



VIETNAM DAILY NEWS



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Market Analysis

1. Realty stocks surge, rescuing the VN-Index from a fall

The stock market witnessed a reversal in its fortunes during Tuesday's afternoon session as positive news related to the real estate market lifted realty stocks.

On the Ho Chi Minh Stock Exchange, the VN-Index increased by 0.39 per cent to close at 1,069.46 points despite having traded below the baseline throughout the entire morning. The southern market's index decreased 0.4 per cent on Monday.

Real estate stocks experienced a significant rebound after dropping earlier in the day, led by Novaland Group (NVL) and Vinhomes (VHM).

In the morning, NVL suffered a decline of 3.8 per cent but rebounded in the early afternoon and eventually closed at the highest price of VND14,200 (US\$0.60) per share, up 7 per cent with over 63 million shares changing hands, the highest in the past four months.

This surge came in response to the news that on Tuesday, Nguyen Cao Luc, Deputy Chairman of the Government's Office, signed a directive conveying Deputy Prime Minister Tran Hong Ha's instructions to the Ministry of Construction, Ministry of Natural Resources and Environment and People's Committees of Dong Nai and Binh Thuan provinces. The directive calls for relevant ministries to collaborate with the provincial committees to resolve the problems and difficulties faced by Novaland's projects in those regions, in accordance with the law.

Novaland, amid a difficult financial situation, has requested support from the Government and the

State Bank of Viet Nam to overcome these challenges. The company's Chairman Bui Thanh Nhon has asked for regulations that would allow banks to relax, postpone, or hold debt groups for real estate projects for 2-3 years, as well as tackle legal bottlenecks for its projects throughout the country.

According to Novaland's leader, the company has VND25 trillion (\$1.1 billion) blocked at commercial banks, with over VND10 trillion being eligible for release once legal proceedings are complete. Resolving this issue would provide Novaland with the necessary capital to continue operating normally.

Apart from Novaland, Vinhomes (VHM) also surged 3.4 per cent, leading the top shares lifting the VN-Index most. Other stocks like Development Investment Group (DIG), Dat Xanh Group (DXS), Sai Gon Thuong Tin Real Estate (SCR) and Hai Phat Investment (HPX) all saw impressive increases.

However, despite the Index's rise, liquidity in HCM City's bourse decreased 19 per cent in volume and 23 per cent in value from the previous session, totaling 698 million shares worth VND11.6 trillion (\$491.5 million).

On the Ha Noi Stock Exchange, the HNX-Index rose for a second day, up 0.16 per cent to end at 212.34 points. Liquidity also dropped here to 114 million shares worth VND1.7 trillion, down 30 per cent in volume and 24 per cent in value compared to Monday's levels.

Macro & Policies

2. Vietnam's non-life insurance market continues to lure foreign capital

Two domestic insurance companies, the Vietnam National Aviation Insurance Joint Stock Corporation (VNI) and Military Insurance Corporation (MIC), welcomed new capital from foreign investors in the first quarter of 2023.

The PYN Elite Fund, an investment fund from Finland, has announced it has bought 500,000 shares of MIC, raising its ownership rate from 4.99% to 5.29%.

After this transaction, the PYN Elite Fund officially became the second largest shareholder in the MIC, along with the parent company Military Commercial Joint Stock Bank (MBBank), which holds 68.4% of the MIC's stake.

The PYN Elite Fund, formerly known as Mutual Fund Elite, was established in early 1999 by PYN Fund Management (Finland). This is an investment fund targeting Asian markets.

The MIC is currently among the top companies with a charter capital of 1.3 trillion VND with nearly 2,000 employees. In a development strategy in the 2020-25 period, the MIC set the ambition to be the Top 3 leading non-life insurance companies in Vietnam by 2025.

Previously, in February 2023, DB Insurance officially became the parent company of VNI with an ownership rate of 75% after signing a contract to receive share transfers from a group of shareholders, including 19 individual investors and one institutional investor in VNI.

DB Insurance has been present in the Vietnamese insurance market for more than ten years. In addition to VNI, this large group of the Republic of Korea has also invested in Post and Telecommunications Joint Stock Insurance Corporation (PTI) since 2015. It is currently a major shareholder of PTI with an ownership of 37% of the capital.

One of DB Insurance's strengths is motor vehicle insurance and the fact that after becoming a major shareholder of PTI, this shareholder has focused on investing in PTI's retail segment of motor vehicle insurance, helping the insurer continuously maintain the number one market share in the motor vehicle insurance segment in Vietnam.

Meanwhile, VNI is also one of the Top 10 companies with the largest market share in Vietnam's non-life insurance market in 2022, the Top 2 companies with the highest revenue in compulsory auto civil liability insurance, and the Top 3 companies with the highest revenue in motor vehicle insurance. Therefore, the strategy to develop VNI shortly after DB Insurance becomes the controlling shareholder is a question of interest.

In addition to the above two cases, the market is also waiting for new moves in the State Capital Investment Corporation (SCIC) disbursement roadmap in Bao Minh Insurance, whose personnel structure has changed a lot in recent years.

Experts said with new movements in the market, the competition in the motor vehicle insurance segment would become fiercer.

Non-life insurance still has a certain attraction to foreign capital flows though the profits of this segment mostly declined last year, and the market is not as positive as before the pandemic. However, for investors interested in the non-life insurance market in Vietnam, the potential remains huge because of the low insurance penetration.

3. UK's accession to CPTPP to bring more incentives for Vietnamese exports

Dau tu (Investment) newspaper also quoted the official as saying the removal of trade barriers will support the common economic security between the two countries, as they join deeply in each other's supply chains and diversify trade activities, thus creating greater opportunities for businesses of both nations.

The UK has completed negotiations to join the CPTPP, which is expected to be signed in 2023 and ratified by member countries in 2024.

With 11 members, it is also one of the largest trade pacts in the world, covering 13.5% of global GDP and a market of about 500 million people. The UK's participation in the agreement will help the bloc's GDP increase by nearly 16%.

It is expected to open more trade cooperation opportunities between Vietnam and the UK, as well as bring about investment opportunities to each CPTPP member.

The UKVFTA, which was signed and took effect in early 2021, has created a boost to goods trade between the two nations. Two-way trade reached nearly 6.6 billion USD in 2021. Vietnam's exports to the UK hit nearly 5.8 billion USD in the year, and 6.06 billion USD in 2022, up 16.4% and 5.2% year-on-year, respectively.

Regarding the UK's commitments to cutting tariffs for Vietnam's goods within the CPTPP, tUK Ambassador to Vietnam Iain Frew said this will bring more benefits to Vietnamese exporters.

Agriculture and fisheries, including vegetables and fruits, coffee, cashew nuts, seafood, textiles and footwear - Vietnam's strong exports to the UK - are to benefit the most from the trade deal.

After the UK joins the CPTPP, Vietnamese businesses will have an opportunity to choose which FTA incentives are most beneficial and easiest to apply.

On the other hand, the UK can increase the export of its farm produce, equipment and technologies to Vietnam. Investment flows from the UK to CPTPP member countries, including Vietnam, will be also expanded thanks to this accession.

According to Vietnam Trade Counselor in the UK Nguyen Canh Cuong, new-generation FTAs will create more room for Vietnamese goods to make inroads into the UK.

However, he also advised Vietnamese exporters to pay heed to meeting the quality requirements of importers, and issues related to consumer trends in the European nation.

4. Agro sector export figures taking a hit

In statistics published by the General Department of Vietnam Customs, the Q1 import-export turnover of the sector reached \$20.63 billion, down 11.2 per cent on-year. Notably, the export value hit \$11.19 billion and import value was \$9.44 billion, signifying an on-year decrease of 14.4 and 7.2 per cent, respectively.

The group of agricultural exports reported a slight increase of 3.8 per cent to \$5.73 billion. Meanwhile, the forestry sector earned \$3.11 billion and the aquaculture sector was \$1.79 billion, showing drops of 28.3 and 29 per cent on-year. The export turnover

of raw materials dropped by 26.8 per cent on-year to \$458 million.

The performance of aquaculture is the bleakest. Statistics published by the Vietnam Association of Seafood Exporters and Producers (VASEP) show that shrimp, one of the key exported aquaculture products, suffered a plunge of 39.4 per cent to \$578 million in the first quarter. Tra fish saw a downturn of 33.1 per cent on-year to \$422 million, while the export value of tuna was \$109 million only, down 30 per cent on-year.

All five leading aquaculture markets of Vietnam reported declines in export value: Japan with \$187 million (down 11 per cent), the US \$155 million (down 55 per cent), China \$151 million (down 11 per cent), South Korea \$104 million (down 14 per cent), and Thailand \$44 million (down 15 per cent).

Truong Dinh Hoe, general secretary of VASEP, said that global inflation damaged import demand of many countries, while the cost of raw materials and production saw a soaring increase. For example, the cost of input materials climbed to a record level with uncertain forecasts, pushing the price of feed and aquaculture products up.

“The shrimp selling price in Vietnam is 20-30 per cent higher compared to the same product in India and Ecuador, for example,” Hoe said.

He also mentioned the barriers in exporting shrimp to South Korea – the largest shrimp import market of Vietnam, which accounts for half of this country's import demand of 100,000 tonnes per year.

The Vietnam-Korea Free Trade Agreement was implemented in 2015, which was expected to create top conditions for the import tariff for shrimp from Vietnam. However, this product is limited to import in South Korea due to quota limits.

To improve the capacity for shrimp, in mid-March, VASEP sent a document to the Ministry of Finance and Ministry of Agriculture and Rural Development to propose adjusting the import tax for dried soybean, the key ingredient for aquaculture feed, from 2 per cent to zero. VASEP also wants the Ministry of Foreign Affairs to look at the possibility of asking South Korea to remove quotas for shrimp imported from Vietnam.

Despite the first-quarter blips, Deputy Minister of Agriculture and Rural Development Phung Duc Tien is still optimistic about exporting related products for the year as a whole.

“Vietnam's export of agro-forestry-fishery products hit a record revenue of \$53.2 billion last year, which was up 9.3 per cent, including nearly \$11 billion from aquatic products. What is more, the agriculture industry had seven key commodity groups with export turnover of more than \$3 billion,” Tien said.

“Thus, it is still possible to generate advantages from these commodity groups to increase export value,” Tien said at a March 30 conference held by his ministry in Hanoi.

“China's market opening gave great hope for a recovery in demand in this market and other markets worldwide. We expect to see clearer results from the second quarter of 2023,” he said.

5. Vietnamese rice performance bodes well for export growth

In its latest report to the government, the ministry noted that in 2022 Vietnam counted \$3.45 billion in total export value from rice exports, a 5.1 per cent jump on-year. The export price averaged \$486 per tonne.

From August 2022 until the year-end, exports of rice containing 5 per cent broken rice reached the highest worldwide, surpassing Thailand's prices by \$15-27 per tonne, and India by \$40-50.

The price hike of Vietnam's rice export lingered in the first two months of this year, averaging \$520 per tonne. This explains why the country's rice export value surged 7 per cent despite a more than 20 per cent decline in volume in January.

Despite headwinds in the global food market, Vietnamese rice has set a firm foothold in markets with stringent quality requirements, such as Japan and the EU.

Fragrant types like ST24 and ST25 have seen their export price surpassing \$1,000 per tonne, more than double that of common rice.

Rice production has broadly been streamlined in the direction of lowering output and raising quality, focusing on top-grade varieties that meet the world's demand, with green production, emissions reduction and increased use of organic fertiliser. This approach has resulted in higher export prices for Vietnamese rice.

Another highlight from last year, was local rice exporters effectively tapping the EU market, with a zero-tariff 80,000-tonne rice export quota granted to Vietnam in light of the EU-Vietnam Free Trade Agreement. In fact, Vietnamese firms exported 94,510 tonnes of rice to the EU market, showcasing how Vietnamese rice has been constantly improving in quality.

Last year, Loc Troi Group, a rice exporter based in the Mekong Delta province of An Giang, managed over 200 per cent growth in rice exports to the EU. In late 2022, Loc Troi received an export order for 400,000 tonnes of rice from the bloc.

The Ministry of Industry and Trade (MoIT) forecasts that rice exports will continue to be favourable this year, with the export volume rising from 6.5-7 million tonnes, as traditional markets such as Indonesia, Bangladesh, and China pick up. In the year to date, rice export orders from China and the Philippines have increased sharply.

In the first two months of this year, China imported 152,640 tonnes of rice from Vietnam, worth \$90 million, an 86 per cent jump in volume and 120 per cent hike in value on-year.

The average export price to China sits at \$590 per tonne, up 18.3 per cent on-year. Chinese customers have mainly imported high-grade rice varieties from Vietnam, which fetch higher prices.

Pham Thai Binh, CEO of Trung An Hi-tech Agriculture, said that the company has inked an order to export 2,000 tonnes of rice to China, and is now engaged in negotiations for a further 20,000 tonnes.

The Philippines is forecast to import a further 2.8 million tonnes of the 2022-2023 crop, providing great opportunities for Vietnam. While India, the world's top rice exporter, saw its rice area shed 380,000ha due to drought, rendering further opportunities to rice exporters in Vietnam.

However, there are several challenges facing rice exports this year. Local rice traders are still poor in executing market diversification strategies, with exporters chiefly relying on several markets and the amount of high-grade rice types remains modest.

Phan Van Chinh, director general of the MoIT's Agency of Foreign Trade, said that although China's recent reopening was positive for local rice exporters, many difficulties persisted, such as high shipping charges and production costs.

Farmers also need to better meet requirements on pesticide usage and product origin to be able to fully harness the advantages of free trade agreements. "Firms must form alliances to invest in green production to make best use of the EU quota scheme and diverse tariff incentives under other new-generation trade agreements," Chinh added.

6. Landmark year for US-Vietnam relations

It is hoped by many quarters that Vietnam and the US will raise bilateral relations to a strategic partnership during a visit to Vietnam by US President Joe Biden or a visit to the US by a Vietnamese leader later this year, when both nations celebrate the 10th anniversary of the US-Vietnam Comprehensive Partnership.

During a phone call over a week ago, Vietnam's Party General Secretary Nguyen Phu Trong and US President Biden both extended and accepted

invitations to visit the other's country. They agreed to further boost, develop, and sharpen the bilateral relationship "for the sake of both countries, peace, cooperation, and development". They have assigned authorised agencies of the two nations to exchange specific contents to continue expanding ties in the coming time, according to a press release from the Vietnamese government.

"President Biden reinforced the United States' commitment to a strong, prosperous, resilient, and

independent Vietnam,” said a White House statement. “The two leaders discussed the importance of strengthening and expanding the bilateral relationship, while working together to address regional challenges such as climate change, ensuring a free and open Indo-Pacific, and the deteriorating environmental and security situation along the Mekong.”

Commenting on the possibility for both nations to forge a new cooperation framework, Carl Thayer, emeritus professor at the University of New South Wales, said, “This year presents an opportune moment to raise relations to a strategic partnership. The White House reported that the two leaders discussed the importance of strengthening and expanding the bilateral relationship, thus laying the foundation for upgrading the comprehensive partnership.”

If a strategic partnership becomes true, Vietnam and the US will issue new favourable mechanisms for enterprises from both sides to perform in their respective markets.

Accumulatively as of March 20, 2023, total US registered investment capital in Vietnam reached \$11.43 billion for 1,239 valid projects, making the US the 11th biggest foreign investor in Vietnam, according to Vietnam's Ministry of Planning and Investment.

During Prime Minister Pham Minh Chinh's visit to the US in May 2022, enterprises from both countries exchanged many cooperation deals and trade contracts worth over \$30 billion.

Many other US groups are also exploring opportunities in Vietnam, such as CFM International, Cargill, Intel, Cantor Fitzgerald, DeLong, Valero, AGP, and UPC Group. Representatives of groups like these have said that Vietnam is a dynamic market with great potential, and hope to expand their business in the country.

Steven Cranwell, CEO and regional head of Client Coverage in the Americas at Standard Chartered Bank, said, “Despite the uncertainty of global

economic conditions, we remain confident in Vietnam's outlook. The country's business friendly atmosphere, strategic location as a gateway to other fast-growing markets, plentiful and skilled labour, competitive labour cost, and incentives have been compelling propositions to companies looking to expand their manufacturing in the region.”

Cranwell gave the example of US giant Apple. While Vietnam has yet to host an Apple plant, the country is already home to 31 companies with 160,000 workers producing and assembling parts for Apple products. Other tech companies such as Intel Corporation are also planning to increase their investments in the country. Nike is another example of a company which has expressed interest in expanding its investment and production in Vietnam.

The recent increase in the S&P Global Vietnam Manufacturing Purchasing Managers' Index to above 50 in February is also a positive sign of its manufacturing sector's renewed strength, Cranwell added.

Economic ties between the United States and Vietnam have flourished since the mid-1990s. “In 2022, the level of bilateral trade was more than 300 times greater than it was in 1995,” said US Ambassador to Vietnam Marc Knapper. “Last year, Vietnam was the eighth-largest trade partner for the United States. This is a far cry from when I was last here in Vietnam working at the US Embassy in 2004, when bilateral trade stood at less than \$7 billion.”

Statistics from Vietnam's Ministry of Industry and Trade showed that the Vietnam-US bilateral trade has expanded almost 250-fold, from \$450 million in 1995 to \$123.7 billion last year. In 2022, the US was Vietnam's largest export market, with an estimated turnover of \$109.1 billion, up 13.3 per cent on-year.

The two-way figure in the first three months of 2023 touched \$23.7 billion, including Vietnam's

exports of \$20.6 billion, down 21.6 per cent on-year largely due to the Lunar New Year in January.

However, according to Cranwell, while US companies are optimistic about new plans to expand into Vietnam, there are challenges to ensure this trajectory continues at pace.

“It is not uncommon to hear of companies voicing concerns that Vietnam's infrastructure needs improvement, particularly in ports, transportation infrastructure, and logistics capabilities, for the country to continue its rate of growth,” Cranwell said. “Additionally, Vietnam's reliance on raw materials from China may impede the diversification efforts of companies.”

7. Ministry proposes VAT reduction to 8% to boost economy

According to the ministry's tax department, the government is to consider two options regarding VAT reduction.

The first one is slashing 2% off the current 10% VAT on a number of goods and services.

The second one is also slashing 2% off the current 10% VAT but excludes goods and services that were already under the effect of a previous VAT reduction as part of a government's policy to boost economic recovery after COVID-19.

Businesses have been long asking for additional support from the government to help speed up economic recovery and to cope with recent difficulties.

The Ho Chi Minh City Food and Foodstuff Association (FFA) said businesses have been struggling since the end of last year with rising interest rates, poor liquidity, increased risk in the bond and stock markets and higher input and logistics prices.

In addition, orders for export have been on the decrease. According to the FFA, VAT reduction was among one of the most effective policies in supporting businesses and urged the government to extend the policy.

Similarly, the Vietnam Beverage Association (VBA) asked the government to extend the policy at least until the end of this year, saying while there has been some improvement in recent months it will take a long time for the beverage industry to fully recover after the pandemic.

The European Chamber of Commerce (EuroCham) said VAT reduction has played a key part in speeding up economic recovery, and has been a boon to businesses and consumers alike.

The chamber said it has helped with the government's efforts in keeping inflation in check, boosting consumption and encouraging businesses to invest in expanding their operations. Consumers have also benefited from the lower VAT, which is in line with the government's policy to aid the population post-pandemic.

Corporate News

8. NVL: NVL allowed to extend the submission of financial statements

↑ 6.77%

The State Securities Commission (SSC) has rejected the suggestion for extension to the disclosure of the review 2022 financial statements because the reason in Document No.154 dated March 31, 2023 by No Va Land Investment Group

Corporation is not considered as one of force majeure reasons. Therefore, the State Securities Commission asked No Va Land Investment Group Corporation to implement the information disclosure under the law.

9. KBC: Adjusting the plan for share redemption

↓ -1.52%

The Board resolution dated April 10, 2023, Kinh Bac City Development Holding Corporation approved the adjustment to the content of the Board resolution dated January 04, 2023 regarding the plan for share redemption as follows:

- Time of implementation: expected in Quarter 2/2023 or Quarter 3/2023 (instead in Quarter 1/2023 or Quarter 2/2023), after being approved by the State Securities Commission of Vietnam (SSC).

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