



VIETNAM DAILY NEWS



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Market Analysis

1. Indices extend losses due to selling pressure

The stock market opened the week on a negative note, weighed by lingering selling pressure.

On the Ho Chi Minh Stock Exchange (HoSE), the market benchmark VN-Index ended the Monday session at 1,043.7 points, a decline of 11.6 points, or 1.1 per cent. The index fell for the second week in a row last week.

The market's breadth was in negative territory as the number of decreasing stocks outnumbered the gaining ones. Specifically, 285 ticker symbols on the southern exchange inched lower, of which 43 stocks hit floor prices, while 59 stocks added points.

However, liquidity improved with a trading value on HoSE up more than 28 per cent over the previous session to VND10.5 trillion (US\$443.1 million). The value was equal to a trading volume of over 681.3 million shares.

The index extended the recent bearish trend due to a persistent strong selling force. The VN30-Index, which tracks the 30 biggest stocks on HoSE, also recorded poor performance on Monday.

The 30 biggest stocks trackers dipped by 8.34 points, or 0.8 per cent, to 1,040.4 points. In the VN30 basket, 21 stocks slid, while eight increased and one ended flat.

Leading the downtrend were influential names on the stock market. Particularly, Vietcombank (VCB) was the biggest loser in market capitalisation, down 1.06 per cent.

It was followed by Vinhomes (VHM), VPBank (VPB), Vietnam Rubber Group (GVR), and Vingroup (VIC). All the stocks posted a fall of at least 1.1 per cent.

Losses were capped by gains of some other pillar stocks, led by BIDV (BID) with an increase of 3.38 per cent. Masan Group (MSN), Sacombank (STB), Sabeco (SAB), and Vincom Retail (VRE) were also among ticker symbols helping cushion the market's downside risk.

The HNX-Index on the Ha Noi Stock Exchange (HNX) also registered a second daily loss on Monday. Accordingly, it lost 4.01 points, or 1.92 per cent, to 204.49 points.

During the trading session, nearly 82.7 million shares were traded on the northern bourse, worth over VND1.1 trillion.

Foreign investors were net sellers on the market as they net sold VND80.2 billion on HoSE, while net bought a value of VND16.16 billion on HNX.

Macro & Policies

2. Deposit rate continues to drop but lower lending rate remains challenge

After the ‘rate war’ in December when saving interest rates were pushed up to 11% per year at some banks, commercial banks started to adjust rates down after Tet (Lunar New Year) and cut further last week.

From February 9, National Citizen Joint Stock Bank (NCB) lowered its saving interest rates by between 0.2-0.45 percentage points, depending on the term. Both the six-month and 12-month term rates now stand at 9.3% per year, down from 9.7% and 9.5% per year, respectively.

Early last week, Sai Gon Commercial Joint Stock Bank (SCB) – the leading player in the ‘rate war’ last year – reduced saving rates on many terms. Its 24-month rate now stands at 9.1% per year, down from 9.95%, and the 12-month rate dropped to 9.5% from 9.95%.

Techcombank also cut saving rates by 0.5 percentage points for terms of six months or more from February 7, while PVComBank reduced rates by 0.2-0.3 percentage point, bringing the six-month rate down to 8.3% per year and 12-month rate to 8.8% per year.

Except the Big Four, including Agribank, Vietcombank, VietinBank and BIDV, which have kept their interest rates steady in the past several months, deposit rates listed at most banks now fall to 9.5% at the highest.

At the meeting between the State Bank of Vietnam (SBV), commercial banks and property developers on February 9, Vietcombank General Director Nguyen Thanh Tung said before this meeting, banks’ leaders agreed to cut the deposit rates to reduce the lending rate.

The ceiling deposit rate may be brought down to 8.7% per year in the coming time instead of the current 9.5% per year, a bank leader said.

The Governor of the central bank has asked commercial banks to continue decreasing operating

costs, streamlining administrative procedures and unnecessary expenses to have room to reduce lending interest rates. The SBV emphasised that it will monitor cases where banks continue to raise interest rates and take measures to deal with these banks.

Unexpected but understandable

The banks’ movements, though surprised the market, are comprehensible given the context that many global central banks have officially slowed down their rate hike roadmap on belief that inflation has passed its peak.

In the policy meeting in early February, US Federal Reserve (Fed) only raised the key rate by 0.25 percentage points after having made four consecutive hikes of 0.75 percentage point in 2022 and one more 0.5 percentage point increase in the last month of 2022.

Meanwhile in Vietnam, some comments have suggested the pressure to continue raising the interest rate of the State Bank (SBV) to support the exchange rate in 2023 has decreased significantly.

In a recent report, Bao Viet Securities Co (BVSC) said deposit rates were almost flat in January, showing signs of cooling down from the fever in December and may continue to decrease in 2023 due to favourable macro conditions.

“BVSC believes that (SBV’s) pressure to raise interest rates to support the exchange rate will no longer continue in 2023. Instead, monetary policy this year is likely to shift to a supportive direction for growth,” it said in the report.

The securities company expects interest rates to fall again in 2023, with clearer signs from the second quarter, when the Fed stopped raising interest rates and Vietnam’s inflation cooled down.

According to Viet Dragon Securities Co, exchange rate pressure was the main cause for the hike of

interest rates in 2022 but now this pressure has cooled down, which may lay a foundation for SBV to keep key interest rates unchanged in 2023.

In addition, the inflation target in 2023 is loosened to 4.5 % and fiscal policy shares the pressure with monetary policy, so the exchange rate is expected to decrease as well.

Challenges remain

However, pressure on interest rate is still large.

It can be seen that the lending rate now doubles or more of the deposit rate, averaging between 13-17% per year, even higher.

Economist Le Xuan Nghia, a member of the National Financial and Monetary Policy Advisory Council, said the current interest rate ground is too high.

If the inflation rate is around 4%, the savings interest rates should be around 6-7% per year to help keep the lending rates at rational levels.

Vietcombank Securities Company (VCBS) predicts the deposit interest rate will remain high at least until the middle of the year. Amid stiff competition to mobilise capital, VCBS believes the group of small- and medium-sized commercial banks will not reduce interest rates in major terms. It is forecast that deposit rates will peak in the first six months of 2023 with an increase of 1-1.5 percentage points.

Director of SBV's Monetary Policy Department Pham Chi Quang said in 2023, the global economy is likely to have a recession, and at the same time Fed will continue its rate hike. These factors will put pressure on interest rates to continue.

3. SBV works to mitigate potential risks for non-banking credit institutions

The draft circular stipulates the internal control system of non-banking credit institutions, which include financial companies, financial leasing companies and other non-banking credit institutions.

According to the SBV, the operation of non-banking credit institutions is simpler than that of commercial banks and foreign bank branches. Under the current legal regulations, the institutions are not allowed to receive deposits from individuals, but only from organisations; as well as not being permitted to provide payment means and payment services like commercial banks and foreign bank branches, but their operations still pose risks.

Therefore, the establishment of a risk management system according to Basel standards can be considered a solution to minimise potential risks that may occur during the operation of non-banking credit institutions, the SBV said, adding that the change is also consistent with the current trend of corporate governance in general.

The draft circular stipulates the internal control system must have three independent protection lines.

The first line has the function of identifying, controlling and mitigating risks. Banks' divisions related to sales, risk control, accounting and human resources will take responsibility for the line.

The second line has the function of developing risk management policies and internal regulations on risk management. It also takes the responsibility for measuring and monitoring risks.

The third line has the function of internal auditing, which will be performed by the banks' internal audit division in accordance with the Law on Credit Institutions and this circular.

According to the SBV, the draft circular is also consistent with the regulations in Basel which also has the similar three-line protection model.

Besides, the new regulations in the draft circular are dispensable as the Law on Credit Institutions has also amended and supplemented regulations that credit institutions must issue internal regulations to ensure risk management, the SBV said.

4. Industrial production plunges in January over Tet holiday

The GSO attributed the IIP reduction to the Lunar New Year (Tet) holiday which fell in January. Due to the Tet holiday, the number of working days in January was 8-10 days fewer than in December and January 2022.

The office also blamed the decline in industrial production in the first month of this year for a drop in the number and size of orders.

During the month, the processing and manufacturing industry saw the most significant IIP drop with 9.1 per cent. The mining industry followed it with 4.9 per cent and the electricity generation and distribution sector with 3.4 per cent. Meanwhile, the water supply, waste-water treatment and management activities recorded an IIP increase of 3.7 per cent.

Key industries that recorded substantial declines in January included means of transport, down 27 per cent; motor vehicle production (24 per cent); apparel production (21 per cent); electrical equipment (19 per cent) and metal production (15 per cent).

On the contrary, several industries saw a hike in industrial production, such as beverage production, up 18 per cent; exploitation, treatment and supply of water (6 per cent); and repair, maintenance and installation of machinery and equipment (4 per cent).

The GSO also outlined industrial products posting significant IIP declines in the first month, including liquefied petroleum gas (LPG), down 33 per cent; motorbikes (32 per cent); automobiles (32 per cent); steel bars and sugar (26 per cent); and televisions (24 per cent).

Among localities that experienced a significant decrease in industrial production were Vinh Phuc (29 per cent); Ha Noi (23.2 per cent); Vinh Long (23 per cent); HCM City (21 per cent); Hai Duong (20 per cent); Binh Duong (17 per cent); Dong Nai (16 per cent) and Ba Ria-Vung Tau (14 per cent).

The localities mentioned above all had large-scale industrial production. When their industrial production indices fell sharply, it would affect the industrial production of the whole economy, the GSO explained.

However, these provinces are making efforts to facilitate their industrial production in 2023. HCM City is a good example.

Nguyen Nguyen Phuong, deputy director of the municipal Department of Industry and Trade, said that his department is implementing a programme to improve qualifications, management capacity, productivity, and product quality management for enterprises in supporting industries.

He said it is also supporting enterprises to supplement resources and improve competitiveness, adding that solutions to stimulate investment in supporting industries in this period are also essential.

The municipal People's Committee also passed a plan to carry out the supporting industry development programme between 2022-23 with assistance in supply-demand connection, production management, and human resources training.

For its part, the Ministry of Industry and Trade said it would actively implement the project to restructure the industry and trade sector to facilitate the country's industrial production in 2023.

Top priority would be given to creating products under national brands. These products could be competitive in regional and world markets, participating more deeply in the global value chains.

The ministry would continue restructuring industrial production sectors, focusing on increasing the proportion of processing and manufacturing industries and reducing the proportion of processing and assembling for industrial products manufactured in Viet Nam.

At the same time, it would review mechanisms and policies affecting each industry and product, gradually remove difficulties for enterprises and increase localisation rate.

Last year, the country's IIP went up 7.8 per cent year-on-year, with a growth of 6.8 per cent recorded in Q1, 9.8 per cent in Q2, 10.9 per cent in Q3, and 3 per cent in Q4.

Sectors posting impressive growths in 2022 were beverage with 32.3 per cent; medicine, pharmaceutical chemistry and herbs (19.2 per cent); machinery production (19 per cent); wood and wooden products (17 per cent) besides processed seafood (16 per cent), phone parts (15 per cent) and motorbikes (10 per cent).

In the year, Bac Giang saw the best IIP growth with 31.5 per cent, followed by Can Tho (30 per cent), and Vinh Long (25 per cent).

5. State investment fund needed to attract foreign indirect investment

The study for the foundation of a state investment fund has recently resumed with the goal that the investment would become one of the two core business operations of SCIC.

The development strategy for 2030 and the restructuring project were being finalised before being submitted to the Prime Minister for approval, which would pave the way for the foundation of the state investment fund.

SCIC's portfolio included 119 enterprises with a total State capital of VN47.8 trillion out of more than VND166 trillion chartered capital.

SCIC reported a revenue worth VND10.69 trillion in 2022, equivalent to 151 per cent of 2021 and 135 per cent of the plan, and an after-tax profit of VND6.8 trillion, nearly doubling the plan.

Thanh said the foundation of a state investment fund was necessary as the corporation aims to expand

investment with the focus firstly on key sectors of the economy following the Government's requirements.

The state investment fund would help attract indirect investment as an additional resource to promote economic development while the competition in attracting capital gets fiercer.

Thanh cited statistics that Viet Nam attracted only US\$5.15 billion in foreign indirect investment in 2022, dropping by 25 per cent against 2021.

This capital continued to fall strongly in January by 60.7 per cent to \$174 million.

"It is necessary to have a state investment fund to open up the inflow of indirect investment," Thanh stressed, adding that SCIC should be developed into a State-owned investor to compete with foreign investment funds.

6. Half of Vietnam's international Internet capacity restored

However, the country's Internet connections may be still slow during peak time, the agency said.

Four submarine cables Asia-America Gateway (AAG), Asia Africa Europe 1 (AAE-1), Asia Pacific Gateway (APG), and Intra Asia (IA) that connect the country to the world are experiencing issues, seriously affecting performance and reliability as

about 75% of international Internet connections from Vietnam have been lost.

Since February 10 when telecommunication firms took technical solutions and opened up more data flows on land-based cables, the Internet connections have been improved and 50% of international Internet capacity has been restored.

Nguyen Hong Thang, Director of the Vietnam Telecommunications Authority, said that a coordination board was established to monitor measures responding to the submarine cable incident.

Notably, besides applying technical measures, telecommunications firms also quickly opened more connection capacity on land cables to ensure service quality and interests for Internet users despite high costs, he said.

Following the direction of the Ministry of Information and Communications, telecommunications enterprises shared international traffic with each other, for example, Viettel shared 100Gbps of international Internet connection capacity for VNPT.

On the morning of February 12, VNPT's peak hour traffic was 94.95%, while Viettel's was 96%

To completely solve this problem, VNPT has negotiated with partners to buy more Internet capacity on land and put it into use in the next one or two weeks.

A representative of Viettel said that it will continue to negotiate to buy more capacity on land-based cables to ensure a minimum backup rate of 10%.

Representatives of MobiFone and FPT Telecom said that they have applied technical measures to ensure the capacity of international connections.

At peak hours on February 12, consumers of FPT, MobiFone and CMC used about 80%, 73% and 88% of their international traffic, respectively.

7. Vietnam lucrative market for digital economy

Vietnam has a population of nearly 100 million, ranking 15th in the world, but the size of its digital market stood at only the 25th position among the 39 countries surveyed in 2022 by Financial Time and Omdia.

However, the gross merchandise value of its digital economy increased 28% to 23 billion USD in 2022 from 18 billion USD in 2021. It is expected to grow 31% to hit 49 billion USD in 2025, according to the "e-Conomy SEA 2022" report released by Google, Temasek and Bain & Company.

Meanwhile, the Department of Digital Economy and Digital Society reported that the digital economy enjoyed growth in all the three aspects of the ICT economy, platform digital economy, and sectoral digital economy. IT services contributed the most to this economy, about 30%, followed by e-commerce (14.3%), and hardware production (12.83%).

The Lao dong (Labour) daily cited Tran Minh Tuan, Director of the Department of Digital Economy and

Digital Society under the Ministry of Information and Communications, as saying that digital market, digital space, and digital data are necessary for developing a digital economy, and to do that, the first thing is to ensure digital infrastructure.

He noted the ministry has taken measures for building infrastructure to guarantee the development of the digital economy.

Stressing the importance of human resources, Vu Thi Minh Tu, Director for external relations at Lazada Vietnam, held that the quality of human resources for the digital economy in Vietnam remains modest while this is one of the factors affecting the economy's sustainable development.

The Central Institute for Economic Management said to secure sustainable development, the country should perfect the legal framework, including regulations and policies on cyber security, competition, and taxes, in a way that promotes the role, responsibility, and rights of buyers.

Corporate News

8. DPM: Record date for the dividend payment for 2022

↑ 1.55%

On February 09, 2023, the Hochiminh Stock Exchange issued Announcement No. 129/TB-SGDHCM about the record date of Petrovietnam Fertilizer and Chemicals Corporation as follows:

- Ex-right date: February 16, 2023
 - Record date: February 17, 2023
1. Reason & purpose: to pay the first cash dividend 2022.
 2. Content:
 - Exercise ratio: 40% (VND4,000/share)

- Payment time: March 22, 2023

- Place of implementation:

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

+ For undeposited securities: Shareholder will receive dividend at Petrovietnam Fertilizer and Chemicals Corporation 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. BWE: Plan for buying shares from other companies

↓ -3.20%

The Board resolution dated February 09, 2023, the BOD of Binh Duong Water Environment Joint Stock Company approved the policy of investment to buy shares, equivalent to the ownership ratio from 50% to 100% of other companies as follows:

- DNP – Long An Water

- Chau Thanh Urban Project Joint Stock Company

- Can Giuoc Urban Project Joint Stock Company

- Bang Tam Water and Environment Corporation

- DNP Quang Binh Water.

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