VIETNAM DAILY NEWS

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Table of content

Table of content

Market Analysis

1. Market to trade positively on return of cash flows: experts

After gaining for the third week in a row, the market benchmark VN-Index is expected to trade positively this week as investor sentiment improves on optimistic news.

Last week, the VN-Index on the Ho Chi Minh Exchange (HoSE) closed Friday at 1,115.22 points, a decrease of 0.16 per cent, while the HNX-Index on the Ha Noi Stock Exchange (HNX) dropped 0.47 per cent to 228.44 points.

However, both indices still marked a weekly gain. The former rose 0.7 per cent, marking its third-week rising streak, while the latter increased for four consecutive weeks, up 0.4 per cent.

The market liquidity remained above the average level.

In particular, the liquidity on the southern bourse fell by 6.5 per cent to nearly VND85.5 trillion (US$3.6 billion), with a trading volume also down 9.2 per cent over the previous week. This showed a strong divergence among small-cap and large-cap stocks. Liquidity on the northern exchange HNX declined slightly to nearly VND10.3 trillion.

Foreign investors were active last week and returned to net buy strongly on HOSE with a value of more than VND1.7 trillion, focusing on stocks in steel, financial services, and securities industries. They were also net buyers on HNX with a value of VND94.55 billion.

Saigon - Hanoi Securities JSC (SHS) said that the VN-Index was quite positive when it soared at the area of 1,110 points in the first two sessions of the week, but was under selling pressure to correct at the range of 1,125 - 1,130 points.

The securities firm also said that recent macroeconomic developments tend to gradually improve when the US Federal Reserve paused its rate hiking spree on Wednesday after 10 consecutive increases while inflation showed signs of cooling down.

Domestically, the central bank of Viet Nam also announced Friday to trim operating interest rates, the fourth cut this year. The Government also had carried out measures to boost growth, support businesses, and remove difficulties for corporate bond and real estate markets, SHS added.

However, expectations of more interest rate hikes in the second half of the year by the Fed and the European Central Bank (ECB) may hinder the world economy's recovery, affecting the Vietnamese economy. The Government's supportive policies also need more time to show effects.

Nevertheless, as the stock market will usually react early, SHS expects the market to shift to a positive movement when investor sentiment gradually improves.

Experts from Vietcombank Securities Company (VCBS) said that as soon as the Fed decided to keep interest rates steady, the State Bank of Vietnam (SBV) quickly took appropriate actions to accelerate the reduction of lending interest rates for businesses and people, supporting the recovery of economic growth.

It is forecast that in the coming weeks, the interest rates will be lowered, including deposit interest rates, lending rates and interbank rates with a reduction of approximately 50 basis points depending on the term.

For the financial market, the rapid decrease in interest rates is expected to shift cash flows from deposit investment channels to riskier investment channels like the stock market, according to VCBS.

Experts believe that the stock market will be more positive in the second half of 2023, possibly increasing significantly after about 3-7 months since the latest announcement of interest rate reduction was issued. The VN-Index tends to increase this year, as the rate levels decrease and the exchange rates maintain at stable levels while market liquidity is abundant.

Macro & Policies

2. SBV to further cut regulatory interest rates on June 19

On June 16, the central bank issued Decision No 1123/QD-NHNN adjusting the refunding interest rate, rediscount interest rate, overnight lending rate in interbank electronic payments, and interest rate for loans to offset capital shortages in clearance between the SBV and credit institutions.

Accordingly, the overnight lending rate for interbank electronic payments and the interest rate for loans to offset capital shortages in clearance between the SBV and credit institutions will be brought down from 5.5% per year to 5% per year, the refunding interest rate from 5% per year to 4.5% per year, and the rediscount interest rate from 3.5% per year to 3% per year.

The SBV also issued Decision No 1124/QD-NHNN, which regulates the maximum interest rates for Vietnam dong (VND) deposits of organisations and individuals at credit institutions.

In particular, the maximum rate for non-term and under-one-month deposits in VND will be kept at 0.5% per year, while the ceiling interest rates for deposits with one-month to under-six-month terms is cut down from 5% per year to 4.75% per year, and for deposits at people's credit funds and micro-financial institutions - from 5.5% per year to 5.25% per year. Meanwhile, interest rates for deposits of a six-month term or over will be set by credit institutions on the basis of capital supply and demand in the market.

According to another newly issued decision, No 1125/QD-NHNN, the maximum interest rate for short-term loans in VND for some economic sectors will be decreased from 4.5% per year to 4% per year. For loans provided for those sectors by people's credit funds and micro-financial institutions, the ceiling interest rate will be reduced from 5.5% per year to 5% per year.

The SBV said under the National Assembly's resolution and the Government and Prime Minister's directions, it has been governing the monetary policy and banking activities in a firm, proactive, flexible, timely and effective manner, and harmoniously combining the monetary policy with other fiscal and macro-economic policies so as to cool down lending interest rates to support economic recovery and development.

The SBV earlier reduced regulatory interest rates on March 14, March 31, and May 23.

Experts held that the cut will pave the way for interest rates to go down, helping businesses reduce their capital costs and improve their performance while people can spend more on consumption. This will help stimulate economic growth and increase orders placed on businesses.

3. Agriculture remains bright spot in exports

The export value of fruits and vegetables in May nearly doubled compared to the previous month, hitting an estimated 500 million USD. Meanwhile, that of rice and coffee surged 53.1% and 28.5% to 530 million USD and 418 million USD, respectively.

Secretary General of the Vietnam Fruit & Vegetables Association Dang Phuc Nguyen attributed the increases to Vietnam's signing of protocols to export durian, sweet potato, and banana to China; pomelo to the US; and lemon to New Zealand.

Nguyen showed optimism about the country's 4-billion-USD target in vegetables and fruits export this year.

According to the Ministry of Industry and Trade (MoIT), Vietnam raked in 136.17 billion USD from goods exports in the last five months, down 11.6% year-on-year, with all sectors meeting difficulties as the demand has decreased globally, especially for non-essential consumer goods.

However, a positive sign of recovery was seen in May when export earnings picked up 4.3% month-on-month to hit 29.05 billion USD, helping the country enjoy a trade surplus of nearly 10 billion USD. Compared to the same period last year, the figure decreased 5.9% but the declining rate has slowed down.

Deputy General Director of the MoIT's Import-Export Agency Tran Thanh Hai said it is forecast that Vietnam's exports will recover in the second half in the context of falling inflation in many markets. In addition, inventories in many countries have dropped significantly, prompting importers to place new orders.

Free trade agreements (FTAs) that Vietnam signed with partners will continue to help improve the competitiveness of Vietnamese goods, bringing opportunities for Vietnamese businesses to promote their export activities, Hai noted.

4. Low credit growth makes large banks curb capital mobilisation

According to the State Bank of Vietnam (SBV), outstanding loans of the whole economy surpassed 12.3 quadrillion VND in the first five months of 2023, an increase of 3.17% compared to the end of 2022.

This growth rate was lower than the rate of 8% in the first five months of 2022. It showed that the capital absorption of the economy was still weak.

SBV deputy governor Pham Thanh Ha said manufacturing enterprises are still facing difficulties in the consumption of products, leading to lower demand for new loans for production.

For small and medium-sized enterprises, some with weak financial situations have had no feasible plans, so they have not met the bank's loan requirements.

Regarding real estate credit, many real estate projects have faced difficulties, including legal problems, so the credit demand for real estate has also decreased.

According to SSI experts, the weak demand for capital was the main reason for the lower credit growth in the first five months of the year.

The experts have quoted the forecasts of commercial banks as saying that the credit demand was low in the second quarter of 2023. This demand is unlikely to increase sharply in the second half of the year because the businesses are still facing many difficulties, although lending interest rates have dropped significantly after SBV's three policy interest rate cuts from March to May.

The average lending interest rate, excluding incentives, was 12.5% per year, down about 2.2% from the end of 2022 but still about 2% higher than the rate in 2019, according to SSI.

Meanwhile, according to the latest data of SBV, the average lending interest rate for new loans is at 9.07% a year at present, down 0.9% compared to the end of last year.

Commercial banks have all lowered lending rates to stimulate investment and consumption demand, but the new interest rates are mainly applied to new loans. Only a few commercial banks (mainly state-owned commercial banks) reduce interest rates on existing loans.

Agribank is the bank with the most attractive lending rates in the system, but it is not easy to have credit growth.

This bank's credit growth reduced in the first four months of the year and only recovered in May 2023. The difficulties of the domestic market, including weak consumption of agricultural products, caused a strong reduction in credit demand, according to Agribank.

VietinBank's credit growth reached 6% in the first five months, the highest among state-owned commercial banks. However, a VietinBank leader said that in May 2023, its credit growth began to decline.

Leaders of many banks have admitted that capital absorption of the economy is too low even though the interest rates have cooled down. This causes big banks to curb the mobilisation of capital and also have solutions to attract more borrowers.

A BIDV leader said with dozens of credit institutions, there are many chances for businesses to access credit. Many banks have strict regulations for lending activities, but there are some others without strict regulations, so businesses have more opportunities to borrow capital.

At four large state-owned banks, including Vietcombank, Agribank, VietinBank and BIDV, the highest interest rate is 6.8% per year for a 12-month term.

At the same time, these banks are striving to reduce costs and further cut deposit interest rates to continuously cool down lending rates.

Le Thanh Tung, a member of VietinBank's board of directors, told nhandan.vn that since the end of February, many banks have continuously announced interest rate reductions and launched credit packages to stimulate borrowing activities.

However, the number of dissolved and bankrupt enterprises was significantly higher than that of newly established enterprises. That proves that businesses face so many difficulties.

Therefore, besides the banks' solutions, the SBV deputy governor said that the stimulative solutions for the economy are very important. Ministries and sectors should continue to promote supportive policies for the development of enterprises, and remove difficulties in the consumption market and the real estate market.

BIDV will continue to reduce the lending interest rates to stimulate the investment and consumption needs of people and businesses, thereby helping recover credit growth.

VietinBank is striving to accelerate the implementation of the 2% interest rate support package and implement Circular 02 on debt structure.

5. Experts pin high hope on FDI injected into industrial property market

According to the Foreign Investment Agency under the Ministry of Planning and Investment (MPI), Vietnam drew nearly 10.86 billion USD of foreign direct investment (FDI) as of May 20.

Among the 18 sectors receiving FDI, manufacturing-processing attracted the highest amount at 6.64 billion USD, accounting for 61.2% of the total. It was followed by finance-banking with 1.53 billion USD, making up 14.1% of the total.

Meanwhile, after a long time occupying the second position, the real estate sector dropped to the third position with 1.16 billion USD, down 61.3% compared to the nearly 3 billion USD in the same period last year.

Experts attributed the situation to the existing problems of Vietnam's real estate sectors such as a shortage in land reserve and supply, and obstacles in legal procedures.

In the context, industrial property has been a rare silver lining of the cloud with great development potential and opportunities in short, middle and long terms.

In reality, Vietnam has been an attractive destination for manufacturers. The multiple-fold increase in FDI inflows from foreign groups over the past decade has been a clear evidence, building strong confidence among international investors.

MPI Deputy Minister Tran Quoc Phuong said that in recent years, FDI poured into industrial parks and economic zones has accounted for about 35-40% of the total added FDI of the country.

The Vietnam Association of Realtors (VAR) held that the changes of the economy as well as the new demands from development are requiring clear and strong policy directions to support investors and boost the market development to match the potential.

VAR Chairman Nguyen Van Dinh underlined the need for open and transparent information of industrial park planning in regions and localities, enabling investors to seek opportunities.

He also pointed to the need for stronger investment in infrastructure system, especially in transport.

Alongside, the simplification of procedures in business licencing and the settlement of obstacles in land-related procedures are also an urgent need, said Dinh.

Neil MacGregor, Managing Director of Savills Vietnam, said that macro signs have still shown the attractiveness of the Vietnamese market despite fluctuations in the world economy. Investors from many major markets in the world have made clear their interest in the Vietnamese market in many areas, especially production, retail, logistics, office and housing, he said.

Therefore, he held that despite the drop in FDI poured into the real estate sector, there is a high hope for investment in the industry thanks to investors' great interest in the Vietnamese market.

From a different point of view, an expert from Cushman & Wakefield (C&W) cited data showing that investment funds have just marked their presence in Vietnam in the recent five years. Previously, although registered FDI inflows into real estate were quite high, the capital disbursed was low. Therefore, C&W commented that Vietnam is considered an opportunistic investment market, not an investment market through stable cash flow.

In the context that capital poured into real estate is limited from domestic bank credit, FDI inflows are becoming a timely and valuable support for project developers, creating many opportunities and values for businesses, experts asserted.

6. Vietnam, Russia's Far East region seek to boost trade cooperation

Participants heard that Vietnam recorded a strong economic rebound after the COVID-19 pandemic, and experienced a growth of 8.02% in 2022. The Southeast Asian nation welcomed 3.7 million foreign tourists in the year.

The workshop also highlighted the significant cooperation between the two countries in the oil and gas sector, exemplified by the two joint ventures, VietXoPetro in Vietnam and RusVietPetro in Russia.

In his speech, the Vietnamese Consulate General in Vladivostok Nguyen Dang Hien stressed that Vietnam's efforts to maintain macroeconomic stability and improve the investment environment have helped the country become a reliable destination for foreign investors.

There remains huge potential for the two countries to expand trade and tourism cooperation, he said, noting that it is necessary to resume direct flights between Vietnam and Russia and set up tourism promotion offices in each country.

The Russian government may also consider visa exemption for Vietnamese tourists for 15 days to stimulate tourism demand, he added.

Meanwhile, chief of the Vietnam trade mission in the Far East Nguyen Hong Thanh said the region plays an important role in the Russian government's "pivot to the East" policy.

According to Thanh, the most prominent event in the economic and trade relations between the Far East region and Vietnam is the resumption of a container shipping route by FESCO to deliver goods from Hai Phong and HCM City of Vietnam to Russia, and vice versa.

FESCO is planning to build a transshipment point at HCM City port to forward Russian goods to further markets such as Indonesia, Malaysia, Thailand, Myanmar, and India and vice versa.

Besides FESCO, other operators such as OOO Transit and AO Transinergi have also started operating maritime routes from the Far East to Vietnam, Thanh said.

He noted that the Far East will be a good investment destination for Vietnamese businesses if there is a channel to provide sufficient information for the Vietnamese business community.

Vietnamese enterprises can consider cooperating with partners in the Far East region in potential fields such as civil and industrial construction, furniture production, coal and mineral mining, high-tech development, and food processing, he said.

7. Seminar discusses quality improvement for food exports to China

ITPC Director Tran Phu Lu said Vietnam's main exports to the market are processing, manufacturing, agro-fishery goods, adding that the nations have secured a host of bilateral and multilateral cooperation pacts, including the ASEAN–China Free Trade Area (ACFTA) and the Regional Comprehensive Economic Partnership (RCEP).

Luong Van Tai, a trade attaché from the office, informed the seminar that Vietnam currently ranks 10th among the countries exporting farm produce to China, with its turnover from such shipments to the market exceeding 6 billion USD last year but only accounting for about 2.6% of China's total agricultural import value.

Vietnam is also China's 3rd biggest exporter of fruits and vegetables, following Thailand and Chile, Tai said, noting that the market's demand for tropical fruits is large and grow annually.

He advised Vietnamese exporters to carefully study requirements from China, which is lifting its tariff barriers but tightening its technical specifications, food safety and quarantine standards and using anti-dumping measures frequently.

Sharing his export experience involving the Chinese market, Chairman of 365 Group Dinh Vinh Cuong said experts consider China the largest destination for Vietnamese agricultural products given global inflation, due to its surging demand, close geographical proximity, and lower logistics costs and risks compared to other markets.

So far, Vietnam has officially exported 13 key agricultural products to China.

In order to turn the exports into an opportunity to increase market share, Cuong suggested developing a strategic plan for the industry, as well as building brands and large-scale specialised production and concentrated farming areas based on market signals.

It is also important to devise a logistics strategy and establish agricultural product storage facilities in border localities, he added.

Corporate News

8. VCB: Approving the transaction with related party

↑ 1.45 %

On June 15, 2023, the BOD of Joint Stock Commercial Bank For Foreign Trade Of Viet Nam issued the Board resolution regarding the approval for the credit limit with Mizuho Bank Ltd (institution related to VCB).

9. VIC: VinFast announces global launch of special aftersales policy

0.00 %

VinFast announces the launch of the "Special Aftersales Policy", a limited-time aftersales programme that will apply globally to VinFast car customers. Effective June 15, 2023, until updated by VinFast, VinFast customers may be eligible for a service voucher or cash if they encounter vehicle issues.

Striving for outstanding aftersales service, VinFast is introducing a unique aftersales policy in addition to its existing services to enhance its customers' ownership journey.

VinFast strives to promptly address all vehicle issues and provide customers with direct support, including service vouchers or cash based on the issue. Specifically, these issues are classified into the following types:

Type 1 issues cause inconvenience(s) that do not impact the use of the vehicle. Eligible customers will receive US$100 for each Type 1 issue they experience.

Type 2 issues render a vehicle inoperable. In addition to providing roadside assistance, VinFast will provide eligible customers with $300 for each Type 2 issue they experience.

Type 3 issues require a repair time of more than three days. From the fourth day onward, eligible customers will receive $100 for each additional day that their vehicle is being serviced by VinFast.

The above-mentioned support is applied to the US market. If Type 1 and 2 issues occur simultaneously, support will cover both Types. If a Type 3 issue were also to occur, eligible customers would also be entitled to Type 3 support.

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