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Market Analysis

1. Shares mixed on declining liquidity

Shares were volatile this week with up-and-down sessions intertwining amid rising investor caution about the market outlook.

On the Ho Chi Minh Stock Exchange, the VN-Index decreased 0.76 per cent to close Thursday at 1,064.03 points. The benchmark index increased 0.6 per cent in the previous session.

Liquidity declined from VND12 trillion on Tuesday to VND10 trillion on Wednesday and VND9.2 trillion (US$389 million) on Thursday.

Billion-dollar-cap stocks dropped in the last trading minutes of the afternoon session, pushing the VN-Index down sharply, while overall market breadth was rather balanced with 235 stocks falling, 184 rising and 166 closing flat.

Vietjet (VJC) surprised the market with a loss of 5.7 per cent despite its earlier reporting an impressive recovery after COVID-19 with a year-on-year rise of 175 per cent in net revenue to VND7.35 trillion ($313.4 million) and a profit of VND902 billion in the last quarter of 2022.

Other big draggers included Vietcombank (VCB), Vietinbank (CTG), BIDV (BID), Techcombank (TCB), Masan Group (MSN), Mobile World Investment (MWG), Vinhomes (VHM), Vincom Retail (VRE) and Hoa Phat Group (HPG), each losing between 1.1 and 2.8 per cent.

With negative movements of many large-cap stocks, major industry groups including banking, real estate, iron and steel, securities, retail and beverages were among the worst performers on Thursday.

On the bright side, the oil and gas group gained value. The largest company by market value PV Gas (GAS) increased 0.8 per cent while PetroVietnam Drilling and Well Services (PVD) hit the ceiling price of 7-per-cent growth, Petrolimex Gas (PGC) was up 1.3 per cent.

According to Viet Dragon Securities Co (VDSC), the market's decline was restrained with a support level of around 1,065 points for the VN-Index. Decreasing liquidity showed that supply pressure temporarily cooled down.

"However, the market's ability to rally is still difficult as the cash flow is still cautious and the supply pressure gradually increases when the market rallies. It's expected that the market will continue to fluctuate and probe at 1,070 – 1,080 points in the next trading sessions," said VDSC's market analyst Phuong Nguyen.

On the Ha Noi Stock Exchange, the HNX-Index increased for a second day, up 0.14 per cent to close at 210.91 points. The northern market's index edged up 0.3 per cent on Wednesday.

Liquidity also declined here with more than 46 million shares worth VND743 billion being traded, down 25.5 per cent in volume and 15.8 per cent in value compared to the previous session.

Foreign trading was mixed. Foreigners concluded as net sellers on HCM City's bourse with a trivial value of VND11 billion. They were net buyers but for a value of VND5 billion on the Ha Noi exchange.

Macro & Policies

2. SBV has not tightened credit into real estate: deputy governor

Tu dismissed the recent rumours from some associations that the central bank has been squeezing loans for this sector, saying that there has been no new document or statement issued on the matter.

"The SBV has put a grip on credit into some high-risk sectors and segments in the real estate, such as speculative investment and high-end segments with great value, which has the nature of a bubble, potentially threatening the system's safety," Tu said.

He said the real estate sector is one of the key industries that have largely contributed to the country's economic development.

However, the realty market has seen a growing supply and demand imbalance with an excess of high-end products, a lack of housing for middle- and low-income people, land fever in some localities and wrongdoings in the corporate bond market.

However, there is no tightening of credit in this sector, Tu reaffirmed.

The SBV's data shows credit balance for real estate businesses accounted for 21.2 per cent of the total credit outstanding of the whole economy worth VND25.8 quadrillion (roughly US$109 billion) as of December 31, 2022 – the five-year high and the highest proportion in all industries.

Loans focused on consumer demand and self-use with a proportion of 68.7 per cent of total outstanding loans, up 31.1 per cent over the past year, and credit to real estate business accounted for 31.3 per cent, up 11.5 per cent.

By segment, credit balance for housing needs accounts for 62.2 per cent, land use rights 20.7 per cent, industrial parks and export processing zones 2.7 per cent, social housing 0.7 per cent and other fields 13.7 per cent.

"Therefore, it can be seen that credit institutions are still providing credit to the real estate sector with high growth and large outstanding loans. Feasible projects and loan plans are still provided capital following regulations," said Ha Thu Giang, director of SBV's Department of Credit for Economic Sectors.

Giang said there is no separate 'room' for the real estate, as the credit limit for the whole system is set to suit inflation control, and there will be no shortage of credit at the beginning of the year.

Proposals of property developers

At the meeting, property businesses also raised the difficulties and problems of the real estate market, focusing on legal issues.

According to Le Hoang Chau, chairman of the HCM City Real Estate Association, 'legal problems' account for 70 per cent of the difficulties of real estate businesses in accessing credit loans.

Next is the risk of private corporate bonds becoming 'bad debt' or credit loans' turning into bad debt groups'.

Chau explained this happens when a loan which is about to be due that, if not extended, will be classified as 'bad' debts, or businesses with overdue credit loans may be 'jumped' into a group of 'worse' debt. In addition, homebuyers now find it difficult to get credit.

Meanwhile, Pham Thieu Hoa, chairman of Vinhomes, proposed the SBV allow banks to finance purchasing, selling, depositing, and transferring contributed capital and shares in project investment companies and M&A activities.

At the same time, Hoa said that lending rates need to be adjusted in parallel with maintaining the collateral ratio as conventional loans for projects with a fully legal basis.

In addition, it is necessary to add specific mechanisms and policies for large investors and major projects with full legal stands to avoid the situation of 'levelling'.

Le Trong Khuong, vice chairman of Hung Thinh Group and general director of Hung Thinh Land, also said that raising capital from bond issuance is an excellent source of money for businesses. However, at present, this channel is at an impasse.

To solve this bottleneck, he proposed that the SBV expand the 'credit room' so businesses can access more capital for business and investment.

According to Khuong, interest rates currently stand at a very high level, affecting the price of products sold in the market. He hopes SBV and commercial banks may devise plans to push it down to support businesses to create affordable products for people.

In the future, to tackle difficulties and obstacles for real estate businesses and individuals when accessing credit, Tu said the SBV would continue to operate monetary policies proactively and flexibly, in line with fiscal policy and other macroeconomic policies, to support the economy, including the real estate sector.

The monetary authority will guide banks to increase credit securely and efficiently, providing economic capital and focusing on viable loan plans with good sales and payment ability, particularly in the real estate sector.

3. Large room for Vietnam to boost exports to Europe, America

Vietnam's exports to the European and American markets will continue to benefit from free trade agreements (FTAs) that Vietnam signed with partners in the regions, said Ta Hoang Linh, Director of the Europe-American Market Department under the Ministry of Industry and Trade.

Linh said that the new-generation FTAs, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Vietnam-Chile FTA, the EU-Vietnam Free Trade Agreement (EVFTA), the Vietnam-Eurasian Economic Union FTA (VN-EAEU FTA), and the UK-Vietnam Free Trade Agreement (UKFTA), will continue to have positive impacts on Vietnam's trade, investment and export activities.

European and American countries have enhanced the search for alternative goods supply sources and alternative investment locations, and Vietnam may be an option, Linh said.

The move towards producing green and environmentally-friendly products will create a competitive advantage for Vietnam's export goods in the future when the demand for products of this kind in Europe and America is increasing, he noted.

Vietnam will receive more and more support from developed countries in energy transition and changing production towards a circular economy and sustainable development in both production and consumption, Linh stressed.

To further promote exports, the official said the MoIT needs to keep a close watch on the market's developments, and propose cooperation frameworks and measures to expand export markets.

Attention should be paid to implementing the FTAs, especially new-generation FTAs such as the CPTPP, EVFTA and UKVFTA, helping businesses to make the most of opportunities from and limit challenges posed by these agreements, Linh said.

The MoIT will promote the diversification of markets and categories of products to reduce the dependence on traditional markets and sectors, he said.

The MoIT will coordinate with the trade offices abroad to help businesses effectively exploit markets and protect their legal rights, Linh went on.

He also proposed banks to support Vietnamese enterprises to standardise production processes, improve the competitiveness as well as have policies to control credit sources flowing into production and export activities.

4. Hanoi targets GRDP per capita of 36,000 USD by 2045

Hanoi is set to become a globally-connected city with high living standards and quality of life, according to a new plan that aims to raise the Gross Regional Domestic Product (GRDP) per capita to 36,000 USD by 2045.

As the country continues to develop, the government is focused on ensuring that the capital remains at the forefront of this progress, positioning it as a hub for commerce, culture, and innovation in the years to come.

The average annual growth rate of GRDP is set to increase to 7.5-8% by 2025 and 8-8.5% by 2030. As a result, the GRDP per capita is expected to reach 8,500 USD by 2025 and up to 12,000-13,000 USD by 2030.

The figure is projected to reach 36,000 USD by 2045.

From 2026 to 2030, the processing and manufacturing industry will make up 20% of the GRDP, the digital economy will make up 40% of the GRDP, 80% of the agricultural production value will use high technology, and labour productivity will increase by 7.5%.

The urbanisation rate will reach 75% by 2030.

By 2045, the city's economic, cultural and social development will be comprehensive, unique and harmonious and at the same level as the capitals of developed countries.

The plan details were revealed after the Politburo issued Resolution 15/NQ-TW on the orientations and tasks for the capital city's development until 2030 with a vision towards 2045 last April.

To fulfil these targets, the Resolution puts forwards key tasks and solutions, including continuing to raise awareness of the significant position, role and importance of the capital city; and developing the capital's economy rapidly and sustainably based on restructuring the economy in connection with renewing growth models and mobilising all resources effectively.

It is also necessary to strongly develop the city's culture in line with its role as a centre of education and training, science and technology, and healthcare while ensuring social security and welfare.

Other tasks include improving planning quality and promoting infrastructure construction, urban development and management. Furthermore, effective use of natural resources and environmental protection are key ones.

They also include ensuring national defence, security, social order and safety in all situations and promoting diplomacy, international integration and development cooperation to raise the position and prestige of the capital city.

The building and rectification of the Party and the political system must be increased for transparency and a stronger Party and political system, and legal systems must be completed in the capital with appropriate mechanisms and policies to meet the city's development requirements in the new period.

The Politburo asked the Party Organisation, administration and locals of the capital city to stay united and determined to work with central ministries, sectors and agencies, as well as other localities, to implement the resolution effectively.

The Politburo underlined the need to make comprehensive adjustments to the Capital Law to meet the development requirements of the capital city in the new situation.

Under the action plan, the city will tighten cooperation with government ministries and agencies to implement the tasks of the capital city's development strategy.

It will improve its coordination with provinces and cities throughout the country, especially with Hai Phong and Quang Ninh, to promote each other's potential and advantages for mutual development.

5. Strong FDI flow into Vietnam's electronics industry to boost exports

The increased inflow of investment from foreign investors into Vietnam's electronics industry is expected to create a positive outlook for the country's exports of computers, electronic products, and components in the time to come.

Regardless unexpected external challenges like the COVID-19 pandemic, geo-political conflicts, increasing production costs, and the shortage of input material supply at some certain times, Vietnam is still a destination attracting foreign direct investment for the electronics industry.

In recent years, major manufacturers such as Foxconn, Luxshare, Pegatron, and Wistron have invested in expanding their production in Vietnam.

LG Electronics from the Republic of Korea plans to pour an additional 4 billion USD into Vietnam, making it a manufacturing hub of the world, Dau tu (Investment) newspaper reported on February 8.

Hansol Electronics Vietnam, a component supplier of Samsung, is implementing a 100-million-USD project which will supply more than 10 million electronics products yearly for the domestic market and export.

For years, the exports of the electronics industry have been in second position in the group of key export products of Vietnam. Last year, Vietnam's electronic product export revenue reached 55.54 billion USD, a year-on-year increase of 9.3%.

FDI companies have contributed an increasing proportion of electronic product exports.

In 2019, the FDI sector exported electronics products worth 32.047 billion USD, accounting for 89.2% of the total export value of the electronics industry. In 2020, FDI companies' export value increased by 34.7% to 43.15 billion USD, accounting for 96.8% of the total export value of the industry. In 2021, FDI companies contributed 49.7 billion USD or 97.8% of the total export value of the electronics industry.

Expanded investment of FDI companies is said to create a brighter export prospect for electronic products and components.

Outlook for the industry is quite clearer as Vietnam's economy is much more open with 15 free trade agreements that the country already signed are being implemented.

Such agreements create opportunities for Vietnamese exports to enjoy preferential taxes and favourable conditions when entering 60 markets all around the world.

6. Vietnamese goods rush into Canada thanks to CPTPP

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which took effect in early 2019, has enabled several types of Vietnamese goods to rush into Canada.

CPTPP is a new-generation free trade agreement (FTA) comprising 11 member states, including Vietnam and Canada. It is also the first FTA to help Vietnam navigate the American continent.

Despite the COVID-19 pandemic in 2021, Vietnam's exports to Canada surged by 20.8% annually to 5.3 billion USD, up 75% prior to CPTPP validity. Last year, the figure surpassed 6.3 billion USD, up 19.8% year-on-year.

According to the General Department of Vietnam Customs, apparel was Vietnam's biggest currency earner from Canada last year with a total turnover of 1.3 billion USD, up 40.3% annually and equivalent to 20.7% of Vietnam's total exports to the country.

It was the result of 0% tariff on all Vietnamese apparel committed by Canada after three years of CPTPP implementation, said head of the Ministry of

Industry and Trade's Department of European-American Markets Bui Tuan Hoan.

Footwear came second with a record revenue of 604.6 million USD, up 64.3%; and computers, electronic products and spare parts 521.3 million USD, up 27.7%.

Several types of goods recorded high export revenues such as handbag-suitcase-headwear up 115.2%, plastics up 224.5% and fisheries 39.3%.

Vietnamese Commercial Counsellor in Canada Tran Thu Quynh said as Vietnam's ninth biggest currency earner, aquatic products hold the potential of high growth in the coming years thanks to CPTPP.

According to the CPTPP's commitments, Canada eliminated import duties for 95% of tariff lines and 78% of Vietnam's exports to the country. All Vietnamese aquatic and wooden products have had their import tariffs removed since 2019.

Taxes on specific goods will continue falling in line with the roadmap, making it easier for firms that meet origin requirements to enjoy incentives.

7. Real estate funding on right track via overseas sources

While the global economy is on the mend and demand is recovering, hiked interest rates and inflation along with geopolitical tensions, among other things, continue to threaten.

Locally, economic and adaptation measures, irregularities in the bond market, and a property credit crunch were notable events stemming from last year.

According to Marc Townsend, chairman of Arcadia Consulting Vietnam, 2023 looks set to be another year of the world living dangerously. But on the other hand, the impending return of confidence promises a silver lining.

"With better clarity on Vietnam's policies and an improving economic outlook, investor sentiment is expected to recover. Opportunities remain for them to tap alternative asset classes such as self-storage spaces, workers accommodation, data centres, cloud kitchens, and retirement living," Townsend said.

"A creative blend of core and alternative assets and relentless yields engineering will add resilience to portfolios amid the ongoing volatilities. But first, we must brace for more pressures," he added.

Although high inflation accompanied by signs of economic recession in the US and Europe has been covering the picture of the global real estate market with gloomy colours, brighter spots can still be found in some markets in Asia-Pacific.

According to Savills, the three countries with the most prominent prospects in the region today are Vietnam, Singapore, and Japan. In addition, China, Vietnam, Indonesia, and India are forecast to lead global GDP growth in 2023.

It is also expected that activity in the construction market of Vietnam will increase from $41 billion in 2022 to $46 billion in 2023.

Inflow of capital

The improvement in the business environment and incentives from the government are boosting the interest of foreign businesses in the Vietnamese real estate market. While some domestic investors faced difficulties due to tightened credit, foreign inflows into the market continued to grow.

For example, recently, Singapore's CapitaLand announced a plan to develop a complex that is expected to provide more than 1,100 luxury apartments and shophouses in Ho Chi Minh City.

As for industrial real estate, manufacturing enterprises are actively investing in this field and logistics, aiming to diversify activities in their China+1 strategy. These include German group Tesa, ESR Cayman Ltd., BW Industrial Development, and others.

A report released December 2022 by the Housing and Real Estate Market Management Agency under the Ministry of Construction showed that industrial real estate was recognised as a bright spot of the entire market in 2022.

The average occupancy rate of industrial parks in the southern provinces is the highest in the country, reaching about 85 per cent. Some industrial zones in the major cities are almost completely filled. Meanwhile, Binh Duong is the locality with the highest occupancy rate in the country, with 29 industrial parks already in operation with an occupancy rate of over 95 per cent.

Vietnam has also been a key beneficiary of the reallocation of manufacturing and supply chain activities to Southeast Asia. This transformative shift has been further accelerated by the supply chain disruptions that have resulted on account of COVID-19. Vietnam's best-in-class response to the pandemic and successful public health outcome has ensured that the country continues to benefit from increasing manufacturer interest from across regions.

Meanwhile, with the housing market in South Korea entering a period of stagnation, the business expansion strategy of Korean construction enterprises is also changing. Large companies such as GS, Daewoo, and Lotte have chosen Vietnam as priority to explore foreign markets in 2023.

Lotte E&C is strengthening its local presence by undertaking large-scale development projects in Ho Chi Minh City and Hanoi, and is recently considering to southern Binh Duong province.

The Lotte Eco Smart City Thu Thiem project broke ground in September and will cover 50,000 sq.m in Ho Chi Minh City. The project will feature 11 buildings of 10-50 floors and feature hotels, homes, and apartments.

Also joining the market in Ho Chi Minh City is GS E&C. The company is currently building Korean-style smart urban area GS Metro City Nha Be in the city's Nha Be district.

Along with those individual ventures, and with the active support policy of the South Korean government for domestic companies to penetrate foreign markets, overseas orders of Korean construction enterprises are expected to be more active.

More to come

David Jackson, CEO of Colliers Vietnam, stressed that entering the year of 2023, the sentiment among real estate investors is much like cautious anticipation of steady growth and healthier returns in the longer term starting the latter part of 2023.

He added that though some recent changes may prompt investors to be more caution, Vietnam still projects a consistent reputation as a safe place to park money amid global turmoil.

"The country has achieved stellar growth over the years, in fact, one of the world's fastest-growing economies, with long-term positive returns on real estate investment in almost all segments," he said.

With investors shifting to a more defensive investment strategy, office, industrial and logistics real estate are most in demand in 2023. The Vietnamese government has been investing heavily in national infrastructure development to boost the industrial manufacturing sector and lowering barriers for foreign investors. Jackson explained that foreign investors who want to enter Vietnam market and set up their operations need offices, factories, and warehouses.

"The next types of assets to be on investors' radar would be in the housing and serviced apartment segments, especially those serving the real needs of workers, experts and expats migrating to Vietnam and industrial clusters in the country. Other interesting segments worth watching in 2023 are retail and hospitality real estate, as Vietnam's domestic consumption has potential," he added.

The most recent notable deals of foreign investors that took place at the end of 2022 include Malaysian property developer Gamuda Land has acquired a local company to develop a high-rise apartment building in Thu Duc of Ho Chi Minh City. The site, covering approximately three hectares, will consist of 1,300 apartment units. The total gross development value of the project is estimated to be over $250 million.

Last September, Becamex TDC announced a plan to transfer the entire project of Ngan Ha Street Commercial Housing Area in Binh Duong to Gamuda Land Binh Duong Co., Ltd., with the total transfer value sitting at nearly VND1.28 trillion ($54.6 million).

Elsewhere, in addition to attracting foreign inflows from industrial park infrastructure tenants such as Samsung, Foxconn, and LG, Sri Avantika Contractor Ltd. from India has also chosen to invest in the International Pharmaceutical Park project in Hai Duong province. The venture has a scale of 960 ha and a projected value of $10-12 billion.

For the retail and rental real estate segment, Becamex Tokyu (a joint venture between Becamex IDC and a Japanese enterprise) topped off the SORA Gardens SC Shopping Centre in Binh Duong New City in December.

Thai group Central Retail also plans to pour around $840 million into Vietnam before 2026 to expand into commercial centres and the non-food sector.

Corporate News

8. FIR: Record date for stock dividend payment

↓ -0.20%

On February 06, 2023, the Hochiminh Stock Exchange issued an Announcement No.111/TB-SGDHCM about the record date of First Real Joint Stock Company as follows:

- Ex-right date: February 13, 2023

- Record date: February 14, 2023

1. Reason & Purpose: to pay stock dividend for 2021.

- Expected issue volume: 8,923,003 shares

- Exercise ratio: 100:20 (Those who own 100 shares will receive 20 new shares.)

- Plan to deal with fractional shares: The distributed shares will be rounded down to units, the fractional shares (if any) will be cancelled.

- For example: at the record date, shareholder A owns 126 shares. With 20% performing ratio, the shareholder A will receive: 126 *20% = 25.2 shares. According to rounding policy, the shareholder A will receive 25 new shares and the fractional shares of 0.2 share will be cancelled.

- Place of implementation:

+ For deposited securities: Shareholder will implement procedures to receive dividend at the securities company where shareholders opened securities depository account.

+ For undeposited securities: Shareholder will receive dividend at First Real Joint Stock Company head office on working days. Please present shareholder's identity card/citizen identity card and Share ownership certificate when receiving dividend at the Head office.

9. EIB: Record date for stock dividend payment

↑ 0.82%

On February 07, 2023, the Hochiminh Stock Exchange issued an Announcement No.120/TB-SGDHCM about the record date of Vietnam Export Import Commercial Joint Stock Bank as follows:

- Ex-right date: February 17, 2023

- Record date: February 20, 2023

1. Reason & Purpose: to pay stock dividend.

- Expected issue volume: 245,886,580 shares

- Exercise ratio: 100:20 (Those who own 100 shares will receive 20 new shares.)

- Plan to deal with fractional shares: The distributed shares will be rounded down to units, the fractional shares (if any) will be cancelled.

- For example: at the record date, shareholder A owns 148 shares. With 20% performing ratio, the shareholder A will receive: 148 *20% = 29.6 shares. According to rounding policy, the shareholder A will receive 29 new shares and the fractional shares of 0.6 share will be cancelled.

- Place of implementation:

+ For deposited securities: Shareholder will implement procedures to receive dividend at the securities company where shareholders opened securities depository account.

+ For undeposited securities: Shareholder will receive dividend at Vietnam Export Import Commercial Joint Stock Bank head office on working days. Please present shareholder's identity card/citizen identity card and Share ownership certificate when receiving dividend at the Head office.

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