



VIETNAM DAILY NEWS



February 22nd, 2023

Table of content

Table of content

- 1. Shares drop on increased profit-taking**
- 2. Ba Ria-Vung Tau aims to become Southeast Asia's maritime service centre**
- 3. Bank race to attract demand deposits cools down**
- 4. Uplift in processed fruit and veg sector**
- 5. Bright prospects for growth in bicycle market**
- 6. Khanh Hoa province calls for investment to massive projects**
- 7. The 2023 tipping point for public investment**
- 8. FIR: Result of stock dividend payment**
- 9. PSH: Plan for bond redemption before maturity**

Market Analysis

1. Shares drop on increased profit-taking

Shares reversed to drop on Tuesday, pressured by the slump of large-cap stocks that were hit strongly during the last minutes of the session by increased profit-taking.

On the Ho Chi Minh Stock Exchange (HoSE), the market benchmark VN-Index dropped 0.41 per cent, to 1,082.23 points.

The market's breadth was negative with 182 gainers and 234 losers.

During the session, nearly 720.3 million shares were traded on the southern bourse, worth over VND11.9 trillion (US\$502.1 million).

Temporarily, it is still necessary to consider the possibility of being blocked at the resistance zone of 1,090 - 1,100 points of the VN-Index, said Viet Dragon Securities Co (VDSC).

“In the short term, the market may temporarily fluctuate strongly at 1,065 – 1,100 points before having more specific signals. Therefore, investors need to pay attention to the supply pressure at the resistance area and wait for the probe signal to be able to assess the next movement of the market.

“Temporarily avoid chasing buying and overbought status, maybe consider taking profit or restructure the portfolio in the direction of reducing risk when the market enters the resistance zone.”

“It is expected that the shaking movement will occur alternately in the recovery spans when the VN-Index gradually moves to the resistance area of 1,090-1,120 points,” said VDSC.

Therefore, investors can continue to expect the current recovery of the market. For the time being, it is still advisable to maintain a reasonable proportion of stocks in the portfolio because the market is approaching the old resistance zone, according to VDSC.

The benchmark's downtrend on Tuesday was due to losses of many large-cap stocks. The VN30-Index, which tracks the 30 biggest stocks on HoSE, fell 0.59 per cent, to 1,080.90 points.

Of the VN30 basket, 18 stocks slid, while nine inched higher and three ended flat.

In the VN-30 basket, the worst performers included The Viet Nam Rubber Group (GVR), FPT Corporation (FPT), Masan Group (MSN), Hoa Phat Group (HPG), Vietjet (VJC), Vinamilk (VNM) and PVPower (POW).

Banking-financial stocks also performed poorly, with losers being Vietinbank (CTG), Military Bank (MBB), Sacombank (STB), VPBank (VPB), Asia Commercial Bank (ACB), Bank for Investment and Development of Vietnam (BID) and SSI Securities Inc (SSI).

But there were still two gainers of Vietcombank (VCB) and Techcombank (TCB).

On the Ha Noi Stock Exchange (HNX), meanwhile, the HNX-Index lost 0.81 per cent to end at 214.08 points.

During the trading session, investors poured more than VND1.3 trillion into the bourse, equivalent to a trading volume of more than 79.2 million shares.

Macro & Policies

2. Ba Ria-Vung Tau aims to become Southeast Asia's maritime service centre

The targets are set in the province's master planning scheme for the 2021-2030 period, with a vision to 2050, which was recently approved by the planning scheme appraisal council.

Pham Viet Thanh, Secretary of the provincial Party Committee, said that under the planning scheme, in the 2021-2030 period, Ba Ria-Vung Tau focuses on carrying out development breakthroughs, including completing regional and inter-regional connectivity routes, developing a seaport system, forming a national-level logistics centre, and establishing a free trade area in Cai Mep Ha.

The province also works to form tourism urban areas with the aim of turning it into an entertainment and resort centre of international

standards, and establish hi-tech industrial parks to attract investors and human resources in advanced production industries.

By 2050, Ba Ria-Vung Tau will continue modernising its infrastructure system, with focus on Bien Hoa-Vung Tau railway, metro lines connecting urban areas, and a monorail system linking coastal tourism urban areas from Vung Tau city to Binh Chau hot mineral spring, Thanh added.

Minister of Planning and Investment Nguyen Chi Dung, head of the appraisal council, asked Ba Ria-Vung Tau whose economy is mainly based on oil and gas exploitation, to exert more efforts to develop urban areas, high-value industries, and new economic sectors and products.

3. Bank race to attract demand deposits cools down

Demand deposits at banks are mainly from customers' payment accounts. Previously, due to low interest rates on term deposits, a number of customers did not pay much attention to transferring idle money in their payment accounts to term deposit accounts. Banks, therefore, raced to lure customers with many incentive policies to benefit from the low-cost capital source.

However, the trend has changed after interest rates for term deposits sharply surged to hit nearly 10 per cent per year, which has caused more customers to select term savings to get higher interest rates.

According to the Q4 2022 financial report of banks, up to 23 out of 28 banks, even big names, have recorded a decrease in CASA ratio in the last year.

Specifically, Techcombank, which topped in terms of CASA for many years, saw its CASA ratio decline sharply from 50.5 per cent at the end of 2021 to 37 per cent at the end of 2022.

Despite surpassing Techcombank to top the CASA list in 2022, Military Bank also reported a CASA

decline from 44.6 per cent at the end of 2021 to 37.6 per cent at the end of 2022.

According to Techcombank, the CASA ratio dropped sharply because customers have tended to reduce cash holdings for investment or spending, but increase opening term savings accounts in the context of the global high interest rate environment, restricted liquidity of the banking system and negative sentiment on the real estate and bond markets.

However, Techcombank noted, the bank took measures to increase its term deposits to ensure capital, with Q4 2022 seeing a growth rate of 32.3 per cent in term deposits against Q3 2022.

Many other banks also recorded a sharp drop in CASA ratio in the past year such as KienlongBank (from 15.5 per cent to 4 per cent), VietABank (11.9 per cent to 4.1 per cent) and TPBank (23.3 per cent to 18 per cent).

However, there were still some banks recording an increase in CASA ratio in 2022 compared to 2021

such as VietinBank (with a slight increase of 0.1 percentage point to 20 per cent), PG Bank (with a 2.5 percentage point increase to 17.9 per cent), and Bac A Bank (with a 3.9 percentage point rise to 7.3 per cent).

Economist Dinh Trong Think told Viet Nam News that the term deposit interest rate has continuously increased, especially in the last quarter of 2022, while other investment channels such as securities, real estate, gold, and cryptocurrencies have been less attractive and continuing the downward trend for a long time.

“This was why cash flows look to long-term savings channels to enjoy high interest rates. As a result, the amount of demand deposits decreased sharply, and the input capital also became more expensive,” he said.

According to Think, improving the CASA ratio, controlling capital costs, and concentrating resources to support firms and people to recover production and business are posing big problems for banks, especially in the context of interest rates being forecast to remain high in the first half of 2023. Because when interest rates are high, individual customers transfer their idle money into term savings instead of keeping them in current accounts. As for firms, high interest rates made it difficult for

them to access bank capital, thereby they had to withdraw available cash to serve their operations.

According to experts of Vietcombank Securities Company (VCBS), the State Bank of Vietnam's policy interest rates in 2023 may not increase further. After peaking in the first half of 2023, the rates will be flat and gradually cool down in the second half of this year.

Sharing the same view, Yuanta Vietnam Securities Company (Yuanta) believes as the interest rate on term deposits is still high and the liquidity of the banking system remains limited, the growth of demand deposits will be low in the first half of 2023. However, Yuanta expects the CASA ratio to improve further as deposit rates gradually cool down in the second half of this year.

Besides, Yuanta said in the context of rising interest rates, banks with the advantage of a high CASA ratio such as MB, Techcombank and Vietcombank will suffer less negative impacts on net profit margin than banks with a low CASA rate.

Meanwhile, SSI Securities Company's experts are more optimistic as, based on data analysis, they forecast the CASA ratio will be affected adversely only in the short term and will recover in the near future.

4. Uplift in processed fruit and veg sector

According to the Agency of Foreign Trade (Ministry of Industry and Trade), exports from Vietnam's fruit and vegetable sector in 2022 were seriously impacted by China's pandemic strategy and totalled just \$3.34 billion, a decrease of over 6 per cent on-year. According to analysts, however, the structure of Vietnam's fruit and vegetable exports has undergone favourable adjustments, with the share of processed goods growing substantially.

The \$3.34 billion in exports comprised approximately \$2.3 billion of fresh and frozen products and just over \$1 billion in processed fruit and vegetables, surpassing that mark for the very first time. This has provided impetus to invest in strategically designed and certified processing

factories and growing areas in order to quickly achieve the \$2 billion export goal.

The growth rate of processed fruits and vegetables may be in part due to the increasing number of Vietnamese goods that are satisfying the stringent standards of the US, European Union, Japanese, and Korean markets. It is anticipated that this pattern will continue in the future as more Vietnamese businesses invest in fruit and vegetable processing factories.

Investments in deep processing increase the value of agricultural goods in Vietnam, but this is also a vulnerability of the agricultural sector. The Ministry of Agriculture and Rural Development (MARD) estimates that Vietnam produces over 30 million

metric tonnes (MT) of fruits and vegetables annually, but less than 20 per cent gets processed.

According to the MARD, the nation as a whole has 153 fruit and vegetable processing facilities that handle over 30 million MT of vegetable products annually. Therefore, it is necessary to boost investment in processing plants and integrate them into production chains to keep up with global market sentiment.

This means that more than 70 per cent of exported fruits and vegetables are still in the raw or preliminary preservation stage. Although the nutritional requirements of people throughout the globe, and in Europe in particular, are shifting towards processed fruit and vegetables.

According to the Netherlands' Center for the Promotion of Imports from Developing Countries, European imports of processed fruit and vegetables accounted for 45 per cent of worldwide imports in 2020. This explains why Vietnam's fruit and vegetable exports only make up a small fraction of its total export revenue.

As a promising indicator of future growth, an increasing number of significant companies have committed hundreds of millions of dollars to construct processing facilities with contemporary technology. These factories guarantee that items produced for overseas markets fulfil their stringent requirements.

In particular, it is anticipated that Dong Giao Foodstuff's Doveco Son La Factory, with a capacity

of 52,000 MT of goods per year, will be put into operation later this quarter, contributing to an increase in revenue compared to the more than \$100 million attained in 2022.

Nonetheless, investment in a modern processing facility and cutting-edge equipment must be paired with a variety of other elements. It is not rare for manufacturing plants to be operating at only 60 per cent capacity, either because the plant is not conveniently located near a sufficient raw material source or because the raw materials do not adhere to requirements.

Nguyen Manh Hung, general director of Nafoods Group, said, "If raw materials are plentiful, that's great for the processing facility, but the quality of commodities may not be consistent, or high levels of pesticide residuals remain in the product. This results in post-processed commodities that can only be supplied to low-value markets".

Hung stated that these deficiencies must be remedied swiftly in order to advance towards a more sophisticated manufacturing and export business that generates greater actual value.

According to European Statistics, the global market for processed fruit and vegetables is expected to reach \$392 billion by 2025. Vietnam mostly exports fresh fruit to the Chinese market. Exports to the markets of the European Union, the United States, Japan, and Australia are still restricted since the preservation stage has not yet satisfied their standards and the expense of air transport makes it difficult to compete.

5. Bright prospects for growth in bicycle market

Peter Nguyen, general manager of Vong Xanh JSC, revealed that the market is growing by 15 per cent annually with about 2.5 million bicycles sold every year, equivalent to aggregate revenue of VND7.5 trillion (US\$320 million).

Children's bicycles dominate sales in the market over the past few years as Vietnamese parents are willing to buy up to three bicycles for their children when they are between one and 15 years old.

The general manager underlined three factors that would continue to fuel the market growth in the long term.

The first factor involves the rising middle class in the country, which would drive a new trend toward cycling for health, increasing the demand for sports bicycles.

Another factor is the addition of bike lanes to urban streets, which would encourage bicycle commuting and increase the number of cyclists in big cities. As

more people stop using their cars and shift to greener means of transport, bicycle sales would rise.

The last factor centres around the expansion of public transport systems, a trend that drives motorbikes out of big cities. With the decline of motorbikes, commuters have no choice but to rely on bicycles for short-distance travel, which is good news for bicycle sellers.

The bicycle market is lucrative but fragmented. Big companies hold just 10 per cent of the market share whereas 90 per cent falls to a large number of small-sized retailers.

Mobile World JSC participated in the market in 2022 with the launch of the AVACycle chain that comprises 158 bicycle stores.

Mobile World CEO Doan Van Hieu Em revealed that each store grossed over 50 bicycles in daily sales just a few days after its launch.

As such, AVACycle is expected to make around VND400 billion (\$17 million) in revenue in its first year of operation and continue to grow steadily year by year.

Another retail giant in the market is Vong Xanh JSC, which moved in 2016 and owns the Xedap.vn chain that comprises 22 bicycle stores. The company has also expanded its reach to e-bikes with the introduction of Xedien.vn.

Xedap.vn has been financed recently by Excelsior Capital Asia to expand its presence in the country. Supported by the fund, the bicycle chain has aimed to reach 100 stores in the next few years.

Some experts were concerned that AVACycle and Xedap.vn would price small-sized retailers out of the market with their deep discount policy. However, Peter Nguyen said it would not be the case.

He asserted that over 2,300 stores owned by small-sized retailers would continue to hold grounds despite the entry of Xedap.vn because Vong Xanh does not aim to achieve 'something big' but simply try to bring 'something new' to the table.

Meanwhile, Doan Van Hieu Em revealed that the shop-in-shop approach has allowed AVACycle to substantially cut its operational costs and rents. The money saved has been spent on discounts and sale promotions, which, he believed, would help the chain secure around 40 per cent of the market shares in the short term.

Normally, the period from July to December is the peak season for bicycle sales. However, the situation was different last year as bicycle sales in Q3 and Q4/2022 fell by more than 50 per cent compared to the same period in 2021. The fall in sales was caused largely by the global economic recession.

Experts believed that the downturn would be short-lived and a boom in sales would be within sight for bicycle retailers. For this reason, many international funds have begun to pour their money into the bicycle market despite the recession.

6. Khanh Hoa province calls for investment to massive projects

The province is scheduled to announce in-principle approvals for a 1,250-hectare urban project near Cam Ranh Bay with registered capital of nearly 85.3 trillion VND (3.6 billion USD) and the 89-hectare Dien Khanh administrative urban area with registered capital of 2,012 trillion VND.

Other real estate projects include a social housing project in Cam Nghia ward, Cam Ranh city, with registered capital of 3.756 trillion VND; the 71.5-

hectare VCN eco-urban area, with registered capital nearly 9 trillion VND; and the Hon Ngang-Bai Cat Tham maritime eco-tourism resort in Van Phong Economic Zone, with registered capital of 25 trillion VND.

The Republic of Korea's CS Wind Corporation is set to receive an investment registration certificate or sign a memorandum of understanding (MoU) for a 130 million USD wind tower and monopile factory,

covering 32.22 hectares in Ninh Thuy Industrial Park, Van Phong Economic Zone.

Viglacera, Vietnam's leading manufacturer of building materials, is expected to receive an in-principle approval or sign a memorandum of understanding for its 1.8 trillion VND Doc Da Trang Industrial Park project.

Khanh Hoa province also said it would sign deals on investment promotions with FPT and McKinsey & Company Vietnam, and an MoU on investment in Vinschool with private conglomerate Vingroup.

The province will also sign MoUs on investment in industrial parks, including a 350-hectare Nam Cam

Ranh IP with Trung Nam Construction Investment Corp.; a 480-hectare Ninh Son IP with SSI JSC; 300-hectare Xuan Son with Sinnec JSC; 250-hectare Ninh Diem 1 and 215-hectare Ninh Diem 2 with Becamex IDC; and a 290-hectare Ninh Diem 3 with Sonadezi.

Other key projects include the 750-hectare Ninh Tinh seaport with Saigon Newport Corporation, a 4,800-hectare Hon Lon tourism-urban complex and an airport in Van Thang commune with major realty developer Sun Group, a software-technology urban complex linked with FPT, green social housing with Capital House, and cooperation with Japanese retailer Aeon Mall.

7. The 2023 tipping point for public investment

The resolution on state budget estimates for 2023 was approved at the fourth session of the 15th National Assembly. Accordingly, as much as \$30.8 billion will be spent on development investment, equal to 35 per cent of the total state budget expenditure projected for 2023. It constitutes a rise of 38 per cent from the 2022 projection.

The combined capital estimated by ministries, businesses, and localities for 2023 amounts to \$33 billion. If the anticipated developments are approved, the majority of capital demand will be satisfied.

One of the top priorities of 2022's public investment budget involved projects as part of the country's socioeconomic development and recovery programmes, followed by other goals that include making payments on outstanding capital construction debts and allocating adequate funding for projects to be finalised in 2023.

Investments will also be centred on projects under the national target programmes, key national projects, and those having a ripple effect on local, regional, and inter-regional development.

Numerous important projects can be found on the government's list of key transportation infrastructure projects to be promoted in 2023, including the National Highway No.45 to Nghi Son,

My Thuan 2 Bridge, Ring Road 3 of Ho Chi Minh City and Ring Road 4 of Hanoi, and the construction of various expressway sections.

Priorities would also be given to several urban railway projects, the upgrade and exploitation of joint-use airports in Phan Thiet, Thanh Son, Chu Lai, Lao Cai, Na San, and Vinh, and upgrading and expanding the joint-use airports of Bien Hoa and Gia Lam.

Analysts assert that the development of new airports and expressway sections would open up bright prospects for developers in the Central Highlands and central coastal localities. Once put into service, the expressway sections connected to key infrastructure projects are expected to create real estate breakthroughs in beneficiary localities and neighbouring areas.

The execution of many large projects are being quickened in the southeast and central regions. For instance, the \$5 billion NovaWorld Phan Thiet "super sea city" project in Binh Thuan province is about to hand over products to customers. In Binh Dinh province, the Hai Giang Merry Land project from Hung Thinh Group has seen thousands of products officially launched, while Danh Khoi Group continues to speed up the implementation of ventures in Quy Nhon city.

In Hanoi, several important schemes, such as the second phase of the Vinh Tuy Bridge and the elevated sections of Ring Road 2, have been constructed urgently while additional efforts have been increased to gather resources so that the projects may be finished on time.

Notably, the western part of the city is connected to the seven belt highways that Hanoi has pushed up the construction of. This creates a solid foundation for linking Hanoi's central business districts with recently built neighbourhoods, particularly the three satellite towns of Hoa Lac, Son Tay, and Xuan Mai.

As a result, surrounding real estate markets, including land plot segments, have seen their values jump up. Additionally, the execution of some large projects cited as new components of the Vinhomes Smart City and Mailand Hanoi City (formerly Splendor) have been expedited.

Resources used to The fullest

During an inspection trip in November 2022, Minister of Transport Nguyen Van Thang asked Hoang Long Corporation to leave the Mai Son-National Highway No.45 section construction, which covers over 63km and passes through the provinces of Thanh Hoa and Ninh Binh.

The decision was made after accusations of poor quality and delayed building progress. The minister simultaneously asked DeoCa Group, the head of the contractor consortium, to take on and cover the remaining volume.

This is one of the bold moves aimed to tackle the slow progress of key transport infrastructure projects and their components, which has been pointed out as one of the primary reasons for delaying the progress of public investment disbursement.

The previous month, Directive No.19/CT-TTg on expediting public investment disbursement and the implementation of three national target programmes in the remaining months of 2022 was

issued, which also aims to enhance the quality of public investment planning in 2023.

The moves are encouraged as the disbursement of public investment has been delayed significantly due to the impacts caused by the pandemic over recent years.

Key infrastructure projects will back up the formation of urban areas and economic-entertainment-tourism centres in coastal areas, according to a representative of the real estate service company DKRA Vietnam. The demand for real estate products in neighbouring areas will go up once connections to transport infrastructure projects are developed.

“Likewise, it is anticipated that billions of VND flowing into public investment projects is expected to leverage the local real estate demand and attract additional capital from a variety of sources, particularly overseas investors,” the representative said.

BIDV Securities meanwhile estimates that the supply of real estate would expand significantly into 2023. Pre-sales of top Vietnamese real estate firms including Vinhomes, Novaland, Nam Long Investment, Dat Xanh Group, Phat Dat Real Estate Development, An Gia Real Estate Investment and Development, and Van Phu Invest will reach a peak soon.

“Developers with large land funds in suburban areas are more likely to build mega-urban projects linked to concurrently constructed road infrastructure,” BIDV Securities said.

Nguyen The Minh, analysis director at Yuanta Securities, expressed his hopes that the growing amount of public investment will directly benefit the companies taking part in projects.

“The implementation of real estate projects, particularly small-scale ones and sub-projects, will be impacted in part by the tighter control of credit flows into real estate and corporate bond issues,” Minh said.

Corporate News

8. FIR: Result of stock dividend payment

↑ 1.15%

First Real Joint Stock Company has reported the result of share issue for dividend payment as follows:

I. Information on stock:

1. Stock name: Stock of First Real Joint Stock Company
2. Charter capital: VND446,150,150,000
3. Number of outstanding shares (before the issuance): 44,615,015 shares
4. Number of treasury shares (before the issuance): 0 share
5. Stock type: common share
6. Stock code: FIR
7. Par value: VND10,000/ share
8. Exercise ratio: 20%
9. Number of shares expected to be issued: 8,923,003 shares
10. Purpose: to pay stock dividends

11. Ending date: February 14, 2023
12. Estimated trading date: expected in March, April 2023

II. Result:

1. Number of distributed shares: 8,923,003 shares
2. Number of distributed shareholders: 507 shareholders
3. Number of fractional shares: 158 shares
4. Plan to deal with fractional shares: The distributed shares will be rounded down. The fractional shares will be cancelled.
5. Total current shares (February 20, 2023): 53,537,860 shares
 - Outstanding shares: 53,537,860 shares
 - Treasury shares: 0 share.

9. PSH: Plan for bond redemption before maturity

↑ 6.37%

The Board resolution dated February 20, 2023, the BOD of Nam Song Hau Trading Investing Petroleum Joint Stock Company approved the bond redemption before maturity as follows:

- Issuer: Nam Song Hau Trading Investing Petroleum Joint Stock Company
- Bond name: Nam Song Hau Trading Investing Petroleum Joint Stock Company
- Bond code: PSHH2224001

- Bond type: non-convertible bond, secured and without warrant
- Par value: 1,000,000 dongs/bond
- Total issue value (at par value): 200,000,000,000 dongs
- Total outstanding value (at par value): 110,000,000,000 dongs
- Issue date: March 01, 2022
- Maturity date: March 01, 2024
- Interest rate: 11%/year
- Total repurchase value (at par value): 110,000,000,000 dongs
- Repurchase time: from March 01, 2023 to July 03, 2023.

Research Team: **Tsugami Shoji** *Researcher* jsi@japan-sec.vn

Disclaimer:

Copyright 2015 Japan Securities Co., Ltd (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

Japan Securities Co., Ltd – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn