



ECONOMY REVIEW AND OUTLOOK

Solid export numbers repudiate PMI data

Vietnam's total November exports surpassed \$30bn for the fifth consecutive month (fig. 2), exceeding 1H23's average of \$27.5bn. Trade turnover for 11M23 was \$619.2bn, -8.3% YoY (imports -10.7% and exports -5.9%) with a YTD trade surplus of \$25.8bn projected for the goods balance. The fly in the ointment is that PMI dropped 2.6 points to 47.3. Both output and new orders declined, indicating that the trade outlook still has its challenges.

From fish to chips: exports split awaiting external growth

Sustained exports and a dip in PMI highlights uneven business performance across sectors. SMEs, especially in labour-intensive industries like textiles, fisheries, and wooden products, remain sluggish. In contrast, larger firms capable of meeting high-standard orders are sustaining growth, particularly in the sectors of transportation, electronic cameras and steel. Tightening spending budgets in Vietnam's primary export destinations pose further challenges. US shipments decreased YoY by 12.4%, Europe by 6.6% and Oceania by 2.7%. With high inventory level, businesses have destocked, and consumer behaviour has shifted. US wholesale inventory levels have declined from 1.4 to 1.2 months, a trend that may continue for another one to two quarters, or until levels revert to the 1.0–1.2-month norms.

China's appetite for Vietnamese goods

China shines as a key export market, accounting for 17.3% of Vietnam's exports with an estimated turnover of \$56.0bn, a 6.2% increase YoY. This growth is attributed to China's open policy since February, which eased border congestion, facilitated customs clearance, and boosted exports. In that time, trade rose steadily from \$3.5bn in February to \$6.5bn in November. In 2023, increased agricultural exports to China is expected to reduce the Vietnam-China trade deficit by 23.1% to \$43.6bn and is one of the reasons for Vietnam's high 11-month 2023 trade surplus. Bilateral trade is anticipated to further improve, particularly after Xi Jinping's visit to Hanoi in mid-December.

The world waxes off, Vietnam waxes on

The major global economies continue to struggle in regaining growth momentum, leading to a weak overall recovery pace. This trend is expected to persist for the next three to six months, as global consumption has not yet shown significant recovery. However, Vietnam benefits from the varied economic phases of different countries and the anticipated global trade rebound of 3-4%. We anticipate that the country's exports will grow by 8–10% in 2024, a moderate pace of restoration. The effects of trade agreements and the recent enhancement of bilateral relations (fig. 4), including Japan's diplomatic upgrade to Vietnam's highest level of Comprehensive Strategic Partnership (CSP) this month, will further boost friend-shoring to Vietnam and the flow of goods.

Fig. 1

ECONOMIC FORECASTS

30-Nov-23	Unit	2021	2022E	2023E	2024F
Real GDP Growth	%	2.6	8.0	5.0	6.0
Nominal GDP	\$bn	366.1	408.8	446.4	489.8
CPI (average)	%	1.8	3.2	3.3	4.0
Export Growth (cif)	%	19.0	10.6	-5.5	9.8
Import Growth (cif)	%	26.7	8.4	-9.9	10.2
Trade Bal (cif)	\$bn	3.3	12.4	26.4	28.1
FX Reserves	\$bn	106.5	85.0	95.0	110.0
FDI Disbursed	\$bn	19.8	22.4	20.9	22.0
VND:\$	1	22,800	23,550	24,500	24,300

Fig. 2

IMPROVING EXPORTS & IMPORTS

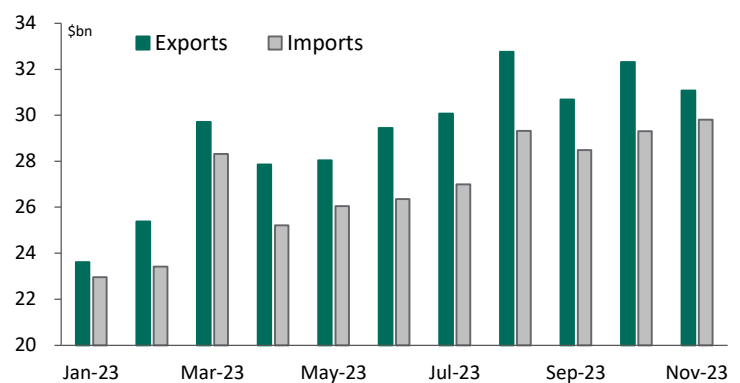


Fig. 3

11M23 SHIFTS IN TOP TEN EXPORT PRODUCTS

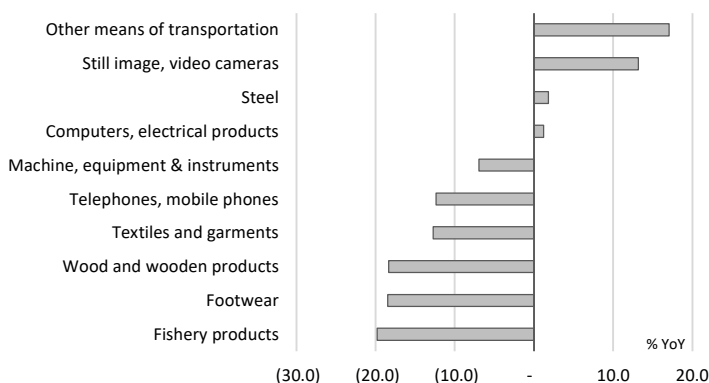


Fig. 4

RECENT VIETNAM PARTNERSHIP UPGRADES

COUNTRY	DATE	UPGRADED TO
JAPAN	Nov 2023	Comprehensive Strategic Partnership
UNITED STATES	Sep 2023	Comprehensive Strategic Partnership
SOUTH KOREA	Dec 2022	Comprehensive Strategic Partnership
NEW ZEALAND	Jul 2022	Strategic Partnership
NETHERLAND	Apr 2019	Strategic Partnership
HUNGARY	Sep 2018	Strategic Partnership
AUSTRALIA	Mar 2018	Strategic Partnership



MARKET REVIEW AND OUTLOOK

Economic entente: SBV, Fed, and FX reverse the VNI

The VNI saw a recovery of 8.0% after declining 17.5% in September and October (TR\$). Retail investor sentiment rose after the softening DXY and the Fed's indications of ending the rate hike cycle. This helped allay investor concerns over the higher-for-longer narrative and VND volatility. The SBV ceased SBV-bill issuance from 9 November as concerns over FX depreciation subsided, net injecting approximately \$7.5bn into the banking system. With some SOCBs' deposit rates already at pre-Covid levels of 4.8% and abundant liquidity in the banking system, we believe this explains the 16.8% MoM rise in turnover (fig. 4) as investors moved out of term deposits and sought higher returns in the capital markets.

Hold me close my mid-cap beta

There was sector divergence this month, with high-beta mid-cap names showing strong performance. This has played out through most of the year's volatility, with conglomerates such as MSN and VIC c.25% below the VNI and mid-caps c.25% above. Thus, returns within the brokerage and materials sectors of up to 30% were not uncommon as the market rallied. In turn, the large-cap banking sector was an underperformer with all names lagging the VNI. Despite no change to fundamentals within the sector, banks were further hindered by slower-than-expected NIM expansion and overall credit growth of 8.3%.

Changing of the lightbulb in the Land Law spotlight

The Housing Law was approved, a positive for property developers, removing the 20% social housing requirement for projects. The delayed vote on Land Law revision means developers will likely wait for clearer guidance on land use rights. Despite being more stringent, it will create positive long-term transparency for larger, higher quality developers by H1 2024.

Domestic dispatches: local insights nod to 2024 recovery

Our year-end company visits showed that on-the-ground consensus is that the VN economy is rebounding from its H1 2023 low. Banks we spoke to are optimistic about a late December credit growth push to hit the 12% target. They are also anticipating stronger credit demand from the manufacturing sector in 2024, reflecting a broader economic rebound. Competitive interest rate promotions could see rates drop by a further 50bps, bolstering a stable 2024 equity market. The materials sector is also upbeat, with HPG noting November sales volume increases of over 50%, while real estate firms in HCMC report rising pre-sales. Companies linked to FDI observed a surge in interest in the semiconductor area following the CSP upgrade with the US. We expect tangible outcomes from negotiations between large US corporations and local partners in the near term. Overall, feedback showed that despite low visibility and margin uncertainties, companies under our coverage expect 2024 is likely to see a recovery in sales growth, positively impacting their cash flow.

Fig. 1

DC TOP-80 FORECASTS

30-Nov-23	Unit	2021	2022	2023E	2024F
PER	x	14.5	9.1	10.7	9.1
EPS Growth	%	37.1	-1.4	-1.4	18.5
PEG	x	0.4	neg	neg	0.5
Sales Growth	%	22.0	12.3	2.5	11.1
EBIT Growth	%	50.8	2.5	6.2	21.1
PBT Growth	%	38.0	1.5	1.4	17.6
NPAT Growth	%	41.9	0.0	0.3	18.5
Net DER	x	0.2	0.3	0.2	0.2
Yield	%	1.0	1.9	1.6	1.5

Fig. 3

VNI TRAILING 5Y PB

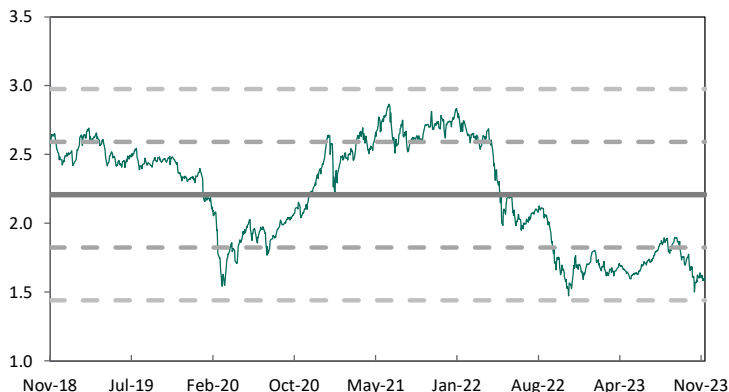


Fig. 2

MARKET PERFORMANCE

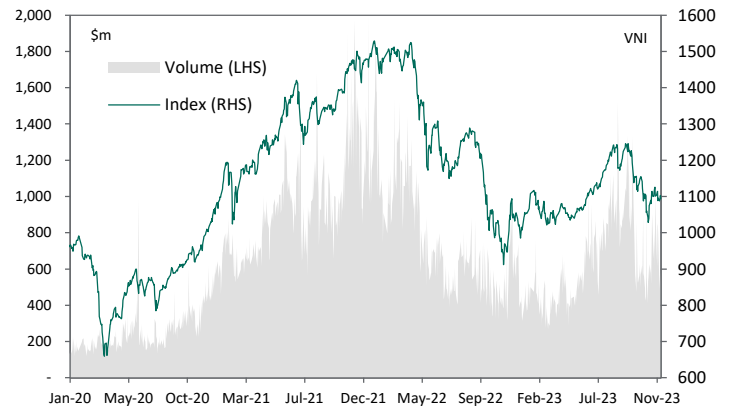
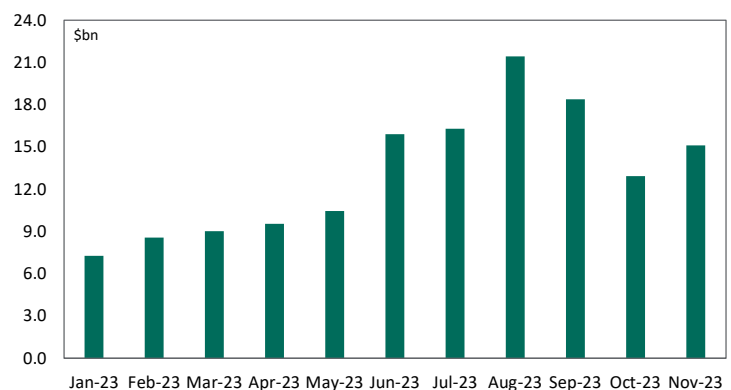


Fig. 4

VNI MONTHLY VOLUME





DISCLAIMER

This document has been prepared by DCVFM.

This document is not an offer or invitation to apply for shares, and neither this document nor anything contained herein shall form the basis of any contract of commitment whatsoever.

The information contained in this document is for background purposes only, and is subject to updating, revision and amendment, and no representation or warranty (express or implied), is made, and no liability whatsoever is accepted by DCVFM or any other person, in relation thereto.

Any investment must be made on the basis of the relevant offering documents alone. Past performance is not necessarily a guide to the future.

You are advised to exercise caution in relation to this document. If you are in any doubt about any information contained in this document, you should obtain independent professional advice.

The information contained in this document is strictly confidential and is intended only for the use of the individual or entity to whom DCVFM has provided the report. No part of this report may be divulged to any other person, distributed, and/or reproduced without the prior written permission of DCVFM.