



ECONOMY REVIEW AND OUTLOOK

Gimme shelter: Vietnam slows in face of global headwinds

As Vietnam's trade openness leaves it particularly exposed to external demand, global headwinds have stifled the domestic economy. Despite a trade surplus of \$1.5bn, Vietnam's overall trade decreased by 18.8% YoY in April. Total exports were \$27.5bn, a decrease of 17.1%, driven by declines in the electronics, textile, and wooden product sectors. The reduction in orders impacted industrial production activities, which witnessed limited increases of 3.6% MoM and 0.5% YoY. Subsequently, we do not anticipate significant improvements over the coming months, with the higher-rate environment continuing to dampen consumer demand. PMI dropped to 46.7 in April from 47.7 in March, making it the fifth contraction in the past six months.

Tourism boosts local consumption

Fortunately, the longest holiday after Tet supported local consumption, a boon for tourism recovery. Total retail sales rose by 11.5% YoY, with an increase of 16.6% and 21.1% in the tourism sectors, respectively. Foreign arrivals reached 984,000 in April and totaled 3.7m in 4M23, equivalent to the entirety of 2022, primarily driven by a 70% MoM increase in Chinese tourists after the reopening of its economy. This is still less than 20% of pre-covid levels, so there is still potential for a meaningful increase in 2H23 numbers.

The taxman takes a break

With fiscal policy requiring time for implementation, monetary policy is now the Government's primary tool. April CPI inched up modestly by 2.8% YoY as the Fed approaches its late cycle of rate hikes, spurring on the SBV in pursuing more accommodative policies. In April, they added to their FX reserves by \$1.6bn, now estimated at over \$90bn. The SBV aims to continue reducing local interest rates, which have declined by 1-2% YTD. The SBV also introduced several new regulations, including allowing banks to repurchase corporate bonds and providing loan forbearance. The new decrees (Circulars 02 and 03) have extended the effective dates of existing regulations by 6-18 months, giving more time for companies to adapt to new standards. Regarding fiscal policy, the government will raise the basic salary by 20.8% from 1 July 2023, and introduced a reduction in VAT from 10% to 8%, further incentivising domestic consumption.

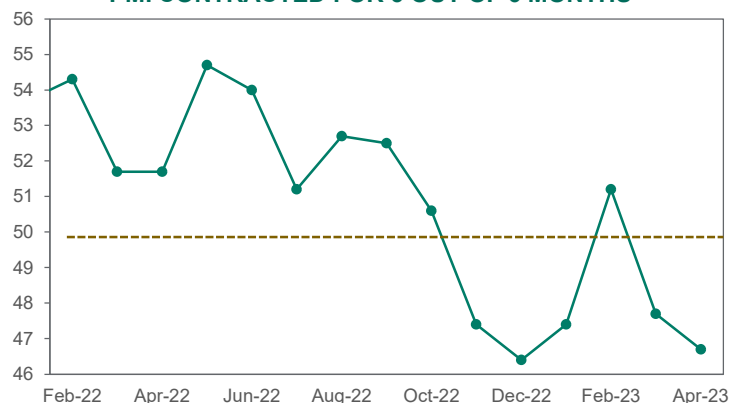
GDP revised down ahead of National Assembly meeting

Given global uncertainties, we have revised down the 2023 GDP growth forecast to 5.5%-6.0%. We believe that the upcoming National Assembly meeting on 22 May will introduce additional policies aimed at economic stimulus, including further solutions aimed at extending and postponing the extension of taxes, fees, and land use levies in 2023. The speed and effectiveness of those measures will be crucial in determining how substantially they will impact the economic growth rate in 2023.

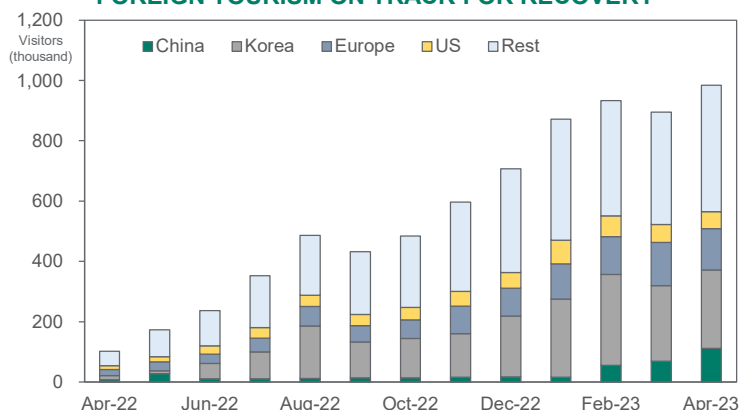
ECONOMIC FORECASTS

31-Mar-23	unit	2020	2021F	2022F	2023F
Real GDP Gro	%	2.9	2.6	8.0	5.5
Nominal GDP	\$bn	346.6	366.1	408.8	450.7
CPI (average)	%	3.2	1.8	3.2	4.5
Export Gro (cif)	%	6.5	19.0	10.5	2.7
Import Gro (cif)	%	3.6	26.7	7.8	1.9
Trade Bal (cif)	\$bn	19.1	3.3	12.4	14.4
FX Reserves	\$bn	98.0	106.5	85.0	95.0
FDI Disbursed	\$bn	20.0	19.8	22.4	20.9
VND:\$	1	23,085	22,800	23,550	23,450

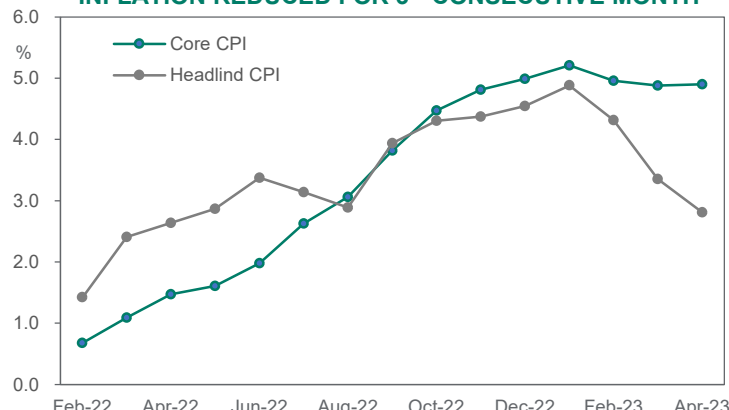
PMI CONTRACTED FOR 5 OUT OF 6 MONTHS



FOREIGN TOURISM ON TRACK FOR RECOVERY



INFLATION REDUCED FOR 3rd CONSECUTIVE MONTH





MARKET REVIEW AND OUTLOOK

A hard day's night of profit taking and foreign selling

The David's of real estate outperform the Goliaths

Government policies start to bear fruit

1Q23 profit down on weak demand

2023 growth forecasts remain on track

The VNI declined 1.4% in April (TR\$), driven by the underperformance of large-cap stocks, with several factors contributing to a cautious investor outlook. One factor was profit-taking, as signs of a slowing economy emerged, undoing many of the gains from a mid-March rally. Additionally, the long April holiday added to the contraction, as investors tended towards reducing exposure to equities before the break. Foreign investors net sold \$118m, focusing on large-cap stocks, creating a burden on the market and depressing retail sentiment.

The Government introduced more regulatory reforms, of which one was the consideration of removing legal obstacles for seven projects in Dong Nai province, belonging to major developers including **NVL**, **DIG**, and **NLG**. This news was welcomed by local investors, leading to related small and mid-cap real estate players experiencing significant gains. As such, investors showed a pro-cyclical, high beta sentiment, favouring companies they perceived as recovering from their nadir, helping them outperform the large caps by a noteworthy 6.6%.

The additional release of Circular 02, aimed at supporting capital markets, will catalyse the banking sector's earnings outlook, supported by interest rate reduction, debt restructuring, and LDR policies. Bad debt remains a concern, but systematic risk has been significantly reduced. Similar to small and mid-caps leading the real estate recovery, private banks benefitted most from these policies, outperforming their state-owned commercial bank counterparts.

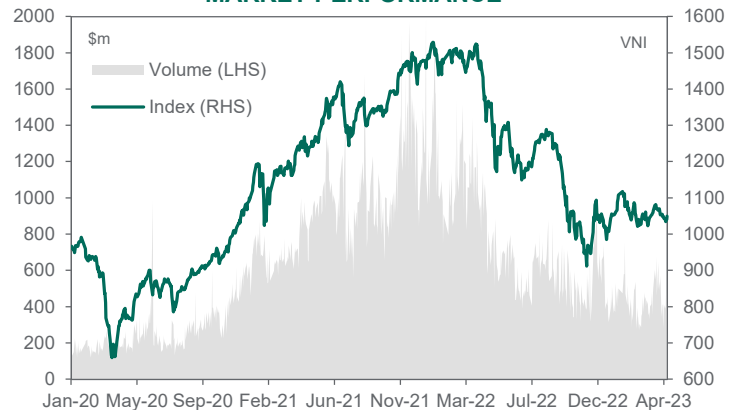
Within our top 80 universe, 1Q23 float-adjusted net profit declined by 28% on the back of a 6% drop in revenue. The banking sector, contributing 64% of total earnings, was resilient with a moderate 12% YoY decline. Despite pre-sales remaining muted, real estate profits slightly increased by 2% thanks to bulk sales from **VHM** and **KBC**, and we believe we have likely passed the bottom, while IT and Energy showed positive growth ranging from 6% to 20%. However, manufacturing and services experienced a 60% profit decrease on a 15% decline in revenue, primarily driven by challenges in the chemicals, metal, retail, and F&B sectors due to tumbling commodity prices and weak domestic consumer demand.

The 1Q23 results completed 22% of our FY23 forecast, in line with expectations bar the consumer sector. We anticipate that 1Q23 marked the lowest point in YoY earnings growth due to the high base effect from a particularly strong 1Q22. With reduced financial costs, earnings growth is expected to improve in 2Q23, however, and will gain momentum in 2H23 compared to the low base of 2H22. Our FY23 profit growth forecast remains unchanged at ~5-7%.

DC TOP-80 FORECASTS

28-Apr-23	Unit	2020	2021	2022	2023F
PER	x	13.9	14.6	9.1	9.1
EPS Growth	%	5.6	38.9	-1.4	4.8
PEG	x	2.5	0.4	Neg	1.9
Sales Growth	%	2.2	22.0	12.3	4.1
EBIT Growth	%	3.2	50.8	2.5	13.3
PBT Growth	%	5.8	38.0	1.6	3.8
NPAT Growth	%	5.9	41.9	0.0	4.9
Net DER	x	0.4	0.3	0.3	0.2
Yield	%	1.4	1.0	1.8	1.4

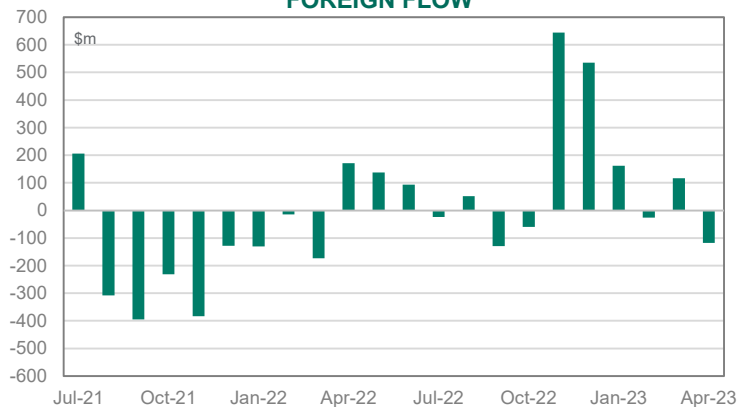
MARKET PERFORMANCE



VNINDEX PE TRAILING 5Y



FOREIGN FLOW



Sources: DC, Bloomberg, Credit Suisse / Refinitiv – all adjusted for free float



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