



VIETNAM DAILY NEWS



June 2nd, 2023

Table of content

Table of content

1. Shares increase, fuelled by push of blue chips
2. Retail sales growth at eight-year high
3. Top 50 public companies of 2023 sees major changes
4. Vietnam's top income bracket doubles over five years
5. SBV Governor explains high lending rates, credit room management
6. Cement industry suffers financial losses during Q1
7. Over 222 million USD set to be disbursed for North-South expressway project in June
8. VIC: Sun Taxi signs deal to buy 3,000 VinFast electric cars
9. CTD: Coteccons signs MoU with Microsoft Vietnam

Market Analysis

1. Shares increase, fuelled by push of blue chips

The Vietnamese stock market made gains yesterday, propelled by the growth of pillar stocks.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) rose 0.3 per cent, to close the day at 1,078.39 points.

The breadth of the market was in positive territory, with 236 stocks up while 164 traded lower.

During the session, investors poured over VND13.9 trillion (US\$591.8 million) into the southern market, equivalent to a trading volume of more than 856.8 million shares.

The 30 biggest stocks tracker VN30-Index also closed higher at 1,068.09 points, up 0.17 per cent. Fifteen ticker symbols of the VN30 basket climbed, while 11 went down and four ended flat.

The VN-30 group recovered quickly at the end of the session. In the basket, the biggest gainers were The Viet Nam Rubber Group (GVR), Phat Dat Real Estate Group (PDR), Novaland (NVL) and Tien Phong Bank (TPB). They increased between 2.1 and 4.6 per cent.

The banking group also saw positive performance with gainers being Military Bank (MBB), Techcombank (TCB), Viet Nam International Commercial JS Bank (VIB), Saigon-Hanoi Commercial JS Bank (SHB), and Tien Phong Bank (TPB).

But there were still decliners in the banking group, namely Vietcombank (VCB), VietinBank (CTG) and BIDV (BID).

Oil and gas group was seen in the red, including PetroVietnam Gas JSC (GAS), PetroVietnam Technical Services Corporation (PVS), The PetroVietnam Drilling & Well Service Corporation (PVD) and Binh Son Refinery and Petrochemical Joint Stock Company (BSR).

The market has not yet been able to break through the VN-Index's resistance level of 1,080 points as supply pressure is still present, especially in large-cap groups, said Viet Dragon Securities Co.

However, the cash flow still tried to support the market by keeping the balance at 1,075 points. It is expected that the market can still be supported and recover again to continue testing the supply at 1,080 points in the next session, it said.

"Therefore, investors need to observe supply and demand movements to assess market status. It is still possible to hold stocks with good technical signals and attract cash flow. However, it is necessary to consider taking profits in stocks that have increased rapidly to the resistance zone or are under selling pressure from the resistance zone to realise the results."

On the Ha Noi Stock Exchange (HNX), the HNX-Index closed the trading day at 223.97 points, up 0.52 per cent.

Macro & Policies

2. Retail sales growth at eight-year high

A GSO report said that in May, total retail sales of goods and services amounted to VND519 trillion, up 1.5% from the previous month and 11.5% over the year-ago period. In the first five months of the year, the figure totaled VND2.53 quadrillion, up 12.6% year-on-year.

Specifically, January-May retail sales of consumer goods reached nearly VND2 quadrillion, a 10.7% year-on-year increase. Higher growth rates were seen in sectors such as food and foodstuff at 14.6%, and garments at 11.1%, while household equipment and tools grew at a slower pace, at 4.8%, means of transport (except for automobiles) at 4.2% and cultural and educational products at 1.9%.

Some provinces posted double-digit growth in consumer goods retail sales, including Bac Ninh at 19.6%, Binh Dinh at 14.8%, Binh Duong at 13.8%, Thanh Hoa at 12.1% and Hai Phong at 10.6% compared to the same period of last year.

Revenues from accommodation and catering services were estimated at VND268.3 trillion, up 22.1% year-on-year. Danang, Can Tho, Dong Nai, HCMC, Quang Ninh, Hai Phong and Hanoi are localities with high revenue growth.

According to the Vietnam News Agency, Vietnam's retail industry now has a market size of US\$142 billion and is forecast to grow to US\$350 billion by 2025.

3. Top 50 public companies of 2023 sees major changes

This list in 2023 has seen an amazing change with the spectacular performance of the banking industry. The Vinhomes Joint Stock Company, topping the list in 2022, has been plunged to the bottom of the ranking to make room for the Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank).

A series of popular enterprises such as Hoa Phat, Masan, The Gioi Di Dong had to leave the Top 10 list to make room for PetroVietnam Fertiliser and Chemicals Corporation (DPM); FPT Joint Stock Company and a series of banks such as Vietnam Technological and Commercial Joint Stock Bank (Techcombank); Military Commercial Joint Stock Bank (Military Bank); Vietnam International Commercial Joint Stock Bank (VIB); Ho Chi Minh City Development Commercial Joint Stock Bank (HDBank); and Asia Commercial Joint Stock Bank (ACB). Most of these banks still performed well and were honoured through the tumultuous years because of the COVID-19 pandemic.

This is a remarkable effort in the context that in 2022, Vietnam's stock market was going through strong volatile due to geopolitical crisis, unstable macro-economics, tight monetary policies of many central banks, high interest rates, exchange rate pressure, along with a decrease in investor confidence after a series of cases of economic corruption and stock market manipulation.

The VN-Index plunged from an all-time high of over 1,500 points set on January 6, 2022 to a bottom of 874 points in mid-November 2022. Total capital mobilisation on the stock market in 2022 reached VNĐ351.8 trillion, down 22% compared to the previous year.

Amid the constant fluctuations of the economy and the stock market, especially when market confidence is at a low level after recent violations, reputation and efficiency play a key role in the success of listed companies because it improves access to capital, boosts market valuations, and provides competitive advantages.

According to a survey by Vietnam Report, corporate liquidity and valuation are among the top seven factors that most affect the reputation and efficiency of public enterprises this year. Notably, dividend policy has risen from the 8th position last year to the 6th most influential factor in 2023. This is a factor associated with corporate governance. Consistency in dividend payouts and dividend growth rates can help investors assess the financial performance and stability of a business over time.

Factors related to communication are also recognised to have a strong impact on the prestige and effectiveness of the business.

Vietnam Report's research still shows the top six potential industries with the best growth stocks including: Banking, Food Production, Power Production and Distribution, Oil and Gas Production, Tourism and Recreation, Pharmaceuticals, Construction and Materials.

4. Vietnam's top income bracket doubles over five years

The number of ultra-rich persons in the country, whose net wealth exceeds 30 million USD, rose from 583 in 2017 to 1,059 in late 2022. The figure is forecast to hit 1,295 in the next five years.

And the good news doesn't stop there. The group of individuals with a net worth in excess of 1 million USD also expanded by 70%, and is expected to reach more than 112,250 persons in 2027.

The expansion of the well-off class in Vietnam was echoed by the growing wealth in Malaysia, Indonesia, and Singapore, which were three of the top 10 fastest-growing wealth hubs in the world.

The three countries saw their wealthy populations expand by around 7 to 9% between 2021 and 2022. This comes despite the wider Asia-Pacific region experiencing a 5.7% decline.

Christine Li, Knight Frank head of research Asia-Pacific, said the Asia-Pacific population of ultra-high-net-worth individuals declined by 5.7% in 2022, after a record climb of 7.5% in the previous year.

In spite of that, three out of 10 markets were witnessing the fastest-growing ultra-rich groups globally, with annual growth rates of between 7 to 9%.

"Taking the longer view, the wealth story remains compelling as the region will continue to lead the

pack in the unending wealth expansion with plenty more opportunities for ultra-high-net-worths to discover," Christine Li said.

The world's ultra-rich population contracted by 3.8% in 2022 after a record climb in 2021. The up-and-down fluctuation in the top income bracket was indicative of the global economic situation, which saw a strong rebound in 2021 and then a reversal in 2022.

Over the next five years, Knight Frank forecast that the global ultra-rich groups would expand by 28.5% to almost three-quarters of a million from 579,625 persons in 2022. The headcounts of high-net-worth individuals would follow suit to surpass 100 million globally in the same period.

Victoria Garrett, Knight Frank head of residential Asia-Pacific, said the top 10 global locations for forecast growth were dominated by European and Asian economies.

The region's economic growth story would remain urban-centric, and its residential investment landscape would continue to be defined by its prime urban cores.

"Underpinned by its high rates of urbanisation, investors can look forward to a more sustainable growth trajectory and wealth preservation profile," Victoria Garrett said.

5. SBV Governor explains high lending rates, credit room management

Hong pointed out two reasons for high lending rates last year, including rapid and significant hikes in global interest rates while domestic inflation was higher than the same period of 2021. Moreover, there was a great pressure on the devaluation of the Vietnamese dong as countries tightened monetary policies and the US dollar experienced a strong appreciation.

At that time, the SBV saw the need to adopt flexible and synchronous solutions to address these difficulties and avoid currency devaluation, which would result in increased input costs and high inflation, she said, adding that when the exchange rates became stable again and inflation eased, the SBV made three adjustments to reduce lending rates

by 0.9% compared to 2021 in the early months this year.

When it comes to policy management, it is inadvisable to let guard down in the face of inflation, Hong noted.

With the recent fluctuations in the US banks, she said prioritising the safety of the banking system is a sound choice of the SBV and Government.

According to her, the SBV carefully considered the solutions and timing of its policies to achieve macroeconomic stability, ensure the safety of the banking system, and create a business environment conducive for enterprises and the public.

6. Cement industry suffers financial losses during Q1

They claimed demand has sharply declined in domestic and export markets while input costs have steadily risen. As a result, cement makers have been posting significant financial losses since the beginning of the year.

Vicem Ha Tien Cement Joint Stock Company reported a consolidated net loss of 85.6 billion VND (3.6 million USD) for the period, compared to a net profit of 24.8 billion VND in the same period last year.

The company said demand fell by 18.73% during the first quarter of the year while input costs rose as much as 15.2 billion VND, on top of a higher financial cost of 18.4 billion VND due to interest rate hikes.

According to Vicem Ha Tien's management, the company was trailing behind in both its quarterly and yearly targets and it is looking increasingly difficult to reach a revenue target of 9 trillion this year.

Similarly, Bim Son Cement Joint Stock Company reported a loss of 48.6 billion VND for the period.

The company stated a fall in sales revenue, coupled with increases in financial costs and operational expenses were the main contributors.

The company has set a target to produce up to 2.8 million tonnes of clinker and 4.54 million tonnes of cement products, as well as a revenue target of 4.6 trillion VND. With the first quarter being a net loss, the company said it has plans to turn things around with the acquisition of a mining licence for the Yen Duyen limestone quarry and leasing of the Tam Dien clay quarry.

Earlier, the Vietnam Cement Industry Corporation (VICEM) announced its first quarter's financial report. The report said consumption of cement and clinker products, for the domestic market and export, fell nearly 20% compared to last year.

According to KIS Vietnam Securities Corporation, Vietnam's cement production stood at 111 million tonnes per year, nearly double the domestic market demand. To make matters worse, additional cement plants are expected to become operational in the near future.

In addition, the industry's major production centres, which were forced to locate near the source materials, have created an imbalance in supply and demand among different regions, hindering their ability to set competitive price and maintain stability in the domestic market.

The securities firm said domestic cement makers will likely struggle with the same challenges for the rest of the year due to a slowing down of Vietnam's property market while demand from international markets is unlikely to experience a boost.

A report by SSI Securities Corporation said domestic demand for cement products fell by 15% during the first months of the year while export

declined by 26% with the largest buyer of Vietnamese cement – China – falling by as much as 95%.

An increase in electricity prices will likely hurt the industry's profit further as electricity typically accounts for 9-15% of the cost of goods sold. A 3% hike in electricity prices can result in a profit decrease as large as 13% for the industry.

Additional rounds of tariff adjustments from export markets, such as the Philippines, are expected during the second quarter of 2023. Meanwhile, shipping costs have been projected to increase during the remaining months of the year.

7. Over 222 million USD set to be disbursed for North-South expressway project in June

Since the beginning of 2023, the ministry disbursed around 28.6 trillion VND, or 30% of the yearly plan, higher than the country's average of 15.65%.

This year, the Prime Minister assigned the Ministry of Transport to disburse a total amount of over 94.16 trillion VND in public investment, which is the biggest sum allocated to the ministry so far.

According to the ministry's leaders and economists, it is a challenge for the ministry to fully disburse the

sum, hence it requires breakthrough ways and solutions, especially amid potential risks related to the deployment of projects.

In addition to the volatile increase in raw material prices that can lead to a shortage of supply when the ministry is embarking on numerous large-scale projects in several areas, experts also believed that ground clearance remains a complex task that could affect the progress of the projects.

Corporate News

8. VIC: Sun Taxi signs deal to buy 3,000 VinFast electric cars

0.00 %

It is part of Sun Taxi's strategy on green transformation, business expansion and service quality improvement, thus promoting Vietnam's green transportation revolution and supporting the country's overall goal of achieving net-zero emissions by 2050.

In the initial phase, Sun Taxi will deploy electric taxi services in cities and provinces such as Quang Binh, Hue, Quang Nam, Quang Ngai, Binh Dinh, Phu Yen, Nha Trang (Khanh Hoa), Phan Thiet

(Binh Thuan), Gia Lai and Kon Tum. By 2025, all 3,000 VinFast electric cars in Sun Taxi's fleet will be running throughout Vietnam.

Since joining the taxi transportation market in October 2013, Sun Taxi has to date owned a fleet of 2,900 vehicles across 17 cities and provinces. With the addition of 3,000 VinFast electric cars from now until 2025, Sun Taxi will provide unique experiences for customers while elevating its brand in the green business transformation trend and contributing to promoting a green lifestyle.

9. CTD: Coteccons signs MoU with Microsoft Vietnam

0.00 %

Vo Hoang Lam, CEO of Coteccons said, "We would like to be one of the first examples of how to digitalise the construction industry in Vietnam. We recognise that there is an urgent need to apply established technologies and techniques in new ways to improve not only management efficiency and productivity but also environmental, social, and governance performance."

"Coteccons has decided to take the journey to the cloud. We are looking for a trusted technology partner who can help accelerate our growth strategy and do more with fewer resources, enabling us to focus on innovation. We are confident in this collaboration with Microsoft as the backbone of our digital journey," he added.

Coteccons plans to use Microsoft's technology and solutions in four areas, namely optimising the customer experience, building a modern workplace, streamlining operations, and transforming products and services.

Nguyen Quynh Tram, country general manager of Microsoft Vietnam said, "Today, cloud and AI technology play a critical role in the transformation of the construction industry by reducing labour costs, increasing safety, and improving the quality of the building's design. By embracing our industry-proven cloud and AI technologies, Coteccons will be enabling construction companies to achieve incredible designs and buildings in the nation."

Established in 2004, Coteccons has become a leading construction company in Vietnam. The company has grown both in size and reputation by implementing world-class projects in diverse fields such as residential and commercial developments, hotels, infrastructure, and industrial sites.

The Vietnamese construction market was valued at \$108.6 billion in 2022, and is projected to witness an average annual growth rate of more than 6 per cent during the 2024-2027 period.

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

Disclaimer:

Copyright 2015 Japan Securities Co., Ltd (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

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