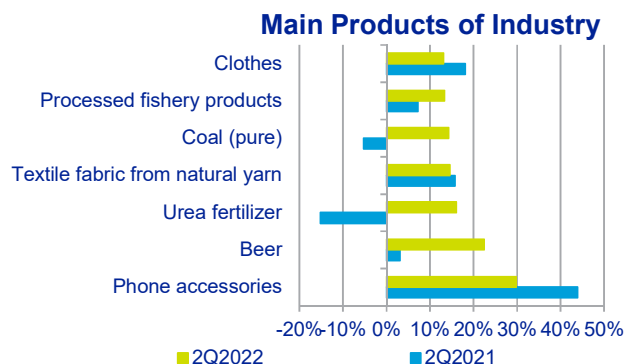
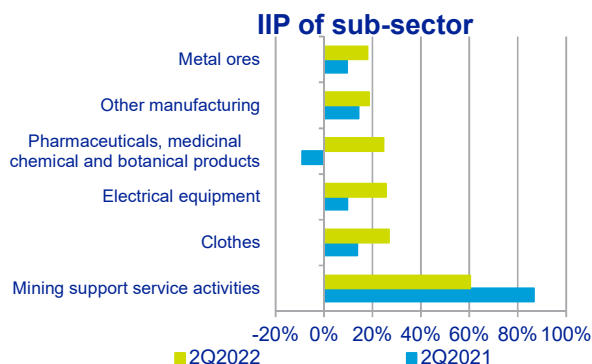


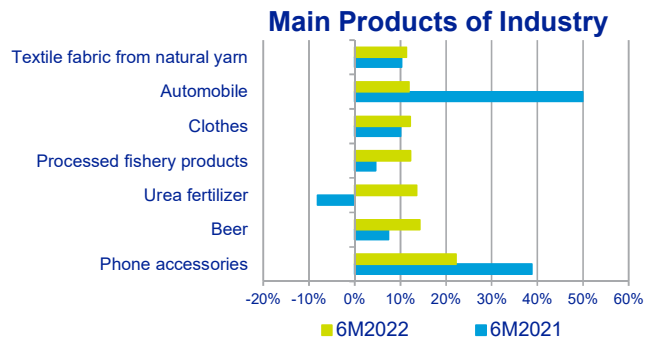
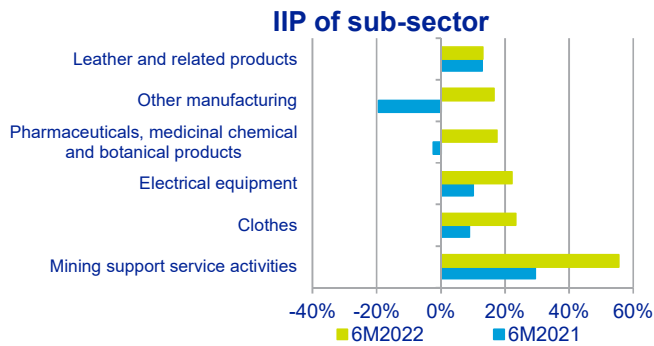
Source: GSO

After successfully switching to the living-with-COVID-19 strategy in 4Q2021 and 1Q2022, manufacturing activities in 2Q2022 continued to recover and accelerate, in which the index of industrial production (IIP) increased 10.83% YoY in 2Q2022, led by manufacturing IIP with grew 12.31% YoY. Production and distribution of electricity IIP and the water supply and waste treatment IIP also increased 4.3% YoY and 6.79% YoY respectively in 2Q2022. Furthermore, mining IIP also posted growth rate of 5.02% YoY in 2Q2022. Growth of IIP in 2Q2022 was attributed to some sub-sectors, including mining support service activities (+60.4% YoY), manufacturing of clothes (+26.78% YoY) thanks to higher export demand (+35.4% YoY), manufacturing of electrical equipment (+25.53% YoY), and manufacturing of pharmaceuticals, medicinal chemical and botanical products (+24.61% YoY).

Generally, IIP in 6M2022 grew 8.73%, led by manufacturing IIP with a growth of 9.66% YoY; production and distribution of electricity IIP increased 6.03% YoY; the water supply and waste treatment IIP expanded by 4.08% YoY; and mining IIP also increased 3.93% YoY. Growth of IIP in 6M2022 was attributed to some sub-sectors, including mining support service activities (+55.47% YoY), manufacturing of clothes (+23.3% YoY) thanks to higher export demand (+39.6% YoY), manufacturing of electrical equipment (+22.23% YoY), and manufacturing of pharmaceuticals, medicinal chemical and botanical products (+17.51% YoY).

	2Q2022	2Q2021	6M22	6M21
IIP	10.83%	12.37%	8.73%	9.27%
Mining and quarrying	5.02%	-3.87%	3.93%	-6.00%
<i>Mining support service activities</i>	<i>60.40%</i>	<i>86.72%</i>	<i>55.47%</i>	<i>29.44%</i>
Manufacturing	12.31%	14.84%	9.66%	11.55%
<i>Manufacturing of clothes</i>	<i>26.78%</i>	<i>13.79%</i>	<i>23.30%</i>	<i>8.86%</i>
<i>Manufacturing of electrical equipment</i>	<i>25.53%</i>	<i>9.69%</i>	<i>22.23%</i>	<i>10.12%</i>
<i>Manufacturing pharmaceuticals, medicinal chemical and botanical products</i>	<i>24.61%</i>	<i>-9.12%</i>	<i>17.51%</i>	<i>-2.30%</i>
Production and distribution of electricity	4.30%	12.37%	6.03%	8.60%
Water supply and waste treatment	6.79%	5.14%	4.08%	6.82%



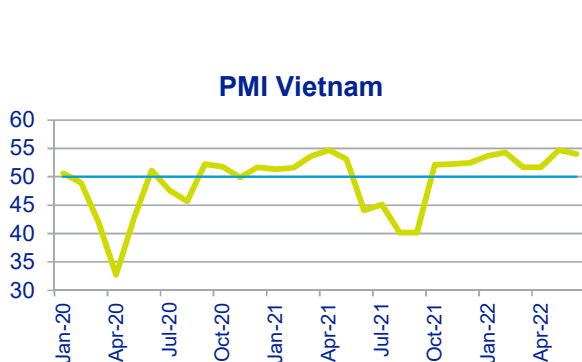


Source: GSO

Vietnam's industrial sector slowed slightly in June, but overall 2Q2022 continued to show signs of strength

According to the PMI report, April, May and June PMI were recorded at 51.7, 54.7 & 54 respectively, which continued to show signs of strength as the living-with-COVID-19 strategy has been successful and major industrial areas continue to resume operations. According to the PMI report, after increases in April and May, the improvement of industrial activities slowed a little bit in June, but overall health of industrial sector remained intact. In addition, rising new export orders encouraged manufacturers to expand workforce numbers again during June. Overall, our manufacturing sector ends 1H2022 with really good fundamentals as fears of COVID-19 pandemic have been left behind and Vietnamese manufacturers are more confident in the future growth outlook.

Vietnam's PMI remained in expansionary territory (>54) in June and, along with Singapore, Philippines, Thailand, Malaysia and Indonesia were among countries that reported stronger recovery of the manufacturing sector in June. Specifically, PMI of Singapore (59.3), Philippines (53.8), Thailand (50.7), Indonesia (50.2), Malaysia (50.4), and Myanmar (48.2).



Source: HIS Markit

ANALYST COMMENT:

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

- (1) Prolonged geopolitical tensions of Russia and Ukraine has caused commodity prices to increase, especially in major products of these two countries including oil, gas, iron, steel, fertilizer, coal and agriculture products. As of the end of 2021 Vietnam imported 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 prices of coal, iron & steel, and wheat could put upward pressures on production costs of Vietnam industrial firms. In addition, depressing coal supplies and rising coal prices could affect

production of electricity of Vietnam in upcoming months, potentially causing an electricity shortage resulting in affected production activities in upcoming months.

- (2) Prolonged high oil price will also 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;
- (3) China still continues to pursue a zero-COVID-19 strategy with mass testing and lockdowns as cases surge, so China's zero-COVID-19 strategy in major industrial and financial cities could cause another major disruption to global supply chains and further inflate shipping costs & raw materials prices, which in turn could negatively affect our industrial sector in upcoming months; and
- (4) Another major COVID-19 outbreak which could cause labor shortage due to widespread infections among workers.

Fortunately, we expect that the supportive factors will continue to lift Vietnam's industrial sector in upcoming months of 2022 including:

- (1) Vietnam's manufacturers remain low-cost manufacturer, stability in the macro economy and 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 emerged as a substitute manufacturing center to cover lost capacity caused by the zero-COVID-19 policies in China, which continued to boost recovery of all industrial activities;
- (3) 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 and export hub;
- (4) The government 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.

To sum up, we update our projections of expected IIP growth rate in the last quarters of 2022 which will fall into 2 situations:

- (1) The first situation, we assume that industrial sector continues to accelerate industrial activities in 3Q2022 and 4Q2022 despite above headwinds. With these optimistic assumptions, we projected that **IIP growth for 3Q2022 and 4Q2022** will be as high as **21.7% YoY and 11.6% YoY** respectively, in which **manufacturing IIP** reach as high as 24% YoY and 12.5% YoY respectively. As a result, **IIP for 2H2022 and FY2022** will reach as high as **16.6% YoY and 12.7% YoY** respectively.
- (2) We assume in second scenario that a lot of disadvantage factors badly impact industrial sector in 3Q2022 and 4Q2022 which our industrial activities slowed in 2H2022. With these assumptions, we projected that **IIP growth for 3Q2022 and 4Q2022** will be as high as **15.5% YoY and 9.8% YoY** respectively, in which **manufacturing IIP** around **17% YoY and 11% YoY** respectively. As a result, **IIP for 2H2022 and FY2022** will reach as high as **12.7% YoY and 10.7% YoY** respectively.



Trading Activities

Total trade value of Vietnam remained strong

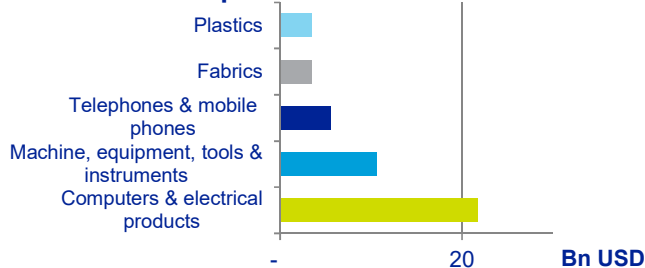
Trading activities continued to remain solid in 2Q2022 with the total trade value growing steadily. Specifically, total turnover of import-export of goods increased 18.8% YoY in 2Q2022 (vs +40.2% YoY in 2Q21), with exports in 2Q2022 reached USD96.9bn (+21.2% YoY), while imports reached to USD97.5bn (+16.4% YoY), resulting in a trade deficit of USD573mn in 2Q2022.

Generally, according to GSO, total export-import turnover in 6M2022 reached VND371.2bn (+16.8% YoY) with exports reaching USD185.9bn (+17.4% YoY) and imports USD185.2bn (+16.3% YoY). As a result, trade surplus in 6M2022 reached over USD710mn.

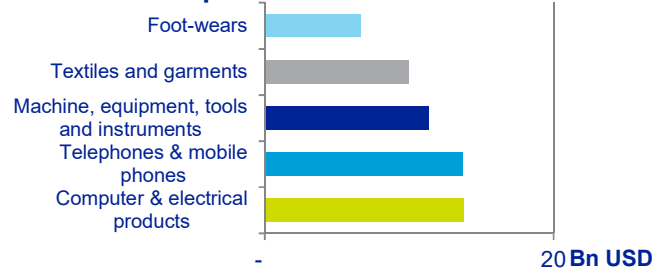
Key exports of 6M2022 included telephones & mobile phones; computers & electrical products; machine, equipment, tools & instruments; textiles & garments; and footwear. Meanwhile, key imports in 6M2022 were computers & electrical products; machine, equipment, tools & instruments; telephones & mobile phones; fabrics; and plastics.

(bn USD)	2Q2022	2Q2021	22 vs 21	6M2022	6M2021	22 vs 21
Exports	96.9	79.9	21.2%	185.9	158.3	17.4%
Imports	97.5	83.7	16.4%	185.2	159.3	16.3%
Net exports/imports	(0.57)	(3.75)		0.71	(0.99)	
Key exports						
Telephones & mobile phones	13.71	10.68	28.3%	28.58	25.05	14.1%
Computer & electrical products	13.82	11.92	16.0%	27.06	23.94	13.0%
Machine, equipment, tools and instruments	11.34	8.01	41.6%	21.29	17.13	24.3%
Key imports						
Computers & electrical products	21.73	17.08	27.2%	42.75	33.75	26.7%
Machine, equipment, tools & instruments	10.57	12.08	-12.6%	22.35	22.94	-2.6%
Telephones & mobile phones	5.54	4.21	31.7%	10.30	9.06	13.7%

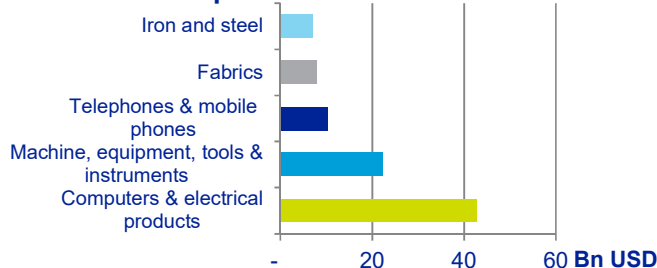
Main Import Products in 2Q2022



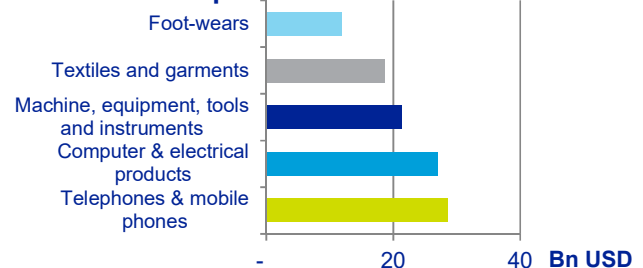
Main Export Products in 2Q2022



Main Import Products in 6M2022



Main Export Products in 6M2022

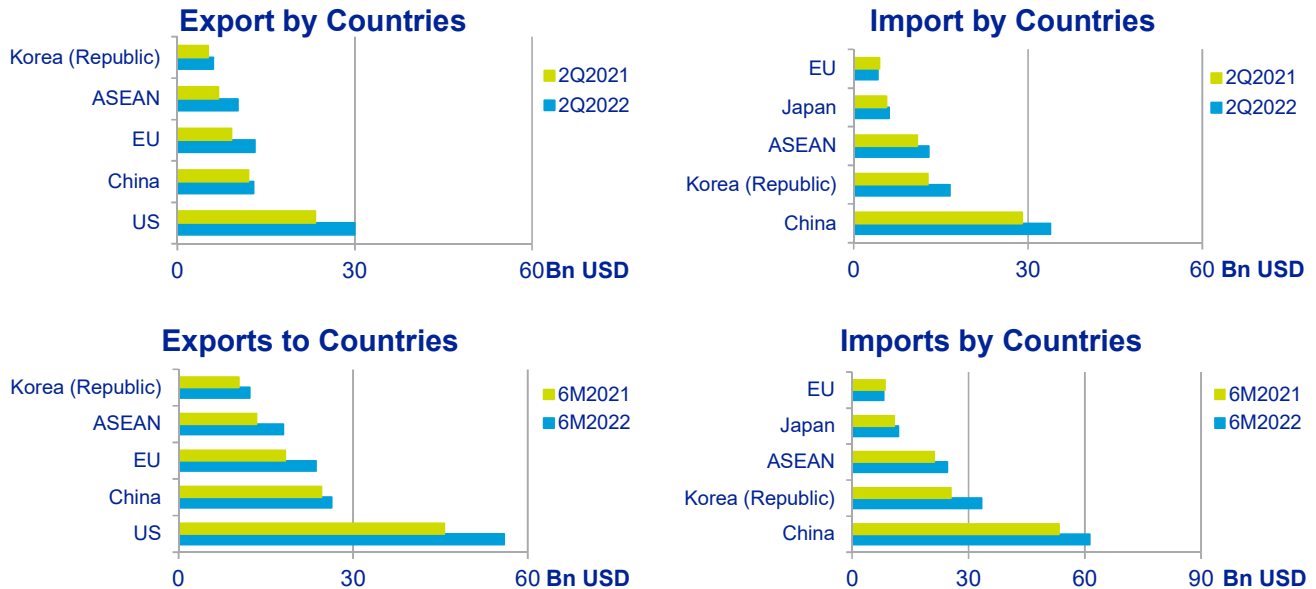


Source: Custom Vietnam & GSO

In 2Q2022 the US remained the biggest export market for Vietnam with a turnover of USD29.9bn (+28.1% YoY). The second largest partner, the EU recorded USD13.1bn (+43.3% YoY) and third largest partner China reached USD12.8bn (+7.2% YoY).

Meanwhile, China remained top importer to Vietnam in 2Q2022 with imports reaching USD33.8bn (+16.9% YoY), followed by South Korea (USD16.5bn, +29.3% YoY) and ASEAN (USD12.9bn, +18.0% YoY).

Generally, in 6M2022 the US remained the biggest export market for Vietnam with a turnover of USD55.9bn (+22.5% YoY). The second largest partner, China, recorded USD26.3bn (+7.1% YoY) and third largest partner EU reached USD23.6bn (+28.7% YoY). Meanwhile, China remained top importer to Vietnam in 6M2022 with import reach USD61.3bn (+15.0% YoY), followed by South Korea (USD33.3bn, +30.9% YoY) and ASEAN (USD24.5bn, +15.7% YoY).



Source: Custom Vietnam & GSO

ANALYST COMMENT:

Exports remain the country's key economic growth driver as manufacturing activities gradually recovered and are 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 hub for manufacturers to shift production away from China amid the seemingly never-ending tensions 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 the world's 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.
- (4) Current ongoing Russia-Ukraine conflict and export ban of major food exporters could be an opportunity for many Vietnamese agricultural products to further gain export's market share globally, especially UK and EU with our FTAs with EU and UK. Specifically, according to statistical report by Ministry of Industry and Trade, exports from agriculture, forestry and fishery products reached USD13.08bn in 5M2022 (+20.3% YoY, and 8.5% of total export turnover).

However, there have been some recent challenges which could disrupt Vietnam's trading activities in the upcoming quarters of 2022 including:

- (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 still continues to pursue a zero-COVID-19 strategy with mass testing and lockdowns when cases surge. This strategy could cause another major disruption to global supply chains and further inflate shipping costs, which in turn could hinder our trading activities;
- (3) The unprecedented and prolonged surges of gasoline price (due to high oil prices) has affected both exports and imports. Surging gasoline prices caused rising number of fishing boats to dock on the shore and not go fishing, which will cause lack of raw material for seafood processing for export, and in turn will slow the export turnover in 2H2022 of seafood industry;
- (4) Currently, US accounted for 50.5% of apparel exported from Vietnam, however rising inflation in US lower demand for clothes and might also affect our export turnover;
- (5) Lack of empty containers and rising sea freight rate could also affect export and import in upcoming quarters;
- (6) We are still involved in several anti-dumping investigations from South Korea (copper pipes cast from Vietnam), Australia (ammonium nitrate compounds from Vietnam). In addition, US also has initiated an investigation of anti-dumping and anti-subsidy tax on Vietnam's wooden cabinets and another investigation against trade defense tax evasion on steel pipes from Vietnam. Those above could hamper our trading activities in 3Q and 4Q2022.

Exports, which mainly depend on manufacturing activities coming from FDI firms, remain a key economic growth driver for Vietnam. As a result, in conjunction with development of IIP growth that we projected above, we also updated and expected that trade activities will follow the two scenarios:

- (1) With the first assumption of IIP of manufacturing sector in positive scenario, we expected that balance of trade could be surplus in **3Q2021 and 4Q2022** as high as **USD2bn** each quarter. As a result, for **FY2022** the balance of trade might record **surplus as high as USD4bn**.
- (2) In the less optimistic scenario, based on the assumptions of IIP growth in the less optimistic scenario above, we project that the balance of trade in **3Q2022 and 4Q2022** might be **neutral**, resulting in the annual trade balance ending in a **surplus of USD1bn**.



Foreign Direct Investment

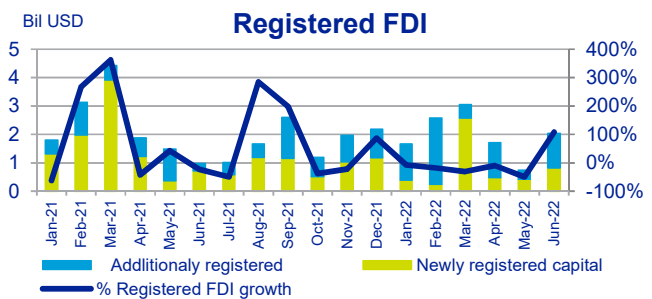
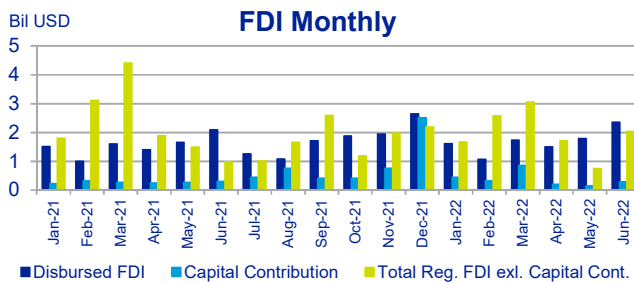
Disbursed FDI grew strongly and registered FDI inflows recovered in 2Q2022

Disbursed FDI in Vietnam reached USD5.6bn in 2Q2022 – increasing 9.7% compared with same period last year, while registered FDI in 2Q2022 increased slightly 3.22% YoY reached USD4.5bn. The capital contribution & share repurchase decreased 20.0% YoY to USD640mn in 2Q2022.

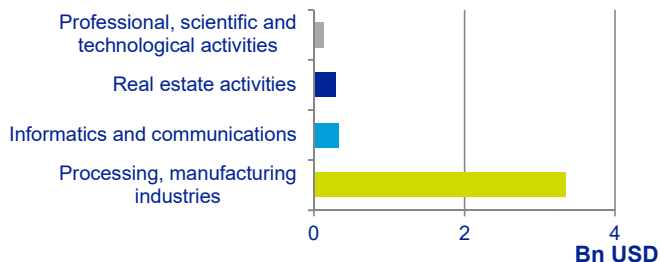
Vietnam's top 3 FDI investors registered in 2Q2022 are Singapore (USD1.8bn, +99.3% YoY), Republic of Korea (USD914mn, +56.6% YoY) and Japan (USD402mn, +38.7% YoY). In addition, Vietnam's top 3 FDI registered by sectors in 2Q2022 are manufacturing sector (USD3.3bn, 75% of total FDI registered), informatics and communications sector (USD329mn, 3% of total FDI registered), real estate sector (USD294mn, 2.5% of total FDI registered).

Generally, disbursed FDI in Vietnam reached USD10.0bn in 6M2022 – increased 8.9% compared with same period last year, while registered FDI in 6M2022 reached USD11.8bn (+7.1% YoY). The capital contribution & share repurchase increased 82% YoY to USD2.3bn in 6M2022.

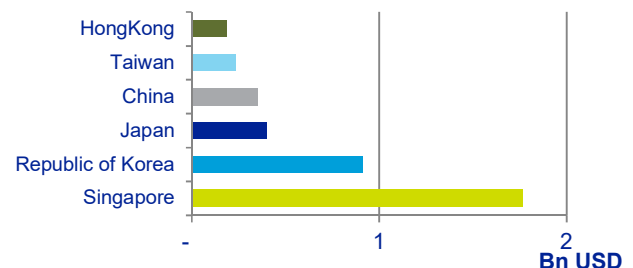
Vietnam's top 3 FDI investors registered in 6M2022 are Singapore (USD3.5bn, -32.5% YoY), Republic of Korea (USD2.4bn, +42.6% YoY) and Denmark (USD1.3bn, +11x YoY). Vietnam's top 3 FDI registered by sectors in 6M2022 are manufacturing sector (USD8.3bn, 71% of total FDI registered), real estate sector (USD2.0bn, 17% of total FDI registered), informatics and communications sector (USD376mn, 3.2% of total FDI registered).



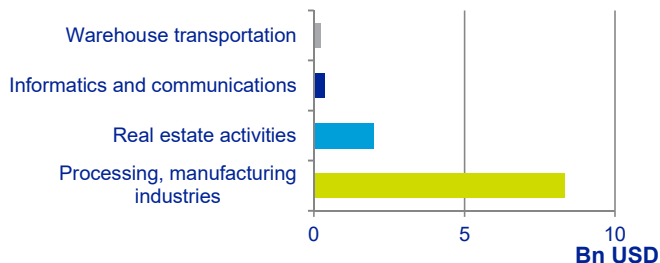
FDI by Sectors 2Q2022



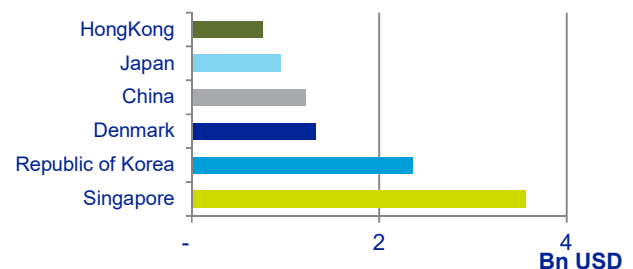
FDI by Countries 2Q2022



FDI by Sectors 6M2022



FDI by Countries 6M2022



Source: MPI

ANALYST COMMENT:

We maintain our positive view of that FDI inflows will continue to flow strongly in the last two quarters of 2022, mainly due to:

- (1) the trade war between US and China continues and the wave of companies diversifying into other parts of Asia (including Vietnam) will continue, not just to avoid the impact of the trade war, but also to lower production costs;
- (2) Vietnam emerged as a substitute manufacturing center to cover the loss of output caused by the zero-COVID-19 strategy in China, which continued to boost recovery of all industrial activities and continues to attract more FDI in industrial sector;
- (3) 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 manufacturing to; and
- (4) 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

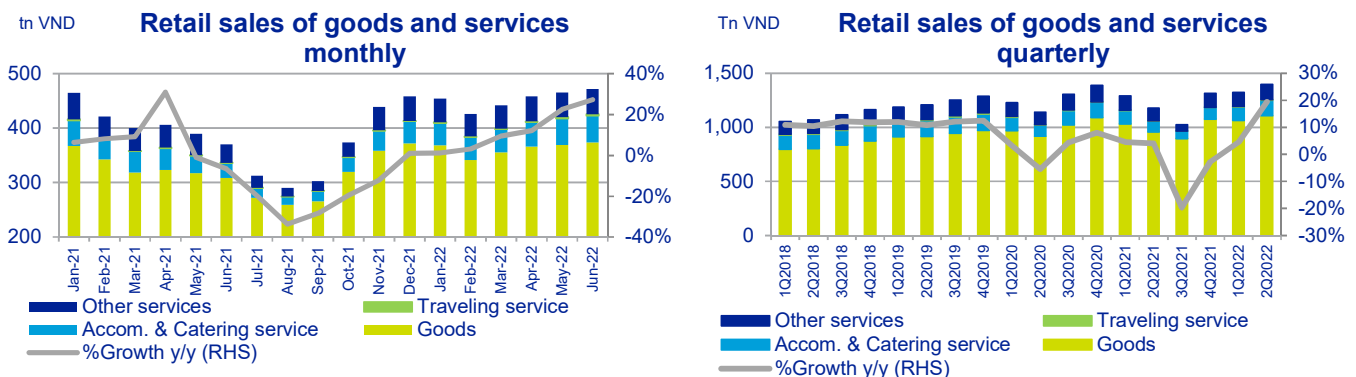
Total retail sales of consumer goods and services continued to recover strongly in 2Q2022 after government switched to the living-with-COVID-19 strategy starting in 4Q2021. Total retail sales of consumer goods and services in 2Q2022 reached VND1,395tn, increasing significantly by 19.46% YoY (vs +4.14% YoY in 2Q21).

Revenue from retail sales of goods in 2Q2022 recovered as COVID-19 prevention measures were relaxed in main economic hubs across country, which revived domestic consumption, as a result revenue from retail sales of goods reached VND1,108tn increased 16.73% YoY in 2Q2022.

Revenue from accommodation & catering services continued to recover as demand from local people resumed and international tourists began to return to the market in 2Q2022 as Vietnam reopened for international tourism from March 15 (foreigner arrivals in Viet Nam in 2Q2022 increased 1,173% YoY, reach 511k arrivals). Specifically, revenue from accommodation & catering services reached VND143tn, increasing 44.21% YoY in 2Q2022 (vs -2.95% YoY in 2Q21).

During 2Q2022, 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 (foreigner arrivals in Viet Nam in 2Q2022 increased 1173% YoY, reach 511k arrivals). In addition, domestic consumption for traveling services also picked up in 2Q2022 especially in Vietnam's Reunification day and International Labor holidays (30th April and 1st May). Specifically, retail sales of traveling services reached VND5.5tn increased 312.63% YoY in 2Q2022 (vs -8.63% YoY in 2Q21).

Generally, total retail sales of consumer goods and services in 6M2022 increased 11.71% YoY, in which retail sales of traveling services recovered strongly and surged over 94.41% YoY in 6M2022. Retail sales of goods, accounting for over 81% of the total revenues, in 6M2022 were estimated to be VND2,174tn, representing a rise of 11.27% YoY.



	2Q2022	2Q2021	6M2022	6M2021
Total Retail sales	19.46%	4.14%	11.71%	4.20%
Sale of Goods	16.73%	5.26%	11.27%	5.27%
Accom. & Catering service	44.21%	-2.95%	20.89%	-2.35%
Traveling service	312.63%	-8.63%	94.41%	-53.74%
Other services	17.23%	1.82%	5.56%	4.34%

Source: GSO

ANALYST COMMENT:

We expect that revenue of retail sales will continue to recover strongly in the last two quarters of 2022, supported by:

- (1) the strong recovery of all service activities after relaxation of restriction on all service businesses coming from (1) improvement of domestic consumption, (2) reopening international tourism and (3) normalization of transportation of goods help push trading activities especially export from FDI sector.

- (2) The government reopened Vietnam for international tourism from March 15, which boost international tourism and in turn will help increase retail sales from accommodation & catering services and traveling service in the last two quarters of 2022.

We also updated our projection for retail sales growth in two scenarios in 2H2022:

- (1) In the first scenario, we assume that our domestic consumption will accelerate, supported by high demand for goods and services in the last two quarters of 2022 and strong additional consumption coming from foreign visitors after reopening international tourism. With this scenario, we project that total retail sales will grow almost **36.5% YoY in 2H2022** and total **FY2022** will grow as high as **22.9% YoY**.
- (2) Second scenario we assume that our domestic consumption will remain at this level and additional consumption coming from foreign visitors are not as high as pre-pandemic level. With this scenario, we project that total retail sales will grow almost **25.9% in 2H2022**, resulting in a total **FY2022** increase as high as **17.9%**.

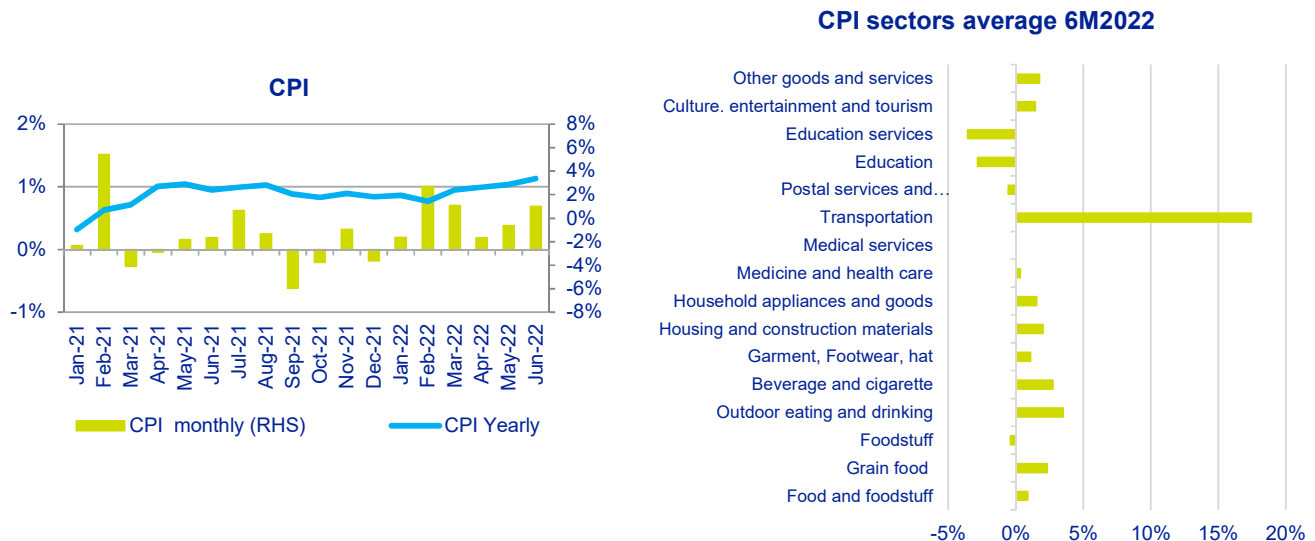
Consumer Price Index

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

CPI of 2Q2021 increased 2.96% YoY. Generally, CPI average in 6M2022 increased 2.44% compared to average 6M2021 due to:

- (1) Transportation category increased the most at 17.4% YoY, mainly due to 51.8% YoY upward adjustment of domestic retail gasoline prices.
- (2) Outdoor eating and drinking category increased 3.5% YoY, mainly due to rising demand after COVID-19 under controlled, higher retail cooking gas price (+25.9% YoY) and higher transportation fees;
- (3) Beverage and cigarette category increased 2.8% mainly due to a 1.0% YoY rise in the retail price of wine, beers, non-alcoholic beverages and cigarettes;
- (4) Housing and construction materials category increased 2.0% YoY, mainly due to the retail cooking gas price increase of over 25.9% YoY and home maintenance materials (steel, cement, ...) price increased over 7.95% YoY; and
- (5) Grain food sub-sector increased 2.3% YoY mainly due to a rise in rice prices (+1.09% YoY).

In addition, average core CPI of 6M2022 stood at 1.25% 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 between Russia and the Ukraine has caused increases in commodities prices, especially major products from these two countries including oil, gas, iron, steel, fertilizer, coal and agriculture products. Rising fertilizer prices could put upward price pressures on our grain foods, leading to rising agriculture prices that would eventually make their way to higher meat prices as a result of increasing animal feed products. These upward pressures could weight into the food and foodstuff category, which is the largest category and accounts for c. 33.6% of the overall CPI basket, in the last two quarters of 2022;
- (2) The recent escalating oil prices due to the impact of the resumption of production activities after COVID-19 and geopolitical tensions and resulting sanctions from the Russian invasion of Ukraine. An increase in oil prices will directly affect Vietnam's domestic gasoline prices and put upward pressure on the transportation category and indirectly put price pressures on other commodities in different categories in the CPI basket;
- (3) Retail cooking gas prices also increase in line with global oil prices and will also put upward pressure directly on housing and construction materials sector. Besides, rising retail cooking gas price and gasoline prices also have an indirect

impact on the food and catering services sector in term of rising cost of outdoor eating & drinking services and transportation fee;

- (4) China still continues to pursue the zero-COVID-19 strategy with mass testing and lockdowns when cases surge, so China's zero-COVID-19 strategy may magnify supply chain disruptions, which in turn will again put upward pressure on our CPI in 2H2022.

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 remain stable at around the current levels in 2H2022. We also expect that retail gasoline price will be stable in 2H2022.

Overall, we slightly revised our expectation of **CPI for 2022** will increase in range of **3.5% - 4.1%** (vs 3% - 3.5%) and remain around Government's target of 4%.

Macro Forecast Summary

Favourable Scenario

Key Assumption:

+ Economic growth remain strong.

- Agriculture, forestry and fishery sector accelerate in 3Q and 4Q.
- Industrial activities continue to accelerate in 3Q and 4Q2022.
- Services sector fully recover in 3Q and 4Q2022 support by normalized transportation, rising domestic consumption and surging international tourism.
- Inflation peaked and remain at this level through out 2H2022.

+ Fiscal Policy: fiscal and monetary stimulus package worth VND337tn especially the developing infrastructure package (VND113.85tn) will be disbursed soon in 3Q and 4Q.

+ Monetary Policy:

- SBV will grant new credit growth quota in 3Q2022.
- Monetary policy tends to continue to be expansionary for supporting the economic recovery
- SBV might raise its benchmark interest rates toward yearend by about half percentage point (50bps)

+COVID-19: no major outbreak in major cities.

GDP		IIP		Ex and Im	FDI	Retail Sales		CPI
2H2022	FY2022	2H2022	FY2022	FY2022	FY2022	2H2022	FY2022	FY2022
%	%	%	%	Bn USD	Bn USD	%	%	%
10.4%	8.5%	16.6%	12.7%	Im: 390 Ex: 394 Net Ex: 4	Disbursed: 21.5 Registered: 26.0	36.5%	22.9%	3.5%

Less Favourable Scenario

Key Assumption:

+ Economic growth slow in 3Q and 4Q.

- Agriculture, forestry and fishery sector maintained its growth rate
- Industrial activities continue to recover but on a slower trajectory due to weak global demand.
- Services sector could not fully recover in the last two quarters of 2022.
- Inflation pick up a little bit in 2H2022 but remain within 4%.

+ Fiscal Policy: fiscal and monetary stimulus package worth VND337tn especially the developing infrastructure package (VND113.85tn) disburse slowly and might extent to 4Q2022.

+ Monetary Policy:

- SBV will grant new credit growth quota in 4Q2022.
- Monetary policy tends to continue to be expansionary for supporting the economic recovery.
- SBV might raise its benchmark interest rates toward yearend by about 0.5-0.75 percentage point (50 - 75bps)

+COVID-19: minor outbreak in major cities.

GDP		IIP		Ex and Im	FDI	Retail Sales		CPI
2H2022	FY2022	2H2022	FY2022	FY2022	FY2022	2H2022	FY2022	FY2022
%	%	%	%	Bn USD	Bn USD	%	%	%
7.1%	6.8%	12.7%	10.7%	Im: 382 Ex: 383 Net Ex: 1	Disbursed: 20.5 Registered: 25.0	25.9%	17.9%	4.1%

Economic data - Vietnam

Monthly data	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	June-22
Industrial Production (YoY)	-0.35%	-7.77%	-5.53%	-1.59%	8.15%	8.67%	2.8%	9.2%	8.5%	9.1%	11.1%	9.5%
<i>Mining and quarrying</i>	-10.92%	-2.81%	-7.10%	-7.18%	6.18%	-7.14%	-1.7%	2.2%	2.7%	7.5%	7.9%	3.9%
<i>Manufacturing</i>	0.70%	-9.28%	-4.86%	-1.59%	8.55%	10.94%	2.9%	9.7%	9.6%	9.7%	11.7%	11.0%
<i>Production and distribution of electricity</i>	1.66%	-1.86%	-9.65%	2.36%	6.85%	9.12%	5.2%	11.9%	4.8%	6.5%	8.6%	2.3%
<i>Water supply and waste treatment</i>	0.98%	-0.14%	-2.04%	1.45%	0.43%	0.77%	4.1%	4.3%	8.5%	-4.6%	2.7%	9.4%
Purchasing Managers Index	45.1	40.2	40.2	52.1	52.2	52.5	53.7	54.3	51.7	51.7	54.7	54.0
Retail Sales (YoY)	-19.80%	-33.70%	-28.41%	-19.52%	-12.24%	1.06%	1.26%	3.09%	9.44%	12.10%	22.55%	27.31%
Consumer Price Index (MoM)	0.62%	0.25%	-0.62%	-0.20%	0.32%	-0.18%	0.19%	1.00%	0.70%	0.18%	0.38%	0.69%
Consumer Price Index (YoY)	2.64%	2.82%	2.06%	1.77%	2.10%	1.81%	1.94%	1.42%	2.41%	2.64%	2.86%	3.37%
Export Value (USDmn)	27,865	27,228	27,026	28,871	31,868	34,517	30,845	23,417	34,061	33,317	30,918	32,646
Import Value (USDmn)	29,112	27,338	26,666	26,133	30,610	31,975	29,449	25,381	32,672	32,468	32,616	32,370
Trade Balance (USDmn)	(1,247)	(109)	360	2,738	1,258	2,542	1,395	(1,964)	1,389	849	(1,698)	276
Disbursed FDI (USDmn)	1,007	1,658	2,594	1,870	1,950	2,640	1,612	1,068	1,740	5,920	7,710	10,060
Registered FDI excl Cap. Cont.(USDmn)	1,260	1,080	1,700	1,184	1,972	2,180	1,658	2,568	3,054	8,986	9,728	11,760

Quarterly data	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
GDP (YoY)	2.69%	4.48%	4.48%	6.61%	-6.17%	5.22%	5.05%	7.72%
<i>Agriculture, Forestry and Fishing</i>	2.79%	4.69%	3.16%	4.11%	1.04%	3.16%	2.53%	3.02%
<i>Industry and Construction</i>	3.20%	5.60%	6.30%	10.28%	-5.02%	5.61%	6.41%	8.87%
<i>Services</i>	2.80%	4.29%	3.34%	4.30%	-9.28%	5.42%	4.64%	8.56%
Industrial Production (YoY)	1.80%	6.31%	5.70%	13.01%	-4.36%	6.37%	6.81%	10.83%
Retail Sales (YoY)	4.38%	8.04%	5.10%	5.10%	-28.27%	-2.83%	4.44%	19.46%
Export Value (YTD) (USDmn)	202,860	281,471	77,344	157,630	240,524	336,250	88,579	96,832
Import Value (YTD) (USDmn)	185,870	262,407	75,308	159,103	242,655	332,250	87,770	97,581
Trade Balance (USDmn)	16,990	19,064	2,036	(1,473)	(2,131)	4,000	890	(750)
Disbursed FDI (USDmn)	4,800	5,110	4,100	5,140	5,259	6,460	4,420	5,640
Registered FDI (USDmn)	5,564	3,316	9,235	4,340	4,040	5,336	7,280	4,480

Yearly data	2013	2014	2015	2016	2017	2018	2019	2020	2021	F2022
GDP	5.42%	5.98%	6.68%	6.21%	6.81%	7.08%	7.02%	2.91%	2.58%	6.8% - 8.5%
Industrial Production	5.9%	7.6%	9.8%	7.5%	11.3%	10.2%	8.9%	3.4%	4.8%	10.7% - 12.7%
Retail Sales	10%	12%	11%	11%	10%	11.7%	12.0%	2.62%	-2.83%	17.9% - 22.9%
Consumer Price Index	6.6%	4.1%	0.6%	2.7%	3.5%	3.5%	2.8%	3.23%	-3.8%	3.5%-4.1%
Export Value (YTD) (USDmn)	132,175	150,042	162,439	175,942	213,770	244,723	264,341	281,471	336,167	383,000 - 394,000
Import Value (YTD) (USDmn)	131,312	148,058	165,609	173,262	211,096	237,512	253,919	262,407	332,843	382,000 - 390,000
Trade Balance (USDmn)	862	1,984	(3,170)	2,680	2,674	7,211	10,400	19,064	3,324	1,000 - 4,000
Disbursed FDI (USDbn)	11.50	12.35	14.50	15.80	17.50	19.10	20.38	19.98	19.74	21.50
Registered FDI (USDbn)	22.30	21.92	22.76	24.37	35.88	35.47	22.55	21.06	24.26	26.00

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