VIETNAM DAILY NEWS

April 5th, 2023

Table of content

Table of content

Market Analysis

1. Shares reverse to fall on selling force

Shares reversed course to end lower on Tuesday, pressured by the selling force hitting a series of large-cap stock groups.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index lost 0.08 per cent to close at 1,078.45 points. The index had gained 1.38 per cent on Monday.

Market breadth was negative with 261 gainers and 139 decliners.

Some 803.9 million shares were traded on the southern exchange, worth VND13.5 trillion (US$575.2 million).

The VN30-Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, dropped 0.03 per cent to reach 1,088.34 points. In the basket, 13 stocks climbed, two stayed flat and 18 slid.

Losers in the VN-30 basket included Novaland (NVL), Vinamilk (VNM), Vingroup (VIC), Vietjet (VJC) and Sabeco (SAB).

Banking stocks differentiated during the trading session. Those slumping included Vietinbank (CTG), Asia Commercial Bank (ACB), Tien Phong Bank (TPB), and Vietcombank (VCB).

Banks stocks that went against the market downtrend included VPBank (VPB), National Commercial Joint Stock Bank (NVB), Military Bank (MBB), Techcombank (TCB), Sacombank (STB), and Bank for Investment and Development of Vietnam (BID).

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).

The supply increased significantly, reflected in the increased liquidity. With the existing increasing inertia, it is likely that the market will continue to increase in the new session and enter the 1,080 - 1,100 point range, said Viet Dragon Securities Co.

Currently, this area is still a resistance zone of the market, so it is expected that supply will continue to put great pressure on the market in the near future.

Therefore, investors can expect the ability to expand the uptrend of the market, but it is necessary to avoid overbought status and should take advantage of the uptrend of the market to take profits or sell to minimise risks for the portfolio.

On a sector basis, 23 out of 25 sector indices on the stock market lost ground, including wholesale, construction, rubber production, IT and logistics, agriculture, real estate, food and beverage, retail, seafood production, and plastic and chemical production.

The HNX-Index on the Ha Noi Stock Exchange (HNX) rose 0.12 per cent to close Tuesday at 210.73 points.

Over 92 million shares were traded on the northern exchange, worth VND1.28 trillion.

Macro & Policies

2. Vietnam's economic growth to reach 6.5% this year: ADB

After a strong performance in 2022, Vietnam's economic growth is expected to moderate at 6.5% this year and further expand at 6.8% in 2024, according to Asian Development Outlook (ADO) released by the Asian Development Bank (ADB) on April 4.

Vietnam's economic growth will be constrained in 2023 by the global economic slowdown, continued monetary tightening in advanced economies, and spillover from global geopolitical tensions, said ADB Country Director for Vietnam Andrew Jeffries.

However, he held that Vietnam's growth support policy with monetary easing, a large amount of public investment to be disbursed in 2023, and the reopening of the China will help the country counter these headwinds.

The ADO highlighted that global economic slowdown deepened in the fourth quarter of 2022 and will likely continue in 2023. Falling global demand is expected to weigh on industrial growth, it said, adding that agriculture output is expected to grow by 3.2% this year on revived domestic demand and the reopening of China, which accounts for 45% of Vietnam's export of fruits and vegetables.

Tourist arrivals from China starting March 15 is expected to benefit the tourism and services in Vietnam, with the sector forecast to grow by 8.0% this year.

Public investment will be another key driver for economic recovery and growth in 2023 and 2024, spurring construction and other related economic activities. Along with the move to monetary easing in March 2023, public spending is expected to generate substantial multiplier effects, creating strong growth stimulus for the economy.

According to the ADO, the Vietnamese government is committed to disbursing 30 billion USD in the year, of which 90% had been allocated to disbursing ministries and provinces as of January 2023. Foreign investment, however, will still be hampered by the global economic slowdown. Newly registered and disbursed FDI fell by 38% and then 4.9% year on year in the first two months of 2023.

The prolonged pandemic, however, exposed structural issues that are among the main downside risks to the economy, said the report.

Nguyen Minh Cuong, Principal Country Economist for Vietnam, said that the fiscal deficit in 2023 could exceed the target, which is 4.4% of GDP. He said that Vietnam should continue reform to make its finances more sustainable, significantly reducing dependence on unsustainable revenue sources such as land and oil.

The ADB forecast that on the demand side, domestic consumption will continue to rebound in 2023. Revived tourism, new public investment and stimulus programmes initiated in January 2022, and a salary increase effective in July 2023 are expected to keep domestic consumption on the rise, though higher inflation may hamper its recovery.

Weakening global demand will continue to dampen trade in 2023. Exports in the first two months of 2023 decreased by 10.4% year on year, while imports dropped by 16%, it said.

Both imports and exports are forecast to shrink by 7% this year and next. Slowing trade could create a current account deficit that equals 1% of GDP this year before moving back into surplus in 2024.

3. Deposit rates drop further

Vietnam's big four state-owned commercial banks now quote their call deposit rates at 0.1% to 0.3% per year.

Interest rates for deposits from one to 11 months range from 4.9% to 5.8% per year, and the rates for deposits of 12 months and longer are set at 7.2%.

They comprise the Vietnam Joint Stock Commercial Bank for Industry and Trade, the Joint Stock Commercial Bank for Foreign Trade of Vietnam, the Bank for Investment and Development of Vietnam, and the Vietnam Bank for Agriculture and Rural Development.

Other banks also slashed their interest rates by 0.3 to 0.8 percentage point per year, with 9% being the highest deposit interest rate for 12 months and longer offered by An Binh Joint Stock Commercial Bank and Saigon Joint Stock Commercial Bank.

The SBV said the rate reductions were in line with the National Assembly's and the Government's instructions to ease difficulties faced by businesses and households and speed up the economic recovery.

It capped the rate for demand deposits and deposits with a term of less than one month at 0.5%, and the rate for deposits with terms ranging from one month to less than six months at 5.5%.

The refinancing rate, which the central bank applies to short-term loans for commercial banks, was set at 5.5% per year.

The rediscount rate for valuable papers and overnight loans in interbank electronic payments and loans made by the central bank in clearing transactions with commercial banks were kept unchanged at 3.5% and 6% per year, respectively.

4. Growth goals take hit after tricky Q1

Following months of halted operations due to social distancing in 2020 and 2021, a Dien May Xanh supermarket selling electronics and home appliances on Xuan La street in Hanoi's Tay Ho district resumed business early last year, but sales are still slow.

"I think it will take time to recover the performance as the supermarket did in 2019 before the pandemic. Though our sales have begun to bounce back, they are still far lower than what we earned in the past," a salesman at the supermarket told VIR. "Previously, we could sell dozens of TV per day, but the number is about two or three now."

Most visitors now just come to look, not purchase. "I want a new TV and a new fridge, but I have no money for both. If prices were halved, I might consider," said one visitor named Nguyen Van An, a factory worker at a Japanese electronics company based in Hanoi.

Another Dien May Xanh supermarket, located about 2km away, opened its doors in late 2021. In the first nine months of 2022, it saw many purchases a day.

However, sales began to slow from last October. In the first three months of this year, sales were still moderate at best.

"Revenue is beginning to increase, though sales have yet to fully recover," said a saleswoman at the supermarket. "Summer is coming, and it is expected that fans, air conditioners, and refrigerators will be our biggest sales."

Not far away, the Vincom Plaza in Hanoi's Bac Tu Liem district has seen a reduction in rental space. Unoccupied booths are seen in big numbers here. At the WinMart supermarket in the plaza, visitors are not as crowded as before, even during weekends. One saleswoman said that people were tightening their belts, and had already spent money in February for Lunar New Year.

Sector reductions

The moderate situation at these supermarkets in the capital city reflects the dim landscape of Vietnam's retail and consumption.

However, according to the General Statistics Office (GSO), the total retail and consumption revenue in the country for the first three months of this year hit $65.43 billion, up nearly 14 per cent. This includes $51.6 billion in retail revenue, up 11.4 per cent on-year.

Retail sales in Vietnam increased 11.3 per cent on-year in March 2023, slowing from a 13.2 per cent rise in February and a 20 per cent gain in January. This was the softest rise in retail trade since April 2022, amid rising cost pressures and higher borrowing costs.

Meanwhile, the on-year index for industrial production in Q1 is estimated to decline 2.2 per cent compared to the same period last year, when it rose 6.8 per cent on-year.

"This is due to the world economy continuing to face massive difficulties and unpredictable fluctuations, in addition to high inflation and reductions in enterprises' orders and exports," said GSO general director Nguyen Thi Huong. "Many key sectors in the economy are facing numerous difficulties which are expected to continue lingering in the months to come."

In the first three months of this year, the mining sector fell 4.4 per cent compared to the corresponding period last year. The processing and manufacturing sector also dropped 2.4 per cent on-year, while the same period last year saw an on-year rise of 7.3 per cent. The electricity production and distribution sector also went down by 1 per cent on-year, versus an 8 per cent climb in Q1 2022. The reductions of these sectors have led to a big decrease in economic growth for Q1 2023.

Electricity of Vietnam (EVN) estimated that if the existing power price applied since 2019 continues to be kept, it will suffer from a financial loss of over $2.82 billion this year. The agony comes from a high rise in input material prices since early 2022, while the selling price of electricity has been kept unchanged since 2019.

In February, EVN produced a total of 20.2 billion kWh, up 9.4 per cent on-year. However, in the first two months, the volume hit 38.61 billion, down 2.2 per cent on-year. Last year, it suffered from a financial loss of over $1.3 billion due to a high increase in input material prices. EVN has proposed a power price hike in the coming months

Not only is the industrial production facing massive difficulties, but the business registration picture since early this year is also looking grey.

According to the GSO in Q1, there were nearly 34,000 newly established enterprises registered with nearly $13.5 billion and employing about 212,300 people – down 2 per cent in the number of enterprises, 34.1 per cent in registered capital, and 12.8 per cent in the number of employees compared to the same period last year.

If the newly added capital of $19.4 billion from 10,600 operational enterprises is included, the total new capital into the economy in Q1 of this year will be $32.9 billion, down 35.8 per cent on-year.

Bigger efforts needed

"We must make greater efforts to revive the economy. Low growth in Q1 means enterprises and people are still in big difficulties," said Prime Minister Pham Minh Chinh.

The economy grew 3.32 per cent on-year in Q1, which is only higher than the 3.21 per cent rise of Q1 of 2020 in the 2011-2023 period (see chart). In which the agro-forestry-fishery sector grow 2.52 per cent – creating 8.85 per cent of economic growth; the construction and industrial sector declined 0.4 per cent – causing a 4.76 per cent reduction in economic growth; and the service sector climbed 6.79 per cent, responsible for 95.91 per cent of economic growth.

The government is expecting that Vietnam will be able to boost its tourism industry and attract more foreign direct investment – both key pillars for economic growth.

In 2019, the tourism industry created 9.2 per cent or $24.1 billion of GDP. Vietnam received a record 18 million foreign visitors in 2019.

Vietnam only received 3.6 million foreign tourist arrivals last year, around 70 per cent of its target. In Q1 this year, the figure has already hit nearly 2.7 million.

The GSO reported that in Q1 of 2023, total disbursement of foreign investment is estimated to be $4.32 billion, down 2.2 per cent on-year. Accumulatively as of March 20, 2023, total newly registered and newly added capital, and capital from stake acquisitions and capital contributions from foreign investors reached nearly $5.45 billion, tantamount to 61.2 per cent of that recorded in the same period last year.

According to global data analyst FocusEconomics, Vietnam's economic momentum will likely soften this year as growth rates for consumption, exports and investment decelerate.

"However, an expansionary fiscal policy and China's reopening should provide support, and Vietnam will likely remain ASEAN's top performer in 2023. Foreign exchange fluctuations, monetary policy, banking liquidity and the property sector crunch are key factors to watch," FocusEconomics told VIR. "Our panellists expect GDP to expand 6 per cent in 2023, and 6.5 per cent in 2024."

The government expects that the economy will grow 6.5 per cent this year, meaning that more efforts are to be made in Q1-Q3.

5. Wood industry striving to regain growth momentum

The latest figures from the Vietnam General Department of Customs show that the total export value of wood and wood products in February was estimated at $800 million, down 0.7 per cent compared to January and sliding 10.9 per cent on-year.

In the first two months of this year, the figure approximated $1.6 billion, down 34.8 per cent on-year.

Although the sector's export performance is diminishing due to a lack of orders since late last year, many businesses are still optimistic and are sparing no efforts in finding new customers to bolster production and reduce redundancies.

Le Minh Nghi, deputy general director of the Hanoi-based AA Architecture Construction Corporation, noted that the doldrums of the real estate sector have had a negative impact on businesses in the timber industry.

However, with good preparation that began late last year, many firms in the wood sector have quickly engaged in market surveys in a bid to boost export orders.

"We have constantly been taking part in trade promotions and exhibitions to meet foreign partners, particularly designers in the US, Canada, Thailand, and Singapore. Based on frequent information sharing, our company has garnered their trust and made new contacts," said Nghi.

According to Truong Nhat Linh, Tekcom Corporation's managing director, the company is taking steps to increase sales in traditional markets by launching several new products and offering discounts and deferred payments.

"In the Turkish market, our company is offering a 15 per cent discount, and this policy will be soon applied in Japan as well," said Linh.

Vu Tien Thap, CEO of D'Furni JSC in Hanoi, is confident that the demand for wooden furniture is still great, so firms need to have a long-term vision to efficiently grasp the opportunities.

"In the next three years, the World Cup will be co-organised in the US, Canada, and Mexico. The preparations in terms of infrastructure could result in significant opportunities for Vietnamese furniture manufacturers," said Thap.

"By providing total solutions for bulk orders, our company supplies the extensive Holiday Inn hotel chain across the US and Canada. The customer wants to continuously innovate themselves."

In addition, D'Furni has worked on plans to approach a contractor in Europe that has stringent quality requirements.

AA Corporation has swiftly revised its production and business strategy for both the domestic and export market. In the past, the domestic market accounted for about 80 per cent of sales, but as of now, local sales make up 60 per cent and exports fill the remainder.

Similarly, director Truong Nhat Linh at Tekcom has unveiled that the company aims for a comeback in the Middle East as the implementation of megaprojects in this region could lift demand.

“We will make the most of this time to bolster sales in the domestic market before other firms regain stability in their operations,” said Linh..

6. Smart industry slant to boost foreign capital attraction

The leaders of nine provinces, Becamex IDC Corporation, and Vietnam Singapore Industrial Park (VSIP) signed an MoU at a ceremony on industry development organised in the southern province of Binh Duong on March 25.

According to the agreement, VSIP and the participating provinces will shift their development model to industry-urban-smart services to help investors quickly deploy smart factory models.

The collaborations seek to enhance the socioeconomic development of the provinces through higher-value manufacturing, job creation, and development of new urban areas.

The nine provinces are Binh Phuoc and Tay Ninh in the south; Thua Thien-Hue, Binh Thuan, and Khanh Hoa in the central region; Ha Tinh and Thanh Hoa in north-central; and Thai Binh and Nam Dinh in the north. Feasible projects will progress to a cooperation agreement and are subject to the awarding of investment registration certificates from the central government.

Provincial leaders are interested in expanding the urban-service-IP model in their localities. Hoang Trung Dung, general secretary of Ha Tinh Party Committee, said, “The province worked with VSIP to bring their venture to the area. It also added this model to its planning. Ha Tinh is determined to accelerate approval of procedures to create good conditions for such projects.”

Both leaders of Thai Binh and Nam Dinh said that they arranged a land plot of over 1,000 hectares for the venture to welcome investors. Thai Binh planning features over 30,000ha within its coastal economic zone for the establishment of IPs. The province is accelerating construction of transport to foster inter-regional links to connect the province’s IP with surrounding areas.

Developing thoroughly industrial parks will be an advantage for these provinces in attracting investors in the context the supply sources of industrial parks are exhausted.

John Campbell, associate director and head of Industrial Services at Savills Vietnam said that at present, many businesses feel difficulty in finding the land fund for developing IPs as the occupancy rate is always high. Specifically, in some southern provinces such as Binh Duong or Dong Nai, the occupancy rate is always above 95 per cent. Meanwhile, in the north, the fulfill ratio of Bac Giang and Bac Ninh are up to over 96 per cent.

“The high occupancy ratio at IPs will impact on the rental of large-scale land area, creating challenges for real estate developers who have plans to establish new IPs,” Campbell said. “In the context the supply source is modest, the appearance of new IPs, especially green and smart ones, will contribute to quenching the thirst of the market.”

“An urban-industrial symbiosis when developing IPs to make them sustainable with good living and working environments for workers will become a trend in Vietnam,” said Dao The Anh, chairman at consulting firm Redsunland Investment.

“When selecting a destination, along with studying available land, and the procedures, the investors pay attention to the accommodation and utilities for their workers. Thus, with services and urban living components, IPs will become better support the interests of workers,” Anh added.

Completing industrial infrastructure to attract investors is one of the key missions of provinces, including Thai Binh. Since 2021, this province has been targeting backers for five IP infrastructure projects.

The Lien Ha Thai urban service IP from Green iP-1 is one example. Project planning was approved in February 2021 with a total area of 589ha. Within 10 months, the province assigned departments and related authorities to cooperate with the investor to complete the land clearance of 500ha, a miracle in land clearance terms. As of late February, 98 per cent of the clearance was complete.

The localities' moves show an acknowledgement that some provinces need to improve the business environment to attract foreign-led capital. For example, Binh Thuan province is currently only 31st and Ha Tinh province 36th on a list of 44 localities with foreign capital in the first quarter of this year.

7. Viet Nam's economic recovery remains bumpy, putting pressure on upcoming quarters

The latest data from the General Statistics Office (GSO has shown Viet Nam's economic recovery remains bumpy, putting pressure on upcoming quarters to achieve the Government's socio-economic goals for the year.

The socio-economic climate in the first quarter of 2023 occurred amid a world economy fraught with complex fluctuations and instability. While global inflation has somewhat abated, it remains high, and the fluctuations in consumption demand of key trading partners are still affecting the Vietnamese economy. Moreover, the bankruptcy of certain banks in the United States and Europe has caused a dent in people's trust in the banking system, while central banks persist in implementing tight monetary policies.

Economists had predicted since late 2022 that Viet Nam's economy would face two external headwinds in 2023. The first is the decline of the world economy, particularly the risk of economic recession in some of Viet Nam's major trading and investment partners. The second is the monetary tightening of many central banks due to persistent high inflation.

The Vietnamese economy itself still faces many challenges, including financial and monetary problems, macro variables such as inflation, bank liquidity, cash flow, exchange rates, interest rates and the real estate market. The Government is working to address these issues.

The obstacles and hurdles were, in part, evident in the statistics from the end of 2022 and more visibly in the first quarter of 2023.

The economy recorded a growth rate of 3.32 per cent in Q1, considerably below the projected target of 5.6 per cent outlined in Resolution 01/NQ-CP dated January 6, 2023, and nearly the lowest in the last thirteen years.

The decline in the production of some key industries caused the added value of the whole industry in the first quarter to decrease by 0.82 per cent year-on-year. Besides, the languid progress in industrial production and sluggish growth in some regions and provinces, including HCM City, that significantly contribute to Viet Nam's economic development, are worrisome. The HCM City's Gross Regional Domestic Product (GRDP) in the first quarter only expanded by a meager 0.7 per cent.

Viet Nam's import and export turnover of goods also weakened. Although there was still a trade surplus of more than US$4 billion in the first quarter, the total export and import turnover of goods was estimated at $154.3 billion, down 13.3 per cent over the same period last year, of which exports decreased by 11.9 per cent and imports decreased by 14.7 per cent.

Total foreign investment as of March 20, 2023, including newly registered capital, adjusted registered capital, and the value of capital contribution and share purchase by foreign investors, reached $5.45 billion, down 38.8 per cent over the same period last year.

There are still a few exceptional areas of growth in retail and consumption. In Q1 2023, the overall revenue from retail sales of consumer goods and services is estimated at VND1.5 quadrillion ($63.8 billion), representing a notable uptick of 13.9 per cent compared to last year's same period.

The 2023 economic growth target of 6.5 per cent is considered extremely challenging.

Recently, a number of international organisations have lowered their GDP growth forecasts for Viet Nam in 2023. For example, Singapore-based United Overseas Bank (UOB) has lowered its growth forecast for Viet Nam from 6.6 per cent to 6 per cent, and the World Bank has also lowered its forecast from 6.7 per cent to 6.3 per cent.

In this context, Viet Nam needs to focus on three issues to minimise adverse impacts.

Firstly, Viet Nam should take advantage of opportunities arising from the global economic situation being less difficult than expected. The crisis and recession risks have been gradually reduced in some countries.

Recently, the International Monetary Fund (IMF) raised its 2023 growth forecast for global economy to 2.9 per cent from 2.7 per cent. Fitch Ratings (FR) has revised its forecast made in December 2022 by adding 0.6 percentage points to global growth rate to 2 per cent in 2023. The Organisation for Economic Cooperation and Development (OECD) has forecasted a growth rate of 2.6 per cent, an increase of 0.4 percentage points compared to November 2022.

Despite inflation still being uncertain this year, it is expected to have passed its peak, and the interest rate hike of some central banks, including the Fed, will be less "hawkish". China is also considered one of the few countries where growth will be better this year.

Secondly, Viet Nam needs to address financial and monetary issues, and the Government and businesses must work together to achieve this. Recently, liquidity in the banking system has improved, the central bank started to buy foreign currencies and inflation stayed at an acceptable level, with a rate of 4.18 per cent in the first quarter.

Interest rates have started to drop slightly, contributing to stabilising the macro-economy, particularly with policies and plans issued recently to solve bottlenecks in the bond and real estate markets such as Decree 08 and the credit package of VND120 trillion for real estate firms.

Thirdly, the public investment sector is flourishing, and it is expected to serve as the backbone of the economy this year. Since the start of the year, the realised investment capital in the State sector has surged by 11.5 per cent, underscoring the Government, ministries, and localities' efforts in implementing swift and decisive actions to expedite public capital disbursement from the outset of the year. This impetus is poised to propel the short- and long-term economic growth.

Furthermore, the Government's post-pandemic recovery support programme for businesses has continued to be adjusted and has produced many positive results. Viet Nam also needs to diversify its markets to minimise negative effects on exports and increase foreign direct investment (FDI) attraction.

Viet Nam is still a favourite investment destination for other foreign investors, and recently, a US delegation came to explore investment opportunities in Viet Nam. The challenge now is to convert this interest into actual commitment.

If Viet Nam can take advantage of the favourable external factors and domestic efforts, it can maintain a positive growth rate this quarter. However, in addition to immediate actions, Viet Nam still needs to continue pushing forward reform and development associated with new trends to keep up with the world and develop sustainably.

Corporate News

8. DGC: Notice of the record date for the 2022 dividend payment

↑ 2.69%

Duc Giang Chemicals Group Joint Stock Company announces the record date for the last phase of 2022 dividend payment:

Record date: April 14, 2023

Purpose for the payment for the last phase of 2022 dividend in cash

Dividend pay-out ratio: 10%/ par value (VND1,000/ share)

Payment date: April 27, 2023

Place & procedure of payment:

-Shareholders whose shares have been deposited: at the securities firms where the shares have been deposited.

-Shareholders whose shares have not been deposited: Duc Giang Chemicals Group Joint Stock Company as from April 27, 2023.

9. CII: Announcement of the change of listing

↑ 2.31%

On March 31, 2023, HOSE issued Announcement No.645/TB-SGDHCM regarding the change of listing of Ho Chi Minh City Infrastructure Investment Joint Stock Company (stock code: CII) as follows:

- Additional listing volume: 7,144 shares
- Reason of change: the bond converts into shares.
- Total listing volume after change: 284,019,513 shares
- Total listing value after change (based on par value): VND2,840,195,130,000
- Effective date of the listing license: April 04, 2023
- Official trading date: April 07, 2023.

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

Disclaimer:

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