VIETNAM DAILY NEWS

JSI

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Market Analysis

1. Market ends week on negative note due to selling force

Shares ended the week on a negative note due to strong selling pressure dumping large-cap stocks during the last minutes of the session.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index lost 0.60 per cent to close Friday at 1,042.91 points. The index had gained 0.03 per cent to close Thursday at 1,049.25 points.

Market breadth was negative with 128 gainers and 247 decliners.

Some 553 million shares were traded on the southern exchange, worth VND9.7 trillion (US$413 million).

"As for foreign trading, they net bought on the HoSE and slightly net sold on the HNX today. The accumulation trend of the VN-Index may continue in the short term until the cash flow returns to the market," said BIDV Securities Co.

Foreign investors net bought VND52.64 billion on HOSE, including Sacombank (STB) with VND35.18 billion, Hoa Phat Group (HPG) with VND31.99 billion, Saigon-Hanoi Bank (SHB) with VND16.81 billion. Foreign investors were net sellers on HNX with a value of VND460 million.

The VN30-Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, dropped 0.71 per cent to reach 1,046.18 points. In the basket, five stocks climbed, two stayed flat and 23 slid.

Losers in the VN-30 basket included Novaland (NVL), Vinamilk (VNM), Vingroup (VIC), Vietjet (VJC), FPT Corporation (FPT), and Bao Viet Holdings (BVH).

Most banking stocks dropped during the trading session. Those slumping included Vietinbank (CTG), Asia Commercial Bank (ACB), Vietcombank (VCB), National Commercial Joint Stock Bank (NVB), Military Bank (MBB), Sacombank (STB), Tien Phong Bank (TPB), Techcombank (TCB) and Bank for Investment and Development of Vietnam (BID).

VPBank (VPB) and Tien Phong Bank (TPB) were the only two bank stocks that went up.

Energy stocks also suffered selling pressure with losers such as Drilling Mud Joint Stock Corporation (PVC), PetroVietnam Drilling and Well Services Corporation (PVD), PetroVietnam Technical Services Corporation (PVS) and PV OIL (OIL).

On a sector basis, 21 out of 25 sector indices on the stock market lost ground, including construction, rubber production, IT and logistics, agriculture, real estate, food and beverage, retail, seafood production, and plastic and chemical production.

Healthcare, wholesale and securities were among the gainers.

The HNX-Index on the Ha Noi Stock Exchange (HNX) gained 0.15 per cent to close at 206.92 points.

Over 93 million shares were traded on the northern exchange, worth VND1.2 trillion.

Macro & Policies

2. Sweet time for sugar firms

On April 13, the sugar price of US sugar futures contracts surpassed 24 US cents per pound, up nearly 20 per cent compared to mid-March, and over 30 per cent compared to early 2023.

In the UK, the price of refined sugar for May fetched $694 per tonne, setting an 11-year record.

In the domestic market, sugar prices rose slightly, hovering around 78 US cents per kilogram, owing to incurring pressure from imported sugar and amid a peak time for sugarcane pressing.

Several securities firms have forecast sugar prices in the domestic market to exceed 80 US cents per kilogram in the third quarter (Q3) this year.

The favourable market conditions have underpinned sugar firms' performance in the year to date.

Quang Ngai Sugar JSC (QNS) unveiled that in Q1 this year, the company saw $96 million in total revenue, showing an over 18 per cent increase on-year, and equal to 26 per cent of the full-year plan.

Its pre-tax profit came to $15.6 million, soaring over 72 per cent on-year, and equal to just under 30 per cent of the full-year plan.

Mirae Asset Vietnam Securities have raised expectations for QNS this year, with a prediction of almost $40.2 million in total revenue and $58.4 million in post-tax profit, up 11.9 per cent and 4.6 per cent on-year respectively.

At Lam Son Sugar JSC (LSS) the company aims to earn over $94 million in revenue and $2.6 million in pre-tax profit this fiscal year, up 6 per cent and 20 per cent on-year respectively.

The company's management unveiled plans for LSS to produce at least 450,000 tonnes of sugarcane this season through its further cooperation with large plantations and crafting strategy on sugarcane variety selection.

Meanwhile, LSS will keep a close eye on state policies on sugar production and the market situation at home and abroad. The company is also considering the possibility of opening a subsidiary in Laos or Cambodia.

The upbeat prospects have given a boost to sugar companies on the stock market.

QNS closed at $1.80 a share on April 21, up 17.5 per cent compared to early 2023. During the same period, LSS reached 43 US cents a share, surging over 40 per cent, Son La Sugar, with the ticker SLS, hit $7.40 a share, up 32.7 per cent.

According to the Vietnam Sugarcane and Sugar Association, the country is currently home to around 151,300 hectares of sugarcane production, a 3 per cent increase compared to the previous season.

3. Garment and textile industry look to turn fortunes around with green transition

The garment and textile industry is forecast to continue facing difficulties in the coming months after posting a two-digit drop in export revenue in the first quarter, pushing the industry to a pressing requirement of going green to enhance competitiveness.

According to statistics of the Vietnam Textile and Apparel Association (Vitas), the export of garment and textile products decreased by more than 19 per cent to US$8.7 billion in the first quarter of this year, a disappointing result compared to the same period in the past ten years.

The import of raw materials also decreased by nearly 18 per cent in the quarter.

Truong Van Cam, Vitas' Deputy Director, said that most producers were facing shortages of orders. The difficulty was not only for the garment and textile industry alone, Cam said, pointing out that the economic growths in major markets like the US and the European Union had not been as expected, significantly affecting consumer demand.

Difficulties were forecast to continue hitting garment and textile enterprises in the second quarter of this year, he said, expecting the market to start to warm up from July or August.

The biggest reason for the slowdown was the decrease in consumer demand caused by increasing inflation, general director of Garment 10 Corporation JSC., Than Duc Viet said. When prices rose too high, consumers tended to focus on essential goods more than consumer goods.

The garment and textile industry reported a good result in 2022, with export revenue of $44 billion, up by 10 per cent. Still, events such as the global economic slowdown, increasing inflationary pressure, and conflicts sent negative signals to the consumer demand for garments and textiles in 2023.

The difficulty was unavoidable to the garment and textile industry of Viet Nam when the global economy had problems, economic expert Huynh Thanh Dien said, pointing out that Viet Nam ranked third in the world in terms of garment export.

During the past three years, the global economy saw unprecedented fluctuations. The COVID-19 pandemic caused the global economy to drop by 3.6 per cent in 2022, forcing major economies to launch large stimulus packages at the end of that year to achieve a growth rate of 5.6 per cent in 2021.

However, the over-pumping of money amid the supply chain disruptions led to inflation, and Russia–Ukraine conflict made it more difficult to put inflation under control, Dien said.

According to Cao Huu Hieu, general director of the Vietnam National Textile and Garment Group, the situation would not improve much in the second quarter of this year, for the world economy in general and the textile industry in particular. The current global economic recession and tightened monetary policy were pushing down demand in major importing countries such as the US, EU, Korea and Japan.

The reopening of the Chinese economy also brought challenges, as China was the major competitor of Viet Nam in the US.

VNDIRECT Securities cited statistics from the US Office of Textiles and Apparel (OTEXA) that the US imported $132.2 billion worth of garment products in 2022, up 16.9 per cent, to which China was the largest exporter with a share of 25.56 per cent, followed by Viet Nam with a share of 14.87 per cent.

However, China's reopening would provide opportunities for the export of fibre and yarn of Viet Nam in the second half of this year.

The producers needed to optimise production with a focus on improving productivity and product quality as well as keeping a close watch on the market to have flexible and timely responses, Hieu said, adding that this was an unprecedentedly difficult time for the garment and textile industry.

Going green

Deputy chairman of Cat Tuong Aurora Group Nguyen Van Tuan said that the heavy dependence on import fabric made the garment industry vulnerable.

He pointed out that Viet Nam had a demand for 11 billion metres of fabric in 2022, but the domestic production met only 36 per cent. Most enterprises only do Cut–Make–Trim (CMT) with a low profit of around $1.70 for a shirt.

Experts said that to promote the development of the garment and textile industry, it was necessary to switch to other production methods that brought higher added value, such as Free on Board (FOB) and Original Design Manufacturing (ODM), and the decisive factor of the success was that proactiveness in fabric supply.

According to Cam, the industry was working with the Ministry of Industry and Trade on the development of large textile and garment industrial parks with wastewater treatment systems to protect the environment and meet the demand for raw materials.

He said it was vital for the garment and textile industry to switch to green production, apply modern technologies and promote digital transformation to create competitive advantages.

Sustainable development was a global trend, thus, Viet Nam had no other choice, Tran Nhu Tung, Deputy Chairman of Vitas, said.

4. Central bank works on debt repayment term restructuring circular

The business community is awaiting the circular as they are facing many difficulties in production and business.

Under the draft circular, to be qualified for restructuring, enterprises must prove they can't repay their principal and interest on time not because of their weak production and business, but because of objective reasons of the economy and the market; and they are able to repay the debts in full according to the new restructured term.

Earlier, the HCM City Real Estate Association (HoREA) sent a letter to the SBV, saying both credit institutions and all their customers including firms, investors and homebuyers, are very interested and are waiting for the circular to come into force.

Le Hoang Chau, HoREA's chairman, said HoREA highly appreciated the content of the draft circular on restructuring the repayment term and keeping the debt group unchanged.

However, he said, due to the urgent need to remove difficulties in the economy, including the real estate and corporate bond markets, the association proposed the SBV submit to the Government for permission to build and promulgate the circular according to the simplified order and procedures.

On April 16 this year, the Government Office issued an announcement on the conclusion of Deputy Prime Minister Tran Hong Ha at a meeting with the Prime Minister's Working Group on solving difficulties and obstacles in the implementation of real estate projects.

In the announcement, the Deputy Prime Minister directed the SBV to issue a circular on restructuring debt repayment terms and criteria for assessing customer capacity before April 25, 2023. The circular is aimed to assist the customers in solving difficulties, and contributing to the development of investment, production and business activities.

According to experts, if the circular is issued, credit institutions will have more policies to support firms, including real estate ones, as the firms' existing debts will not be transferred to the bad debt group. Therefore, they will have more time to improve their cash flow to repay bonds.

However, experts said credit institutions will carefully select firms to be qualified for debt restructuring to avoid having to spend on risk provisions that can affect their profits.

5. HCMC's Q1 exports at 22-year low

This year the city's export sector has been experiencing the greatest challenge ever, the department's deputy director, Nguyen Nguyen Phuong, told the local media, adding almost all sectors, especially textiles, farm produce and woodwork, have reported poor export performance.

Preliminary data from the HCMC Union of Business Associations (HUBA) showed that quarter-one textile exports edged down 8% compared to the first quarter last year. Wooden and handicraft exports dipped by 15%, with woodchips and pellets plunging by 45%.

Though the food and beverage sector reported slight growth, its sales inched down 2%. It is estimated that the sector may see a 4% fall in exports due to weak demand in international markets.

The lower-than-expected export performance led to HCMC's low economic growth in January-March, as the export sector is a key economic driver of the city, said Phuong.

The steep fall in export revenue resulted from fewer orders from overseas markets. If the situation persists, it will be hard for HCMC's economy to achieve as high growth as last year, he added.

To help the city's exports and economy get back on track, the department has decided to organize the HCMC Export 2023 Forum and Trade Fair next month.

The event aims to create opportunities for businesses to find partners, customers and importers, as well as expand their markets.

It is expected to attract around 8,000 visitors and feature 250 booths from Vietnamese enterprises, foreign-invested businesses, trade promotion agencies and many associations of agricultural products, textiles and garments, wooden furniture and handicrafts, food and beverages.

6. 2 per cent reduction in VAT to boost aggregate demand

Last week, Deputy Prime Minister Le Minh Khai approved a proposal to reduce VAT from 10 to 8 per cent for all types of goods, as proposed by the Ministry of Finance (MoF). After the proposal is passed by the government, the MoF will be required to urgently draft a resolution to be submitted to the National Assembly for consideration and approval through an expedited process.

Talking to the media, Tran Tho Dat, chairman of the Council for Science and Education at the National Economics University, said that the economy is facing many obstacles, as evidenced by the GDP growth rate of just over 3 per cent in the first quarter and the apparent difficulties faced by businesses.

“The 2 per cent reduction in VAT will have a significant impact on overall demand, with consumers able to pay less and businesses able to benefit from lower input costs. The reduced VAT will have an impact on both overall demand and total revenue,” said Dat.

The economist added that this is a reasonable policy that needs to be maintained, especially in the current economic context.

In the same view, Nguyen Thi Cuc, chairwoman of the Vietnam Tax Consultants' Association, said that at this time, the policy of reducing VAT is necessary for businesses and society as a whole because in the first quarter of 2023, business are struggling, and more enterprises are going bankrupt.

“Continuing to reduce VAT will create conditions for businesses to resume production by reducing the price of goods and services, allowing them to sell more,” Cuc assessed.

"For manufacturing businesses that use input materials, the reduced tax in this area will help them reduce costs and stimulate production," she added.

Furthermore, Cuc believes that the VAT reduction in 2023 will be shorter than in previous pandemic years, so it is necessary to apply the 2 per cent reduction to all goods and services that are currently subject to 10 per cent VAT, rather than to only some of them as before.

"If the policy is extended as in 2022, with a VAT reduction for some goods and the exclusion of others, it will just be a torture for businesses. We support the proposal to reduce VAT for all goods and services," she concluded.

Director of ANVI Law Firm Truong Thanh Duc agreed, assessing that the current reduction of VAT for all goods and services shows a lesson learned by the MoF.

“In previous years, businesses were able to reduce VAT, but the bookkeeping was very difficult because some items were reduced to 8 per cent while others were not.”

Duc then continued to suggest that the current reduction might not even be enough.

"In my opinion, VAT should be reduced to 5 per cent. In addition to many goods that are subject to 10 per cent VAT, there are still some items that are liable for 5 per cent VAT and others that are not subject to tax at all. Therefore, it still causes a problem for businesses to categorise them," he added.

"The real estate market is currently frozen, bonds and stocks have fallen to exhaustion, exporters losing orders, and businesses are facing hundreds of other obstacles, so quick policies are needed that create better conditions for them," Duc continued.

From a manufacturer viewpoint, some enterprises said that although the 2 per cent VAT reduction in 2022 reduced purchasing costs for consumers, it did not promote purchasing power much. The core value of this policy is to show the care and companionship of the state with the people and businesses.

Lu Nguyen Xuan Vu, chairman of Xuan Nguyen Group JSC, reflected that the current purchasing power is too weak. Most businesses apply promotions, reduce prices, or even sell at or less than cost to push sales, while the government has reduced taxes and extended and restructured debts to try to improve the situation.

"However, these are all short-term solutions. Businesses do not have enough orders, lack capital, and their products cannot be sold. They have to cut labour, leading to people cutting spending. Therefore, we need practical solutions from the state to enable businesses to resume operations, banks to disburse loans, and obstacles related to land procedures to be removed," urged Vu.

According to the MoF, if the National Assembly approves the 2 per cent VAT reduction (expected to be approved in June), budget revenue in the second half of the year may decrease by VND35 trillion ($1.5 billion), but the upside could be much greater. This is because VAT can be reduced in the absolute amount, but reducing VAT will increase the collection of other taxes, such as corporate and personal income tax, and lead to increased consumption.

In the view of Nguyen Van Phung, former director of the Large Taxpayers Department under the General Department of Taxation, reducing VAT from 10 to 8 per cent for all taxable items is the right thing to do, but the process needs to be shortened with specific guidelines.

“The more detailed and more extensive the tax conditions are, the more benefit businesses can gain. However, they must still be simple enough to manage,” said Phung.

According to the proposal by the MoF, the VAT rate will be reduced by 2 per cent in 2023 for all goods and services subject to the 10 per cent tax rate. At the same time, the percentage rate used to calculate VAT for businesses (including household and individual businesses) will be reduced by 20 per cent when issuing invoices for all goods and services subject to the 10 per cent VAT.

The reduced VAT rate for each type of goods and services specified in this provision will be applied uniformly at all stages of import, production, processing, and distribution. The policy will be effective from the date of issuance until December 31, 2023.

Previously in 2022, with the aim of stimulating the economy, the National Assembly issued Resolution No.43/2022/QH15 on fiscal and monetary policies to support the Economic-Social Recovery and Development Programme. The government then issued Decree No.15/2022/ND-CP, regulating tax exemption and reduction policies according to Resolution No.43/2022/QH15 from the National Assembly. The results have shown that the total VAT reduction support package in 2022 reached around VND44 trillion ($1.9 billion).

7. Viet Nam's GDP growth forecast to rank second in ASEAN

Viet Nam's GDP is projected to grow 5.8 per cent this year, sharing the second position with Cambodia in the region, only after the Philippines, according to the International Monetary Fund (IMF).

Notably, Viet Nam's public debt is expected to stay at the lowest compared with eight other ASEAN member countries, the fund said.

The fund also forecasts that Viet Nam's GDP growth will rebound to 6.9 per cent in 2024, the highest in Southeast Asia, and its public debt will fall to 31.3 per cent of the national GDP in 2028 from the record 47.5 per cent in 2016. The debt-to-GDP ratio in 2028 will be the lowest in two decades.

In terms of inflation, the lender said it will reach 5 per cent and 3 per cent in 2023 and 2024, respectively.

The State Bank of Viet Nam (SBV) has constantly cut regulatory interest rates, paving the way for credit institutions to reduce their lending interest rates, thus spurring economic growth, said Dao Minh Tu, deputy governor of the SBV.

Experts described the central bank's reductions as flexible and timely, and expected that 12-month deposit interest rates will hover around 7 per cent and lending interest rates 10 per cent.

The bank has substantial room to further loosen monetary policy this year, they said, noting that it will continue to cut policy rates by 50 basis points in the second quarter of this year.

Experts from the Bao Viet Securities JSC shared the view that the biggest pressure on interest rates last year came from the US Federal Reserve's continuous rate hikes, making the US dollar soar to a 20-year high.

Meanwhile, those from the United Overseas Bank (UOB) said Viet Nam's GDP growth of only 3.32 per cent in the first three months of this year, down from 5.92 per cent in the last quarter of 2022, will prompt the central bank to further cut regulatory interest rates, and that the bank is likely to further relax policies.

Corporate News

8. NLG: Nam Long's net profit rockets in Q1

↑ 1.33 %

Though its net revenue plunged by 60% over the same period last year to VND235 billion, the firm posted VND7 billion in net profit, an 11-fold year-on-year increase.

Meanwhile, the firm earned VND46 billion from financial activities in January-March, nearly doubling that in the year-earlier period.

According to the company's balance sheet, its assets as of January 31 totaled over VND27 trillion, but its cash dropped 10% to around VND4.3 trillion.

9. AST: Overcome the status of controlled securities

↑ 3.33 %

On April 20, 2023, Taseco Air Services Joint Stock Company announced the measures and schedule to overcome the status of controlled securities as follows:

1) In 2022:

Business result:

-Consolidated revenue: 603,8 billion dongs

- Profit after tax of the holding company: 23,1 billion dongs

The change from the status of controlled securities to the status of securities being put under warning from April 07, 2023.

2) Business result in quarter 1, 2023:

Consolidated revenue: 263,1 billion dongs

Consolidated profit after tax: 38,6 billion dongs

3) Taseco has continued to implement the synchronized deployment of its management solutions to manage business production flexibly.

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