VIETNAM DAILY NEWS

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Market Analysis

1. VN -Index extends five-session rally, albeit with declining liquidity

Shares extended their rallying streak on the Ho Chi Minh Stock Exchange but liquidity decreased significantly, showing investors' caution ahead of the closing of Q2 net asset value of funds this week.

The VN-Index edged up just 0.2 per cent to end Tuesday at 1,134.33 points, its slowest growth rate in the past five-session rally.

However, liquidity dropped to 722 million shares worth VND14.7 trillion (US$620 million), down 31 per cent in volume and 28 per cent in value compared to Monday's levels, as well as the lowest since June 20.

Foreign traders were net sellers on the southern bourse for a third day in a row, responsible for a net sell value of VND468 billion.

Steel giant Hoa Phat Group (HPG) and Vingroup's trio of stocks – Vincom Retail (VRE), Vinhomes (VHM) and Vingroup (VIC) – were the market's main supporters. HPG increased 2.4 per cent while VRE climbed 2.8 per cent and VHM and VIC grew by less than 1 per cent each.

Despite the overall net selling, foreign traders continued to show interest in Hoa Phat's shares. HPG topped their buying list with a net value of VND139.5 billion on Monday. Since the beginning of June, foreign investors have net bought VND1.2 trillion of shares in Viet Nam's largest steelmaker, bringing the total for this year to VND4.2 trillion, making HPG the most sought-after share by foreign traders on the stock exchange.

Apart from the supply-demand dynamics, the relatively optimistic recovery prospects of the steel industry in general, and Hoa Phat in particular, may be attracting foreign investors. Not only industry leaders but also many analysts believe that the steel industry's most challenging period has passed.

According to the Vietnam Steel Association (VSA), steel production in May reached two million tonnes, a 3.1 per cent increase compared to the previous month. Export volume experienced impressive growth of 29.7 per cent month-on-month, reaching 822,657 tonnes, nearly 52 per cent higher than the same period last year.

In May, Hoa Phat's sales of steel products (construction steel, hot rolled coil, and billet) reached 530,000 tonnes, a 20 per cent decrease compared to the same period last year but a 16 per cent increase from April. This marked the company's highest steel consumption since the beginning of the year.

According to Yuanta Securities Co, the market's uptrend is expected to continue as it enters the closing week of the net asset value of funds in the second quarter of 2023. The VN-Index may retest the resistance zone of 1,135 – 1,145 points in the next session.

However, analysts also highlighted the increasing short-term risks, indicating that it may be a challenging period to find high profits. The market's growth indicators are pointing towards the overbought zone, suggesting the possibility of corrections in the next trading sessions.

On the Ha Noi Stock Exchange, in contrast, the HNX-Index declined for the third consecutive day, albeit with a minor decrease of 0.1 per cent, closing at 230.82 points.

Liquidity also significantly declined, with only 76 million shares valued at VND1.4 trillion being traded. This represented a 38 per cent decrease in volume and a 34 per cent decline in value compared to Monday's levels. — VNS.

Macro & Policies

2. Stock market positively responds to interest rate cuts

The State Bank of Vietnam (SBV) continued reducing regulatory interest rates on June 19, the fourth cut in a row since mid-March.

Last week, the benchmark VN-Index rose 2.1%, equivalent to 24 points to 1,129.38 points. The money flows tended to be channeled into bank stocks while some steel and chemical ones also went up thanks to high hopes for the pressure from lending interest rates to be eased, the Lao dong (Labour) daily reported.

Since the beginning of 2023, the SBV has slashed the key interest rates for four times, by 0.5 - 2% per year in total.

The downward trend of the interest rates is expected to continue encouraging the money flows to be shifted from bank deposits to other investment channels with higher profitability like securities.

As a result, the VN-Index has jumped 105 points in total, or over 10%, for the last nearly four months since the first regulatory interest rate cut in mid-March.

According to VietinBank Securities, the reduction of the regulatory interest rates should be maintained for a long time with stronger cuts so that it can have observable effects on the stock market, especially when many factors other than the monetary policy are negatively affecting the market.

The company predicted the stock market will become more positive in the latter half of 2023.

Meanwhile, experts held that there remains room for further cuts.

Standard Chartered forecast the SBV will lower the refunding interest rate by 50 basis points in the third quarter to equal the rate during the pandemic-hit years, and maintain the level until the end of 2025.

Likewise, HSBC experts also projected another interest cut, by 50 basis points, for Q3 which will decrease the regulatory interest rates to 4% and reverse tightening efforts in 2022. The move will also be equivalent to the reduction during the COVID-19 pandemic.

Analysts from the Maybank Investment Bank also said Vietnam still has room to lower the rates between now and the year's end.

3. Efforts to simplify business regulations must be enhanced: Gov't

Director of the Administrative Procedures Control Agency Ngo Hai Phan said that the results of the simplification of business regulations had not met the Government's requirements.

Some ministries had not updated changes in regulations adequately, accurately and promptly on their portals, he said, adding that many remained slow in raising proposals for simplifying business regulations to the Prime Minister.

Although the Government's Resolution No. 68/NQ-CP dated May 12, 2020, about the programme to reduce and simplify business regulations in the 2020-2025 period had been in effect for three years, which targeted to simplify at least 20% of the business regulations, some ministries had not submitted their simplification plan to the Government, he said.

Phan said that these problems were caused by the lack of drastic measures and the lack of active cooperation between relevant ministries and agencies, as well as the lack of accountability.

He said that to effectively implement and create breakthroughs in institutional reforms, Phan urged ministries and agencies to hasten the effort of simplifying business regulations following Resolution No. 68.

It was necessary to consult associations, businesses and those to be affected by the business regulation simplification plan to thoroughly remove regulations which were creating administrative burdens on production and business, he said. He stressed that simplifying business regulations did not mean erecting new barriers to businesses.

The Ministry of Justice said that during the past two years, the ministry focused on reviewing administrative procedures for simplification. From 2021-22, the ministry slashed 43 regulations.

The Ministry of Information and Communications said that the ministry was encountering difficulties in calculating compliance costs.

Statistics of the Administrative Procedures Control Agency showed that in the first six months of this year, 92 regulations residing in eight legal documents were simplified or reduced, bringing the total number of regulations which were simplified or reduced from 2021 to date to 2,234 in 179 legal documents.

As of June 20, the existing regulations updated on the portal about business regulations at the address https://thamvanquydinh.gov.vn totalled 17,845 regulations.

4. Foreign investors optimistic on added property attraction

The Vietnam Real Estate Association and Vietnam Real Estate Research Institute published its annual report on Hanoi's mid- and high-end property market for the next three years in early June, which gives the perspective of domestic and foreign experts on the current market.

Foreign investors optimistic on added property attraction

After surveying 300 large investors and organisations, the report said 10.5 per cent of respondents saw the real estate market and prices in Vietnam as 'highly attractive'; 47.4 per cent rated them 'very attractive' but said the country needed to improve conditions; 21.1 per cent rated it 'rather attractive', 15.8 per cent 'slightly attractive; and the remaining 5.3 per cent cited it as 'not attractive.'

Eric Park, chairman of the Korea Real Estate Services Development Association, said that Vietnam's real estate market was one of the top investment priorities of South Koreans. "The reason is that the interest rates are very low in recent years, so they are keen to invest in real estate. I think as long as there is economic growth, real estate prices will continue to increase," Park said.

Not only at home, South Korean investors are also a big factor in the global real estate market, with investment decisions ranging from $50 to $400 million, according to Park.

In the Vietnamese market, many Korean developers have already invested in Vietnam and many individuals own apartments in the big cities.

However, while some are eager to invest, many are concerned about the laws for foreign investors. However, with an improved legal system, Park said Vietnam would remain Korea's top-priority investment market.

"Currently, the flow of South Koreans living and working in Vietnam is increasing every year. The demand for housing, workspace and entertainment for this group is also increasing," he said.

"For example, offices for lease and the hybrid working model are the main trends in the rental market. Tenants from the tech and biotech industries are growing. Office streets where many corporations and companies are concentrated, will draw tenants to move in to find the best rental price."

Many domestic experts assess that Vietnam is facing many problems, similar to the period of economic crisis in the 2008-2013 period. However, Datuk Joseph Lau, CEO of Parkcity Group, a real estate developer from Malaysia, is optimistic that the real estate market in Vietnam will soon improve.

"The market in Vietnam has not always been smooth sailing, especially during the global financial crisis and the pandemic. We are optimistic that soon the overall local real estate market will perform better with an anticipated GDP growth and that our products will continue to draw positive buyers and investors," he said.

In Vietnam, the control of credit and bonds has made it difficult for both businesses and people to access financing loans for real estate. The rising lending rate has weakened demand. Financial funding is one of the main struggles and difficulties faced by our consumers.

"To overcome this, we have introduced flexible payment schemes and collaborated with banks in offering a better lending rate," Lau added.

According to Lau, sustainability will be one of the key drivers defining Parkcity's business. In order to create sustainable communities, they need to be diverse, well connected, and conveniences need to be thoughtfully designed. Parkcity will place more sustainable elements and features across all its developments in the near future.

As of May 20, the total registered foreign investment capital into Vietnam in the first five months reached nearly $10.86 billion, down 7.3 per cent over the same period of last year.

Among those, the processing and manufacturing industry took the lead with a total investment of more than $6.64 billion, accounting for 61 per cent of the total registered investment capital and down 2.5 per cent over the same period.

Banking and financial activities ranked second with a total investment of more than $1.53 billion, accounting for more than 14.1 per cent of total registered capital and increasing more than 12 times over the same period.

Real estate business and science and technology ranked third and fourth respectively with the total registered capital of nearly $1.16 billion (down 61.3 per cent) and nearly $481 million (up 28.3 per cent).

Jeff Foo - Chairman Singaporean Real Estate Association

I just had a trip to Ho Chi Minh City and found many high-end real estate products. I predict real estate prices in Vietnam will increase. People with money can choose to invest in stocks, bonds, establish a business or invest in real estate to make a profit. For Singaporeans, investing in real estate is still the most popular because it is simply a freehold property. Particularly in the high-end apartment segment, prices have increased a lot in recent years.

Singaporean investors have invested in the Vietnamese real estate market for the past 20 years, such as CapitaLand, Keppel Land, City Development, GuocoLand, and Ascendas, Mapletree. Those groups have been investing in all ranges of the Vietnam real estate market from offices, retail, supply chains, and factories, to information institutes, residential units and serviced apartments.

Singaporean investors will remain keen to invest here because prices here are lower than those in Singapore and continue to grow. As a foreigner investing in Vietnam, when deciding to invest in a project I may consider the investor's prestige, the brand and especially the potential for price increase.

In addition, Vietnam's population is increasing, so there will be more real estate products that are not only high-end but even mid-range products. I can see an increase in high-end real estate because this market is still attracting foreigners to come and invest in long-term, not only high-end apartments but also offices.

Advice for Vietnam's real estate market from Singapore's experience in developing high-end real estate projects is to follow construction standards and use quality building materials. Upon completion of the work, all initial construction standards must be reviewed and strictly followed regulations set forth by the government on construction quality.

Yoshi Nori Takita - President's Ambassador to Vietnam, Laos, and Cambodia American Association of Realtors

International investors will wait for a more transparent market. To attract more foreign investors, Vietnam's real estate market needs more transparency so that foreign investors can have enough information to compare prices and choose products.

In the Philippines, for example, they promote their high-end apartment products abroad a lot, targeting Filipinos living abroad and other international investors. Everything is transacted in English. They use English in purchasing and setting up dossiers, and their administrative procedures are simple. The payment steps are quite similar to those in the United States. I have not seen this in Vietnam.

I want to emphasise that there are not enough databases for individual investors to find out information about the real estate market in Vietnam. We want to see market trends, average market prices, rate of increase in value, and economic parameters. This information is available, but very difficult for foreigners to access.

5. Wave of hotels in HCM City put up for sale at deep discounts amid recessio

The hotel industry in HCM City is facing significant challenges with a wave of hotels in the city put up for sale at deep discounts amid the ongoing economic recession and sluggish tourism market.

A local commercial real estate broker, who declined to be named, said: “We are seeing a significant increase in the number of hotels being put up for sale over the past two months.”

Hotels in the Tan Binh District have been put up for sale for around VND25 billion (US$1.06 million) each, while a hotel located on Bui Thi Xuan Street was put up for sale at VND175 billion ($7.42 million).

In May, a three-star 10-storey hotel located on a main road in District 1 was put up for sale at VND270 billion with negotiable discounts for serious buyers.

Recently, a small hotel near the iconic Ben Thanh Market in the downtown area was put up for sale at VND150 billion.

Nguyen Van Dinh, deputy chairman of the Vietnam Real Estate Association, said many hotel owners in the city, especially small and medium-sized ones, are selling their hotels at significantly lower rates to maintain their cash flow, while others are trying to liquidate their assets to survive.

Many hotels have closed or suspended operation, including Norfolk Hotel in District 1, which has closed after 30 years of operation.

The over 100-room four-star hotel located near iconic Ben Thanh Market used to attract many foreign tourists.

Some hotel owners are even unable to keep up with operational and maintenance costs.

Nguyen Hoang Nhu Thao, a representative of Wink Hotel in HCM City, said: “Hotels are struggling to cover expenses, from electricity and water bills to wages for employees and property taxes.”

“Many hotels with low occupancy rates have to cut down on operations or find a way to recover their capital,” she said.

The hotel industry in HCM City is facing significant challenges with a wave of hotels in the city put up for sale at deep discounts amid the ongoing economic recession and sluggish tourism market.

Nguyen Huu Thien, director of Sabay Home Investment Corporation, said owners of small and medium-sized hotels in particularly are selling their hotels at much lower rates to maintain their cash flow.

Since last month, many owners have lowered their selling price by up to 30 per cent compared to the same period last year, he said.

An owner of a hotel on Cong Hoa Street in Tan Binh District has gradually lowered the sales price from VND120 billion to VND100 billion, VND95 billion, VND90 billion, and currently VND85 billion, but still cannot find any buyer, he added.

A hotel situated on Bui Vien Street in District 1, a bustlling area popular with backpackers, has closed. — VNS Photo Bo Xuan Hiep

Sluggish tourism market

Trang Minh Ha, chairman of North Stars Asia Company, said the city finds it more challenging to attract foreign tourists while local tourists are spending more carefully due to economic constraints.

Local tourists are increasingly opting for coastal destinations instead of big urban areas like HCM City, he said.

Adding to the sector's hurdle, unfriendly visa policies continue to make it a hassle for the tourism market to attract international visitors.

The visa policy remains complicated and restrictive compared to regional neighbouring nations such as Thailand and Singapore, which have extended visa exemptions for up to 60 or 90 days to stimulate tourism.

A restrictive visa policy and the poor quality of tourism services are major problems preventing foreign visitors from returning to the country, experts noted.

A small hotel near the iconic Ben Thanh Market in District 1 announces a 'temporaty closure' with a notice posted. — VNS Photo Bo Xuan Hiep

Experts proposed Viet Nam improve the policies, including expanding the list of visa-exempt countries, extend duration of stay.

According to a report by Savills Vietnam, the hotel M&A market has been strongly activated since 2020-2021.

The hotel industry in the city is expected to face continued challenges until 2024, it said.

According to a report from the HCM City Tourism Department, as of the end of last year, the city has 3,227 types of accommodation with over 65,000 rooms, including 325 hotels (from one to five stars) compared to 1,342 before 2019.

Around 20 hotels, mostly in District 1, have closed, suspended operations, changed owners, or changed business models.

The city attracted 11.9 million visitors in the first four months, including more than 1.3 million international tourists.

It has set a target of welcoming five million international tourists this year and 35 million domestic tourists, with total revenue of VND160 trillion. — VNS

Corporate News

6. Banks to pay dividends in shares in 2023

Many banks plan to pay dividends in shares in 2023, along with plans to increase charter capital.

June 26 will be the last day for shareholders of Southeast Asia Commercial Joint Stock Bank (SeABank or SSB) to exercise their right to receive stock dividends.

This bank will issue 295.2 million shares to pay dividends in 2022, equivalent to approximately 14.47 per cent ratio and it will also issue more than 118.2 million bonus shares, at rate of 5.8 per cent.

Not only SeABank, but a series of other banks are also preparing to issue shares to pay dividends this week.

Ocean Bank (OCB) will issue nearly 685 million shares, equivalent to a ratio of 50 per cent for existing shareholders. After the issuance, the bank's charter capital will be increased from VND13.7 trillion to VND20.54 trillion.

The State Bank of Viet Nam has just approved the plan of Sai Gon-Ha Noi Bank (SHB) to issue shares to pay dividends in 2022 to existing shareholders at the rate of 18 per cent.

Lien Viet Post Bank (LBP) also plans to increase its charter capital by a maximum of VND11.39 trillion through issuing shares to pay dividends, offering shares to existing shareholders, offering private shares to foreign investors.

It will issue a maximum of 328.5 million shares to pay dividends to existing shareholders at the rate of 19 per cent.

The Military Bank (MBB) this year also plans to increase its charter capital from VND45.33 trillion to VND53.68 trillion by issuing more than 680 million shares to pay a 15 per cent dividend.

After paying a cash dividend of 10 per cent to shareholders on June 12, HDBank (HDB) also plans to pay a 15 per cent stock dividend in the near future. Currently, HDBank is completing the final procedures to pay stock dividends to shareholders.

Late last week, Nam A Bank also announced that it is preparing to issue more than 211 million shares with par value of VND10,000 per share at the rate of 25 per cent, meaning that shareholders owning 100 shares will receive 25 new shares. The last registration date to exercise the right to receive shares issued in this batch is July 7, 2023.

If the issuance is successful, the charter capital of Nam A Bank will be increased from VND8.46 trillion to VND10.58 trillion.

In the group of State-owned banks, at the end of May 2023, the central bank approved to increase the charter capital for Vietcombank from VND47.32 trillion to VND55.89 trillion, by issuing shares to pay dividends at the rate of 18.1 per cent. — VNS

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