



VIETNAM DAILY NEWS



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Market Analysis

1. Selling pressure shapes reversal in trends

The market exhibited a reverse trend from Tuesday's performance when selling force increased sharply, pushing prices down. Many good performers on Tuesday declined on Wednesday, showing short-term fluctuations with high risk.

On the Ho Chi Minh Stock Exchange, the VN-Index closed Wednesday down 0.57 per cent at 1,048.98 points. The southern market's index inched up 0.1 per cent on Tuesday.

Shares slid deeper in the afternoon session with 271 losers and 115 gainers. In the morning, only 57 stocks had lost more than 1 per cent, but the number increased to 133 by the end of the session.

Many stocks reversed Tuesday's gains.

In the securities sector, only eight companies saw share prices rise, compared to three times as many decreasing. Big companies such as Saigon Securities Inc (SSI), Ho Chi Minh Securities Corp (HCM), VNDirect Securities (VND), Viet Capital Securities Co (VCI) and Vietinbank Securities (CTS) lost between 2-3 per cent each.

Not only the securities industry, but real estate, banking, seafood and steel sectors also experienced a significant reversal in many codes. Their erratic reversals caused many investors who raced to buy on Tuesday to be locked up.

According to market analysts, the abrupt increase on Tuesday was followed by a sharp decline on Wednesday, indicating an erratic reaction and an unstable supply and demand. It is important to note that there have been no changes to the fundamentals overnight.

The liquidity increased by 31 per cent compared to the morning, totalling 570 million shares worth VND9.7 trillion (US\$411 million), also slightly higher compared to Tuesday's levels. The afternoon's active selling pressure continued the trend from the previous session.

"Although the market was still fluctuating with a clear divergence in sectors, the market continued to record efforts to absorb the source and support the cash flow at the end of the session. It is expected that the market may continue to recover in the near future," Phuong Nguyen, a market analyst at Viet Dragon Securities Co, wrote in a note.

However, Phuong expected a short-term recovery of the market but the need to observe supply and demand movements at the resistance zone.

Meanwhile, analysts at BIDV Securities Co predicted in the next few sessions, the market may continue to fluctuate within the range of 1,045-1,055 before a clearer trend emerges.

On the Ha Noi Stock Exchange, the HNX-Index dropped by a steeper 1.15 per cent to end the day at 205.85 points. It rose 0.8 per cent on Tuesday.

Liquidity also declined sharply here to 64.4 million shares worth VND944 billion, down more than 30 per cent in both volume and value compared to the previous session.

Foreign traders were net sellers in HCM City, offloading shares worth a net value of VND488 billion. They remained net buyers in Ha Noi but for a modest value of VND2 billion.

Macro & Policies

2. Dairy businesses expect to improve profit margin

Analysts believe that milk powder prices will cool down in 2023 due to reduced import demand from China and global demand for milk may weaken in the short term. Therefore, dairy producers will see gross margin recover in 2023, when the pressure from raw material costs eases.

According to VNDIRECT Securities Joint Stock Company (VNDIRECT), the gross profit margin of dairy businesses is likely to improve in 2023 because the price of milk powder - the raw material for milk production - has cooled down. As of March 21, 2023, the price of milk powder has decreased by 29.8% year-on-year and 32.1% lower than the peak in March 2022.

Milk powder prices are forecast to continue to decline in 2023 due to reduced import demand from China and weak global demand for milk in the short term, while milk powder production will increase in 2023.

The dairy industry is facing both advantages and challenges. Therefore, businesses are not confident in setting high growth targets.

As a leading enterprise in the dairy industry, recently, Vietnam Dairy Products Joint Stock Company (Vinamilk or VNM) plans revenue up by 5.5% and profit equivalent to the performance of 2022, at 10.5 trillion VND (446.9 million USD). Vinamilk's 2023 Annual General Meeting of Shareholders will be held on April 25, 2023.

In the meeting with shareholders in February 2023, Vinamilk's management board was not too optimistic about the recovery of milk consumption demand because consumers are tightening spending.

Regarding input material expenditure, global milk powder prices are expected to decline in 2023, the reopening of China will not have much impact on this trend. Vinamilk has finalised the input milk powder price for the first half of 2023.

According to VNDIRECT, most labour-intensive industries are facing many challenges, leading to rising unemployment and forcing consumers to tighten their spending. This company estimates that consumption in Vietnam will be strongly affected in the first 6 months of 2023 and gradually recover its growth momentum from the third quarter of 2023.

According to Vinamilk, most Vietnamese consumers do not consider milk as an essential nutritional product. Therefore, demand for dairy products will weaken as consumers tighten their spending habits.

Vinamilk expects milk consumption to grow below 5% over the same period in 2023.

Besides, Vinamilk is facing increasing competitive pressure in most product lines, especially in the powdered milk segment. In 2022, VNDIRECT said, Vinamilk had not launched any notable new products while promotional activities were reduced. Vinamilk was still in the process of restructuring the brand and renewing the packaging and flavours. The restructuring of the sales channel in 2022 may continue to affect sales in the first half of 2023.

Analysts expect Vinamilk to maintain a flat market share in 2023-2024, with domestic consumption increasing while average selling price remains unchanged in 2023 and slightly up in 2024.

In addition, VNDIRECT said that Vinamilk's export revenue will increase year-on-year in 2023, as milk consumption demand in the Middle East and China markets will recover. However, the Chinese market has not yet contributed a large proportion to export revenue, only about 5%. Therefore, this event will not significantly affect Vinamilk's export revenue growth.

According to Rabobank, one of the world's leading banks in agricultural finance, China's milk powder import volume in the first quarter of 2023 is expected to decrease compared to the first quarter of 2022 due to accumulated inventories in the past year. Global milk demand is likely to weaken in the short term as many economies are facing inflation.

Therefore, the price of whole milk powder - the raw material for milk production - may continue to decrease compared to 2022.

At the same time, according to VNDIRECT, global sugar prices have recently increased as the outlook for sugar supply is affected by adverse weather conditions in India (heavy rain), and Brazilian sugarcane producers are expected to continue to prioritise more ethanol production in the 2023-2024 crop year.

This factor may partly affect Vinamilk's gross profit margin as the company also imports sugar from foreign markets for production besides using sugar from Vietsugar - a subsidiary of Vinamilk.

However, VNDIRECT still believes that the price of whole milk powder will continue to decrease and the business will record an increase in gross profit margin in 2023.

3. Insurance companies to review and improve business ethics and operations: MoF

The Ministry of Finance has requested insurance companies to urgently review their overall sales and appraisal processes, and customer service procedures to ensure compliance with legal regulations.

Insurance companies need to disclose information about their operations, especially information related to customers' duties and benefits for each insurance policy.

The Insurance Supervisory Authority, a regulatory body responsible for overseeing and regulating the insurance industry, under the Ministry of Finance, has been holding working sessions with representatives of insurance companies regarding the management of the quality of operations and customer care.

Director of the supervisory Ngo Viet Trung requested companies to control the information presented by sales agents, product introductions, and strictly prohibit agents from arbitrarily changing the information in these documents, which may lead to misunderstandings and inappropriate insurance claims.

In addition, insurance companies must establish and publicly announce their hotline and departments to receive, respond to, and resolve customer feedback and complaints regarding insurance contracts, benefits, and to avoid prolonging them.

Regarding customer complaints about violations by insurance agencies and agents, the companies are requested to transfer information to the authorities.

The ministry said it was necessary to rectify the evaluation and issuance of insurance contracts. The evaluation and issuance of insurance contracts must ensure compliance with the financial capabilities and risk acceptance of customers.

Trung stressed insurance companies must review the entire training programme for their agents to ensure compliance with the approved guideline from the ministry.

They must also provide additional training for and keep up-to-date with the latest regulations to agents who received their training online in the past.

He said insurance companies must take action against agents in case they violated regulations and ethnic codes, as well as the agencies who employ their services.

Regarding customer feedback through social media channels, insurance companies must be more proactive in providing relevant information in a timely manner.

The companies were told to work closely with the Vietnam Insurance Association to develop and implement an overall communication plan on the life insurance market and insurance products.

The association was asked to review and improve its code of ethics for insurance agents, as well as standard rules to apply to all insurance companies, with emphasis on heavy sanctions for violations

There have been numerous complaints filed against the industry in recent years, both through official channels and on social media networks with the latest incident in which a number of actresses and

singers publicly disclosed grievances over transparency and customer service of their insurance policies.

4. Aqua-product exports plunge in Q1

Data from the General Department of Vietnam Customs showed that revenue from aqua-product exports dropped 28% over the same period in 2022 to US\$1.8 billion.

Major aqua-products such as tra fish, shrimp and tuna tumbled around 30%-37% year-on-year, while crabs and other products dipped 2% to 42%.

Revenue from fishery exports to the U.S. market in the quarter slipped by half compared to the same period in 2022, at US\$284 million.

Seafood exports to the Australian market slumped 30% year-on-year to US\$65 million.

The value of aqua-products shipped to Asian markets such as China, Japan, Korea and Thailand also declined steeply, ranging from 7% to 23%.

According to the Vietnam Association of Seafood Exporters and Producers, the sector is grappling with difficulties, which results from a steep fall of 20-

50% in new orders amid escalating global inflationary pressures.

This has led to an interruption in the domestic production of raw seafood materials and shortages of capital for aquafarming among businesses.

The association expects unfavorable conditions to continue through the second quarter and the sector to see some light at the end of the tunnel in the third quarter, given that there are incentives in tax and debt payment extension and interest cuts.

Last week, the Government decided to extend the payment deadline for enterprises to pay value-added tax, corporate income tax, personal income tax, and land rent for the fifth time and decrease the VAT from 10% to 8% for certain goods and services.

It has tasked the Ministry of Finance with preparing documents before the National Assembly at the upcoming government meeting.

5. E-commerce still the brightest economic sector

During the event, the Vietnam E-commerce Association (Vecom) highlighted that global and domestic economic challenges had adversely impacted trade.

Nonetheless, maintaining the momentum from the two previous waves of growth, Vecom has predicted that e-commerce in our country will still grow at a rate of more than 25%, reaching a scale of over 20 billion USD.

Vecom estimated that last year, the retail e-commerce transaction scale comprised about 8.5% of the total retail sales of consumer goods and services of 5,680 trillion VND (240.5 billion USD).

Regarding retailing of goods alone, the proportion of online retail sales of goods compared to the total

retail sales of goods was about 7.2% last year, higher than the corresponding rate of 6.7% in 2021.

According to the General Statistics Office, the national gross domestic product increased by 3.3% in the first three months of this year over the same period last year.

The total retail sales of consumer goods and services were estimated at 1,505.3 trillion VND, up 13.9% over the same period last year. If excluding the price factor, it rose by 10.3%.

The two fastest-growing service sectors are accommodation and food services, up 26.0%, and wholesale and retail, up 8.1%.

The economy's great difficulties from mid-2022 have extended to the first quarter and possibly until the end of this year.

Vecom assessed that e-commerce grew by over 22% year-on-year in the first quarter and could still reach over 25% for the whole year.

Nguyen Ngoc Dung, Vecom Chairman, said that in the context of businesses facing difficulties due to the economic recession and difficulties in accessing credit capital, it was urgent to provide smart financial solutions to help businesses make better use of the capital of financial institutions.

In the context that our country's e-commerce still accounts for a small scale, about 8.5% of total retail sales of consumer goods and services, efforts to bring more Vietnamese goods and products, including seafood, that could be listed on e-commerce platforms, were very important, he added.

Business on social networks about to surpass e-commerce floors

More and more businesses were choosing to do business on social networks, especially TikTok Shop, reported Vecom.

In terms of e-commerce business activities of e-commerce floors and social networks, a survey by Vecom shows that up to 65% of businesses have implemented business activities on social networks.

The number of employees at enterprises who regularly use tools such as Zalo, Whatsapp, Viber, and Facebook Messenger has continuously grown.

Selling on social networks is also considered the most effective, surpassing other forms such as websites or business applications, as well as e-commerce.

A representative of Vecom said that the most prominent among social networks was the birth and strong growth of TikTok Shop.

Doing business on this platform had great appeal to many traders across the country, said the representative.

Besides, business activities on e-commerce floors continued to grow steadily. According to a survey by Vecom, 23% of businesses sold products on e-commerce floors last year.

According to Data Science Joint Stock Company, the total sales of the top four e-commerce platforms, along with Tiktok Shop, amounted to about 6 billion USD.

Shopee and Lazada are the two largest e-commerce platforms.

Although only operating since mid-2022, Tiktok Shop has become the third largest retail e-commerce platform in Vietnam.

6. More private capital required for seaports

Two weeks ago, Gemalink deepwater seaport welcomed Spain's M/V OOCL, a cargo vessel with capacity of over 24,100 TEUs, on its first voyage linking Asia and Europe. This is the first time Vietnam has welcomed the largest jumbo container ship in the world.

To welcome more ships of this size, phase 2 of the superport at Cai Mep in the southern province of Ba Ria-Vung Tau will help double Gemadept's cargo handling capacity and contribute to optimising the

port ecosystem and logistics network stretching from north to south.

Key projects elsewhere for the corporation include the final stages of putting Nam Dinh Vu Port's Phase 2 into operation, in the northern port city of Haiphong. Gemadept is arranging capital to deploy the construction of the second phase of the port as soon as possible to ensure the initiation of operations during 2024-2025.

In addition to new investment, mergers and acquisitions will be prominent in the port industry in 2023. Vietnam Container Shipping JSC intends to acquire 49 per cent of Vinaship JSC's charter capital and has announced the acquisition of a port in the Haiphong port complex.

Gemadep intends to divest from Nam Dinh Vu Port and sell strategic investors a 24 per cent stake in it.

“The market consolidation is an effective approach that allows businesses to fulfil the logistics chain, increase their negotiating power, and reduce competition,” according to SSI Research.

Competition is fierce in the Haiphong port area, and the port's location is behind Bach Dang Bridge, so while the channel is restricted, the majority of products are transported by the Hai An fleet. The port is capable of receiving vessels between 15,000 and 20,000 DWT.

Numerous investors believe that the profit margin of seaport businesses in 2023 could be lowered due to a decline in demand and revenue, while costs increase, particularly raw material costs and loan interest. Hai An Transport and Stevedoring JSC anticipates a total revenue of \$115 million in 2023, a drop of more than 15 per cent, and a profit after taxes of \$12.8 million, a decrease of nearly 64 per cent.

The majority of seaport companies for 2023 are more pessimistic than last year; slower growth and unrestrained inflation are likely to reduce consumption in Vietnam's primary export markets. Analysts believe that it will be challenging for import-export value and customs clearance volume to continue growing at the same rate as in previous years, and that they may even stagnate. This will intensify competition in the port segment, particularly in the north.

According to the General Department of Customs, Vietnam's total import and export turnover for the first quarter of 2023 was estimated at \$154.27 billion, a 13.3 per cent fall.

The current surplus of containers indicates a global decline in freight demand, resulting in a decline in the port company's profits. This is projected in the fourth quarter of the 2022 financial statements of numerous companies, including SP-SSA International Terminal (SSIT).

Phan Hoang Vu, deputy general director of SSIT, said that this year's market continues to confront numerous challenges. “Globally and in Vietnam, there is an excessive number of abandoned shipping containers,” he said.

Additionally, SSIT Port renovated a couple of miles to temporarily satisfy cargo lines' demand for vacant containers. Many other harbours in Haiphong are brimming with containers.

Mobilising private investment in seaports is complicated given that Vietnam's seaport service prices are the lowest in the region; cargo volume through seaports in 2022 has decreased more than anticipated, particularly in the fourth quarter, according to Ho Kim Lan, general secretary of the Vietnam Seaports Association.

He said seaports needed to soon address two major issues: clearing waterways, so ships can operate efficiently, and increasing the price of container services at seaports.

The Ministry of Transport believes the goal of attracting \$13.3 billion from the private sector in seaports by 2030 is still attainable due to an expected increase in foreign direct investment into Vietnam and the existence of several trade agreements.

“We foresee Vietnam's container volume to grow at an annual rate of 8.6 per cent between now and 2030,” said Nguyen Tien Dung, an analyst at VNDirect Securities. “The Haiphong port cluster will have lowered excess supply and the Cai Mep-Thi Vai port cluster are being upgraded and have the most potential.”

7. Extra VND19,500 billion for public investment in HCMC approved

The additional capital will be used for two components of the HCMC Beltway No. 3 project.

The decision came yesterday, April 18, as the HCMC People's Council convened its ninth meeting to review infrastructure investment projects in the city.

This year, major building initiatives in HCMC accounted for 77% of the city's public investment capital.

The city leaders urged relevant officials and agencies to eliminate obstacles and speed up the disbursement rate, realizing this year-end's target of 95%.

Still, the disbursement rate of the city reached a mere 4% in the first quarter of this year, according to Le Thi Huynh Mai, director of the Department of Planning and Investment.

Last December, the city People's Council approved the 2023 public investment plan with a total spending of VND55,225 billion.

Corporate News

8. KDC: KIDO wants to acquire Tho Phat Company

0.00 %

The plan comes with two stages. In the first stage, KIDO would buy a 25% stake in Tho Phat and the second stage will see its ownership rising to between 51% and 70%.

This is part of KIDO's plan to diversify its product portfolio, become one of the leading essential food manufacturers in Vietnam, and expand to global markets, said Tran Le Nguyen, vice board chairman and CEO of KIDO.

He will take charge of negotiating and making decisions regarding the acquisition.

"We look to obtain VND2 trillion in revenue and VND200 billion in profit from Tho Phat's and KIDO's sales in 2023, which would contribute greatly to the corporation's total revenue and profit this year," he noted.

Tho Phat is a leading dumpling manufacturer in Vietnam. It has over 4,000 sales points nationwide and a factory covering 22,000 square meters in HCMC.

Closing the trading session today, April 19, KDC stayed at its reference price for the second day at VND62,100 per share and reported a matching volume of over one million shares.

On the HCMC bourse, market breadth was negative as losers outnumbered winners by 271 to 115. The VN-Index slid 6.04 points, or 0.57%, from the session earlier, at 1,048.98 points.

Around 569.7 million shares worth VND9.7 trillion changed hands, slightly higher than yesterday's session, including 73.4 million shares valued at VND1.1 trillion traded in block deals.

Lender SHB took the lead by liquidity, with over 34.1 million shares traded, followed by real estate stocks NVL and DIG with 33.9 million and 24.5 million shares, respectively.

The HNX-Index of the Hanoi exchange lost 2.4 points, or 1.15%, from the session earlier, at 205.85, with 62 advancers and 92 decliners.

Trade on the northern bourse amounted to 944 billion with 64.4 million shares traded, slumping 34.6% in volume and 32.5% in value against the previous session.

The five most traded stocks on the Hanoi exchange performed poorly today, with SHS taking the lead with more than 16.4 million shares changing hands. Trade of other stocks, namely CEO, MBS, IDJ, and PVS, ranged from 2.7 million to 5.2 million.

9. VPB: VPBank plans to pay cash dividend at 10 per cent this year

↓ -2.72 %

Vietnam Prosperity Joint Stock Commercial Bank (VPBank) VPBank plans to pay a cash dividend at a ratio of 10 per cent this year, with the expected amount of cash amounting to VND7.93 trillion (US\$337.7 million).

The expected implementation time is in the second and third quarters of 2023.

The source of capital is the bank's undistributed profits as of December 31, 2022.

VPBank set an ambitious business plan in 2023 with a profit of VND24 trillion (US\$1 billion) in 2023, up 13 per cent compared to 2022.

Total assets are expected to reach VND877 trillion, up 39 per cent, of which outstanding loans increased by 33 per cent to reach VND636 trillion.

The balance of customer deposits and valuable papers is estimated to increase by 41 per cent, reaching VND518 trillion.

According to Viet Dragon Securities Co (VDSC), this plan is a challenge in the current economic context when credit demand is low, and costs may increase.

Sharing at the General Meeting of Shareholders held on Tuesday in Ha Noi, Nguyen Duc Vinh, General Director of VPBank said that the bank was capable of implementing this plan. By the end of 2023, VPBank's equity is expected to reach over VND150 trillion.

In 2023, bank leaders said that difficulties with consumer finance company FE Credit remained, and the Board of Directors approved the restructuring plan of FE Credit. The Board of Management assessed that the consumer finance segment, despite difficulties due to COVID-19 and the economic crisis, is still a very potential market.

At the end of 2022, VPBank's consolidated equity capital reached more than VND103 trillion, an increase of 20 per cent compared to 2021 and presented a compound growth rate of 28.4 per cent in five years.

The bank issued shares at the rate of 50 per cent to pay dividends to shareholders, increasing its charter capital to VND67 trillion, becoming the bank with the highest charter capital in Viet Nam's banking system.

The bank also plans to sell 1.19 billion shares to foreign strategic investor Sumitomo Mitsui Banking Corporation, equivalent to 15 per cent of VPBank's charter capital after the issuance. The offering price is VND30,159 per share. The amount collected will be VND35.9 trillion.

The expected offering time is in the second and third quarters of 2023. The agreed rate of foreign ownership is raised to a maximum of 30 per cent. After the deal, VPBank's charter capital will increase from VND67.43 trillion to VND79.34 trillion.

The sale of shares to Sumitomo Mitsui Banking Corporation is one of VPBank's growth drivers in 2023. According to VPBank's expectations, the deal will be implemented in the second or third quarter of 2023.

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

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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