



VIETNAM DAILY NEWS



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Market Analysis

1. Market slumps amid various risks

The stock market posted a loss on Tuesday, weighed down largely by the poor performance of the construction materials sector.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index started off the afternoon under the baseline. It then fell with a steep bearish trend and eventually hit 1,065.84 points, down 23.45 points (2.15 per cent) from the previous session.

The market's breadth was negatively skewed as decliners outnumbered advancers by 263 to 68. Among the stocks, six hit ceiling prices whereas 12 sat at the other end.

HoSE was not so busy yesterday since investors traded just 595 million shares on the exchange, equivalent to about VNĐ10 trillion (US\$420 million).

The VN30-Index echoed the VN-Index pattern but with a larger loss. It lost 24.87 points (2.27 per cent) to reach 1069.5 points. In the basket, five stocks climbed, one stayed flat and 24 slid.

Vietcombank (VCB) was leading the slump with a loss of 4.17 per cent. Other major stocks behind the market torpor include Hoa Phat Group (HPG), BIDV (BID), Vinhomes (VHM), Vingroup (VIC) and VPBank (VPB).

A construction materials sector in decline was a drag on the market yesterday. In the sector, Hoa Phat Group (HPG) lost 6.62 per cent, followed by Hoa Sen Group (HSG) and Vicostone (VCS). Heavy selling slashed the sector by 5.57 per cent.

Securities was the next sector dragging down indices as it was overrun by decliners including SSI Securities (SSI), VNDirect (VND) and Viet Capital (VCI). Overall, the sector lost 2.85 (3.35 per cent) yesterday.

Plastics was another sector contributing to the market downturn yesterday. One of the largest decliners in the sector was the Vietnam Rubber Group (GVR), which dropped by 5.13 per cent. Duc Giang Chemicals (DGC) came next with 4.14 per cent.

In the realty sector, the trio stocks of the Vin family - Vingroup (VIC), Vinhomes (VHM) and Vincom (VRE) - saw red on the screen. The first lost 1.79 per cent, the second 2.4 per cent, and the last 3.22 per cent.

"The stock market is being exposed to various types of risks, including the liquidity risk posed by a huge volume of corporate bonds coming due and the risk carried by the realty sector facing high policy rates", said a securities expert.

The HNX-Index on the Hà Nội Stock Exchange (HNX) followed the bearish trend with a dip of 4.47 points (2.09 per cent), ending at 210 points.

Foreign investors poured money into the market by net buying a total of around VNĐ25.8 billion worth of shares on the two exchanges. Of which, they net bought VNĐ34.94 billion on HoSE and net sold VNĐ9.14 billion on HNX.

Macro & Policies

2. U.S. Bank chosen to provide financing solutions for VinFast electric car users

VinFast on February 7 announced U.S. Bank (listed as USB on New York Stock Exchange) has been chosen as its preferred provider of retail financing and leasing of VinFast vehicles in the US.

The announcement comes as VinFast - a Vietnamese electric car producer - is preparing to open more showrooms in California, and develop plans for more locations around the country soon.

Under the partnership, the bank will officially provide financing and leasing solutions for VinFast vehicles at VinFast showrooms and via the VinFast website.

Le Thi Thu Thuy, Vingroup Vice Chair and CEO of VinFast Holdings, said that with the goal of making electric vehicles accessible to everyone, VinFast is constantly looking for optimal solutions for customers.

Thanks to this agreement, VinFast customers will have access to competitive finance and lease rates and world-class customer service from the bank.

On November 25, 2022, VinFast held a ceremony to mark its first batch of exports of all-electric cars to international markets.

The Vietnamese brand sent a total of 999 units of the VF 8 model to the US.

3. Textile industry faces headwinds in 2023 after poor results in Q4

After being heavily impacted by the COVID-19 pandemic, textile and garment enterprises have gradually recovered and were one of the key export industries that recorded extraordinary growth rates in the first months of 2022.

Data from the General Department of Customs showed that the export value of the textiles and garments sector in 2022 reached US\$37.57 billion, a gain of 14.7 per cent year-on-year.

The US is the biggest import market of Vietnamese textile and garments, worth \$17.36 billion last year, up 7.9 per cent. It was followed by the Europe Union and Japanese markets, reaching \$4.46 billion and \$4.07 billion, up 34.7 and 25.8 per cent, respectively.

Although the industry saw positive export prospects in the first and second quarters of 2022, it began to face many difficulties in the last two quarters of the year as global demand for textiles and garments declined.

The export value peaked in August 2022.

The sharp decline in orders since September was attributed to a reversal of the trend, causing the industry's export value to fall to 2022's lowest level in the last quarter.

Vietnamese textile and garment enterprises' profits diverged in the fourth quarter after achieving impressive growth in the year's first quarter.

Mixed results

Statistics from 15 leading enterprises in the textile and garment industry compiled by *cafe.vn* point out that the total consolidated profit after tax in the fourth quarter of 2022 was only VND440 billion (\$18.7 million), down 63 per cent from the fourth quarter of 2021, amid high inflation and recession risks in the main export markets.

Vinatex surprised the market with a loss of \$5 billion. Its profit after tax reached \$450 billion in the same period last year, which was the most profitable enterprise in the textile group. This is also the first quarter that Vinatex has recorded a loss.

Vinatex said that due to the influence of China's zero-COVID policy, demand in some markets decreased at the end of the year, affecting the consumption situation and the prices of yarn inventory.

In the first months of the fourth quarter, businesses were trapped in a difficult situation when the yarn market's liquidity was almost zero, the garment market's orders dropped sharply, and information about losses from its subsidiaries, especially fibre units, was reported.

However, for the whole of 2022, Vinatex still made a profit of more than VND1 trillion, down 20 per cent year-on-year thanks to the large profit in the year's first half.

Similarly, Garmex Saigon Corporation also suffered a loss of approximately VND59 billion in the fourth quarter, while it posted a profit of nearly VND35 billion in 2021.

The company said it had to stop production at some factories from mid-August to improve the quality, so most of the finished goods had to be kept in storage while the inventory had not been consumed. Garmex Saigon only reported a profit in the second quarter and lost all three remaining quarters last year, leading to a net loss of nearly VND66 billion in 2022, marking its first yearly loss since listing.

Other well-known enterprises in the industry, such as Song Hong Garment, Century Synthetic Fiber Corporation, and Everpia, experienced bad results, with their profits decreasing about 40-50 per cent over 2021 to VND55 billion, VND43 billion and VND27 billion, respectively.

On the contrary, some leading companies recorded positive growth of up to two or even three digits.

Thanh Cong Textile Garment Investment Trading's profit after tax surged 140 per cent on-year to VND60 billion in the fourth quarter. For 2022, it recorded an increase of 95 per cent in profit to VND281 billion.

Phong Phu Corporation was the most profitable enterprise in the absolute figure. Its after-tax profit reached VND99 billion, 125 per cent up year-on-year. It reported a record profit since its operation of VND486 billion last year, up 42 per cent over the same period.

Challenges ahead

Thanks to effective free trade agreements and increasing compliance with the rules of origin to enjoy preferential tariffs as committed at the FTAs, the export results of textiles and garments increased in 2022.

However, the Vietnamese textile and garment industry still faces many difficulties and challenges when it is heavily affected by input costs, labour costs and potential economic recession. The current slowdown of global economies has lowered demand in the domestic market and major importing countries including the US, Japan, and South Korea.

In a recent report, KIS Securities said that 2023 would be a challenging year for the textile industry due to the low demand for apparel products. According to the Vietnam Textile and Apparel Association (VITAS), pre-orders for the first quarter of 2023 fell by 25-27 per cent year-on-year, signalling a difficult year ahead.

4. Ho Chi Minh City among top markets for data centre development

The remaining top 10 markets in the category are: Columbus, Santiago, Johannesburg, Atlanta, Nashville, Phoenix, Austin, Denver, and Chicago, according to a report released by Cushman & Wakefield Vietnam on February 2.

The annual report, now in its fourth year, ranks major data centre markets around the world

according to 13 weighted categories including market size, connectivity, power cost and environmental risk to determine the top overall markets in each category.

According to the latest Q4 2022 Ho Chi Minh City marketbeat report, the average rental price reached

\$159 per sq.m per lease cycle, up 3 per cent on the quarter and 10 per cent on-year.

Vietnam may be a frontier data centre market, but it has numerous fundamentals that would suggest great potential for development. The country currently has 70 per cent internet penetration, with an estimated 29 million people yet to get online. Over 48 per cent of Vietnam's capacity is located in the capital of Ho Chi Minh. Currently, only a few multinationals are locally requiring high-level capacity.

The common approach for international operators is to partner with the local telecommunication operators. There is a sizable lack of existing infrastructure relative to the population of the market and demand for internet services. This represents a major opportunity at both the content provision and infrastructure establishment level.

South of Ho Chi Minh is preferred as a hub for data centres, especially for cloud services platform providers, due to latency issues and securing of manpower. Increasing land prices, limited land availability (especially for hyperscale) and limited current or future power supply in Ho Chi Minh directly are pushing new data centre developments to Binh Duong or Dong Nai provinces.

"Vietnam's digital and data infrastructure is currently fragmented and underdeveloped compared to the market's population size and demand for internet services," said Bui Trang, country head of Cushman & Wakefield Vietnam.

"However, this limitation is also an opportunity for investors to participate and build data centers early. According to our records, the majority of foreign developers coming to Vietnam will desire through signing cooperation agreements with domestic developers."

Cushman & Wakefield's head of Data Centre Advisory Team, Asia Pacific, Vivek Dahiya, said interest and investment in the region would continue at pace as the sector evolved.

"We are seeing significant investment and interest in Bangkok, Ho Chi Minh, Hyderabad, Johor, and Manila, and we expect this to continue, along with interest in other primary and secondary markets in the region. Data centres are a rapidly evolving asset class, as evidenced by this report. Last year, Portland ranked 10th. This year it tied for first. We expect such strong movements to continue in the years to come as the sector evolves and matures," Dahiya said.

5. Promotion of exports to be based on global demand

The prime minister's comments were made as he chaired a conference at the Ministry of Industry and Trade to promote production and consumption and expand export markets on February 3.

In the first month of 2023, the impact of external factors caused a reduction in orders and led to a decrease in industrial production. Specifically, the index of industrial production in January 2023 decreased by 14.6 per cent compared to the previous month and 8 per cent over the same period last year. Export turnover in January stood at \$25.08 billion, a decrease of 13.6 per cent over December and 21.3 per cent on-year.

The prime minister said that faced with the decrease in the aggregate demand for goods, it is necessary to promote diversification and strengthen the nation's position in the supply chain.

"Industries and businesses need to produce and export products based on global demand. The industry and trade sector needs to focus on three strategic breakthroughs (institutions, infrastructure, and human resources) and three growth drivers (investment, export, and consumption), promote digital transformation, and develop the circular economy," said PM Chinh.

15 FTAs are being implemented, which are considered significant pedestals to promote exports and expand the market by taking advantage of preferential deals. Accordingly, they should be used to offset the difficulties in traditional markets such as the US, the EU, Japan, and South Korea.

Along with that, the head of government proposed expanding to Eastern Europe, the Middle East, South America, South Asia, and Africa.

Prime minister Chinh stressed that it is also necessary to exploit opportunities from China's reopening market. Vietnam's exports saw positive signals as only 1 month after China reopened, fruit and vegetable exports reached \$300 million, up 3 per cent over the same period last year.

Minister of Industry and Trade Nguyen Hong Dien pointed out many problems related to both the slow growth of production capacity and exports, as well as the limited participation of domestic enterprises in global supply chains. Exports are still largely dependent on the foreign direct investment sector, leading to a lack of diversification.

According to the General Statistics Office, in 2022, the export turnover of the domestic economic sector reached \$95.09 billion, up 6.5 per cent and

accounting for 25.6 per cent of the country's total export revenue. Meanwhile, that of the foreign-invested sector – including crude oil – stood at \$276.76 billion, up 12.1 per cent and accounting for 74.4 per cent of the total.

In 2022, the domestic economic sector had a trade deficit of \$30.7 billion, while the foreign-invested sector was responsible for a surplus of \$41.9 billion, showing the country's ability to self-control is still weak.

"The decline in global demand is one of the most challenging factors for Vietnam's exports in 2023. Export growth will depend on many factors, such as the conflict in Ukraine, inflation, and the economic situations of large partners," said minister Dien.

6. Vietnam Airlines to fully restore flight network to China

National flag Vietnam Airlines will resume five more routes between Vietnam and China in March and April, meaning nine out of its 10 routes to the destination are back to operation after the pandemic.

In March, its flights between Hanoi and Beijing will resume with a frequency of three flights a week. Meanwhile, the carrier will increase the weekly frequency of flights linking Hanoi and Ho Chi Minh City of Vietnam to Guangzhou and Shanghai of China to four from the current one to two flights.

From April, Vietnam Airlines will reopen four routes between Da Nang and China's Guangzhou, Shanghai and Chengdu as well as between Hanoi

and Chengdu. The routes will operate two flights a week to provide service between the two communities.

In addition, from September, the airline plans to operate the wide-body aircraft Airbus A350 and Boeing 787 on its routes between Hanoi and Beijing; and between Hanoi and Ho Chi Minh City and Shanghai.

With the optimistic scenario that China continues to ease related procedures and demand recovers well, Vietnam Airlines expects the number of passengers flying between the two countries this year to reach about 80% of the 8.1 million recorded in 2019, the year before the COVID-19 pandemic.

7. January's State budget revenue estimated at 7.78 billion USD

Vietnam's total State budget collection in January is estimated at 183.7 trillion VND (7.78 billion USD), equal to 11.3% of the yearly estimate and down 0.5% year-on-year, announced the Ministry of Finance on February 7.

Specifically, the domestic revenue is estimated at 160.4 trillion VND, up 3.1% y-o-y, and that from crude oil at 5.3 trillion VND, up 67.7% y-o-y.

Meanwhile, import-export activities contributed about 28 trillion VND to the State budget, equivalent to only 65% of that in the same period last year.

On the other hand, total State budget expenditure in the month was estimated at 114.9 trillion VND, equaling 5.5% of the yearly estimate.

For the development investment expenditure alone, the total planned investment capital from the State budget for 2023 is 756.1 trillion VND.

Corporate News

8. HPG: Hoa Phat signs contract to process clean chicken eggs for WinMart supermarkets

↓ -6.62%

Hoa Phat Phu Tho Poultry One Member Limited Liability Company will supply about 500,000 - 550,000 clean chicken eggs that have been processed into the WinMart supermarket chain through distribution agents on average each month.

When on the shelves of WinMart supermarkets, the product packaging has the O'lala brand, clearly stating that the origin is produced by Hoa Phat.

Hoa Phat's egg-laying chickens are sourced from Hyline International, imported directly from farms in Australia, the UK and the US.

The chickens are raised in accordance to high-tech model at hatcheries, focusing on VietGAP standards to create fresh - clean - safe chicken egg products provided to the market.

The leader of the company also shared that the co-operation between the two sides aims to bring to Vietnamese consumers clean, safe and clear-origin chicken egg products.

9. REE: Record date for AGM and dividend payment

↑ 0.82%

On February 03, 2023, the Hochiminh Stock Exchange issued Announcement No. 106/TB-SGDHCM about the record date of Refrigeration Electrical Engineering Corporation as follows:

- Ex-right date: February 28, 2023
- Record date: March 01, 2023

1. Reason & purpose:

- To hold the Annual General Meeting of Shareholders for the fiscal year 2022;
- To pay cash dividend for 2022.

2. Content:

- a. To hold the Annual General Meeting of Shareholders for the fiscal year 2022:
- Exercise ratio: 01 share – 01 voting right

- Meeting time: 8:00 AM, March 31, 2023

- Meeting venue: E.town Hall, 364 Cong Hoa street, ward 13, Tan Binh district, Hochiminh city.

b. To pay cash dividend for 2022:

- Exercise ratio: 10%/par value (1,000 dong/share)

- Payment time: April 07, 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 REE' 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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