

# VIETNAM MARKET OUTLOOK

January 2023

**Highest annual GDP growth rate since 1997 sets the stage for a favourable new year**

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**The Vietnamese macroeconomic picture continued to achieve stable growth with GDP increasing 5.92% in the 4th quarter and 8.02% for the whole year 2022, the highest growth since 1997.** Inflation is maintained under control, with CPI for 2022 increasing by 3.15%, below the government's 4% target for the year. Disbursed FDI capital remained strong with an increase of 13.5% for 2022. Although the trade turnover slowed down in the recent two months, the balance recorded surplus on the whole year of US\$11.2bn. As trade figures have slipped in the recent two months, we're also keeping a close eye on the slowdown of industrial production, as IIP was up just 0.2% y/y and decreased slightly by 1% m/m and the PMI fell to 46.4 in December and it in contractionary territory for the second consecutive month.

**The VNIndex is in the same direction with global stocks markets when get falling by 3.9% m/m in December. After rebounding strongly from the 2-year low in November, the VNIndex fell under 1,000 points once again in December before a late rally saw the index close the year at 1,007.1 points.** The overall VNIndex liquidity improved significantly by 22.3% m/m in December with 176 stocks gaining while 233 stocks recorded price decrease over last month. Foreign investors continued aggressively accumulate Vietnamese shares with a net buy value of US\$535m in December, bringing the whole year net buying to US\$1.13bn, the highest net value since 2018. The P/E of VNIndex at the end of 2022 is at 10.5x, lower than the average of 13.5x of ASEAN markets.

**In the short term, we're seeing encouraging signs that the market has pivoted after falling to the 2-year low in mid-November.** Although the market dropped in December, some macro pressures have been easing with the VND strengthening by 4.3% in the month vs the USD and interest rates starting to ease with the overnight interbank interest rate decreasing by 251bps in December, other terms of less than 6-months also saw interbank interest rates decrease. Foreign inflows remained strong and have yet to show any signal of reversal. Recently, the Ministry has submitted the draft of new decree amending Decree 65 and Decree 153 on private offering and trading of corporate bonds is still in approval process which bring supports for the market as we show in slides 35-37. Although the economic outlooks has some signs of deterioration as industrial production and exports are weakening, the overall conditions of the economy are stable and expected to be more active if the speed of public investment disbursement is pushed. Market valuations ticked up from the low of 9.5x P/E seen at the close on Nov 15th, but remain at a deep discount to historical averages (the P/E as of 10 Jan was 11.04x, 27% lower than the 3 yr avg) and could provide longer term investors an opportunity to accumulate positions at attractive valuations.

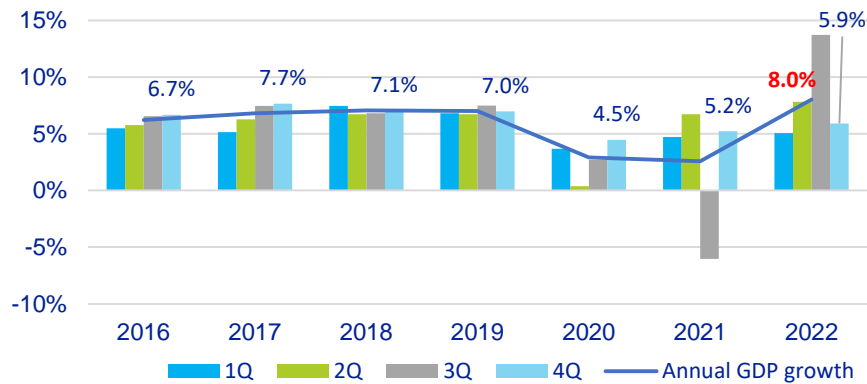
1. Macroeconomics
2. Equity Market
3. Topical Issues
4. Industry Briefs



- ❖ Vietnam's GDP continued to grow strongly in the 4th quarter by 5.92% y/y, higher than the same period of 2020 and 2021 but still lower than the pre-pandemic years, bringing the whole year's growth to 8.02%, the highest growth since 1997. Industrial production continued to slow in December with IIP up 0.2% y/y and decreased slightly by 1% m/m and the PMI fell to 46.4 from 47.4 points in November. Disbursed capital remained strong in December with US\$2.7bn (+2.9% y/y) bringing the whole year figure to US\$22.4bn (+13.5%) while committed capital reached US\$2.6bn (-45% y/y) in December and US\$27.7bn (-11%) for 2022. Foreign trade continued to deteriorate in December with total import-export turnover reached US\$58.8bn (+2.7% m/m, -11.2% y/y) but the trade balance maintain surplus in December at US\$0.5bn. Total retail sales remained the growth in the last month of year, reaching VND516 trillion (+3.7% m/m, +17.1% y/y). The CPI in December decreased slightly by 0.01% over last month and increased by 3.15% for 2022, below the CPI target of government for this year. The core CPI also narrow the increase over last month at 0.33%, the lowest within recent 7 months.
- ❖ The USD/VND rate continued to decline in December with the rate at the Central bank (-0.22% m/m) and the average rate at banks (-4.33% m/m) decreasing as pressures from the strong USD eased with the DXY decreasing 2.3% in the month.
- ❖ Gasoline prices decreased by c.13% in December and prices are down c.11% from beginning of 2022. Diesel prices also decreased by 13% in month, still higher c.23% from beginning of 2022.
- ❖ The SBV listed the spot bid-rate of USD/VND at 23,450 VND on 15 December for the first time since 7 September, showing signals of potentially returning to buying the USD after months of selling.
- ❖ ADB upgrade Vietnam's GDP growth to 7.5% from 6.5% for 2022 and downgrade the GDP growth to 6.3% from 6.7% for 2023 in the Asian Development Outlook (ADO) 2022 Supplement released on 14 December.
- ❖ The US Fed decided to raise its benchmark interest rate by 50 basis points to push the federal funds rate to a range of 4.25% - 4.5% on 14 December. Previously, Fed approved the increase of 75 basis points in June, July, September and November, 50 basis points in May and 25 basis points in March. With the target of returning the inflation to 2% over time, the FED is expected to continue its tightening of monetary policy and reducing the size of the Federal Reserve's Balance Sheet.

# GDP growth of the whole year highest since 1997

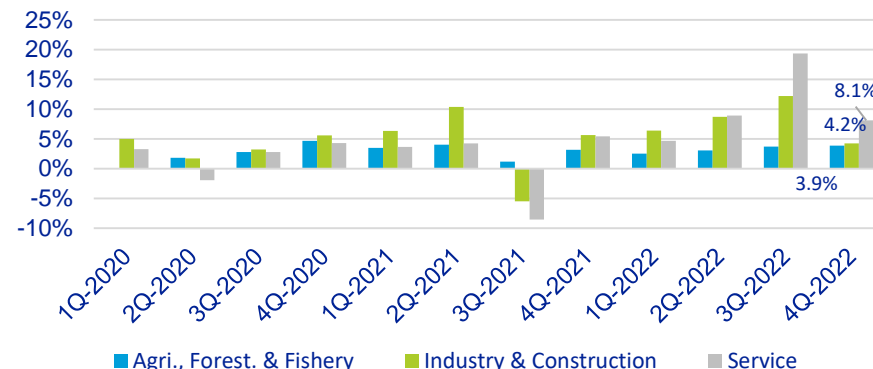
## Vietnam GDP growth by quarter



Source: GSO, ACBS

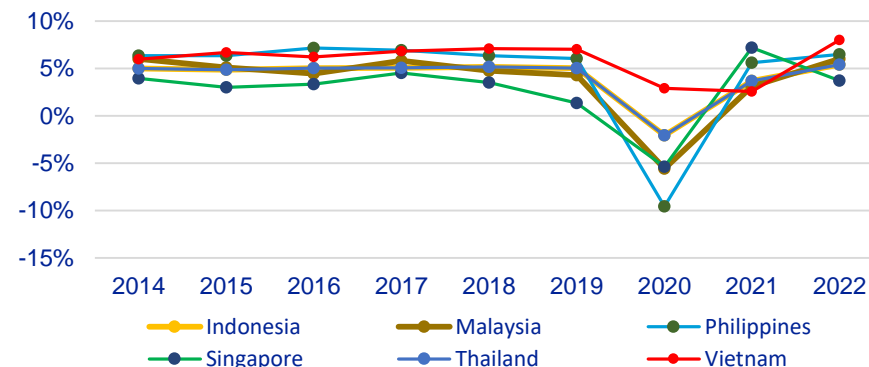
- ❖ Vietnam's GDP continued to grow strongly in the forth quarter by 5.92% y/y, higher than the same period of 2020 and 2021 but still lower than the pre-pandemic years, bringing the whole year's growth to 8.02%, the highest growth since 1997. This impressive growth of 2022 was led by the double digit growth in the third quarter thanks to the low base of last year.
- ❖ Regarding GDP 2022 by expenditure, Final Consumption increased by 7.18%, Gross Capital Formation increased by 5.75%, Exports of goods & services increased by 4.86% and Imports of goods and services increased by 2.16%.

## GDP growth breakdown



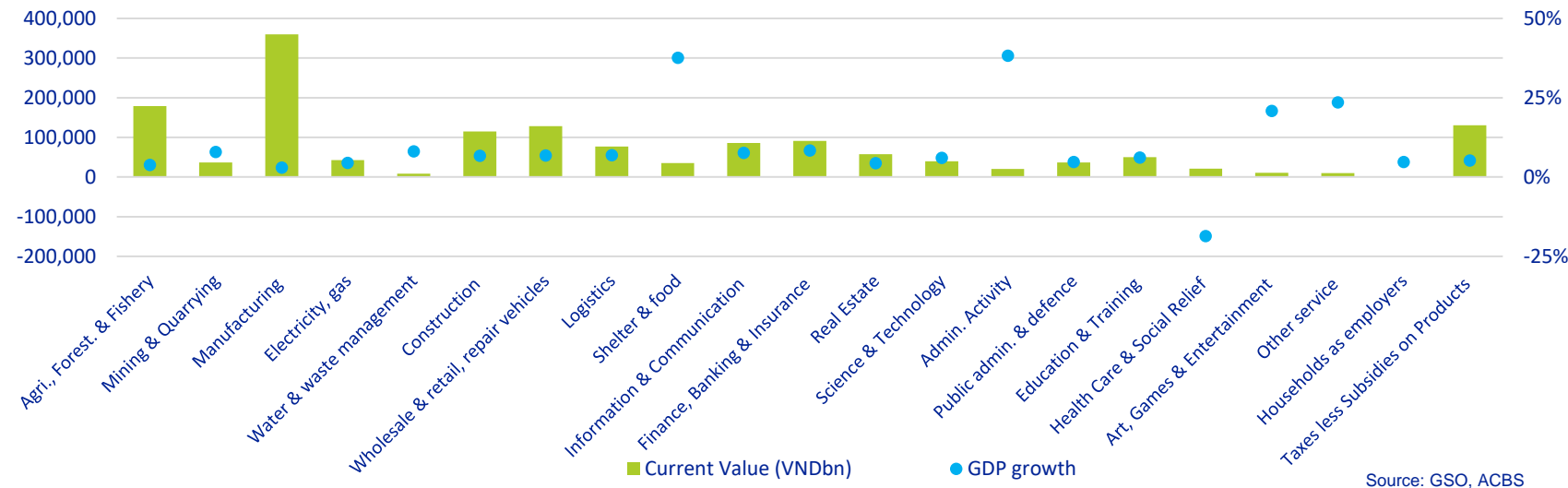
Source: GSO, ACBS

## Vietnam GDP growth and peer market



Source: World Bank, ACBS. GDP 2022 (excl. VN) estimated by ADB in Sep 22

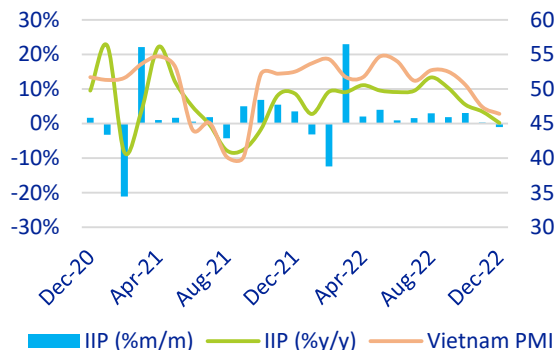
## GDP by Industry in 4Q2022



Source: GSO, ACBS

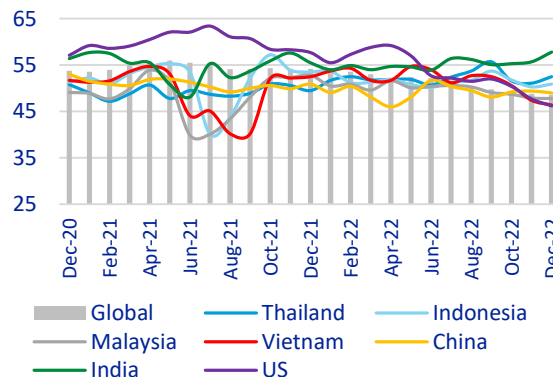
- ❖ Almost all sectors achieved impressive growth in the 4<sup>th</sup> quarter, except the Health Care & Social Relief, which continued to decrease with negative growth of 18.55% in the 4<sup>th</sup> quarter. The agriculture-forestry-fishery maintained the stable growth (+3.85% y/y in 4Q2022, higher than previous two quarters) while the industry-construction (+4.22% for 4Q2022) and services (+8.12% y/y for 4Q2022) slower than the growth of the second and the third quarter of 2022.
- ❖ The highest contributors to GDP growth in 2022 are industry (+7.7%, contributed 2.3% in total growth) and manufacturing (+8.1%, contributed 1.9% in total growth) due to its high proportion in GDP, however these sectors have sign of slowing in the forth quarter given slowing of local demand, higher interest rates, lack of capital and low demand of international market. The following is services sectors such as Wholesale-retail trade-repair of motor vehicles and motorcycles (+10.1%, contributed 0.9% in total growth), Accommodation & catering services (+40.6%, contributed 0.9% in total growth).

## Vietnam IIP and PMI



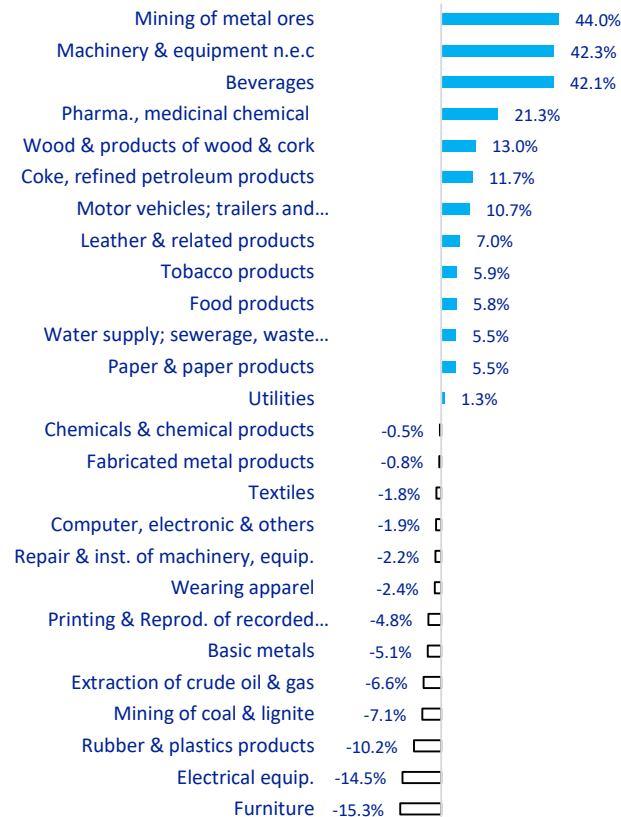
Source: GSO, IHS Markit, ACBS

## Vietnam PMI and other markets



Source: Bloomberg, IHS Markit, ACBS

## IIP December 2022 by industry



-40% 0% 40% 80%

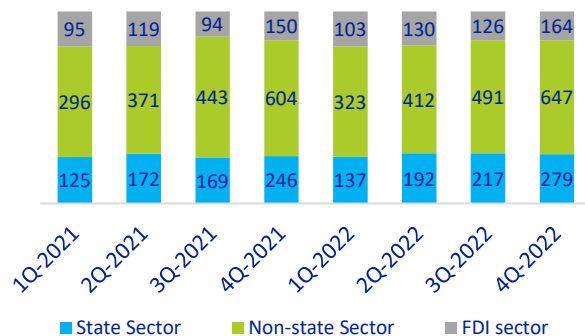
Source: GSO, ACBS

❖ Industrial production continued to slow down in December with IIP up just 0.2% y/y and decreased slightly by 1% m/m with industries have negative annual growth increased to 13 sectors from 8 sectors in November. The PMI fell to 46.4 from 47.4 points in November as output, new orders and employment declined amid weakening global demand. For 12 months, the IIP maintained growth of 7.8% over last year. Some notable products like beer (+35.3%), processed seafood (+15.7%), phone accessories (+15.1%), automobile (+14.9%), kinds of petro and oil (+13.7%).

❖ The global PMI declined for the 7<sup>th</sup> consecutive month amid the rising recession worries with many regions PMI continued to decrease in December. Most Asian countries where PMI surveys are conducted have seen declining PMI, excluding India and Philippines which have seen increasing PMI in the recent 3 months. Meanwhile, the PMI of Eurozone, EU and emerging markets improved in December although still in the contraction zone below 50 points.

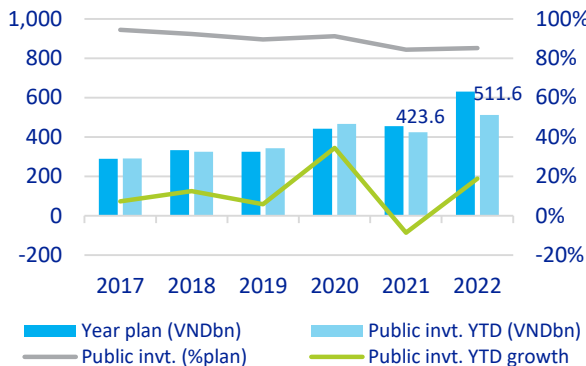
## Total investment disbursement

Unit: VNDtn



Source: GSO, ACBS

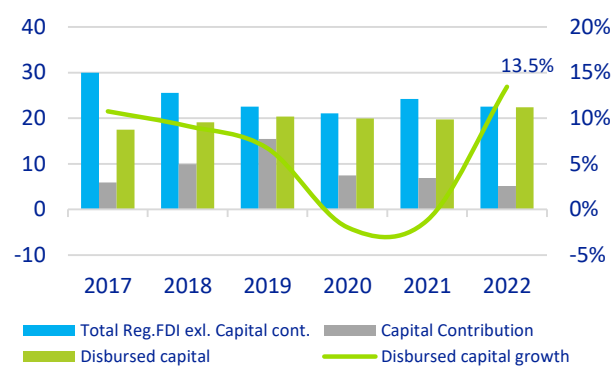
## Public investment in 2022



Source: GSO, ACBS

## FDI attraction by years

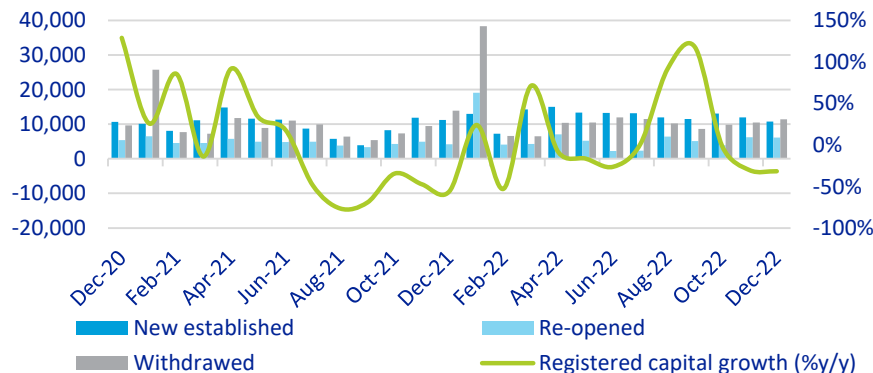
USDbn



Source: MPI, ACBS

- ❖ The total social investment increased by 8.5% y/y in the 4th quarter, recording VND1,089 trillion, in which, the non-state sector continued to play the key role with its contribution of 59.4% in total capital, FDI sector continued to decrease their contribution to 15% and state sector contributed 25.6%.
- ❖ Although many projects are faced with difficulties, the speed of public investment disbursement was improved in December with growth of 13.4% over last month. In December, Vietnam spent VND65.9 trillion on public investment, an increase of 17.7% y/y, completing 85.2% of the annual plan in 12 months.
- ❖ Newly established enterprises decreased in December at 10,769 (-10% m/m, -4% y/y) with the average registered capital fall by 31.7% y/y and registered employees down to 72 thousands, the lowest within one year. The re-operated enterprises improved over last year at 6,104 (-3% m/m, +44.5% y/y) and the enterprises withdrawing from the market decreased to 11,384 (+8% m/m, -18.4% y/y).

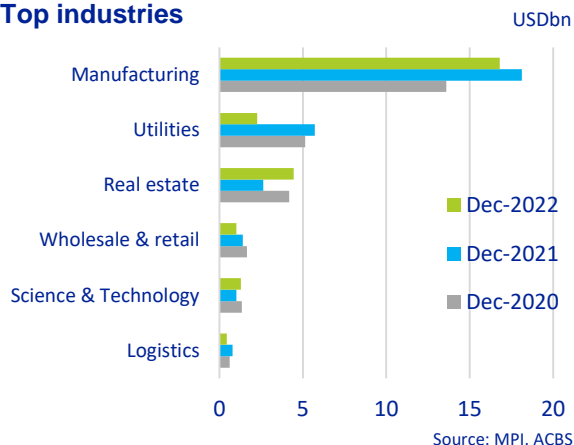
## Enterprises activities



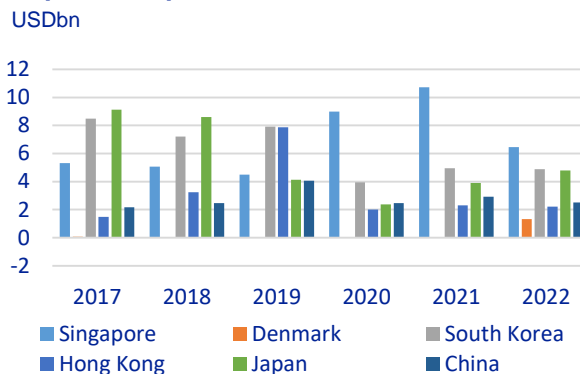
Source: GSO, ACBS



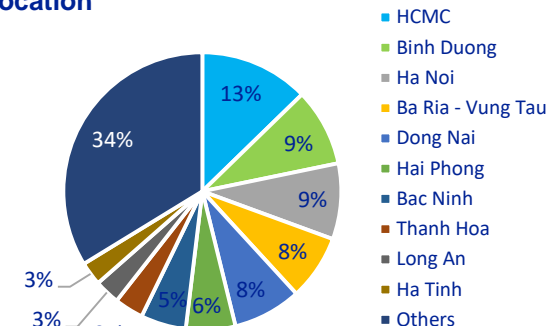
## Top industries



## Top counterparts



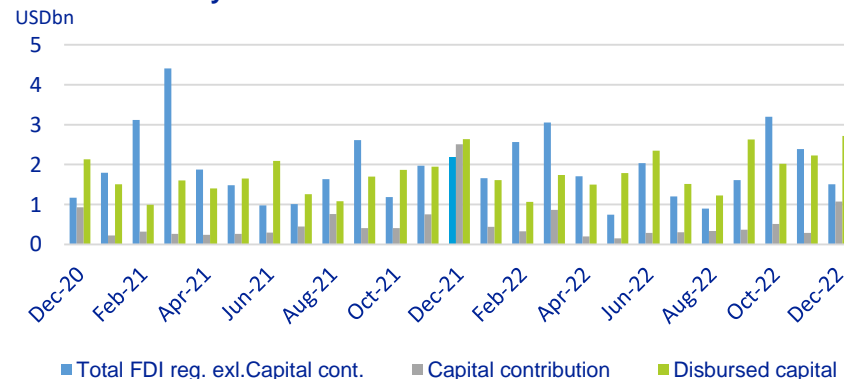
## Accumulated FDI as of Dec 2022 by location



❖ Disbursed capital remained strong in December with US\$2.7bn (+2.9% y/y) bringing the whole year figure to US\$22.4bn (+13.5%). Committed capital reached US\$2.6bn (-45% y/y) in December and US\$27.7bn (-11%) for 2022. Although the registered capital down over last year but both the number of newly registered and additional capital projects rose by 17.1% and 12.4% respectively reflect the lower in scale of projects but quantity of investors keen on Vietnam is increasing.

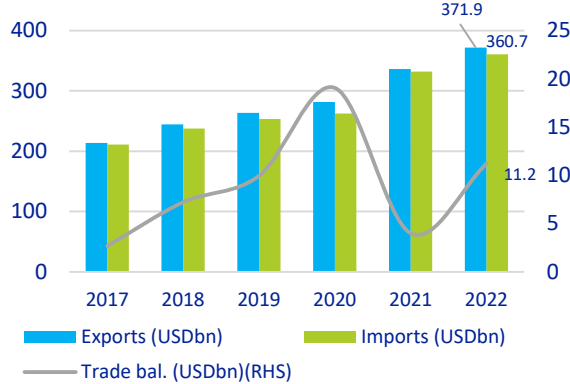
❖ Singapore continued to be the biggest counterparts in 2022, following by South Korea and Japan. HCMC, Binh Duong, Quang Ninh, Bac Ninh, Hai Phong are top 5 provinces FDI attraction in 2022, respectively.

## FDI attraction by months

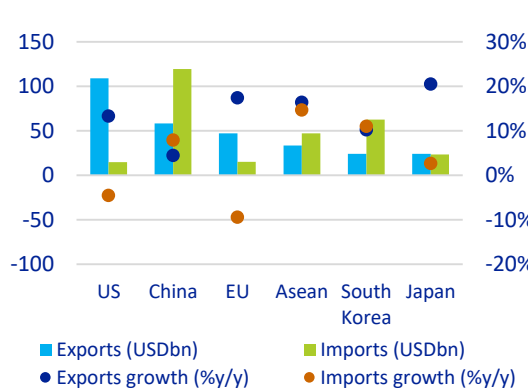


# Foreign trade maintain surplus

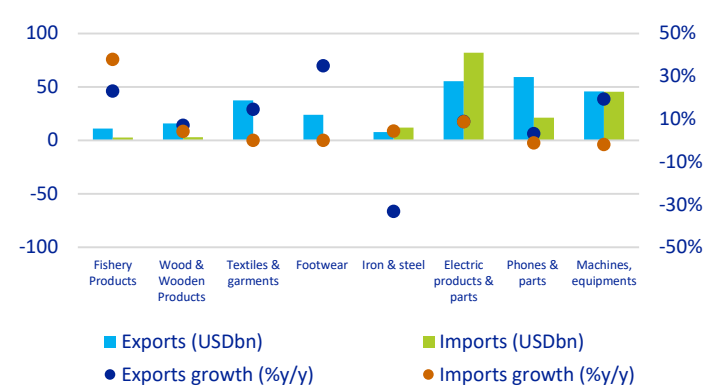
## Foreign trade in 12M by years



## Main EX-IM markets in 2022



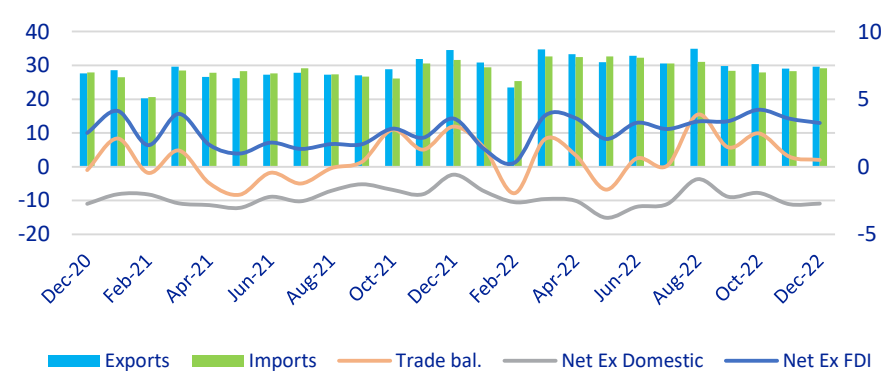
## Main EX-IM items in 2022



❖ Foreign trade continued to deteriorate in December with total import-export turnover reached US\$58.8bn (+2.7% m/m, -11.2% y/y) but the trade balance maintain surplus in December at US\$0.5bn. Exports improved over last month but still lower than the same period of 2021, hit US\$29.6bn (+2.2% m/m, -14% y/y); imports increased to US\$29.2bn (+3.1% m/m, -8.1% y/y). For 2022, total import-export turnover up 9.6% y/y and posted a trade surplus at US\$11.2bn.

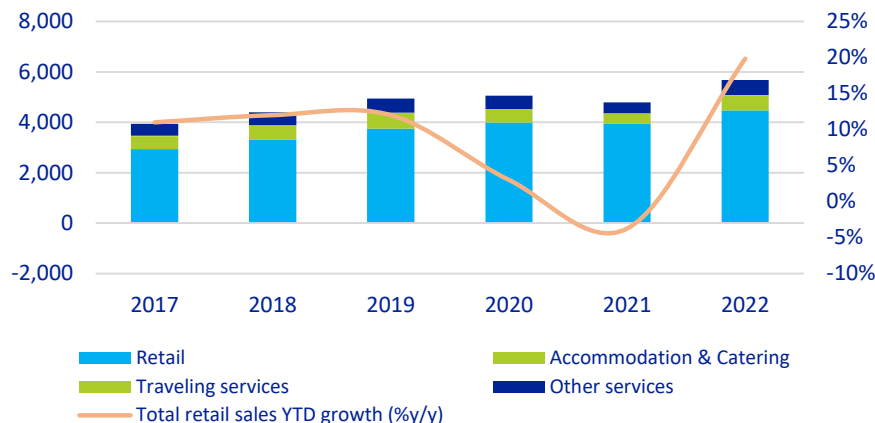
❖ Among the main export items in 2022, the phone-spares parts just recorded a modest growth of 3.1% y/y, computer-electric products and machine-equipment-tools and textiles-garments achieved better growth at 8.7% y/y, 19.3% y/y and 14.5 % y/y, respectively, while the iron-steel deceased sharply by 33.2% y/y.

## Foreign trade by months (USDbn)



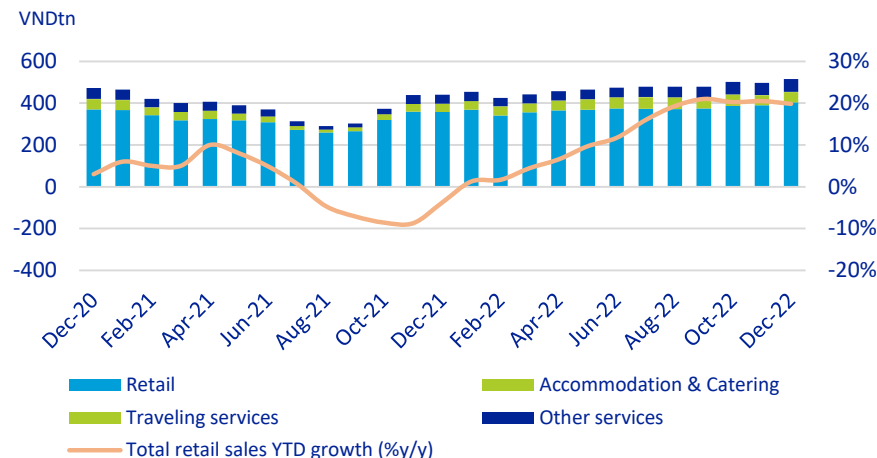
# Retail sales remain growth in the last month of year

## Retail sales of goods and services in 12M



Source: GSO, ACBS

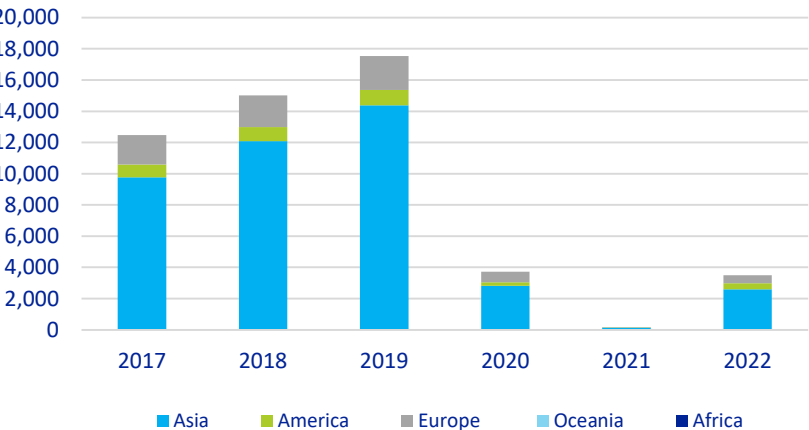
## Retail sales of goods and services monthly



Source: GSO, ACBS

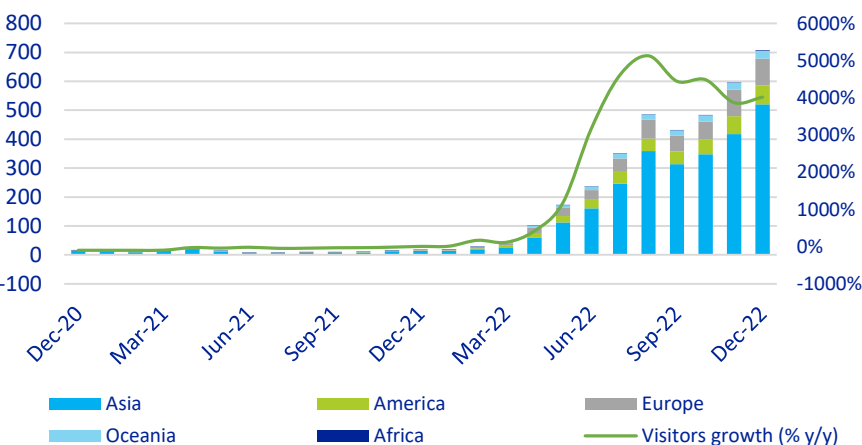
- ❖ Total retail sales of consumer goods and services continued to grow in the last month of year, reaching VND516 trillion (+3.7% m/m, +17.1% y/y). Revenue of goods increased 12.8% y/y, accommodation and catering up 33.4%, traveling services surged 113% and other services up 36.9%.
- ❖ For 2022, the total retail sales were estimated at VND5,680tn, up 19.8% y/y. Revenue of cultural and educational items up 22.9% y/y, garments up 19.1%, transportation up 13.8%, food and food stuffs up 10%, household tools & equipment up 7%.
- ❖ Retail sales maintained its growth thanks the backlogged consumption needs suppressed during last two years and local and international travel increasing as the borders reopened to international visitors in March 2022. Although there are some signs of slowdown of retail sales growth in recent months amid the downsizing production of many factories and companies affecting to consumption from labor forces, we maintain the expectation that retail sales could maintain growth in the early of 2023 while the Tet holiday coming and continue to elevate in 2023 with international visitors maintaining the uptrend.

International visitors in 12M (thsnd)



Source: GSO, ACBS

International visitors monthly (thsnd)

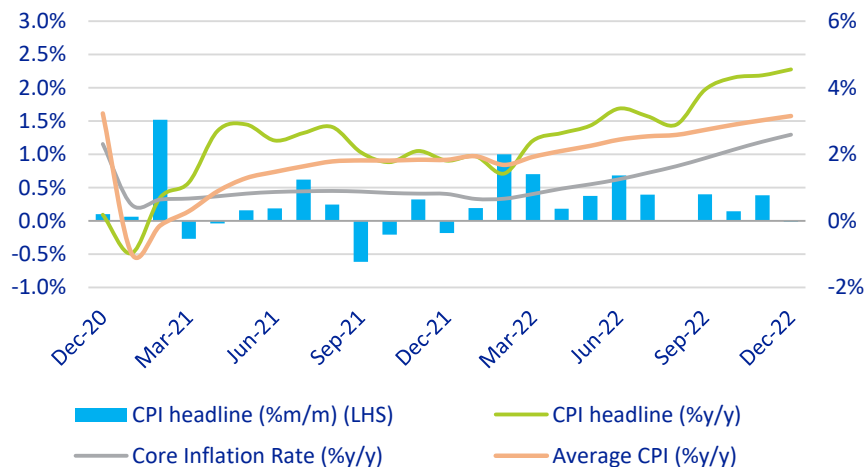


Source: GSO, ACBS

- ❖ In December, there were 707,000 international arrivals to Vietnam (+18.5% m/m, +40 times y/y). For 2022, this number was 3,661,000 (+22 times y/y), still very low compared to pre-pandemic years but improved over last year and is increasing over the first half of the year. Visitors from South Korea, United States, Thailand, Philippines, Japan are the top nationalities of visitors to Vietnam in 2022.
- ❖ International arrivals to Vietnam have been improving since the reopening of border in Q1 2022. The resumption of international travel would benefit many industries especially services and accommodation and catering. For 2023, we expect the international visitors to Vietnam continued to pick up given tourists have had time to plan trips and COVID related travel procedures have been eliminated, combined with the reopening border of China after three years of COVID-19 closure which improving the transportations and foreign trade between China and Vietnam.

# CPI still within the Government target

## CPI monthly



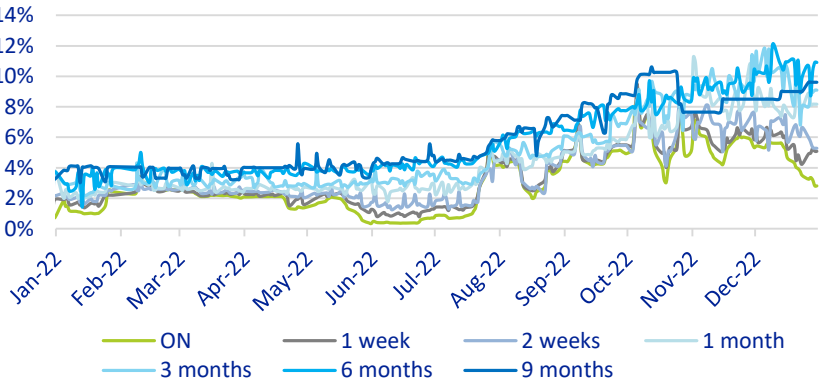
Source: GSO, ACBS

CPI Basket	Weight (%)	12/2022 (% m/m)	12/2022 (% y/y)	Avg 12M2022 (% y/y)
<b>CPI headline</b>	<b>100.0</b>	<b>-0.01%</b>	<b>4.55%</b>	<b>3.15%</b>
Food and Foodstuffs	33.6	0.15%	5.21%	2.55%
Food	3.7	0.48%	2.91%	2.44%
Foodstuff	21.3	0.05%	5.01%	1.62%
Eating outside	8.6	0.26%	6.70%	4.94%
Beverage, cigarette	2.7	0.44%	3.79%	3.15%
Garment, footwear	5.7	0.41%	2.43%	1.63%
Housing and constrn. Materials	18.8	0.66%	7.14%	3.11%
Household appliances & goods	6.7	0.22%	2.66%	2.03%
Medicine, health care	5.4	0.08%	0.59%	0.40%
Transportation	9.7	-2.78%	-0.16%	11.27%
Postal services, Telecom.	3.1	-0.04%	-0.25%	-0.37%
Education	6.2	0.32%	11.80%	1.68%
Culture, entertm't. & tourism	4.6	0.09%	5.02%	3.10%
Other goods, services	3.5	0.23%	3.17%	2.36%

Green: increase from previous respective period Red: decrease from previous respective period

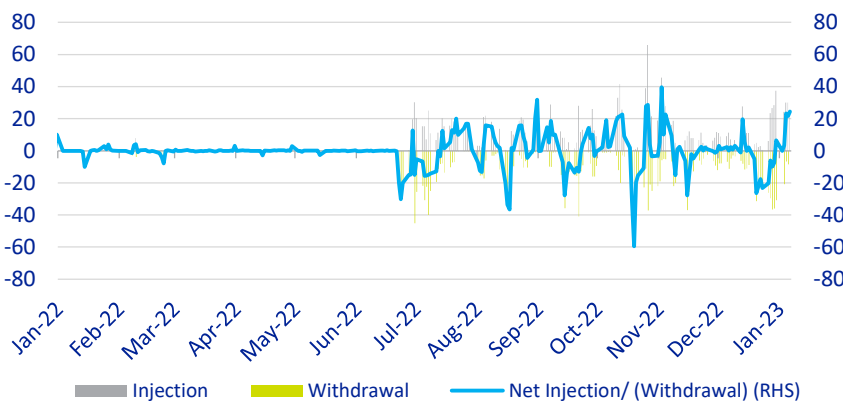
- ❖ The consumer price index (CPI) in December decreased slightly by 0.01% over last month thanks to the contribution of transportation (-2.78% m/m, -0.16% y/y) given the decreases to petrol prices by 13% in December. The core CPI also narrow the increase over last month at 0.33%, the lowest within recent 7 months.
- ❖ For 2022, the CPI increased by 3.15%, below the CPI target of government for this year, mainly due to the increase of petro prices (+28% y/y) leading to the prices of airfares, train fares and passenger fares increased, housing-construction materials (+3.11% y/y) given the increasing of housing repair services rose given high material prices, eating outside (+4.94% y/y) given higher materials prices and operation cost. Conversely, the pork prices, rents prices, postal services and telecom decrease lagging the increase of CPI in 2022. We are monitoring the core CPI which was gradual increase in recent months which reflect the longer term impact of high prices on the purchasing power of consumers. For 2022, the core CPI increased by 2.59%, much higher than the average of 1.57% in recent 5 years.

## Interbank Rate



Source: FiinPro, ACBS

## Net Injection/ (Withdrawal) from OMO (VNDtn)



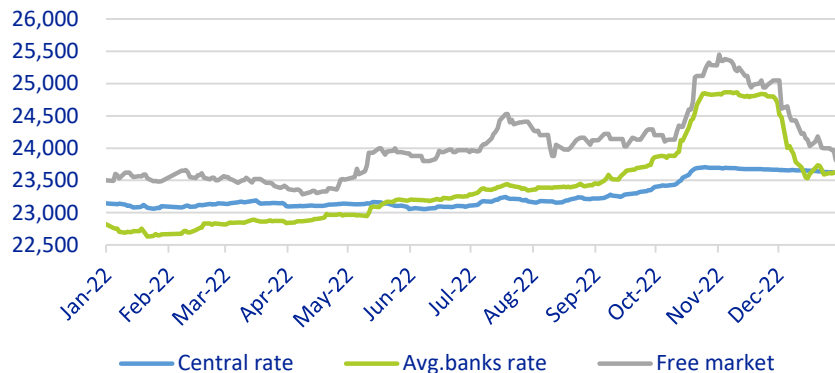
- ❖ The interbank interest rate of less than 6 months term decreased in December after commercial banks showed signs of easing in the race to hiking deposit interest rates. Meanwhile, the interest rates of 6-months and 9-months terms remained on the uptrend since mid-November. The SBV boosted net withdrawing the VND out of the system since 20 Dec to balance with the abundant of VND in the market. In December, the SBV withdrew more than VND92.5tn via issuing T-bills and reverse repos channels.
- ❖ As the US CPI increase to 6.5% in December, consistent with the market forecast, we expect the interest rate hikes of US will slowing and reduce the pressure to VND interest rates in 2023.

## Interbank Rate

Term	ON	1 weeks	2 weeks	1 month	3 months	6 months	9 months
End of Dec 2022 (%)	2.81	5.08	5.28	8.17	9.09	10.91	9.61
+/- MoM (bps)	-251	-75	-235	-48	-56	46	111
+/- YTD (bps)	208	315	312	437	541	717	635

# USD/VND decreased sharply as US Dollar continued to decline

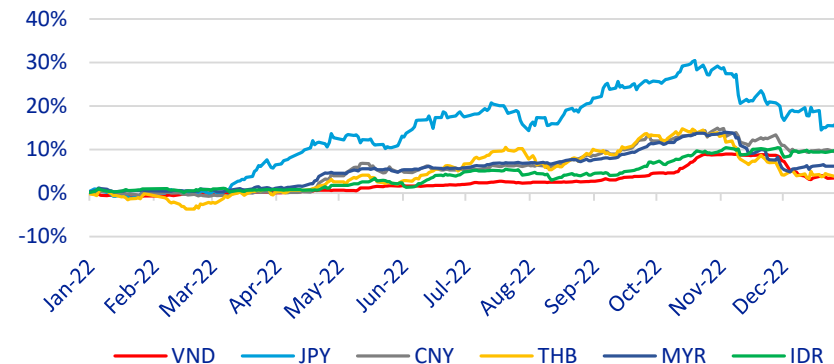
## USD/VND exchange rate



Source: Fiin Pro, ACBS

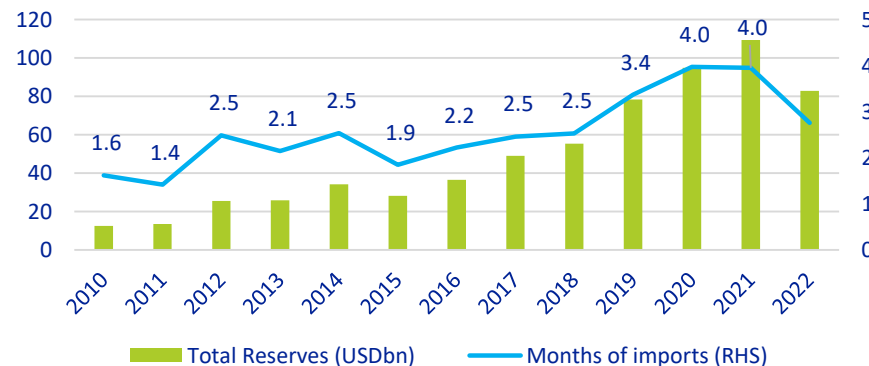
- ❖ The USD/VND rate continued to decline in December with the rate at the Central bank (-0.22% m/m) and the average rate at banks (-4.33% m/m) decreasing as pressures from the strong USD eased with the DXY decreasing 2.3% in the month. The SBV continued to decrease the USD selling price by VND60 in December and have signaled to buy back USD by listing the reference bid-rate of VND 23,450 since 19 December after months of selling when the stress of USD/VND rate cooled down, and the foreign reserves are expected to increase after narrowing in 2022. For 2022, the VND depreciated against USD less than other regional currencies.
- ❖ Global gold prices surged 4.2% in December as the USD pared some of its gains from earlier in the year. Meanwhile, domestic gold prices decreased slightly to VND66.7m/tael (-0.9% m/m), which represents an high premium of c.28% to global prices.

## Monthly USD/VND and other currencies



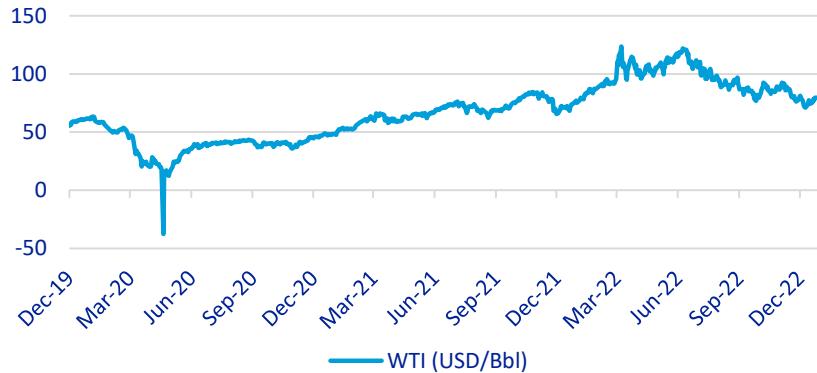
Source: Bloomberg, ACBS. Note: change relative to Dec 31, 2021

## Vietnam foreign reserves in months of imports



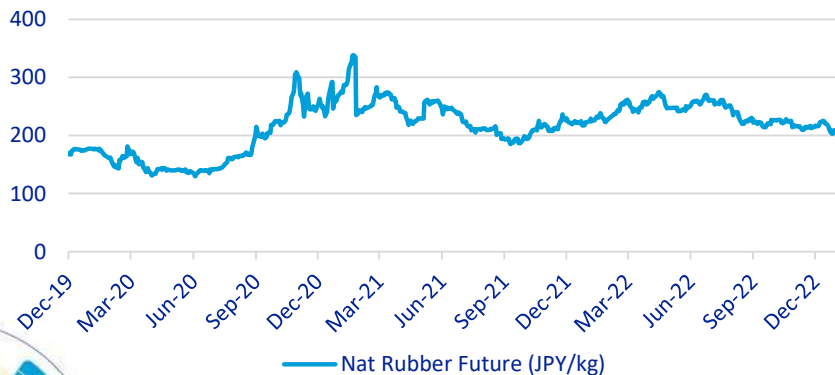
Source: WB, ACBS

## Crude Oil WTI



Source: Bloomberg, ACBS

## Natural rubber

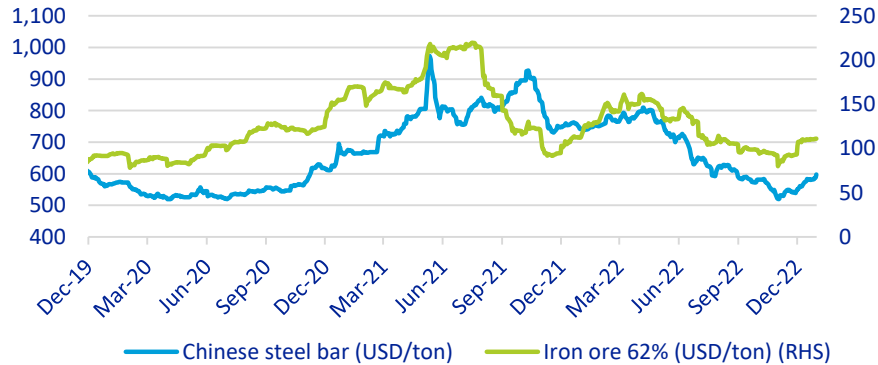


Source: Bloomberg, ACBS

- ❖ Crude oil prices recovered from the 1-year bottom at USD71/barrel on 9 Dec and came back to over USD80/barrel in the last day of December to close the month with slight decrease of 0.4% over last month given the expectation of re-opening the borders of China could recover the global supply chain and demand of crude oil. However, the widening recession worries after the economic indicators such as the PMI showing a diminishing global outlook and COVID-19 cases in China surging last month, raise uncertainty about the reopening prospects for the world's second largest economy. The recent decision of EU on applying the ceiling prices for Russian oil products at US\$60/barrel on December 2<sup>nd</sup> has not had a material effect on the oil market much as the detail of proceeding is still in discussion. In the latest monthly oil market report, the OPEC see robust global oil demand growth in 2023 come from easing zero-COVID policy of China pushing economy growth of this country. We expect that the oil price will trading at US\$80/barrel in next months given recent development of pandemic in China and global recession worries are rising.
- ❖ Natural rubber futures on the Tokyo Commodity exchange closed December at JPY203.8 and decreased by 5.5% over last month given the slowdown of global economic growth after hiking interest rates to curb inflation and the shortage of chips dragging demand of rubber products like automotive parts have dampened the demand outlook. The outlook in the Chinese market is still uncertain with new COVID-19 cases on the rise, while this country is reopening the border in early of January 2023 and easing some restrictions as a result of pressures from citizens over the continued harsh application of the zero-COVID strategy. We expect that rubber prices will face unfavourable conditions to bounce back as demand wanes and may continued to move sideways in the first quarter of 2023



## Steel rebar & Iron ore



Source: Bloomberg, ACBS

- ❖ Steel prices continued to recover with HRC steel and rebar steel in Chinese exchanges rose 10.1% and 12.9% in December, respectively. The HRC steel prices in European and US markets also increased in December as expectation of demand to pick up in the first quarter of 2023 and many steel producers increased their offer prices. In the same direction, the iron ore prices in China surged by 14.6% in December thanks to expectation on higher demand after this country reopening borders in early of January 2023. Although many steel factories in Asia (including nearly half of blast furnaces in Tangshan steelmaking hub), Europe and US are in the annual maintenance period which may last until the 1<sup>st</sup> quarter of 2023 leading to the lower supply, the weak demand can be a drag on steel prices when the prospect of reopening the Chinese economy is still uncertain.

## Coking coal



Source: Bloomberg, ACBS

- ❖ Coking coal prices in China fall sharply by 23.3% in December as the new COVID-19 cases in China surged and low demand from steel producers. China is close to lifting the unofficial ban on Australia thermal and coking coal imports since late 2020. The demand of coking coal in this country is expected to increase as this country is reopening the borders in early of 2023 while supply disruption in the short-term is still a worry as supply from Australia is falling driven by parts of New South Wales and Queensland flooding repeatedly over the recent months, along with high workforce absenteeism because of COVID-19, and Indonesia which temporary banned on coal exports.

# Key macro indicators

Monthly data	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Industrial Production (% y/y)	2.8%	9.2%	9.1%	11.1%	9.5%	9.1%	9.5%	13.3%	10.3%	5.5%	3.5%	0.2%
Mining & quarrying	-1.7%	2.2%	7.5%	7.9%	3.9%	5.1%	-2.8%	7.5%	14.9%	12.1%	16.8%	-5.1%
Manufacturing	2.9%	9.7%	9.7%	11.7%	11.0%	9.9%	11.1%	14.1%	9.6%	4.4%	2.3%	0.6%
Prod & dist of electricity	5.2%	11.9%	6.5%	8.6%	2.3%	5.5%	6.2%	12.3%	16.4%	9.3%	2.7%	1.3%
Water supply & waste treatment	4.1%	4.3%	-4.6%	2.7%	9.4%	6.3%	12.1%	5.9%	9.1%	14.4%	7.0%	5.5%
PMI	53.7	54.3	51.7	51.7	54.7	54.0	51.2	52.7	52.5	50.6	47.4	46.4
Retail Sales (% y/y)	1.3%	3.1%	9.4%	12.1%	22.6%	27.3%	42.6%	50.2%	36.1%	17.1%	17.5%	17.1%
CPI (% m/m)	0.2%	1.0%	0.7%	0.2%	0.4%	0.7%	0.4%	0.0%	0.4%	0.1%	0.4%	0.0%
CPI (% y/y)	1.9%	1.4%	2.4%	2.6%	2.9%	3.4%	3.1%	2.9%	3.9%	4.3%	4.4%	4.5%
Export Value (USDm)	30,845	23,417	34,712	33,317	30,918	32,843	30,607	34,918	29,817	30,369	29,020	29,660
Import Value (USDm)	29,449	25,381	32,663	32,468	32,616	32,233	30,533	31,059	28,388	27,903	28,277	29,160
Trade Balance (USDm)	1,396	-1,964	2,049	849	-1,698	610	74	3,859	1,429	2,466	743	500
Disbursed FDI (USDm)	1,612	1,068	1,740	1,500	1,790	2,348	1,512	1,230	2,628	2,022	2,230	2,716
Registered FDI excl. Cap. Cont. (USDm)	1,658	2,568	3,050	1,710	742	2,032	1,203	899	1,610	3,197	2,387	1,507

# Key macro indicators

Annual data	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
GDP	5.4%	6.0%	6.7%	6.2%	6.8%	7.1%	7.0%	2.9%	2.6%	8.0%
Industrial Production	5.9%	7.6%	9.8%	7.5%	9.4%	10.2%	9.1%	3.4%	4.8%	7.8%
Retail Sales	12.6%	10.6%	9.5%	10.2%	10.9%	11.7%	11.8%	2.6%	-3.8%	19.8%
Consumer Price Index	6.6%	4.1%	0.6%	2.7%	3.5%	3.5%	2.8%	3.2%	1.9%	3.1%
Export Value (USDbn)	132.03	150.22	162.02	176.58	215.12	243.70	264.34	282.53	336.25	371.85
Import Value (USDbn)	132.03	147.85	165.78	174.98	213.22	236.87	254.09	262.67	332.25	360.65
Trade Balance (USDbn)	0.00	2.37	-3.76	1.60	1.90	6.83	10.25	19.86	4.00	11.20
Disbursed FDI (USDbn)	11.50	12.35	14.50	15.80	17.50	19.10	20.38	19.98	19.74	22.40
Registered FDI (USDbn)	21.63	20.23	22.76	20.95	29.97	25.57	22.55	21.06	24.26	22.56

Quarterly data	3Q-2020	4Q-2020	1Q-2021	2Q-2021	3Q-2021	4Q-2021	1Q-2022	2Q-2022	3Q-2022	4Q-2022
GDP (% y/y)	2.7%	4.5%	4.7%	6.7%	-6.0%	5.2%	5.1%	7.8%	13.7%	5.9%
Agriculture, Forestry & Fishing	2.8%	4.7%	3.5%	4.0%	1.2%	3.2%	2.5%	3.1%	3.7%	3.9%
Industry & Construction	3.2%	5.6%	6.3%	10.4%	-5.5%	5.6%	6.4%	8.7%	12.2%	4.2%
Services	2.8%	4.3%	3.6%	4.2%	-8.6%	5.4%	4.6%	8.9%	19.3%	8.1%
Industrial Production (% y/y)	2.0%	6.3%	5.7%	12.4%	-5.0%	6.4%	6.8%	9.8%	10.9%	3.0%
Retail Sales (% y/y)	4.4%	8.0%	4.6%	4.1%	-28.3%	0.0%	5.0%	20.1%	41.2%	17.1%
Export Value (USDbn)	79.74	80.15	78.40	78.23	82.15	95.62	89.10	96.93	96.31	89.50
Import Value (USDbn)	69.02	76.92	75.61	82.50	83.86	89.07	87.65	97.64	90.29	85.07
Trade Balance (USDbn)	10.72	3.23	2.79	-4.27	-1.70	6.55	1.46	-0.72	6.02	4.44
Disbursed FDI (USDbn)	5.11	6.22	4.10	5.14	4.04	6.46	4.42	5.64	5.37	6.97
Registered FDI (USDbn)	3.32	5.58	9.33	4.34	5.26	5.34	7.28	4.48	3.71	7.09

# Key macro indicators of other countries

Countries	GDP Growth			Inflation Rate			Manufacturing PMI		
	2Q-2022	3Q-2022	4Q-2022	Oct-22	Nov-22	Dec-22	Oct-22	Nov-22	Dec-22
Indonesia	5.4%	5.7%		5.7%	5.4%	5.5%	51.8	50.3	50.9
Malaysia	8.9%	14.2%		4.0%	4.0%		48.7	47.9	47.8
Philippines	7.4%	7.6%		7.7%	8.0%	8.1%	52.6	52.7	53.1
Singapore	4.4%	4.2%	2.2%	6.7%	6.7%				
Thailand	2.5%	4.5%		6.0%	5.6%	5.9%	51.6	51.1	52.5
Vietnam	7.8%	13.7%	5.9%	4.3%	4.4%	4.5%	50.6	47.4	46.4
China	0.4%	3.9%		2.1%	1.6%	1.8%	49.2	49.4	49.0
Hong Kong	-1.3%	-4.5%		1.8%	1.8%				
Taiwan	3.1%	4.0%		2.7%	2.4%	2.7%	41.5	41.6	44.6
Japan	1.6%	1.8%		3.7%	3.8%		50.7	49.0	48.9
South Korea	2.9%	3.1%		5.7%	5.0%	5.0%	48.2	49.0	48.2
India	13.5%	6.3%		6.8%	5.9%	5.7%	55.3	55.7	57.8
United States	-0.6%	3.2%		7.7%	7.1%	6.5%	50.4	47.7	46.2
Eurozone	4.2%	2.3%		10.6%	10.1%	9.2%	46.4	47.1	47.8

- ❖ Vietnam has been able to regain its growth momentum of the past decades as it emerges from a subdued two year period, although still posting positive GDP growth, as restrictions to curb the spread of COVID-19 have been lifted. Recent economic performance has maintained remarkable growth over the recent four quarters given the success of the new strategy of living-with-COVID and flexible intervention by monetary policy to cope with pressure of rising rates and depreciation of VND and fiscal policy to drag inflation by gasoline price reductions. There are some signals of slowdown of economic growth in industrial production given weakening global demand. We're keeping a cautious eye on industrial and trade figures, as there are some signs of deterioration as many advanced economies are facing growing recessionary concerns, which could affect Vietnam's growth outlook for 2023 if conditions worsen significantly. We expect that the GDP growth will grow slower in 2023 given no longer the low base figures and the recession worries globally and will post the growth in range of 5.9% - 6.4% for 2023 as details in next page.
- ❖ For the long term, we believe that Vietnam will continue on its sustainable development path based on modernizing the economy with divestment of State Owned Enterprises opening more space for private sector, integration in the global economy by mass of trade agreements and policy towards attracting foreign direct investment to create motivation for domestic businesses, combined with innovation of investment policies and procedures to suitable with new situations, bringing better conditions for both foreign and local businesses.

## Selected Outlook on Vietnam GDP growth

Organization	2023 Outlook Latest projection	2023 Outlook Previous projection	2022 Outlook Latest projection
World Bank	6.7% (Aug 2022)		7.5% (August 2022)
International Monetary Fund	5.8% (Nov 2022)	6.2% (Oct 2022)	7.0% (Oct 2022)
The Asian Development Bank	6.3% (Dec 2022)	6.7% (Sep 2022)	7.5% (Dec 2022)
Fitch Ratings	6.3% (Mar 2022)		7.4% (Oct 2022)
Moody's			8.5% (August 2022)
S&P	6.5%-7% (May 2022)		6.9% (May 2022)
Standard Chartered Bank	7.2% (Oct 2022)	7.0% (Jul 2022)	7.5% (Oct 2022)
HSBC	5.8% (Dec 2022)	6.3% (Jul 2022)	8.1% (Dec 2022)
United Overseas Bank	6.6% (Dec 2022)		8.2% (Oct 2022)
<b>ACBS</b>	<b>5.9% - 6.4% (Jan 2023)</b>	<b>5.5% - 6.5% (Dec 2022)</b>	<b>7.8% - 8.4% (Oct 2022)</b>

## Favourable Scenario

### Key assumption:

- Economic growth slow in 1H2023 and pick up in 2H2023
  - ✓ Agriculture, forestry and fishery sector remain stable in 2023
  - ✓ Industrial activities will not contract more in 1H2023 and will recover in 2H2023
  - ✓ Services sector fully recover to pre-pandemic level support by normalized transportation, domestic consumption and surging international tourism
  - ✓ Inflation lower than government's target of 4.5%.
- Fiscal Policy: disbursement rate reach around 80-90%.
- Monetary Policy:
  - ✓ SBV will grant normal credit growth quota in 2023 (12-14%).
  - ✓ Monetary policy tends to be neutral in 1H2023 and might loosen in 2H2023
  - ✓ SBV might not raise its benchmark interest rates in 2023.
- COVID-19: no major outbreak in major cities.

GDP	IIP	Imports (USDbn)	Exports (USDbn)	Disbursed FDI (USDbn)	Retail sales	CPI
6.4%	7.6%	395	404	25.8	11.3%	3.1%

## Less Favourable Scenario

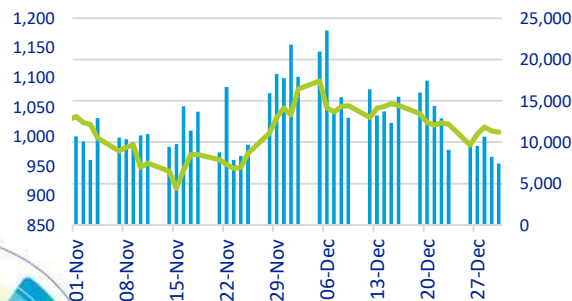
### Key assumption:

- Economic contract in 1H23 and slowly recover in 2H2023
  - ✓ Agriculture, forestry and fishery sector remain stable in 2023.
  - ✓ Industrial activities will contract more in 1H2023 and will gradually recover in 2H2023 but slow.
  - ✓ Services sector could not fully recover to pre-pandemic level due to global economic headwinds
  - ✓ Inflation will reach government's target of 4.5%.
- Fiscal Policy: Slow disbursement.
- Monetary Policy:
  - ✓ SBV will lower credit growth quota in 2023.
  - ✓ Monetary policy tends to remain tighten in 1H2023 and could be neutral neutral in 2H2023.
  - ✓ SBV might raise its benchmark interest rates toward yearend by about 0.5 percentage point (50 bps).
- COVID-19: minor outbreak in major cities.

GDP	IIP	Imports (USDbn)	Exports (USDbn)	Disbursed FDI (USDbn)	Retail sales	CPI
5.9%	4.7%	392	394	24.6	9.6%	4.5%

# Stock market recap in December

Statistics	Dec 2022		12M2022	
Bloomberg Code	VNIndex		VNIndex	
Range (pts)	984 - 1,099		874 – 1,536	
Month End Index (pts)	1,007.1		1,007.1	
Month End Mkt cap (VNDbn)	4,048,206		4,048,206	
Month End Mkt cap (USDbn)	170.6		170.6	
Daily Avg Value (VNDbn)	14,253		17,162	
Gainers	176		57	
Laggards	233		359	
Net Foreign Trade (USDbn)	0.535		1.130	
Foreign Participation	10.8%		8.4%	
Performance (%)	1M	3M	6M	12M
VNIndex	-3.9	-11.0	-15.9	-32.8
VN30	-4.2	-12.7	-19.5	-34.0



After rebounding strongly from the 2-year low in November, the VNIndex fall under 1,000 points once again in December before a late rally saw the index close the year at 1,007.1 points. The overall VNIndex liquidity improved significant by 22.3% in December with 176 stocks have gaining while 233 stocks recorded price decrease over last month. Foreign investors to be net buyers with a value of US\$535m bringing the whole year net buying to US\$1.13bn, the highest net value since 2018. On the way of improving the sustainable development of stock market and improving the safety for the derivative market, the Vietnam Securities Depository (VSD) announced that the new minimum initial margin ratio for VN30 Index futures of the derivatives market will be raised to 17% instead of 13% and applied from December 15<sup>th</sup>. In the case that the proposal of Vietnam's Ministry of Finance (MoF) about a draft decree amending and supplementing Decree 65 and Decree 153 on private offering and trading of corporate bonds in the domestic and international markets is approved, we expect it will relieve some stress of liquidity on both real estate and stocks markets.

The largest contributor to VNIndex in December was HVN of Vietnam Airlines (+35% m/m) which has restored most international destinations, including China where the border is re-opened in early of Jan 2023, following by banking stocks like VPB, EIB, SSB, STB. It has been reported that South Korea's second-largest conglomerate SK Group is considering to sell its assets in Southeast Asia and reinvesting in other business in regional countries including Vietnam. SK Group is holding 6.1% shares of Vingroup, 9.5% shares of Masan group, 16.3% of Wincommerce, 4.9% of The CrownX corp, 14.5% shares of Pharmacity, 54% shares of Imexpharm. Although the divestment is preparing for the emergency fund without any financial difficulty of SK Group, this selling if any will have some impact to such companies in Vietnam and the expectation on the overall market of investors. When the steel sector is still in gloomy performances and China, the main export market of Hoa Phat, is still drowning in pandemic, Hoa Phat (HOSE: HPG) has signed a contract to export 10,000 tons of coiled steel to Europe for the first time, opening up the new and potential markets for Hoa Phat's steel products.

## Top gainers & laggards for December 2022

Top 5 gainers	Avg Daily Trading Value (%m/m)	1M return
Telecommunication Services	127.6%	45.5%
Transportation	53.0%	10.3%
Energy	7.9%	8.0%
Consumer Services	-13.4%	6.1%
Health Care Equip. & Services	-22.2%	3.7%
Top 5 laggards	Avg Daily Trading Value (%m/m)	1M return
Technology Hardware & Equip.	-21.1%	-14.7%
Real Estate	28.6%	-13.0%
Media & Entertainment	-9.3%	-9.7%
Food, Beverage & Tobacco	23.9%	-5.3%
Utilities	14.1%	-4.6%

## Top gainers & laggards for 12M2022

Top 5 gainers	Avg Daily Trading Value (%m/m)	YTD return
Commercial & Prof. Services	-22.1%	6.5%
Software & Services	-23.8%	2.5%
Consumer Durables & Apparel	-11.3%	1.2%
Utilities	14.1%	-0.7%
Automobiles & Components	-63.0%	-3.0%
Top 5 laggards	Avg Daily Trading Value (%m/m)	YTD return
Diversified Financials	48.4%	-59.3%
Media & Entertainment	-9.3%	-56.7%
Telecommunication Services	127.6%	-56.6%
Technology Hardware & Equip.	-21.1%	-44.7%
Materials	2.6%	-43.4%

- ❖ In the top 10 market capitalization sectors, only banks, transportation and software & services gained in December. Transportation got 10.3% gaining in December with many aviation and logistic stocks is expected to be benefited when the year end festival coming.
- ❖ With the retreat of the Real Estate sector in December, foreign investors were active buyers in the sector, accumulating a net VND3,3tn, as the decree amending and supplementing Decree 65 and Decree 153 on private offering and trading of corporate bonds in the domestic and international markets is in approval progress, we expect it will relieve some stress of liquidity for real estate companies as we show in the slides 35-37.



# Month end HOSE composition and valuation

Sector	No. of tickers	Mkt cap (VNDtn)	Index weight	1M return	YTD return	P/E	P/B	ROA	ROE	Avg trading value (%m/m)	Net foreign flows 1M	Net foreign flows YTD (VNDbn)
Banks	17	1,427.6	35.6%	0.9%	-16.5%	9.70	1.82	1.93%	21.13%	25.8%	502.2	6,557.7
Real Estate	50	722.6	18.1%	-13.0%	-32.9%	69.92	2.00	5.23%	12.14%	28.6%	3,259.9	942.8
Food, Beverage & Tobacco	32	493.2	12.4%	-5.3%	-10.8%	17.48	4.32	12.89%	26.88%	23.9%	748.6	1,710.6
Utilities	28	303.9	7.6%	-4.6%	-0.7%	13.82	2.70	13.75%	21.69%	14.1%	900.1	1,541.3
Materials	64	278.3	6.9%	-1.1%	-43.4%	9.70	1.19	15.55%	22.40%	2.6%	2,652.7	1,412.4
Transportation	28	163.1	4.1%	10.3%	-15.5%	439.65	2.75	3.55%	11.48%	53.0%	394.3	823.0
Capital Goods	76	150.1	3.8%	-3.7%	-38.2%	16.30	1.31	5.77%	15.43%	36.5%	419.5	3,193.7
Software & Services	3	91.0	2.3%	2.7%	2.5%	16.54	4.11	9.77%	27.31%	-23.8%	13.9	573.6
Diversified Financials	17	90.3	2.3%	-3.9%	-59.3%	17.79	1.23	5.34%	13.21%	48.4%	1,985.7	1,226.3
Retailing	9	79.2	1.9%	-1.9%	-27.4%	12.51	2.82	8.75%	25.27%	-18.9%	253.6	2,200.8
Energy	9	60.5	1.5%	8.0%	-32.1%	36.48	1.47	1.77%	4.69%	7.9%	580.8	2,152.7
Insurance	5	45.5	1.1%	-2.6%	-11.6%	17.65	1.50	1.72%	9.28%	-15.3%	162.1	367.2
Consumer Durables & Apparel	17	45.5	1.0%	3.1%	1.2%	13.70	2.76	13.31%	22.55%	-11.3%	-14.6	582.3
Pharma, Biotech & Life Sciences	10	27.7	0.7%	0.9%	-14.4%	13.87	2.33	14.77%	18.39%	74.7%	21.3	177.3
Automobiles & Components	6	7.7	0.2%	3.1%	-3.0%	12.42	1.77	7.60%	15.44%	-63.0%	7.6	29.3
Technology Hardware & Equip.	1	6.2	0.2%	-14.7%	-44.7%	7.11	2.75	16.43%	46.13%	-21.1%	-18.0	-61.8
Consumer Services	8	5.6	0.1%	6.1%	-10.9%	106.58	3.93	4.11%	4.67%	-13.4%	7.3	60.6
Commercial & Prof. Services	6	5.5	0.1%	3.5%	6.5%	8.29	1.63	17.91%	22.46%	-22.1%	8.2	-241.1
Health Care Equip. & Services	3	2.5	0.1%	3.7%	-29.1%	16.45	1.82	8.12%	14.12%	-22.2%	25.5	460.5
Telecommunication Services	1	2.3	0.1%	45.5%	-56.6%	6.50	1.17	3.80%	19.74%	127.6%	0.0	-1.0
Unclassified	9	1.6	0.0%	-5.4%	-45.2%	8.69	0.54	3.35%	5.72%	8.9%	0.0	9.6
Household & Personal Products	1	1.3	0.0%	-0.9%	-12.7%	6.02	1.66	20.33%	30.88%	156.0%	2.6	-6.5
Media & Entertainment	2	0.8	0.0%	-9.7%	-56.7%	7.74	1.30	13.14%	21.02%	-9.3%	-0.3	-68.6
VNIndex	421	4,048.2	100.0%	-3.9%	-32.8%	10.50	1.61	2.49%	15.44%	22.3%	12,833.9	26,824.7
VN30 Index	30	2,837.9	70.1%	-4.2%	-34.0%	8.62	1.59	2.72%	18.59%	16.9%	7,485.0	8,374.6

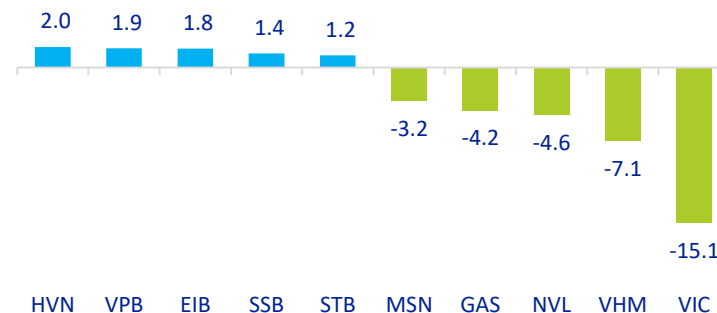
Source: Bloomberg, ACBS

## Top 20 Market Capitalization (as at December 30, 2022)

Ticker	Company name	Market Cap. (VNDtn)	1M return	YTD return	P/E	P/B	Remaining foreign room
VCB	Vietcombank	378.6	-1.2%	1.5%	14.3	3.0	6.4%
VHM	Vinhomes	209.0	-11.9%	-39.8%	6.6	1.5	25.7%
VIC	VinGroup	205.2	-22.7%	-43.4%	251.1	1.9	35.3%
BID	BIDV	195.3	-6.1%	4.0%	12.0	2.0	12.8%
GAS	PetroVietnam Gas	194.3	-7.9%	8.4%	14.4	3.4	46.1%
VNM	Vinamilk	159.0	-6.4%	-5.7%	18.0	5.1	44.3%
MSN	Masan Group	132.4	-8.8%	-34.3%	13.8	5.2	18.5%
CTG	VietinBank	131.0	0.0%	-19.6%	8.4	1.2	2.2%
VPB	VPBank	120.2	6.5%	-25.0%	6.5	1.3	0.0%
SAB	SABECO	107.0	-5.9%	14.6%	19.5	4.4	37.4%
HPG	Hoa Phat Group	104.7	-2.2%	-48.7%	5.8	1.1	27.2%
TCB	Techcombank	90.9	-0.2%	-48.3%	4.3	0.8	0.0%
FPT	FPT Corp	84.4	3.1%	1.3%	16.0	4.2	0.0%
BCM	Becamex IDC Corp.	83.4	-0.2%	26.9%	44.8	4.8	46.0%
MBB	MBBank	77.5	-1.7%	-29.0%	4.4	1.1	0.0%
ACB	Asia Commercial Bank	74.0	-0.9%	-20.7%	5.6	1.3	0.0%
SSB	SeABank	67.1	9.1%	-7.4%	16.7	2.6	4.8%
MWG	Mobile World Investment	62.8	-2.7%	-36.5%	12.4	2.7	0.0%
VRE	Vincom Retail	59.8	-13.9%	-12.6%	28.9	1.8	17.0%
VJC	Vietjet Air	59.3	6.3%	-14.7%	718.4	3.4	13.0%

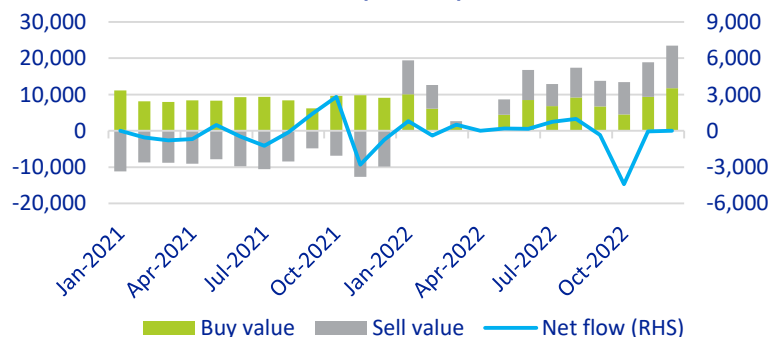
Source: Bloomberg, FiinPro, ACBS

## Top contributors on VNIndex in December 2022



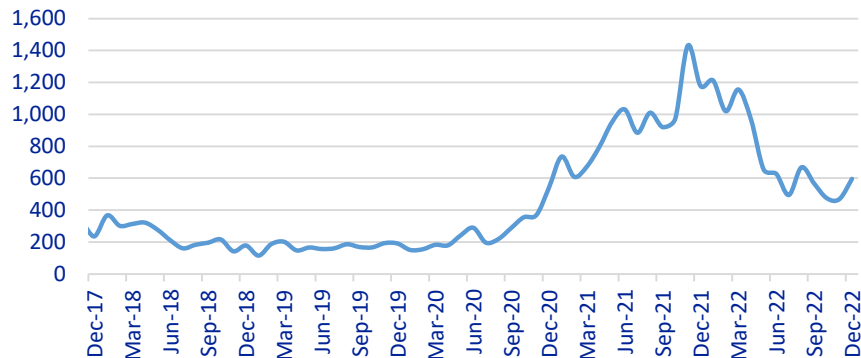
Note: Index impact (pts)

## Net brokerage prop trading value into VNIndex (USDbn)

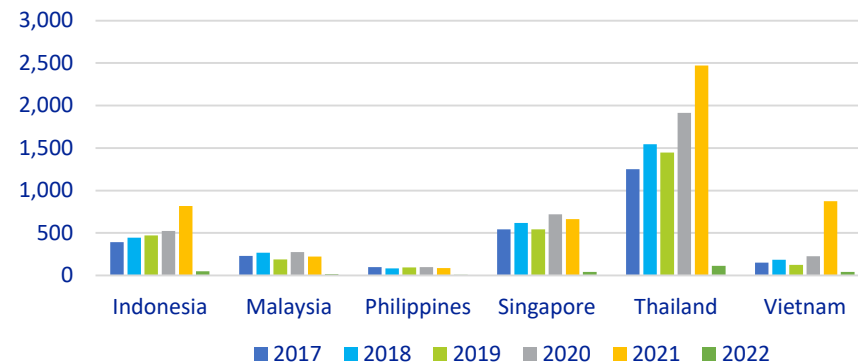


Source: FiinPro, ACBS

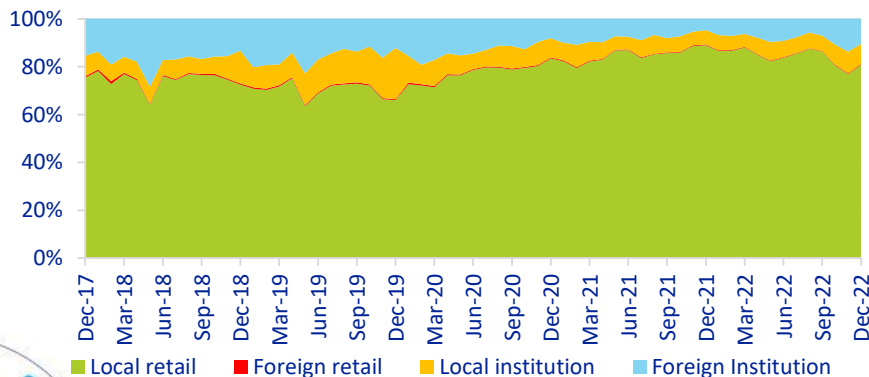
## Average Daily Turnover (USDm)



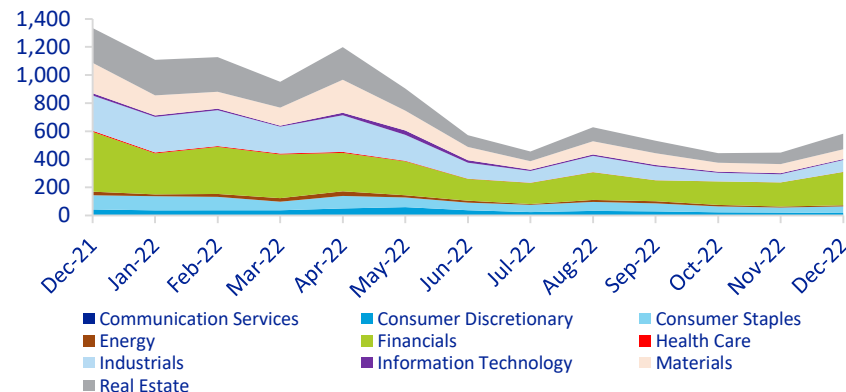
## Average Daily Turnover of ASEAN markets (USDm)



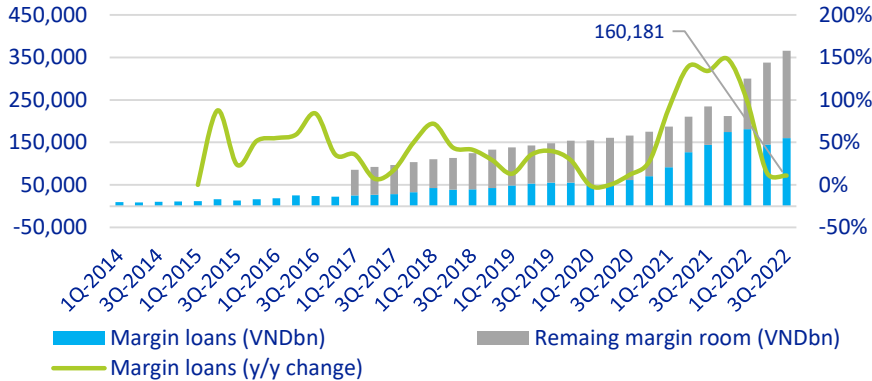
## Market Turnover by Investors



## Average Daily Turnover by Sector (USDm)



## Margin outstanding

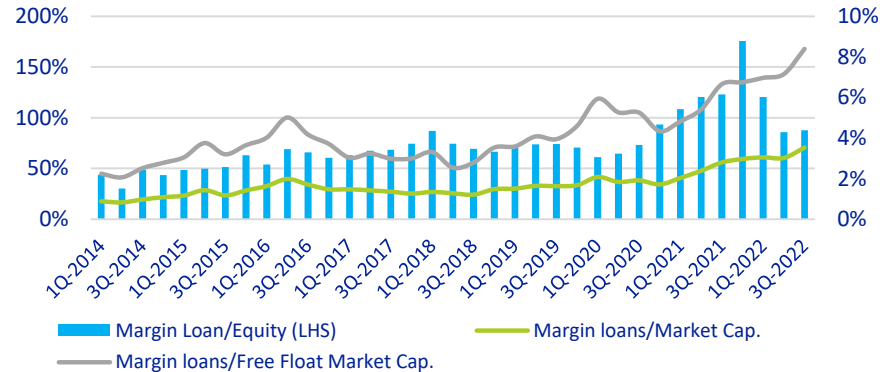


Source: Fiin Pro, ACBS. Note: margin room base on limit on financing margin of brokers

- ❖ Market-wide margin loans outstanding bounced back in the third quarter and was estimated at VND 160 trillion at the end of September, increase by 11% over end of 2nd quarter. The margin loans to free float market capitalization rose to about 8.4% but the overall liquidity is still low reflecting that margin lending may be using as an alternative source of funds amid the tight lending room from banks and bond market is quiet. In recent two months, many brokers flexibly rose their interest rate for margin loans by 100-200 bps or more after the hike interest rate of SBV by total of 200 basis points.

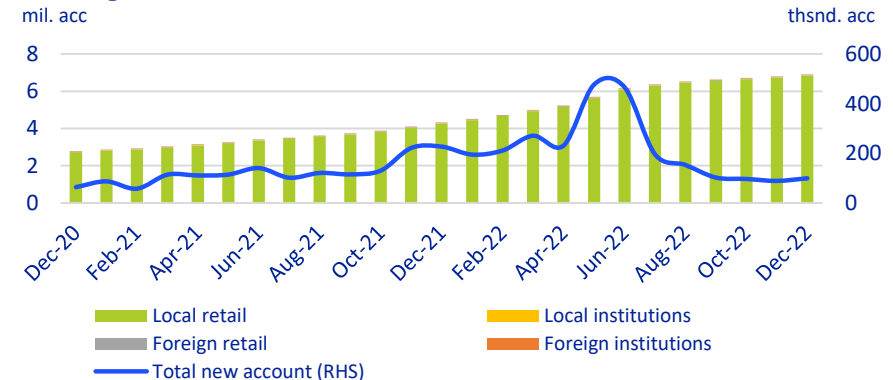
- ❖ New trading accounts opened in December increased by 12% over November but decreased 56% over the same period of 2021 with 98,785 new accounts opened. Generally, there are 6.9 million accounts as of December 31, 2022.

## Margin leverage



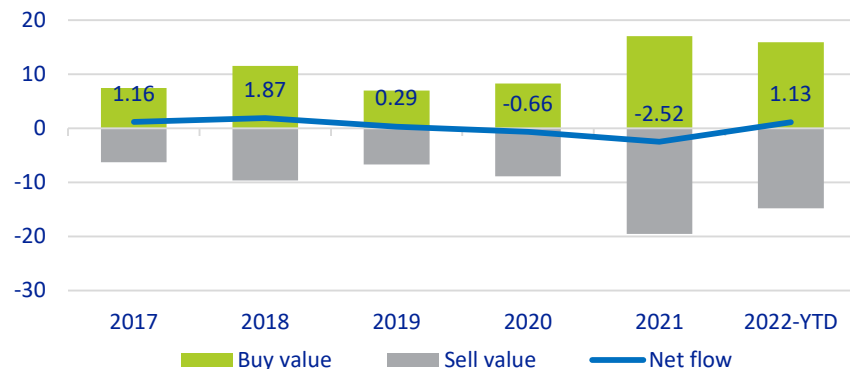
Source: Fiin Pro, Bloomberg, ACBS

## Trading account



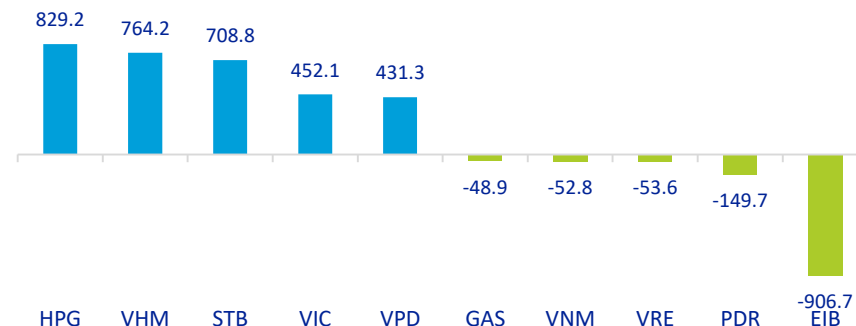
Source: GSO, ACBS

## Net foreign flow into VNIndex (USDbn)



Source: FiinPro, ACBS

## Top foreign net buying on VNIndex in December 2022 (USDm)



Source: FiinPro, ACBS

- ❖ Foreign investors continued accumulate position on the VNIndex with a monthly net buy value of US\$535m bringing the whole year net buying to US\$1.13bn, the highest net value since 2018. The inflows is widespread across sectors in the market. HPG, VHM, STB continued to be bought strongly by foreign investors.
- ❖ While Vietnam, together with Thailand, maintained the inflows of foreign investors, some other Asian markets witnessed the foreign outflows in December as US expected to hike interest rate further and risks of reopening borders in China in early of 2023.

Markets	Net foreign flow 1M (USDbn)	Net foreign flow YTD (USDbn)	Market Cap. (USDbn)	Net foreign flow YTD as % market cap
Vietnam	0.57	1.13	170.6	0.66%
Indonesia	-1.34	4.27	614.1	0.69%
Malaysia	-0.31	1.10	234.6	0.47%
Philippines	-0.11	-1.25	165.0	-0.75%
Thailand	0.37	5.96	587.2	1.02%
Taiwan	-2.88	-44.35	1,434.1	-3.09%

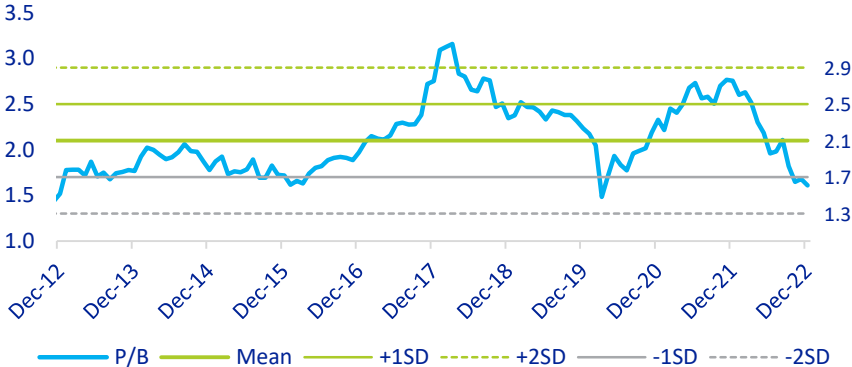
Source: Bloomberg, FiinPro, ACBS

P/E of VNIndex for 10 years



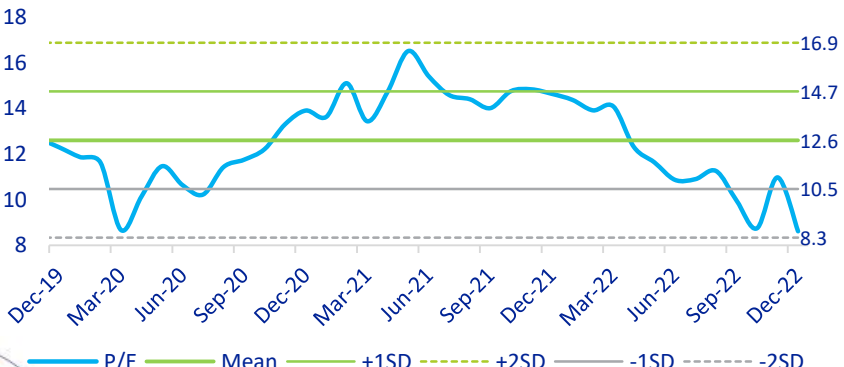
Source: Bloomberg, ACBS

P/B of VNIndex for 10 years



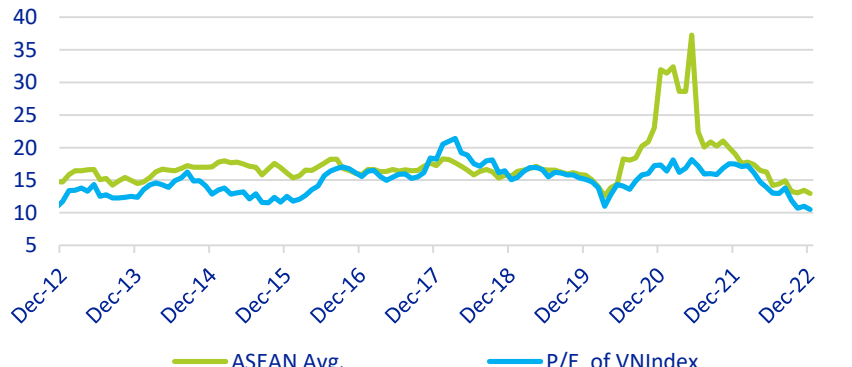
Source: Bloomberg, ACBS

P/E of VN30 for 3 years



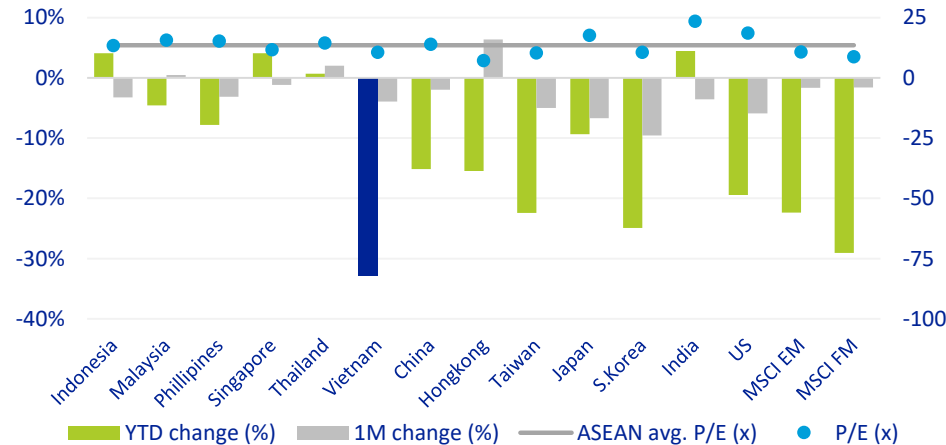
Source: Bloomberg, ACBS

P/E of VNIndex and regional peers average



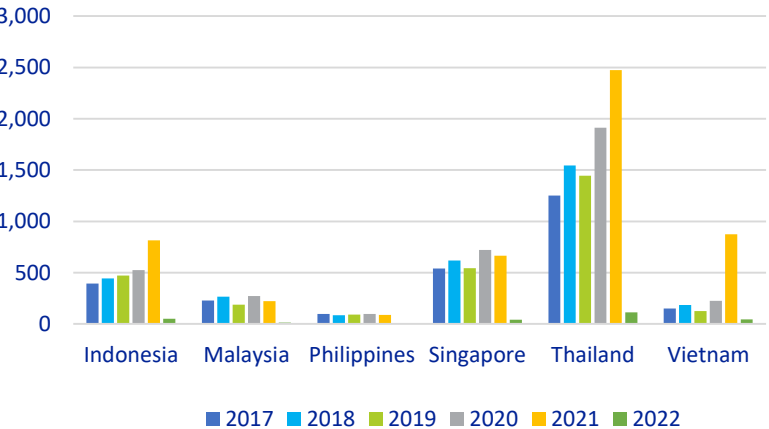
Source: Bloomberg, ACBS

## Index comparison



Source: Bloomberg, ACBS

## Average Daily Turnover of ASEAN markets (USDm)

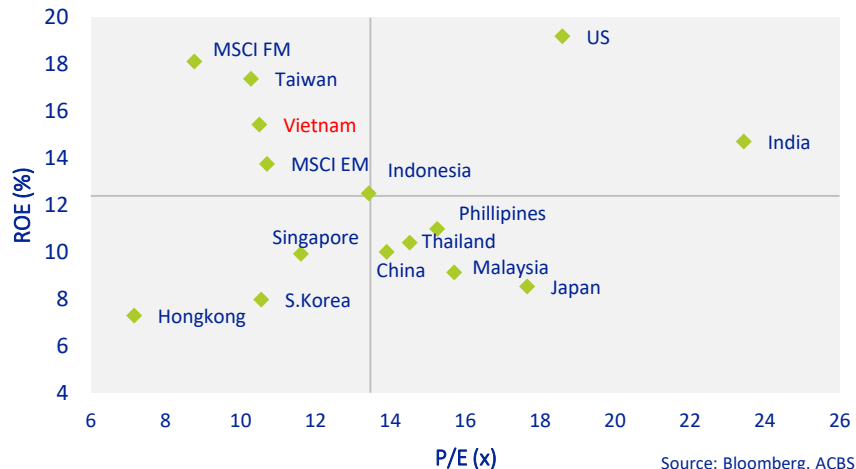


Source: Bloomberg, ACBS

- ❖ The VNIndex moved in the same direction with global stocks markets in December as most experienced a decline. Despite it appearing that we've passed peaked inflation in much of the world, with both the CPI and core CPI of US in November lower than last month, the concerns on further interest rate hikes of central banks and global recessions combined with uncertainty of China economy when this country planning to reopen the border amid the COVID-19 is yet to controlled.
- ❖ After rising strongly in 2021, the liquidity of VNIndex fell this year but have still outpaced other peer markets, namely Singapore, Malaysia and the Philippines in the YTD ADTV.

# Stock market valuation vs regional peers (cont'd)

## Current market valuation



- ❖ The P/E of VNIndex at the end of 2022 is at 10.5x, lower than the average of 13.5x of ASEAN markets and other Asia markets like Japan, India and equivalent to South Korea. Regarding to return of equity assessment, VNIndex is among the highest ROE compared with others in our watch list. In the cautious approach, we expect that the EPS growth for 2023 of VNIndex will be 7.1%, lower than the average of 8.6% of ASEAN markets. With the F.P/E of 9.2 for 2023, lower than the F.P/E average of 12.6 of ASEAN markets, we suppose that the VNIndex is still attractive with investors to accumulate at relative low valuations.

## Expected market valuation



Country	Dec '22 P/E (x)	'23E EPS growth (%)	'23 F.P/E (x)
Vietnam (*)	10.5	7.1%	9.2
Average	13.5	8.6%	12.6
Indonesia	13.4	1.8%	14.2
Malaysia	15.7	11.2%	13.0
Philippines	15.3	14.7%	13.0
Singapore	11.6	12.1%	10.7
Thailand	14.5	5.0%	15.4

Source: Bloomberg, ACBS, (\*) estimated by ACBS



- ❖ In the short term, we're seeing encouraging signs that the market has pivoted after falling to the 2-year low in mid-November. Although the market dropped in December, some macro pressures have been easing with the VND strengthening by 4.3% in the month vs the USD and interest rates starting to ease with the overnight interbank interest rate decreasing by 251bps in December, other terms of less than 6-months also saw interbank interest rates decrease. Foreign inflows remained strong and have yet to show any signal of reversal. Recently, the Ministry has submitted the draft of new decree amending Decree 65 and Decree 153 on private offering and trading of corporate bonds is still in approval process which bring supports for the market as we show in slides 35-37. Although the economic outlooks has some signs of deterioration as industrial production and exports are weakening, the overall conditions of the economy are stable and expected to be more active if the speed of public investment disbursement is pushed. Market valuations ticked up from the low of 9.5x P/E seen at the close on Nov 15th, but remain at a deep discount to historical averages (the P/E as of 10 Jan was 11.04x, 27% lower than the 3 yr avg) and could provide longer term investors an opportunity to accumulate positions at attractive valuations.
- ❖ For the longer-term outlook, we believe that the Vietnamese listed markets are well positioned to continue to develop along side the economy in general. The growing concerns of recessions taking hold in advanced economies would have an impact on Vietnam, given its integration into global supply chains (trade accounts for c. 220%+ of GDP), however the domestic fundamentals should shield Vietnam from the worst of the global downturn. The recent wave of anti-corruption actions taken in the market, notwithstanding some short term pains, will be beneficial for the long term sustainable development of the financial markets. The rise of the middle class and increases to disposable income supporting continued growth in domestic consumption, long term trends of manufacturing shifting to Vietnam and the country's ever increasing integration to the global economy with 15 bi- and multi-lateral trade agreements set the stage for Vietnam to continue to prosper for years to come. The country is committed to the development of the capital markets and we believe it's a just a matter of time until the Vietnamese equity markets are upgraded by MSCI to an emerging market, which will open the door for vast amounts of foreign capital to enter the market.
- ❖ The global macro issues that have wreaked havoc on markets for most of 2022 are looking to be subsiding. High inflation rates are starting to show signs of plateauing, major commodities prices are retreating from highs earlier in the year and there are expectations that central banks will slow the pace of rate hikes as we move into 2023. The weakening USD has given a reprieve to the VND and taken some rate hike pressures off of the SBV in the near term. The highest risk currently is worries on recession in main exports markets like US and EU which will negative impact to Vietnam exports and industrial production and pull down earnings of related companies. When China is reopening border amid the wave of COVID-19 yet to over, the foreign trade of China and other economic is expected to be reconnecting comes with the risk of new wave of COVID-19 variants.

- ❖ In our **base case scenario**, we assume that Vietnam will continue to experience decent economic growth and that corporate earnings grow in the high 7-10% range. Market sentiment will pick up from the current levels we're seeing with multiples increasing from the recent lows, the anti-corruption efforts will have calmed down and the credit markets will normalize. Global macro difficulties will have mostly subsided by the end of 2023 and central banks will have completed the tightening cycle, which could alleviate pressures on the VND and allow the SBV to consider more accommodative monetary policy. Under these assumptions, the index would trade at multiples around the 11-12x range, given the recent prolonged downturn in sentiment making it challenging for the markets to return to historical levels in the short term. This would result in the VNIndex trading around the 1,200 point level by the end of 2023, representing a F. 2023 P/E of c. 9.2x
- ❖ The **optimistic scenario** is based on the strong public investment in 2023, a faster than expected recovery in the domestic property markets and continued strong FDI inflows and the resolution of the credit issues facing the market. The global economy will get inflation under control in the first half of 2023 and investor sentiment will pick up based on easing global monetary policy. Under these assumptions, we could see corporate earnings growing by 15-20%, while valuations in the market could increase from current levels, but remain below the 3 year average at c.11-12x earnings, given the persistent global macro uncertainty, which would result in the index surging to around the 1,500 point level by the end of 2023.
- ❖ In the **pessimistic scenario**, we see the concerns on inflation which will stay at high figures, the central banks continue their hawkish monetary policies and dragging down the global growth, while the protracted Ukraine war and unpredictable reopening of China and potential COVID waves could affect growth prospects. Domestically, GDP will continue to grow, however the rate could be hampered by lower consumer confidence affecting domestic consumption, recessionary concerns in key export markets hitting the manufacturing sector and the stalled credit markets affecting a potential rebound in the real estate sector. In this scenario, we could see the earnings achieve flat to modest growth and market sentiment remaining low throughout the year in the 10x range while other investment channels gather favour from investors, resulting in the index increasing to the remaining relatively flat by the end of 2023.

## Three scenarios in 2023

Scenarios	VN-Index (points)	Growth vs. Dec 31 <sup>st</sup>	F.PE (x)
<b>Pessimistic</b>	1,067	5.9%	9.6
<b>Neutral</b>	1,204	19.6%	9.2
<b>Optimistic</b>	1,487	47.7%	8.6

## Year-end 2023 Index Points Sensitivity Matrix

		Earnings Growth					
		0.0%	5.0%	10.0%	15.0%	20.0%	25.0%
Earnings Multiple	9.5	970	1,019	1,067	1,116	1,164	1,213
	10.0	1,021	1,072	1,123	1,174	1,225	1,276
	10.5	1,072	1,126	1,179	1,233	1,287	1,340
	11.0	1,123	1,179	1,236	1,292	1,348	1,404
	11.5	1,174	1,233	1,292	1,350	1,409	1,468
	12.0	1,225	1,287	1,348	1,409	1,470	1,532
	12.5	1,276	1,340	1,404	1,468	1,532	1,595
	13.0	1,327	1,394	1,460	1,527	1,593	1,659

The corporate bonds market has exploded since 2018 with the issuance value via private placement reached VND150trillion (+222%) with 419 companies raised capital by this channel (+246%). At the end of 2018, there are new legal framework for corporate bonds by issuing Decree 163/2018/NĐ-CP effect on Feb 01<sup>st</sup>, 2019 which some key changes including:

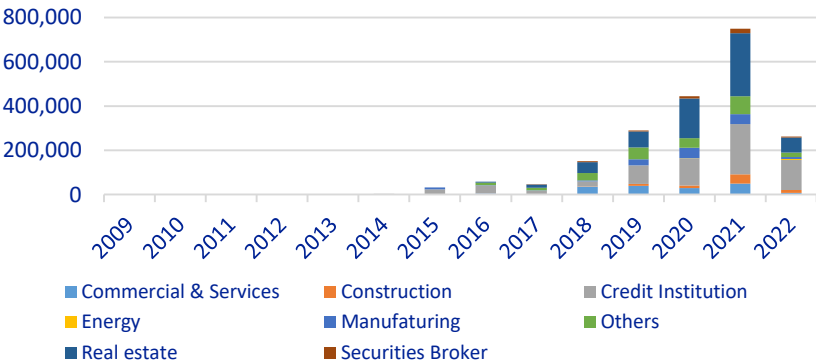
- 1. Removes the condition that bond issuers must have profit in the year immediately preceding the year of issuance;
- 2. No longer required that the audited financial statements of the issuer must have the "full acceptance" opinion of the auditing organization;
- 3. Allows corporate bonds to be issued directly to investors for the first time;

The corporate bonds market continued to expand strongly in next three years with the average growth of issued value at 71% for 2019-2021 period before decreasing sharply in 2022.

The proportion of publically issued bonds (which require approval of shareholders, the State Securities Commission (SSC) and must submit a listing and trading dossier like a listed stock on the market) was very small compared with private placement given the prolong of approval process. Real estate bonds accounted for an average of 34% of total issued value in 2018-2021 period, the highest sector in total, following by credit institutions.

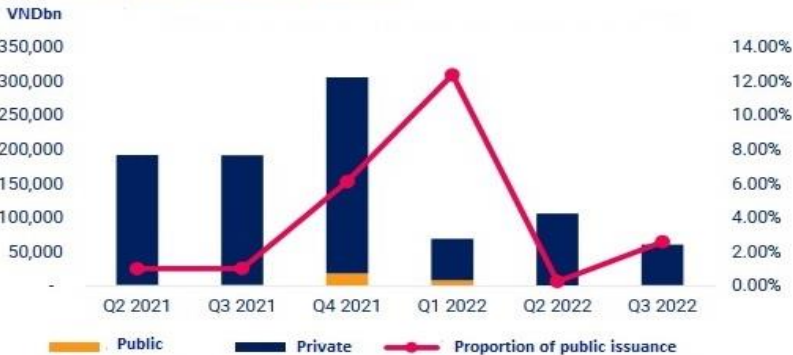
Decree 65/2022/NĐ-CP dated Sep 16<sup>th</sup>, 2022 included amendments to Decree 153/2020/NĐ-CP prescribing private placement and trading of privately placed corporate bonds creates a new turning point in risk prevention for corporate bonds market.

Issuance corporate bonds value by private placement (VNDbn)



Source: HNX, ACBS Research

Proportion of private and public placement



Source: VBMA

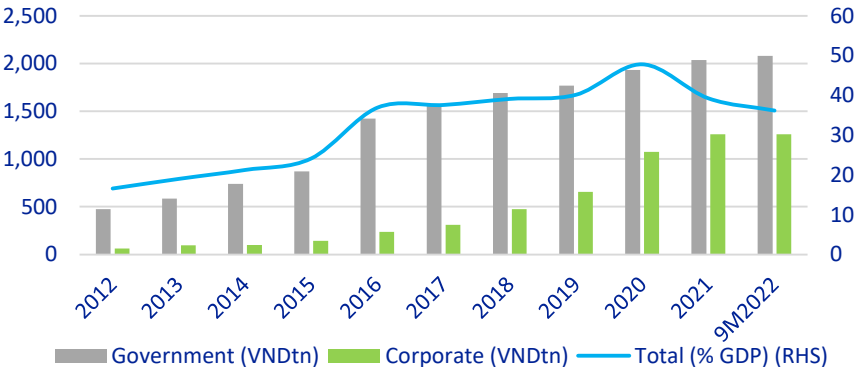
Some key changes of Decree 65:

- Supplement the regulation that issuers must have credit rating results in some specific cases (\*), to go into effect from Jan 1<sup>st</sup>, 2023
- Individual investors who want to become professional investors must ensure to have 2 billion VND of portfolio with average value within 6 months and that certification will be valid within 3 months.
- Face value of bonds increase to VND100m instead of VND100thsd.
- Supplement of compulsory repurchase when the enterprise commits violations on offering, use of capital and corporate bonds transactions, and the enterprise's remedy is not accepted by 65% of bondholders
- Supplement the criminal prosecution of the parties involved in the process
- Stricter requirements on providing information

The risks prevention measures in the private placement of corporate bonds is a necessity for stability of this market. However, when the conditions for public issuances prolongs the process, cash flows in the whole economy are affected by interest rates hikes of central banks, slowdown of real estate projects progress in recent years, the sudden tightening coming from Decree 65 may bring some difficulty to both the issuers and relevant parties, and in turn to affect to the whole economy given the increasing share of corporate bonds in GDP. Until September 2022, the proportion of corporate bonds accounted for 13.6% of GDP while this ratio was in single digits before 2019.

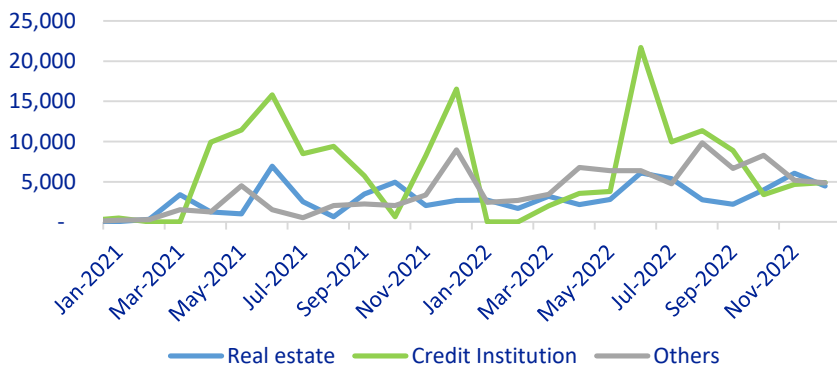
Amid pressures from corporate bonds on liquidity as new issuances have dried up and requirements to buy back bonds according to Decree 65, in Dec 2022, the Ministry of Finance have submitted the draft amendments and supplements to a number of articles of Decree 65, including important revisions as in next page.

## Vietnam Bonds Outstanding



Source: HNX, ACBS Research

## Buy back value of corporate bonds (VNDbn)



Source: HNX, ACBS Research

(\*) (1) Total value of bonds at par value mobilized in each 12 months is more than VND 500 billion and more than 50% of equity based on the latest financial statements.

(2) Total outstanding balance of bonds at par value up to the time of registration for offering is greater than 100% of equity based on the most recent financial statement

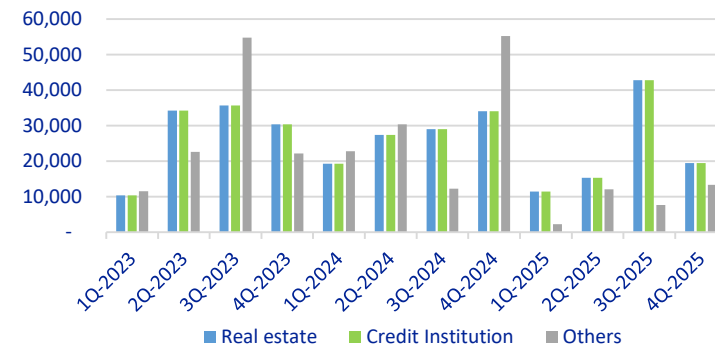
- Postpone the regulation that issuers must have credit rating results in some specific cases for private placement to Jan 1st, 2024. Given the underdevelopment of the credit rating services in Vietnam, we believe this is an appropriate amendment to not further prolong the issuance process while the credit rating services mature.
- Allowing enterprises to change the term, time to convert bonds for the issued bonds for a maximum of 2 years compared to the announced term. We suppose that this will allow issuers, especially the real estate developers, to have time to prepare cash flows for payments and proceed the projects to suitable with the issuance plans.
- Allows the issuer and the bond holders to agree on the conversion of principal and interest due into loans or other assets. This proposal could mitigate some investors' risk by providing the framework to convert bonds to other assets (e.g. real estate) if the issuer fails to meet the terms of an issuance.
- Postpone the application of professional investor standards to Jan 1<sup>st</sup>, 2024 and reduce the bond distribution time of each tranche which could extend the number of investors and increase the possibility of a successful issuance.

For the stock market, these amendments would be welcomed by the market given:

- Reducing the pressure of cash flows given due payments and pressure of margin calls in the case of issuers using stocks as collateral for loans.
- Improve the asset quality of bondholders that are listed on the stock market such as banks, brokers and other companies thanks to decrease default risks of bonds issuers if there are alternative means to settle or convert already issued bonds.
- Avoid the domino effect and psychological impact in case the issuer defaults amid the uncertainty both global and domestic regarding interest rates and economic growth.

The above suggestions are still in draft form and this new Decree is being urgently moved through the governmental process to issue/amend Decrees in order to solve current difficulties in the bond market. As of Jan 6<sup>th</sup>, 2023, the draft is in evaluating by the Ministry of Justice. If this Decree is issued in the 1<sup>st</sup> quarter of 2023, we expect that this is a bright point for stock market and economy in general.

## Due value of corporate bonds until 2025 (VNDbn)



Source: HNX, ACBS Research, data updated Dec 2022

## Outstanding value of corporate bonds (updated Jan 2023)

Sector	Outstanding value (USD)	No. of company	Outstanding value (VNDbn)	No. of company
Commercial & Services	9,720	1	106,726	480
Construction	-	0	53,029	118
Credit Institution	7,508	5	405,430	1,038
Energy	-	0	4,100	6
Manufacturing	-	0	97,169	514
Others	236	1	152,123	585
Real estate	44,642	8	413,104	2,311
Securities Broker	-	0	14,027	229
<b>Total</b>	<b>62,106</b>	<b>15</b>	<b>1,245,709</b>	<b>5,281</b>

Source: HNX, ACBS Research

## ACBS



## ACBS

	Short Term Outlook <sup>1</sup>	Change	Long Term Outlook <sup>2</sup>	Change
<b>Financials</b>				
Banks		-		-
Insurance		-		-
Securities		-		-
<b>Real Estate</b>				
Residential Property		-		-
Industrial Property		-		-
Retail Property		-		-
Hospitality Property		-		-
<b>Consumer Goods &amp; Services</b>				
FMCG		-		-
Fishery		-		-
Textile & Garment		-		-
Retail		-		-
<b>Materials</b>				
Construction Materials		▲		-
<b>Logistics</b>				
Land & Sea Transport		-		-
Aviation		-		-
<b>Energy</b>				
Oil & Gas		-		-
Power, Water		-		-
<b>Healthcare</b>				
Pharmaceuticals		-		-

<sup>1</sup> Less than 3 months

<sup>2</sup> More than 1 year

Positive

Neutral

Negative

**Construction Materials:** We upgrade our short-term outlook for the Construction Materials sub-sector based on the reopening of China create an opportunity for recovery of steel demand, which help steel prices to recover slightly from the bottom. But there is still no motivation for a strong recovery of steel prices to the level before COVID in China.



## Industry outlook

Industry:	FINANCIAL	Sub-sector:	BANK	Short term outlook:	POSITIVE	Long term outlook:	POSITIVE	Main ticker:	VCB, CTG, TCB, MBB, STB
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### Sector Overview

- By 25/11/2022, credit growth of the system reached 12.14% YTD, while the deposit growth was only 5.04% YTD. This put pressure to system's liquidity and banks had to raise deposit rates to about 1% in October and a total of 2% since the beginning of the year.
- Business results of banking sector were positive in Q3/22. Profit before tax of banks in VN-Index grew by 55.7% YoY. Strong profit growth was driven by (1) Net interest income and non-interest income grew well, +31.4% YoY and +17.4% YoY respectively and (2) Provision expenses slightly decreased by 1,8% YoY due to the pressure of provisioning for COVID-19 restructured loans was insignificant.
- Asset quality was good in general but there were some signs of deterioration. NPL ratio by the end of 3Q22 was flat compared to the previous quarter, at 1.48%. Meanwhile, group 2 loan ratio increased by 22 bps compared to the previous quarter to 1.42%. COVID-19 restructured loans continued to decrease.
- Banks continued to maintain a thick provision buffer with an NPL coverage ratio of 160%, equivalent to the 1Q2022 and the 2Q2022.

### Outlook / What to Watch

- SBV extended credit growth target by 1.5-2% and whole year target raised to 15.5-16%.
- Deposit rates have increased by about 2% YTD. Lending rates also increased accordingly. We expect this will help NIM of banks to be kept at the same level as in 2021.
- We expect provision expenses will start to increase from Q4/22 and it will be difficult for banks' profits in 2023 to maintain a high growth rate like in 2022.

## Industry outlook

Industry:	FINANCIAL	Sub-sector:	INSURANCE	Short-term outlook:	NEUTRAL	Long-term outlook:	NEUTRAL	Main ticker:	BVH, PVI
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### Sector Overview

- According to the Insurance Association of Vietnam, in 2021, total insurance premium of the whole market was estimated at 159,458 billion VND, +22% compared to the previous year despite the epidemic situation. In which, insurance premium from new business was estimated at VND49,549 billion, up 18.5% compared to the previous year. Digitization and strengthen associate with banks helped insurance sales maintain high growth.
- In 9M2022, total life insurance premium was estimated at VND127,511 billion, +16.2% YoY, in which, new business insurance premium only increased by 6.35% YoY, reaching VND37,677 billion.
- For the non-life insurance segment, total non-life premium in 2021 was estimated at VND57,880 billion, up 3.98% compared to the previous year, lower than the growth rate of 6.63% in 2020.
- In 9M2022, total non-life insurance premium was estimated at VND47,792 billion, +19.1% YoY. This high growth rate is expected to continue in the end of 2022 when the economy reopens after the pandemic, along with incentive policy of the Government.

### Outlook / What to Watch

- Vietnam's life insurance market still has a lot of room for growth. The proportion of the population with life insurance was only 11% by the end of 2021. We expect the growth rate of life insurance sales for the next 5 years of 15%/year.
- For the non-life insurance segment, we expect non-life insurance sales to grow at 1-digit rate annually for the next 5 years.

## Industry outlook

Industry:	FINANCIAL	Sub-sector:	SECURITIES	Short term outlook:	POSITIVE	Long term outlook:	NEUTRAL	Main ticker:	SSI, HCM, VCI, VND
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### Sector Overview

- The securities brokerage sector has a high growth rate in terms of newly opened securities accounts, which reached 2.3 million accounts in 9M2022, nearly 3 times higher than the same period of last year. Vietnam's securities brokerage business still has a lot of growth potential when the proportion of individuals with securities accounts in Vietnam is only about 6.8%. The government aims to increase the proportion of people participating in the stock market to 5% by 2025 and 10% by 2030.
- However, securities brokerage sector is highly competitive in Vietnam. There are many securities companies while there are little differences between products of the securities companies.

### Outlook / What to Watch

- Market recovered and liquidity improved since December 2022, giving the securities companies a better outlook. Therefore, we upgrade the short-term outlook for the securities industry from Neutral to Positive.
- Vietnam's capital market is still in developing phase and has a lot of growth potential, especially in consulting on corporate bond issuance, thereby opening up many opportunities from this potential business segment for securities companies.

## Industry outlook

Industry:	REAL ESTATE	Sub-sector:	RESIDENTIAL PROPERTY	Short term outlook:	NEGATIVE	Long-term outlook:	NEGATIVE	Main ticker:	VHM, KDH, NLG
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### Sector Overview

- New supply and absorption rate declined while price continued to increase in 3Q2022.
- In 3Q2022, HCMC had over 2,800 new apartments launched (-80% QoQ but +49% YoY) at ASP of USD2,545/sqm (+3.4% QoQ and +12% YoY) and over 6,700 units sold (-36% QoQ but 4x YoY). The high-end segment dominated new supply and accounted for 76%. Average absorption rates of newly launched projects significantly declined to 55% compared with 72% in 1H2022 and 78% in 3Q2021.
- In 3Q2022, Hanoi welcomed over 3,600 new apartments (-22% QoQ but +5% YoY) at ASP of USD1,896/sqm (+1.3% QoQ and +23% YoY) and sold over 3,600 units (-40% QoQ but +22% YoY). The high-end segment dominated the market with 67%, followed by the mid-end segment with 33%.
- The Ministry of Finance proposed amendment for Decree No.65 which extends the implement time of determination of professional securities investors and credit rating by 1 year to 1/1/2024 and allows to extend bond maturity date by a maximum of 2 years.
- Vietnam Banks' Association proposed a maximum deposit rate of 9.5% for all periods and some banks started to decrease their rates. In the Document No. 9064/NHNN-TD, the SBV said it would monitor cases where credit institutions continue to raise interest rates.

### Outlook / What to Watch

- Key challenges: tightening credit, challenging corporate bond market, slow licensing process, rising interest rate and high construction material prices. Asset speculation activities may keep clearance costs at high levels which makes it difficult to develop new projects.
- New supply is limited with the leading of the high-end segment.
- Price is expected to slightly increase.
- Developers are expected to provide more attractive incentives to stimulate weak demand.

## Industry outlook

Industry:	REAL ESTATE	Sub-sector:	INDUSTRIAL PROPERTY	Short term outlook:	POSITIVE	Long term outlook:	POSITIVE	Main ticker:	KBC, BCM
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### Sector Overview

- China's zero-COVID policy motivated the leasing momentum in Vietnam with strong demand from automotive, logistics and electronics sectors.
- Northern market: In 3Q2022, IP land market had no new supply while ready-built factories (RBF) market welcomed over 37,000 sqm of new supply. Land leasing rate was USD110/sqm/remaining leasing term (+4.3% YoY) with average occupancy rate of around 80% (+8 ppts YoY). Ready-built factories (RBF) leasing rate was USD4.8/sqm/month (+3.7% YoY).
- Southern market: In 3Q2022, IP land market had no new supply while RBF market welcomed 511,000 sqm of new supply. Land leasing rate was USD125/sqm/remaining leasing term (+10% YoY) with average occupancy rate of 85% (unchanged YoY). RBF leasing rate was USD4.85/sqm/month (+5.9% YoY).
- Some tenants cut headcounts and working hours given lower orders.

### Outlook / What to Watch

- Stable demand especially from multinational corporations' expansion/relocation.
- Expected more supply of industrial land in the north than in the south thanks to infrastructure development.
- Smart and eco IPs, hybrid facilities which can convert between warehouse and factory and multi-floor facilities will become more common.
- Asking rents may continue to be in an uptrend but at a slower pace.
- Asset speculation activities increase clearance costs.

## Industry outlook

Industry:	REAL ESTATE	Sub-sector:	RETAIL PROPERTY	Short term outlook:	NEUTRAL	Long term outlook:	NEUTRAL	Main ticker:	VRE
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### Sector Overview

- No new supply in both Hanoi and HCMC in 3Q2022. Primary assets showed a big jump in rental rate.
- HCMC: In 3Q2022, rental rate in CBD increased by 52% YoY to USD218/sqm/month while in non-CBD grew by 16% YoY to USD38/sqm/month; vacancy rates were at 6.2% (+4.3 pts YoY) in CBD and 11.4% (+0.1 pts YoY) in non-CBD.
- Hanoi: In 3Q2022, rental rate increased by 40% YoY to USD144/sqm/month in CBD and by 14% YoY to USD27/sqm/month in non-CBD; vacancy rates were stable at 10.2% (-0.6 pts YoY) in CBD and 15.5% (+0.4 pts YoY) in non-CBD.

### Outlook / What to Watch

- New supply is expected to improve.
- Occupancy rates are expected to be stable.
- Consumers' swift adaptation to online shopping during the pandemic may be a constraint to the recovery of this segment.
- Inflation and interest rate concerns may affect consumption of non-essential goods.

Industry:	REAL ESTATE	Sub-sector:	HOSPITALITY PROPERTY	Short term outlook:	NEUTRAL	Long term outlook:	NEUTRAL	Main ticker:	CEO, NVL
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### Sector Overview

- Villas and townhouses/shophouses market contracted while condotel market improved in 3Q2022.
- There were 1,213 villas (-27% QoQ), 1,483 townhouses/shophouses (-39% QoQ) and 1,474 condotels (+56% QoQ) launched in 3Q2022 with absorption rates of 32% (-9 pts QoQ), 47% (-7 pts QoQ) and 63% (+13 pts QoQ), respectively.
- Given the tight state of the credit markets, hospitality projects could face difficulties securing financing for upcoming projects.

### Outlook / What to Watch

- New supply is expected to decrease.
- Absorption rate is expected to be low.
- Benefit from China's reopening.
- Travel demand is affected by inflation and recession fears.

## Industry outlook

Industry:	CONSUMER GOODS & SERVICES	Sub-sector:	FISHERY	Short term outlook:	NEGATIVE	Long term outlook:	NEGATIVE	Main ticker:	VHC, FMC, ANV, MPC
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### Sector Overview

- Vietnam aquaculture and seafood export reached USD11.0bn in 2022, +23.7 YoY. In December alone, Vietnam aquaculture export continued to decline by 12.9% YoY (USD785mn).
- Shrimp continued to account for the largest portion (39.2%) and reached USD4.3bn of export turnover in 2022 (+11.2% YoY) from which USD3.1bn are white-leg shrimp and USD570mn are black tiger shrimps. Following a 19.5% YoY decline in November, Shrimp export continued to decline by 21% YoY in December 2022 to USD260mn.
- In 2022, Vietnam pangasius export reached USD2.5bn, +52% YoY and account for 22.3% of Vietnam total aquaculture export. However following a 25.9% YoY decline in November pangasius export in December 2022 continued to decline by 22.7% YoY to USD166.2mn. While export price remains at a high level ~4.3-5 USD/kg (+53% YoY), inflation pressure pull down consumption in main markets such as the US, EU and even other smaller markets such as Mexico, Malaysia, Columbia... China is the largest market of Vietnam, accounting for 30%. The US is the second largest pangasius export market of Vietnam, accounting for 23% and reached USD540mn in 2022.

### Outlook / What to Watch

- Raw pangasius price maintainsat high level, +34.4% YoY. Even so, new crops are limited given financial restraint and we expect raw pangasius price will be maintained at this high level until 1Q2023.
- Lower demand of shrimp due to the impact of high inflation and FX might cause raw shrimp price to soften in 4Q2022.
- Inflation pressure starts to hit demand in main export markets even for year-end and festivity season.
- Higher interest rate will hit most of aquaculture seafood exporters in Vietnam.
- China's reopening on Jan 8th might boost seafood consumption as restaurants and catering services reopen.

## Industry outlook

Industry:	CONSUMER GOODS & SERVICES	Sub-sector:	TEXTILE & GARMENT	Short term outlook:	NEGATIVE	Long term outlook:	POSITIVE	Main ticker:	MSH, STK, TCM, TNG
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### Sector Overview

- One of crucial export pillars, contributing c.12% to Vietnam's export value.
- Dependence on imported material sources (e.g China) has been an issue for the industry's members for years despite desires and efforts to enhance the localization rate.
- The US, CPTPP countries and the EU are largest customers. Vietnam is among countries whose textile & garment export share to the US has enlarged at the expense of China's for recent years.
- Outsourcing (CMT) remains the most popular order type that Vietnamese manufacturers receive; still, an increasing number of manufacturers have tried to approach upper order types (e.g FOB) in the industry's value chain to enhance their profit margins.
- The industry is estimated to reach preliminary export value of \$45bn in 2022, up by 10% YoY, mostly driven by good growth in the first months of 2022 after being hit hard by COVID-19. However, the industry witnessed higher raw material prices and adverse impacts on supply chain because of hike in transportation costs, long-lasting tension between Russia and Ukraine, China's zero COVID policy, etc. More important, the fall of orders from importers due to inflationary pressure and economic instability in some key importing countries has darkened the industry's outlook in 2H2022 and 2023.

### Outlook / What to Watch

- Lower orders due to weak consumption in major importers are forecast to continue at least in 1H2023. Besides, Vietnam's textile & garment manufacturers will also face pressure to meet requirements on ESG and sustainability in production, which are increasingly emphasized by importers. Vietnam textile & garment industry targets 2023 export value of \$47-48bn for the good case with an expectation that consumer spending may recover in 2H2023 and \$45-46bn for the worse case.
- In a long term perspective, we expect Vietnam's textile & garment industry will continue its role as not only an important pillar in the country's overall export value but also an important textile & garment exporter in the world. Vietnam is viewed as one of lucrative manufacturing locations with low labor costs and a large labor force.
- However, as the advantage of labor costs may not be sustainable given the emergence of other competitors, more drastic improvements in value-added rate, dependence in China's supply/imported material sources (in tandem with ensuring environment safety), higher margin products, etc. are needed.



## Industry outlook

Industry:	CONSUMER GOODS & SERVICES	Sub-sector:	RETAIL	Short term outlook:	NEGATIVE	Long term outlook:	POSITIVE	Main ticker:	MWG, FRT, PNJ
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### Sector Overview

- An important component contributing significantly to the economic growth.
- Witnessing penetration of numerous players including both domestic and foreign names.
- While traditional trade channels hold an overwhelming market share, the emergence of modern trade retail, online shopping have been proving their growing power. As a part of this trend, retail chains offering various items, from FMCG, technology equipment, home appliances, fashion, to personal accessories, F&B, etc., have been blossoming in Vietnam.
- The outbreak of COVID-19 on a large scale and in a long period in Vietnam in 2021 caused different impacts on consumption of different products. However, a recovery could be seen in consumption of products as well as retailers' revenue after the end of social distancing stage. Retail sales of goods (accounting for c.82% of retail sales of consumer goods and services) climbed by 0.2% YoY for the whole year 2021 versus a decline of 3.4% YoY in 9M2021.
- Listed retailers reported good revenue growth thanks to recovery of consumer demand post COVID-19 in the first months of 2022 and growth from a low base in 3Q2021, for example MWG (reporting 18% YoY revenue growth in 9M2022), FRT (+55% YoY in 9M2022) and PNJ (+104% YoY in 9M2022). Still, companies have expressed conservative view on 4Q2022 and 1H2023 outlook, considering the economic conditions which may not favor consumer purchasing power, especially for non-essential products.

### Outlook / What to Watch

- Long-term outlook is promising, underpinned by a developing economy, large, young, and increasingly connected population, rising urbanization, higher incomes and living standards, and rising middle class.
- While physical retail will remain an important channel, online sales is also deepening its role because online shopping activity is increasingly popular to more consumers even post COVID-19. This makes omni-channel an increasingly indispensable part in companies' business strategies.

## Industry outlook

Industry:	MATERIALS	Sub-sector:	CONSTRUCTION MATERIAL	Short term outlook:	NEUTRAL	Long term outlook:	NEUTRAL	Main ticker:	HPG, HSG, HT1, KSB
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### Sector Overview

- Global construction steel prices had a slight increasing of 9.1% during December, which is supported by positive view about the re-opening of China. Domestic construction steel average sale prices also increased slightly to about 14,750 VND/kg, which is 5.1% higher than end of November, following the recovery trend of global steel prices.
- The massive lockdown strategy, which China is using to face against is reported to have less and less impact on the economy over time, reported by Chinese authorities speaker. This country is also said to have eased some restriction methods and reopened some public place without requirements of negative test results. The expectation of lower effect of COVID lockdown on China's economy could raise the potential for a slow recovery of construction activities in China, which would raise the overall global demand for steel and some construction materials in the future. However, the comeback of steel demand in China also means the re-opening of large steel furnaces in China, thus putting a pressure on the recovery of steel prices.
- In the latest report of VSA in middle of December, the cumulative production of total steel products after 11 months has reduced 11.3% YoY, sales volume of total steel products in 11 months has reduced 6.8% YoY, in which export volume in 11 months had a deep fall of 19.3% YoY.
- Coal prices maintain the level of over 400 USD/ton in late December as winter season pushed the demand for energy. This increasing of coal price could put a pressure on operation of cement and brick companies as construction material demand still remains low

### Outlook / What to Watch

- The challenging times for steel makers are expected to persist in the near future as the real estate market is still in a difficult state with tight credit and increasing interest rates.
- In the reduction theme of Vietnam steel market, there are some bright points for large domestic steel makers, when they are gradually taking the market shares from small steel makers, such as Hoa Phat has increased their market share from 32% in 2021 to 36.2% in 2022, other steel makers such as Nam Kim, VN steel or Dong A also increased their market share by 1-2% in 2022.
- The mid term outlook for construction materials remains blurred as China still faces the risk of a slow recovery of real estate market, although Chinese government has put out a credit package to support current construction projects but construction activities are still reported to be low.

## Industry outlook

Industry:	LOGISTICS	Sub-sector:	LAND AND SEA TRANSPORT	Short term outlook:	NEUTRAL	Long term outlook:	POSITIVE	Main ticker:	GMD, TCL, VSC
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### Sector Overview

- The Global Freight rate index keep maintain the level of 2200 points (-12% MoM). The reducing global shipping freight index keep falling showed that demand for global shipping is reducing even with the Christmas and new-year season approaching.
- International container freight index reduced 12.1% during December, as international trade activities slowdown, which mainly comes from China and major economies, showing that global consumption is still tight.
- Although China has eased some of its most restrictive COVID policies, the impact to global economy hasn't been shown in the global logistic market yet. The pricing for global shipping services is still in a downtrend, meaning a lower flow for global trading.
- The slow approval conditions at Vietnam-China land borders was partially solved. Although China still keeps their border to be tight when the pandemic situation is still complicated and this country still pursues Zero-COVID strategy, the partial opening of Vietnam-China border can help to support Vietnam fruit export, which helps to boost up land transporting activities.

### Outlook / What to Watch

- Although having a low global trading flow, Vietnam trading still had a good growth in 2022, with total export value reached 371 bil.USD (+10.5% YoY) and import reached 360 bil.USD (+8.5% YoY).
- The good growth in 2022 trading value of Vietnam is a good momentum for 2023 trading activities as many large manufacturers are considering Vietnam for moving their production hub.
- The Ministry of Industrial and Trading also set the growth target for Vietnam export value in 2023 of 6% YoY, which means there would be a potential growth room for logistic companies.

## Industry outlook

Industry:	LOGISTICS	Sub-sector:	AVIATION	Short term outlook:	POSITIVE	Long term outlook:	POSITIVE	Main ticker:	HVN, VJC, SCS
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### Sector Overview

- According to the CAAV, Vietnamese airlines have operated 25,937 flights in November 2022, triple than last year.
- In November 2022, Vietnam's airlines have transported 4.3mn of passengers (+634% YoY but -5% vs. November 2019), from which 3.5mn are domestic passengers (+509% YoY and +12.5% vs. Nov 2019) and 835,000 are international passengers (still 46.5% decline vs. Nov 2019).

### Outlook / What to Watch

- December 2022 and January 2023 will be a high season for domestic tourism in Vietnam. Vietnam expects to increase flight capacity by 32% for Tet holidays, operating 33,691 flights for Tet holidays (equivalent to 6.7mn seats).

## Industry outlook

Industry:	ENERGY	Sub-sector:	OIL & GAS	Short term outlook:	NEUTRAL	Long term outlook:	NEUTRAL	Main ticker:	GAS, PVD, PVS, PLX
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### Sector Overview

- After fell to the USD83-85/ barrel on the back of a reduced crude demand outlook as the number of Covid-19 cases in China rises again in November, Brent oil price continued to drop to USD75/ barrel before recovered back to above USD80/ barrel in December. Growing concerns about global demand seemed to have stronger impact than G7 price cap on Russian oil sales as well as the EU's ban on seaborne crude oil import from Russia (implemented on December 5th).
- Average Brent oil price is expected to dropped to USD85/ barrel in 2023. Therefore, lower oil prices will slightly drag down selling price of gas (HSX: GAS) and the rig rental rate for (HSX: PVD). Moreover, the current high volatility of oil prices can cause negative impact to (HSX: PLX) as PLX has to maintain a minimum 20-days inventory worth of domestic demand. On the other hand, the slow initiation of new oil & gas projects will continue to put a lot of pressure on the workloads for the Mechanics & Construction segment of (HNX: PVS).
- Vietnam's oil resources have been facing the depletion of natural oil resources. Most large and low-cost oil fields have been exploited for long-time and are currently in the final stages while new discoveries are mostly small field with low reserves. The lack of exploration activities/ spending that was due to low oil price in previous years has led to the fall in increasing oil and gas reserves from 2016.

### Outlook / What to Watch

#### Outlook

- Throughout 2023, oil demand is expected to move sideways due to growing concerns about global demand/ recession after increased well on the rebound of economic activities, transport demand and vaccination progress in 2022. Moreover, although China starts to open up to international tourism from Jan 2023, the recovery of oil demand can be slow as the infection and fatalities in China is still rising.
- On the supply side, oil supply remains to be tight as current/ ongoing sanctions on Russia oil & gas by US, UK and EU will continue putting high pressure to the supply concerns.
- However, sanctions on Venezuela oil may be lifted. More supply is also expected to come online from US and other non-OPEC countries in 2023. This might mitigate gradually the current supply shortage.

=> Average Brent oil price is expected to dropped to USD85/ barrel in 2023

#### RISK

- Global recession risk
- New COVID variant with high infectiousness drag oil demand down
- Further sanction on Russian oil
- Growing concerns about climate change, sales of electric cars and investment in green energy

## Industry outlook

Industry:	ENERGY	Sub-sector:	POWER, WATER	Short term outlook:	POSITIVE	Long term outlook:	POSITIVE	Main ticker:	REE, NT2, HND, POW, PC1
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### Sector Overview

- In 11M2022, accumulated electricity consumption increased fairly compared to the same period 2021; in which coal power plant still accounts for a significant proportion.
- In Nov 2022, electricity production of the whole system reached 21.12 bn kWh, accumulated 11M2022, electricity output reached 247.02 bn kWh (+5.0% YoY), of which:
  - Hydro: 91.89 bn kWh, accounts for 37.2% of the total output.
  - Coal thermal: 94.11 bn kWh, accounts 38.1% of the total output.
  - Gas and oil thermal: 24.95 bn kWh, accounts 10.1% of the total output.
  - Wind & Solar energy: 29.87 bn kWh, accounts 13.2% of the total output.
  - Import energy: 3.46 bn kWh, accounts 1.4% of the total output.
- In Dec 2022, the Ministry of Industry and Trade (MoIT) has re-submitted the 9th draft National Power Plan VIII (PP8) – 8129 / TTr – BCT for nationwide electricity development approval of 2021 – 2030 period, given vision to 2050. The chief amendment is that solar power projects were cut down by one-third, which only 11 remaining projects with 726 MW would be continued to develop. The rest would be resumed until after 2030. The underlying reasons was because solar power has reached beyond the target capacity for 2021 – 2030 period and structure – 10%. If continue to deploy, it will create further severe imbalance for national grid system and load-based.

### Outlook / What to Watch

- We expect the new price scheme for renewable energy post FIT would be settled down in Q1-2023 alongside with PP8 in order to pave the wide way for energy development and accompany infrastructure, especially wind energy, gas thermal sectors and the nationwide grid system.
- Furthermore, according to ENSO, It is conducted that higher probability of El Nino occur in 2023 – 2024 period (Mid Dec forecast model compared with Mid Oct forecast model). We project thermal power group generally will post a relatively positive results over hydropower as a result of less precipitation than many year average. In addition, Vietnam is coming to dry season which would further support for thermal power sector in Q1-2023.
- However, indexes such as decreasing PMI indicated expectations about a bleak economic would reduce the energy demand and entire energy segment profit.

## Industry outlook

Industry:	HEALTH CARE	Sub-sector:	PHARMACEUTICAL	Short term outlook:	NEUTRAL	Long term outlook:	NEUTRAL	Main ticker:	DHG, IMP, DBD, DMC, TRA, MKP, PMC
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### Sector Overview

- Vietnam is numbered among the “pharmerging markets” (i.e. emerging pharmaceutical countries).
- The majority of pharmaceutical manufacturers in Vietnam engage with the western medicine market. Generic drugs (but not the first or high-value drugs) are the most popular products of the domestic manufacturers, while patented drugs are foreign brands.
- Domestic factories are now capable of producing various types of formulations and have been spent more on production infrastructure.
- Import is a major source of supply of finished drugs and raw materials. France, India, Germany, etc. were the leading sources of drug imports for Vietnam while a majority of raw materials are imported from India and China.
- Distribution of pharmaceutical products is conducted through two channels, consisting of hospitals (via bidding process) and pharmacies. Such pharmacy chains as An Khang, Pharmacity, Long Chau etc., have emerged aiming to gain a sizable share in this fragmented market.
- WHO-GMP (GMP: Good Manufacturing Practice) is presently the most common technology production standard in Vietnam. However, generic drugs produced under higher certifications (e.g EU-GMP, PIC/S-GMP, etc) with stricter technical criteria can enjoy better prices and are more likely to win bids and find good conditions for exports. The number of pharmaceutical facilities in Vietnam achieving EU-GMP, PIC/S-GMP remains quite moderate.

### Outlook / What to Watch

- Impacts from COVID-19 outbreak were not completely positive in all pharmaceutical companies although some witnessed higher demand for supplement, sanitizer products and drugs that help to lessen symptoms caused by the virus. Meanwhile, drug sales to hospital & clinic channel were affected adversely because of lower patient traffic (non COVID-19 patient) to hospitals & clinics during social distancing stages and peak time of the outbreak. However, patient traffic should recover after the end of social distancing.
- In a long-term outlook, a developing economy, rising incomes, a large population which starts getting older, combined with health issues caused by environment and industrialization will likely facilitate the industry’s growth. However, how to rapidly introduce new generics, boost the proportion of high-value drugs, heighten enterprise competitiveness and consumers’ trust are challenges to Vietnamese pharmaceutical companies.

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## Our Recommendation System

BUY: where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

HOLD: where we believe it will be -15% to 15%.

SELL: where we believe it will be lower than -15%.

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