



## ECONOMY REVIEW AND OUTLOOK

### PMI, exports and tourism rebound as CPI remains in line

There are encouraging indicators in Vietnam's January macro data despite difficulties with the seasonal distortions brought about by the Lunar New Year in January 2023. Export orders began to return, bringing PMI to 50.3 (Fig. 2), indicating expansion for the first time since August 2023. Exports rebounded to \$33.6bn, the highest figure recorded since August 2022, reinforcing a trend of gradual recovery begun in Q1 2023. The tourism sector has also shown strong improvement with 1.5 million inbound travellers in January, returning to pre-pandemic levels, driven by Korean visitors who accounted for 27.5%. Headline inflation remains well controlled at 3.4% YoY while core inflation has decreased to 2.7% YoY (Fig. 3).

### Rising USD causes fluctuations in gold and local FX

Despite the FDI flows, a trade surplus and remittances leading up to Tet all helping to support the VND, the currency saw a depreciation of 0.6% YTD. The dong is still being affected by a strengthening U.S. dollar and persistent VND-USD rate differential. Furthermore, the spread between domestic and global gold prices hit a record high of 25-30%. This led to a rise in gold smuggling and USD speculation among retailers, as seen by the USD on the informal market trading at a near 2% premium over the official market.

### Vietnam resilient to China's slowdown

We believe that the performance of the VND demonstrates that Vietnam is less negatively impacted by China's economic slowdown than other nations (Fig. 4). Asian and Oceanian currencies suffered a depreciation of 2.0-3.5% in January, such as the MYR (-3.0%), IDR (-2.6%), THB (-3.0%), AUD (-3.5%), and NZD (-3.3%). These countries are providing commodities and materials into China's production supply chain and have had significant export surpluses for many years. Vietnam, despite undeniable trade ties with China, has had trade deficits and an export portfolio composed of agricultural and electronic products, making it less vulnerable to the contraction of Chinese manufacturing activity.

### Economic legislation moves into fast lane

January witnessed more decisive measures from the Government. With continuing loosening policy in mind, the SBV has assigned the entire 15% annual credit quota to banks at the start of the year. The approval of the vital amended Law on Credit Institutions and the Land Law during the 5th Extraordinary Session of the National Assembly reflects a commitment to legislative reform and economic flexibility. Although the implementation of these laws awaits further circulars, the expedited approval process shows the proactive and reformative commitment from the Government to legislative change and overcoming growth bottlenecks. This will open the path for future Extraordinary Sessions and minimise the time needed to discuss and review prospective laws.

Fig. 1

### ECONOMIC FORECASTS

31-Dec-23	Unit	2021	2022	2023E	2024F
Real GDP Growth	%	2.6	8.0	5.1	6.0
Nominal GDP	\$bn	366.1	408.8	430.0	463.0
CPI (average)	%	1.8	3.2	3.3	4.0
Export Growth (cif)	%	19.0	10.6	-4.4	9.8
Import Growth (cif)	%	26.7	8.4	-9.2	10.2
Trade Bal (cif)	\$bn	3.3	12.4	28.0	29.3
FX Reserves	\$bn	106.5	85.0	89.0	105.0
FDI Disbursed	\$bn	19.8	22.4	23.2	24.2
VND:\$	1	22,800	23,550	24,500	24,750

Fig. 2

### PMI ABOVE 50 FOR FIRST TIME SINCE AUGUST

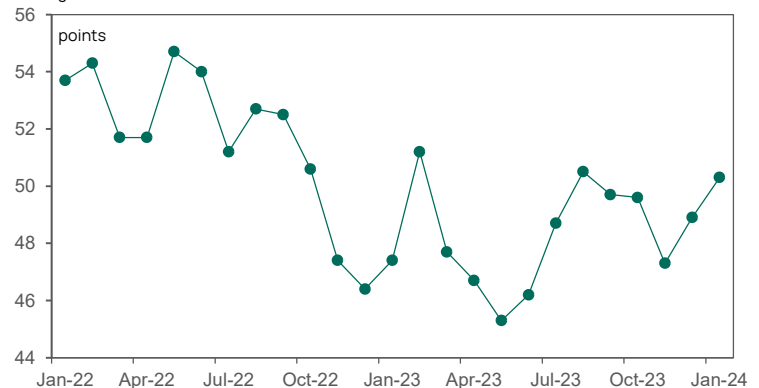


Fig. 3

### INFLATION IS STILL WELL MANAGED

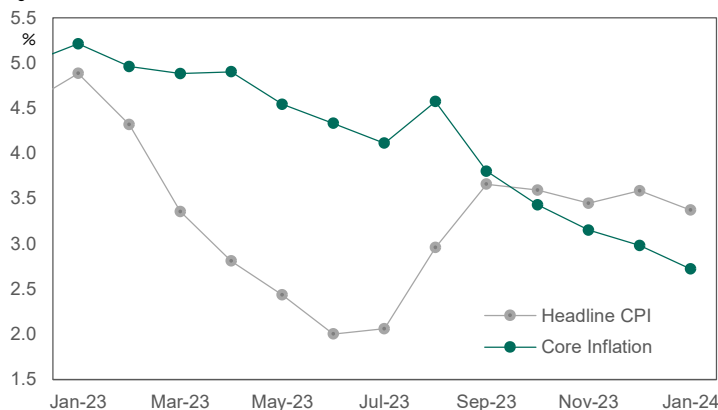
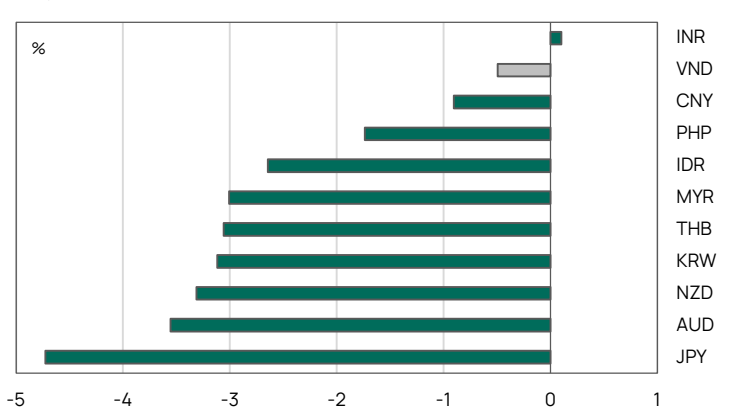


Fig. 4

### VND SHOWCASES RESILIENCE



## MARKET REVIEW AND OUTLOOK

**A solid 2.5% start to the year from the VNI**

**The VNI increased 2.5% in January (TR\$) thanks to a strong rally by the banking and retail sectors.** This was helped by the amended Credit Institutions and Land Laws, December credit growth increasing to 13.7% from 9.2% in November, and foreign investors net buying for the first time in ten months.

The banking sector had a good month after the SBV issued a 15% full-year credit growth target to all banks and the Law on Credit Institutions was approved. The amended law reduces the ownership and borrowing limits of shareholders, and the requirement for individual shareholders to disclose ownership of more than 1%, down from 5%. We believe this will help improve the long-term stability and transparency of the banking system.

The retail sector improved as 4Q23 earnings came in from key market players. Jewellery retailer PNJ's NPAT was +150% QoQ, MWG's grocery chain BHX turned profitable for the first time in December, and FRT's Long Chau pharmacy chain's net sales surged 33% QoQ. These encouraging results from companies keenly watched by domestic retail investors hint at the anticipated recovery in domestic consumption, leading to the bottom line showing clearer margin improvement and rallying domestic retail investor sentiment for the sector.

**Land law changes signal a new era for the real estate sector**

The amended Land Law indicates a strong effort by the Government to clarify property sector regulations. By enabling the Government to reclaim land for 32 projects, including substantial public and residential developments, the law aims to expedite land clearance processes. It also targets alignment between land compensation price and fair market value for affected households. Developers holding pre-approved land for commercial housing could see a market share increase, aided by clearer land valuation methods that promise quicker project execution. However, the complicated nature of the Law means participants still need to wait for further guidance from the Government, which is expected in draft form by the middle of the year. This has led to a cautious outlook from the market, reflected in mid-cap names barely moving in January, edging down by 0.7%.

**Equities set to offer better returns in 2024 than alternative asset classes**

4Q23 earnings from our top-80 universe of stocks saw approximately 40% YoY growth from a low base and +3% QoQ. Despite this, there was a marginal 2% dip in full-year net profits. Performance varied widely between sectors. On a free-float adjusted basis, banking rose sharply by 7.1% followed by retail at 5.6%, while real estate and conglomerates were the worst-performing sectors, returning -.9% and -4.3% respectively.

Fig.1 **DC TOP-80 FORECASTS**

31-Jan-24	Unit	2021	2022	2023	2024F
PER	x	14.3	9.0	11.7	9.9
EPS Growth	%	39.3	-1.6	-4.4	18.6
PEG	x	0.4	Neg	neg	0.5
Sales Growth	%	22.1	12.3	1.4	13.3
EBIT Growth	%	50.8	2.4	1.0	26.8
PBT Growth	%	38.3	1.3	-1.2	19.8
NPAT Growth	%	42.3	-0.2	-2.7	21.2
Net DER	x	0.2	0.3	0.3	0.2
Yield	%	1.0	1.9	2.1	1.5

Fig.3 **VNI TRAILING 5Y PB**

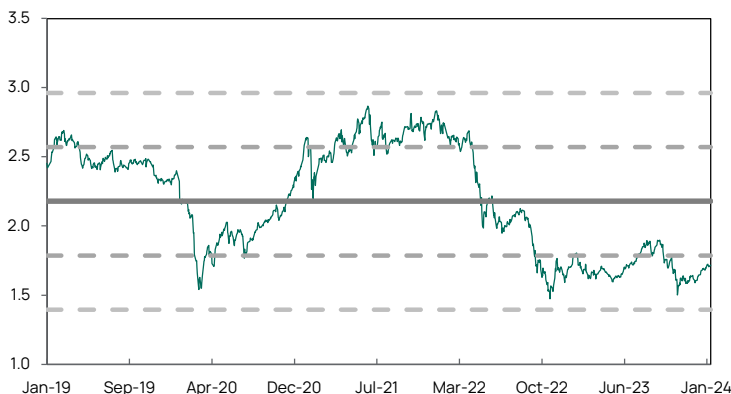


Fig.2 **MARKET PERFORMANCE**

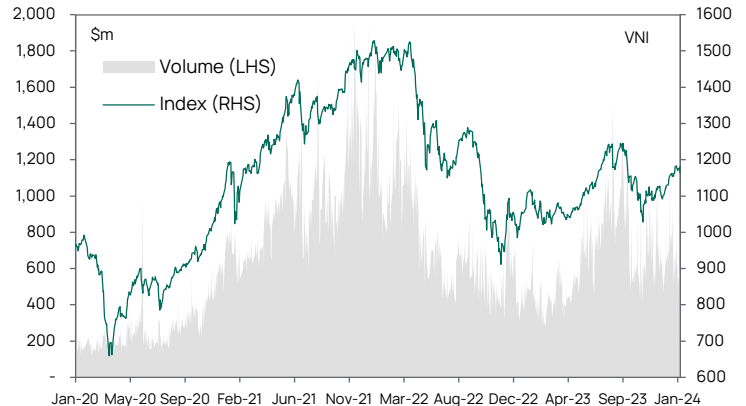
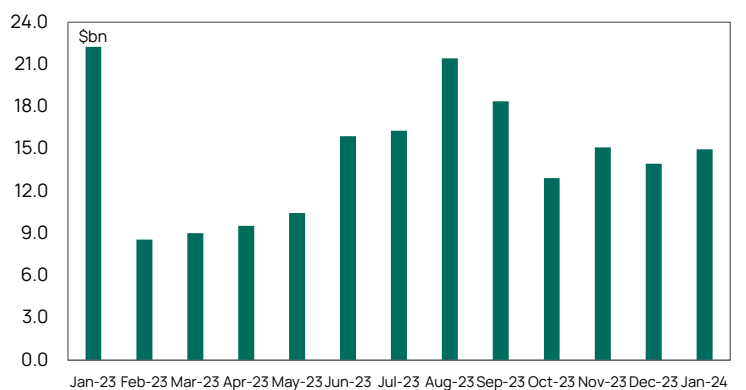


Fig.4 **VNI MONTHLY VOLUME**



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



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