



# VIETNAM DAILY NEWS



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## Market Analysis

### 1. Strong selling pressure weighs on market

The market was subdued on Thursday with the VN-Index hitting the lowest in two weeks, while foreign investors set sold for six straight days.

On the southern bourse Ho Chi Minh Stock Exchange, the VN-Index dropped 5.15 points, or 0.48 per cent, to 1,0647.3 points. This was the lowest close since March 30.

The market's breadth turned into the negative zone, with the number of decreased stocks surpassing increased ones. Specifically, 214 stocks on HoSE finished lower, while 113 stocks inched higher.

Liquidity fell strongly compared to the previous session, as the trading value and volume on the southern market declined by nearly 10 per cent and 7.3 per cent, respectively, to VND11.43 trillion (US\$487.8 million) and 673 million shares.

The index's downtrend was mainly driven by losses in large-cap stocks. The VN30-Index, which tracks the 30 biggest stocks on the southern bourse, dipped by 6.02 points, or 0.56 per cent, to close the day at 1,074.67 points.

Leading the bearish trend was property developer Vinhomes (VHM), down 2.13 per cent, followed by Techcombank (TCB), Hoa Phat Group (HPG), Vinamilk (VNM) and Vietnam Rubber Group (GVR). These stocks fell in a range of 1.45-2.45 per cent.

Other pillar stocks witnessing poor performances were Vietnam Airlines (HVN), down nearly 5 per cent, Sabeco (SAB) down 0.88 per cent, and Vincom Retail (VRE) down 1.05 per cent. Especially, Novaland (NVL) plunged 3.65 per cent after soaring for two consecutive sessions.

In contrast, some other stocks still performed well, such as BIDV (BID), up 1.24 per cent, and Duc Giang Chemicals Group JSC (SGC), up 5 per cent.

The HNX-Index on the Ha Noi Stock Exchange (HNX) also went down on Thursday. It dipped 2.1 points, or 0.99 per cent, to 209.84 points.

Also adding pressure on the market, foreign investors continued withdrawing capital from both main stock exchanges. Of which, they net sold nearly VND300 billion on HoSE and VND2.9 billion on HNX.

## Macro & Policies

### 2. Vietnamese banks draw foreign capital

According to regulations, the share ownership rate of a foreign strategic investor must not exceed 20% of the charter capital of a Vietnamese credit institution. Meanwhile, the cap for the ownership of all foreign investors in a domestic credit institution is 30%. Therefore, many foreign investors always eye stocks of potential banks.

According to the Vietnam Securities Depository, there are up to 16 banks with foreign ownership rates of over 15%, including some that have reached or are close to the cap, such as the Asia Commercial Joint Stock Bank (ACB), the Maritime Commercial Joint Stock Bank (MSB), the Tien Phong Commercial Joint Stock Bank (TPBank), and the Saigon Thuong Tin Commercial Joint Stock Bank (Sacombank).

Sacombank, in particular, is nearing the cap of 30%. Recently, VPBank signed an agreement to issue a private placement of 15% of its charter capital to Sumitomo Mitsui Banking Corporation (SMBC) - Japan, bringing in 35.9 trillion VND (1.56 billion USD) in Tier 1 capital and raising its total equity to around 140 trillion VND. It has been a record-breaking deal in the financial sector in Vietnam to date. SMBC CEO Jun Ohta commented that despite the current global uncertainties, investors still have faith in Vietnam's development.

There are still many banks that have room for foreign investors, such as the Vietnam International Commercial Joint Stock Bank (VIB), the Orient Commercial Joint Stock Bank (OCB), the Vietnam Technological and Commercial Joint Stock Bank (Techcombank), and the Military Commercial Joint Stock Bank (MB Bank).

VIB plans to increase foreign ownership to 30% this year. Meanwhile, the OCB plans to offer 70 million

shares to domestic and foreign investors. In case foreign investors show interest in purchasing OCB's shares issued privately, it will propose lifting its foreign ownership cap to a maximum of 30%.

Secretary General of the Vietnam Banks' Association (VNBA) Nguyen Quoc Hung said raising the foreign ownership cap is necessary as it has brought positive changes in finance, technology and management.

Under a new proposal by the State Bank of Vietnam (SBV), mandatory transfer-receiving credit institutions may have their foreign ownership limit raised to 49%.

Recently, credit rating agency Moody's upgraded the issuer rating and long-term local and foreign currency deposit ratings of eight Vietnamese banks by one notch, as well as one notch in partner risk ratings in local and foreign currency and partner risk assessment for seven banks.

Moody's said this upgrade reflects the increasing economic strength of Vietnam compared to other countries in the same group, as well as improved resilience to external shocks and more effective policies. Moreover, Vietnamese banks will attract investment and cooperation from international financial institutions.

Masataka Sam Yoshida, Global Director of the Cross-Border M&A Services at Japan's RECOF Corporation, affirmed that Vietnam's strong economic fundamentals will continue to drive M&A activities this year. Investors interested in the Vietnamese market aim to penetrate and expand their long-term presence there rather than targeting cheap assets.

### 3. Deputy PM orders tightening discipline in public capital disbursement

Chairing a Hanoi meeting of the working group in charge of inspecting, solving difficulties to accelerate

public capital disbursement, Deputy PM Khai, who is also its head, said the current disbursement progress is very slow.

Ministries and agencies must identify where the obstacles lie, which procedures are causing delay and which projects are behind schedule, and propose solutions to fix them, he said.

According to the Ministry of Planning and Investment (MPI), the Prime Minister has allocated over 38.3 trillion VND (1.66 billion USD) to 17 ministries and centrally-run agencies to perform 22 tasks and launch 80 projects, including 34 transferred and 46 new ones this year. So far, they have allocated more than 34.9 trillion VND to tasks and projects, or 91.2% of the plan assigned by the PM.

However, the disbursement rate only met 0.04% of the PM's plan, much lower than the national average of 10.35%. Up to 13 ministries and centrally-run agencies have yet to disburse while the remainder's disbursement was below 2% of the assigned plan by the PM.

The State Bank of Vietnam was assigned to direct disbursement as much as possible in support of businesses and residents.

The Deputy PM urged ministries and agencies to work closely with localities to tackle difficulties in policies, site clearance and create favourable conditions for project implementation and payment.

#### 4. HCMC updates first metro line's construction plan

The HCMC government asked the project contractor to fulfill its warranty obligations and to provide technical support during the operation of the urban rail line between 2024 and 2028.

The city tasked the Management Authority for Urban Railways to work closely with relevant agencies to address the route's financial issues.

The 19.7-kilometer line, which started construction in August 2012, costs VND43,700 billion.

There are 14 stations along the route, with three of them underground. The project is now 94% complete.

The city previously recommended the Ministry of Finance eliminate obstacles in capital allocation for the operation of the HCMC Urban Railway No. 1 Co. Ltd. (HURC1), the metro line operator.

Given prolonged financial constraints, the cash-strapped company has been with little or no money to operate.

The number of employees needed for the metro line's operations is 706, but 21 of HURC1's current 36 staffers have quit their jobs since August 2021.

#### 5. Viet Nam's appeal as an FDI destination: BCI

Viet Nam's draw as a foreign direct investment (FDI) destination remains strong among European business leaders, with 3 per cent more European business stakeholders citing it as one of their top three investment hotspots worldwide.

This information was released at the latest Business Climate Index (BCI) report by the European Chamber of Commerce in Viet Nam (EuroCham) and announced by Decision Lab on Tuesday.

Overall, 36 per cent of those surveyed ranked Viet Nam either first, within their top three, or among

their top five investment destinations on a global scale.

The BCI, which quantifies the business sentiment of the European business and investment community in Viet Nam, held steady at 48.0 in the first quarter of 2023. Though it remains at the same level it registered as 2022 drew to a close, there are promising indications that European business stakeholders are witnessing a positive shift in their economic outlook.

The Business Climate Index is the premier metric for gaining insight into the European business and investment community's perceptions of the Vietnamese market.

Assembled from feedback gathered from EuroCham Viet Nam's expansive network of 1,300 members, who collectively represent nearly every sector of the country's dynamic economy, this quarterly survey delivers indispensable insights into the current state of Viet Nam's business environment.

It provides a snapshot of what to expect in the future.

EuroCham Chairman Gabor Fluit said: "While a score of 48 might not appear impressive, it is encouraging that the situation is not deteriorating further. The fact that the score is not dropping is a sign of progress, even if it is still far from ideal. This gives us hope that the situation can be improved with further effort."

"As we have all seen in the past, the Vietnamese government takes swift and decisive action during times of crisis. Therefore, we expect more productive measures in the year's second half. Upcoming reforms to work permit and travel visa procedures will likely directly impact growth. We eagerly await further information on these proposed changes.

"There has also been a notable improvement in liquidity in recent months, and we believe that a clear indication from the government on improved access to finance would boost morale. Overall, we have a positive outlook on the future of Viet Nam's economy and look forward to engaging in productive conversations with the Vietnamese government. We are enthusiastic about working together to take on the challenges and embrace the opportunities ahead."

CEO of Decision Lab Thue Quist Thomsen said: "There are two components to the score: sentiment during the first quarter of 2022 and an outlook for the future. The first quarter score is stable this time, while the future outlook is more positive. This could indicate that we are at a turning point. Orders are also picking up, while investments and hiring remain relatively low. This indicates that this is still a 'wait and see' period for many companies, but improvements may be on the horizon.

"Despite the improved outlook, it is important to remember that the economy is still fragile, and caution is warranted. It is also essential to monitor the current situation to anticipate any potential changes in the market. Taking a proactive approach to the current situation may be the best way to ensure success in the future."

#### Modest business outlook improvements

European business leaders remain cautious but see signs of improvement in Viet Nam's economy.

Encouragingly, the business environment outlook for 2023 is displaying promising signs of betterment. Specifically, the number of respondents sanguine about the nation's economy has risen by 8 points, signalling a growing faith in its prospects.

Likewise, a notable uptick in the number of individuals anticipating the stability and growth of the economy was observed. According to the survey, the number of individuals expecting a downturn in the economy decreased by 6 per cent. In comparison, the number of those forecasting an upturn in revenue and orders increased by 7 per cent.

Through a range of strategic initiatives aimed at enhancing the business environment, Viet Nam has emerged as a leading destination for foreign investment and domestic enterprises.

Based on feedback from survey participants, regulatory simplification, sustainable development measures, investment incentives, and workforce development programs have all played a key role in creating prime conditions for long-term economic success.

The survey results also indicate that the European business and investment community is broadly content with the level of attention policymakers have given to business needs in Viet Nam, with a third of respondents expressing significant or moderate satisfaction. This positive feedback is a testament to the government's ongoing commitment to fostering a business-friendly environment in the country.

Despite this, foreign businesses in Viet Nam continue to grapple with regulatory opacity, administrative inefficiencies, and visa and work



permit issues. There has been an observable upward trend in the number of respondents pointing out inadequacies in anti-corruption legislation.

The manufacturing sector faces an additional hurdle in complicated customs procedures, while services firms face the prominent challenge of visa and work permit difficulties. Furthermore, various other industries, such as transportation, pharmaceuticals, and renewable energy, are hampered by inadequate anti-corruption legislation.

## 6. Vietnam's food industry enjoying vigorous growth: official

Vu Ba Phu, Director of the Vietnam Trade Promotion Agency at the Ministry of Industry and Trade, said that about 5,080 Vietnamese businesses are operating in the food industry, surging 83.8% from 2019, which is an encouraging figure after two years of struggling with the COVID-19 pandemic.

Over the last five years, the volumes of food and beverage consumption in the country have risen by 9.68% and 6.66%, respectively.

The processed vegetable and fruit segment makes up 24.7% of the industry's revenue and is expected to post the fastest growth thanks to strong export and domestic consumption. Notably, this segment has witnessed growth of nearly 205%. The most favoured fruits include mango, banana, dragon fruit, orange, and pineapple, he noted.

In particular, the food industry is among the key ones prioritised by the Vietnamese Government by 2025, with a vision to 2035, and also has an important role to play in socio-economic development, Phu went on.

In recent years, the food industry associations of Vietnam and the Republic of Korea (RoK) have promoted cooperation. Vietnamese firms have also benefited from business partnerships with major Korean enterprises such as Lotte Mart, E-mart, Home Plus, and CJ to increase their presence in the

To strengthen Viet Nam's appeal as a dynamic investment locale, participants in the BCI reinforced the need for improvements in political stability, regulatory frameworks, and tax and tariff regimes. These measures would go a long way in addressing the concerns of foreign businesses and bolstering investor confidence in the country's economic prospects.

RoK's supermarkets and shopping centres like Coupang and Gmarket, and gradually enter the Northeast Asian country's e-commerce market, the official added.

Paul Le, Vice President of Central Retail Vietnam's trade promotion division, held that Korean enterprises should grasp import opportunities since Vietnam produces many foods hardly found in the RoK.

His firm will consider assisting Korean enterprises by sharing experience in processing, producing, and creating new products in the fast-moving consumer goods sector, he noted, adding that Vietnam has a large volume of raw materials, and Central Retail Vietnam looks to boost added value through processing.

Vietnam has become a key destination for Korean companies, and the Korean firms operating here hold an important role in purchasing materials for processing and exporting to other countries, said a representative of the Korea Trade and Investment Promotion Agency (KOTRA).

Bilateral trade in agro-forestry-fishery products has also been on the rise. The RoK has strongly opened its agriculture under its free trade agreements with the Association of Southeast Asian Nations (ASEAN) and Vietnam. This liberalisation process has turned the RoK into the

fourth largest importer of Vietnam's agro-forestry-fishery products, after the US, China, and Australia, according to KOTRA.

## 7. Billion-dollar gaming industry attainable

GameVerse 2023, the first major event for the Vietnamese game industry, took place in Ho Chi Minh City in April 1-2, gathering more than 5,000 game developers, publishers, and others. The gaming festival has become an annual event in the US, South Korea, Spain, and Thailand, but Vietnam has been waiting for such an event for many years.

"The event is a recognition of the contribution of the online gaming sector to the economy. I hope game businesses will invest more heavily in production and reduce the number of imported games. Policymakers should also view games more fairly to promote its development," said La Xuan Thang, director of online game publishing at VNG Games.

The game industry possesses plenty of development potential and is expected to become a key field of the digital content industry in Vietnam, with an annual growth rate of over 8 per cent and expecting to have up to 640 million people participating in some way by 2025.

According to statistics from the Ministry of Information and Communications (MIC), 248 businesses were granted G1 video game service business licences and over 850 games were released by the end of 2022.

Figures released by Newzoo last year also showed that Vietnam's online game revenue is currently ranked fourth in Southeast Asia with \$507 million, surpassing Singapore (\$288 million).

Factors such as good internet infrastructure, low cost, and a large percentage of the population using smartphones are top catalysts to promote game developers and publishers in Vietnam and support more room for expansion.

In the international market, Vietnamese games have also achieved remarkable status. According to Data.ai, one out of every 25 mobile games

downloaded on Apple's App Store or Google Play comes from a Vietnamese publisher.

"Vietnam is also the leading country in Southeast Asia in terms of developers," said Le Quang Tu Do, director of the Department of Radio, Television, and Electronic Information under the MIC. "There are more than 180,000 Vietnamese people carrying out programming and writing applications for Google Play and the App Store."

These advantages are the basis for the MIC's aim to increase the gaming industry's revenue from \$600 million to \$1 billion and promote about 400 new startups in the next five years.

However, the feasibility of the goal depends on improving in various areas. "The biggest difficulty is that many game businesses do not collaborate or take advantage of each other, leading to the fact that Vietnamese people play foreign games while Vietnamese businesses boast many foreign players," Do said.

According to Thai Thanh Liem, CEO of Topebox, part of the reason for this situation is that Vietnam's level of game-making has not met the demand and preferences of Vietnamese gamers.

"Vietnamese people have quite a high level of gaming, but most Vietnamese studios are investing in hyper-casual games with simple graphics, plot, and gameplay, funded by manufacturers because they are easy and fast to develop," said Liem.

However, most of these games operate on the model of making money from advertising instead of collecting money from in-app purchases, frustrating many players. Therefore, during more than 10 years of development, the game industry in Vietnam has not achieved expected results despite owning game products that resonate in the international market such as Flappy Bird, Axie Infinity, and Sky Dancer.

The problem of human resource quality in game development is also a challenge, as there is a disparity between the level of programmers and the requirements of the business.

“Every year, Vietnam needs 150,000 employees in the IT industry, but there is no accurate data on human resource demand in the game sector. The current personnel are mainly trained IT forces but are not specialised in the game industry,” said Nguyen Ngoc Bao, general director of VTC Game.

Brain drain is also quite common, as many foreign game developers offer good deals to attract Vietnamese personnel. However, this also creates a challenge for game developers when they have to choose to produce on-demand games to make

money faster or accept outsourcing to foreign firms for better wages and costs.

On the other hand, while markets like South Korea, China, Japan, the United States, and France recognise online games as an important economic sector and are identified as a spearhead for exporting culture to the world, in Vietnam, gaming still has to overcome negative stereotypes which has hindered development.

“Games are still considered entertainment products containing unhealthy or violent content, or they are misleading or negatively affect young people. This discourages development like in other entertainment or digital content creation industries,” said Dao Quang Tuan, deputy general director of Funtap.



## Corporate News

### 8. SHB: SHB plans to seek foreign strategic partners

↓ -1.23%

The Saigon-Hanoi Bank (SHB) has set a profit target of more than VND10 trillion (US\$426,400) this year and plans to seek foreign strategic partners.

At the Annual General Meeting of Shareholders on Tuesday, Ngo Thu Ha, General Director of SHB, presented two business scenarios in 2023, corresponding to two plans on credit growth limits of 10 per cent and 14 per cent.

Specifically, with a credit growth limit of 10 per cent, equivalent to VND429.8 trillion, SHB aims to increase pre-tax profit by 6.15 per cent to VND10.3 trillion; total assets up by 8.93 per cent to VND600 trillion; mobilised capital up by 12.05 per cent to VND456.18 trillion.

With a credit growth limit of 14 per cent, equivalent to VND445.12 trillion, the target pre-tax profit will increase by 9.67 per cent to VND10.63 trillion; total assets will be up by 10.09 per cent to VND606.5 trillion, and mobilised capital is expected to increase by 14.78 per cent to VND467.29 trillion.

In both options, SHB expects the dividend payout ratio in 2023 to be 15 per cent.

Regarding the increase of charter capital, Do Quang Vinh, a member of the Board of Directors of SHB, presented to shareholders at the meeting a plan to issue more than 552 million shares to existing shareholders to pay dividends in 2022. The issuance rate is 18 per cent, with a par value of more than VND5.52 trillion.

Issuing time is within 45 days from the date the State Securities Commission notified the receipt of full issuance report documents, and is expected to be completed in 2023. SHB said that the charter capital would be raised by VND5.52 trillion and is expected to supplement working capital.

In addition, the bank will also issue 45.12 million shares under the employee stock ownership plans (ESOP) at the price of VND10,000 per share. The shares issued to employees will be restricted from being transferred for 18 months from the ending date of the issuance.

After completing the above two issuances, SHB's charter capital will increase from VND30.67 trillion to VND36.6 trillion.

Regarding the search for foreign strategic investors, Do Quang Hien, Chairman of the Board of Directors of SHB, said he was negotiating with many partners.

SHB plans to find long-term foreign strategic partners who will invest capital and participate in administrative support and technology sharing.

"It is expected that a foreign strategic partnership will be found for SHB and our partner this year or early next year," said SHB's Chairman.

In 2022, SHB's total assets reached nearly VND551 trillion, up 8.7 per cent compared to the end of 2021, ranking in the top 6 in total assets among the largest private joint stock commercial banks in Viet Nam.

Equity capital reached VND62.6 trillion, up 17.8 per cent compared to 2021. Total deposits reached more than VND407 trillion, up 7.6 per cent, and outstanding loans to customers reached more than VND385 trillion, up 10 per cent.

In 2022, SHB's pre-tax profit reached more than VND9.7 trillion, up 55 per cent over the same period last year. SHB also completed the payment of dividends for 2021 in shares at the rate of 15 per cent.

As of December 31, 2022, SHB's charter capital reached VND30.67 trillion.

## 9. HVN: HVN allowed to extend the submission of financial statements

↓ -4.94%

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.354 dated March 29, 2023 by Vietnam Airlines JSC is not considered as one of force majeure reasons. Therefore, the State Securities Commission asked Vietnam Airlines JSC to implement the information disclosure under the law.

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