



VIETNAM DAILY NEWS



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Table of content

Table of content

- 1. Market recovers on improvement of risk asset demand**
- 2. HSBC raises Vietnam's growth forecast to 8.1% this year but downs next year**
- 3. Vietnamese sugarcane gears up to cultivate new prospects**
- 4. Auto dealers bemoan slower festive period**
- 5. Experts warn of real estate risk in 2023**
- 6. Vietnamese, German partners seal deal in air transport, logistics**
- 7. Feed producers prepare for self-sufficiency in production**
- 8. VJC: Vietjet resumes two routes to Republic of Korea**

Market Analysis

1. Market recovers on improvement of risk asset demand

The benchmark VN-Index saw a gain of 3.73 points, or 0.37 per cent, to close the day at 1,022.61 points. The increase helped it to recoup the losses made in the last few days.

On the southern bourse, the breadth was positive as 181 stocks inched higher, while 131 went down. However, liquidity dropped compared to the previous session, of which the trading volume on HoSE declined by nearly 1 per cent to VND13 trillion (US\$54.5 million).

The 30 biggest stocks tracker VN30-Index on the HMC City's market also rose 5.24 points, or 0.51 per cent, to 1,038.34 points. In the VN30 basket, up to 20 ticker symbols finished higher yesterday, with two stocks hitting the maximum daily gain of 7 per cent, while only six went down.

The VN-Index's reversal was boosted by bargain-hunting force after the recent bearish trend.

Yesterday's recovery was led by key industries like banking, realty, and wholesale. Specifically, VPBank (VPB) was the biggest gainer on the trading day with a gain of 4.53 per cent.

Other big names contributing to the rebound were Vietcombank (VCB), Vinhomes (VHM), BIDV (BID), and Petrolimex (PLX). All the ticker symbols advanced in a range of 0.76-4 per cent.

The property developers Khang Dien House Trading and Investment JSC (KDH) and Phat Dat Real Estate Development JSC (PDR) even registered the HoSE's biggest intra-day gain of 7 per cent.

Lingering selling force, however, curbed the rallies as some large-cap stocks witnessed great losses such as Vinamilk (VNM) down 1.66 per cent, PV Gas (GAS), down 2.22 per cent, and Vietnam Airlines (HVN) lost more than 5.6 per cent.

On the northern bourse, Ha Noi Stock Exchange (HNX), the HNX-Index also bounced back, up 1.33 points to end Thursday at 205.79 points, equivalent to an increase of 0.65 per cent.

Nearly 62.2 million shares were traded on the bourse during the trading session, worth VND971.02 billion.

Macro & Policies

2. HSBC raises Vietnam's growth forecast to 8.1% this year but downs next year

According to the lender, the growth of this year still benefits from the advantages in Vietnam's post-pandemic reopening, but challenges will have heavier impacts on the country next year, especially when the effects of reopening are fading and the impacts of high inflation are clearer.

Despite the influences of the global economic slowdown, Vietnam may still top ASEAN countries in terms of growth, according to experts from HSBC.

According to HSBC, Vietnam made a booming recovery in 2022, which makes it more likely to continue to be one of the countries with outstanding growth in Asia.

However, after posting year-on-year growth of over 17% in the first three quarters of this year, the country's export growth slowed down in October and sharply reduced in November compared to the same periods of the last two years.

The export decline was seen in fields including electronics, garment, footwear, wood furniture and machinery. Particularly, the US's economic downturn makes the situation worse as the US is the largest market for many Vietnamese exports.

Meanwhile, a positive sign in Vietnam's economic outlook is its recovering labour market as its

unemployment rate reduced to 2.3% as of the third quarter of this year.

The rate possibly continues to drop as more tourism-relating jobs are expected to add because foreign visitors are returning although the international arrivals to Vietnam so far this year do not reach 20% of that in 2019.

Regarding policy making, HSBC experts believe that Vietnam does not have much fiscal room to apply measures to mitigate the impact of high energy prices. Since April, Vietnam's authorities have cut several taxes, including fuel and environmental taxes.

On the other hand, HSBC experts also said that Vietnam has started to witness stronger inflation pressure.

The country might also witness a domestic energy shortage, causing inflation to rise.

Although HSBC recently slightly lowered its inflation forecast for Vietnam in 2022 from 3.4% to 3.2%, it has also raised its inflation forecast for 2023 to 4% instead of the previously projected 3.7%. This means that the SBV is likely to continue the tightened monetary policy.

3. Vietnamese sugarcane gears up to cultivate new prospects

Quang Ngai Sugar JSC owns the second-largest sugarcane area in Vietnam and hopes to take advantage of the increase in sugar prices on the back of the Decision No.1514/QD-BCT on an anti-dumping tax applied in August.

The firm expects to improve its gross profit margin for 2022 and 2023, paired with a revenue growth of 13.1 and 8.5 per cent, respectively, over the same period.

"With the high oil prices, a good deal of major sugar-producing countries such as Brazil, Thailand, and India are switching from sugarcane to ethanol production, thus raising the world's sugar price in the first six months of 2023," a representative of the company said.

According to market researcher Mordor Intelligence, the ethanol market size is forecast to reach a compound annual growth rate of over 5 per cent during 2022-2027 due to the increasing

demand for ethanol as biofuel, in beer production, and food processing.

Ha Thu Hien, agricultural analyst at VNDIRECT Securities, said, “The new tax rate will also create a competitive advantage for domestic sugarcane as prices will continue to increase in 2023. We also estimate that the price of smuggled sugar will be around 15 per cent higher than the domestic price after the imposition of the anti-dumping tax.”

Hien believes that 2023 will be a favourable year for sugar producers as Vietnam applies measures to combat trade remedies against some cane sugar products imported from Cambodia, Indonesia, Laos, Malaysia, and Myanmar for a period of five years, according to Decision 1514. The policy heightens the expectation of recovery for Vietnam's sugar industry after a long time under great pressure from smuggled sugar.

The agricultural report released by VNDIRECT in mid-November shows that Vietnam's sugarcane planting area has decreased sharply since the 2017-2018 crop year. The price of sugarcane dropped, and farmers switched to planting other varieties. By crop year 2021-2022, sugar production amounted to only 950,000 tonnes, of which sugar produced from sugarcane was 745,000 tonnes. The rest came from imported raw sugar, an increase of 57,000 tonnes or around 8.3 per cent compared to the previous crop.

In that crop year, sugar mills raised the purchase price of sugarcane up to VND150,000 (\$6.40) per tonne, motivating farmers to increase investment in intensive farming and sugarcane yield. However, the unhealthy competition for raw cane among sugar mills had indirectly been disrupting the links between sugar mills and sugarcane farmers, causing instability for the development of concentrated sugarcane areas.

VNDIRECT also pointed out that the shortage of raw cane has forced many businesses to import raw sugar despite exchange rate fluctuations. “We expect sugar prices to continue to rise in 2023, which can offset the impact on corporate profit margins,” commented Hien of VNDIRECT. “Domestic sugar

prices have increased sharply, creating a motivation for farmers to expand their planting areas in the next crop year.”

In the third quarter of 2022, the domestic sugar price increased by about 10-14 per cent compared to the beginning of July, before the application of trade remedies for sugar imported from ASEAN countries. Meanwhile, global sugar consumption in the 2022-2023 crop year is estimated at 179 million tonnes, up 1.9 per cent over the same period due to strong demand from China and India.

However, Hien is concerned that “the domestic supply of sugar can only meet 35-40 per cent of the local demand”.

Nguyen Van Loc, general secretary of the Vietnam Sugar and Sugarcane Association (VSSA), said that the imposition of anti-dumping tax on sugarcane imported from ASEAN has created a positive effect on the domestic sugar price, leading to an increase of 8-10 per cent over the same period in 2021.

“This is the basis for enterprises to recover raw material areas so that they can reach an area of 300,000 hectares by 2030. With high sugar prices and a stable consumption markets, many businesses are forecasted to offer better purchasing prices to create motivation to expand sugarcane material areas,” Loc said.

The VSSA expects the total sugarcane area in the 2022-2023 crop year to be maintained at a high level, with over 150,000ha, a processed sugarcane output of over 8.76 million tonnes, and sugar output of over 870,000 tonnes, an increase of more than 124,000 tonnes.

“If the sugarcane yield in the 2022-2023 crop year is higher, and sugarcane purchasing prices increase correspondingly, the sugar price increases by up to 5 per cent, with sugarcane growers confidently achieving a profit of VND20-30 million (\$850-1,270) per hectare. This level of profit will prove that sugarcane is competitive compared to other crops,” Loc argued.

4. Auto dealers bemoan slower festive period

The car market before Lunar New Year in previous years often becomes more vibrant than the rest of the year. However, it has been relatively quiet in the lead up to the festive season this time around, despite selling prices dropping in remarkable fashion.

While in October and early November the price of some car models raised slightly due to the increase in input costs, logistics, and exchange rates, cuts of 5-10 per cent have been seen in recent weeks. In addition, companies have been issuing promotional campaigns involving zero registration fee, free accessories, or direct discounts on selling prices.

Despite the efforts of showrooms and dealers, the market remains hushed. Vu Manh Hung, who visited one showroom in Hai Ba Trung district in Hanoi, explained why he chose not to purchase. If he decided to purchase the vehicle he was interested in, he would have to borrow about \$17,400 from a bank over five years. While the current interest rate is 13 per cent in the first year, the following years will float according to the base interest rate.

“So I would have to pay the principal amount of nearly \$290 and about \$190 of interest every month. By the time the debt is paid off, the car would cost about \$5,600 more in additional bank interest, which is just too expensive for me,” said Hung.

Truong Van Nam, owner of the showroom, said that situation is not uncommon and that, since the third quarter, it has been very difficult for customers to access credit.

“Some banks are providing loans for buying cars with interest rates up to 13-15.5 per cent annually in the first year, and at floating interest next years, and these figures were at 9.5-9.9 per cent in past years,” said Nam. “At foreign banks, the interest rates are more affordable at 10-11 per cent, but the requirements for documents and loan conditions are too strict for all buyers.”

Besides the challenges of interest rates, banks also tighten loans for buying cars because the room is small. Even after banks were allowed to relax their credit room, the situation has not yet improved. To get a loan, a customer must have a high profile.

“Especially, although banks do not force customers to buy insurance while borrowing money, most credit officers ask them to buy an insurance contract along with approving the loan due to the limited credit room. This also makes customers reconsider the intention to buy a car,” added Nam.

He said that compared to the beginning of the year, sales in his showroom have dipped by about 40 per cent. “We set a target of selling 200 cars in December, but at the current status, it is unlikely to be achieved,” Nam said.

Struggling with such difficulties, dealers have suspended orders with car manufacturers. Nam said that dealers usually order about 3-4 months before receiving cars. “Because the market in the last months was unexpected and uncertain, plenty of cars are ready, but outputs are stuck. We make no profit or very little, so we do have not enough money for new orders,” explained the showroom owner.

In the used car market, the situation is also gloomy. La Trung Tinh, manager of a used car showroom in Ho Chi Minh City's District 7, said that the revenues of the last two months are at 20-30 per cent the size of the previous month.

“At this time, used car models in the affordable segment with prices ranging from \$17,000-22,000 garner more attention because they are affordable to buy and sell. And buyers have enough cash available with no need for bank loans. With the segment higher than \$50,000, at this time, we have sold without any profit,” said Tinh.

Showrooms up in the capital are also impatient because they have got numerous cars to sell before Lunar New Year, but the purchasing power is not as expected. “Even during the pandemic, showrooms were never as sluggish as currently,” said Nguyen Phuong Thao, a representative of a luxury car dealer in Hanoi's Long Bien district.

“In previous years, we constantly imported new items to meet the increasing demand of the market at this time of year. For a month now, the market has slowed down, so the selling prices of used cars are going down day by day,” said Tinh.

Auto dealers said that in addition to difficulties in bank loans, the hibernation of the car market in general is being caused by the general economic downturn as well as negative fluctuations in the real estate market, stock market, and corporate bonds.

According to the Vietnam Automobile Manufacturers Association, the sales of its members in November reduced by 0.5 per cent on-month, to around 36,370 cars.

5. Experts warn of real estate risk in 2023

Inflation, high interest rates, volatile foreign exchange rates, restrictions on real estate loans, falling foreign investment and slow public investment disbursement would dampen the property market.

Chairman of the HCMC Real Estate Association Le Hoang Chau told the Vietnam News Agency that if there were no incentives for real estate firms, the local property market next year could melt down. Many firms are in financial distress, with some having seen their assets frozen due to corporate bond issues. As a result, flows into the real estate sector might decrease sharply.

Under pressure from international supply chain disruptions and global inflation, the local property market could plunge into depression as it is not until late 2023 that many regulations and laws on land, housing and real estate trading come into force.

However, CIEM experts said that if these laws are approved at the National Assembly Standing Committee's extraordinary meeting and take effect

from the first quarter of 2023, the property market would see many positive signs.

Realizing the challenges facing the economy, a few days ago, the prime minister asked relevant agencies and ministries to promptly remove obstacles over loans and real estate bonds and lift hurdles on the real estate market by developing housing projects pending the completion and expediting the launch of the revised Laws on Land, Housing and Real Estate Trading.

To relieve the financial burden on the real estate industry, the Prime Minister urged the central bank's governor to work with commercial banks and relevant agencies to offer preferential loans to property firms and homebuyers.

This year, the local real estate market has been facing many difficulties, including an undersupply of social homes, an oversupply of luxury homes, falling capital flows into the sector and soaring prices of homes.

6. Vietnamese, German partners seal deal in air transport, logistics

The signatories consisted of Leipzig administration, Invest Region Leipzig (IRL), and Vietnam's Vietjetair Cargo JSC, Tay Bac Group, and Vigerlaw limited company.

The deal was reached soon after a Leipzig working delegation made a fact-finding trip in Vietnam from November 26 to December 2. The visit resulted in a specific cooperation plan between VietjetAir Cargo and the German city and its 1,400ha Leipzig airport – the 2nd largest air cargo transit point in Germany, the 4th in Europe, and the 20th in the world.

As per the plan, the Vietnamese firm will carry goods between Leipzig and Vietnam with one flight per week, starting at the end of this year or the beginning of 2023.

Meanwhile, Leipzig and IRL will assist Vietjetair Cargo and Tay Bac Group in conducting a complex project to expand cooperation in the region. They were also committed to fostering the city's ties with Vietnamese localities and supporting Vietnamese partners in doing business in Germany.

Bui Vuong Anh, Vietnamese Trade Counselor in Germany, said the signing of the MoU is a breakthrough and a piece of the puzzle that Vietnam needs.

It is easier to launch cooperation in air infrastructure than in waterways or railways,

while a large Vietnamese expatriate community in Germany has demand for goods transport to their home country, he noted. Since the EU-Vietnam Free Trade Agreement (EVFTA) took effect, the flow of goods between the two countries is also very high, he added.

7. Feed producers prepare for self-sufficiency in production

Several weeks ago, a series of animal feed companies announced they would increase the selling price of their products. Viet Nhat Animal Feed JSC applied its new prices on November 16, while Asia International Nutrition JSC also announced increases for several of its products. The reason was that the price of fuel, raw materials, and feed production costs have been constantly increasing, along with a rising USD exchange rate that shows no sign of stopping.

Tong Xuan Chinh, deputy director of the Department of Livestock Production under the Ministry of Agriculture and Rural Development (MARD), said, “In 2023, the price of animal feed cannot cool down because Vietnam depends on imported materials and supply chains from key sources. The current conflict between the world's two major wheat and corn producers, and high costs in other major corn producing countries in South America and Europe due to weather and energy crises, are adding up to this.”

Chinh explained that the price of raw materials for animal feed production has increased continuously since autumn 2020, in which the price of corn and soybean meal increased the highest. “Between 2015 and 2020, the price of domestic animal feed ingredients was relatively stable, even decreasing at some point. The biggest difficulty is the limited domestic production capacity of animal feed ingredients, which relies heavily on imported materials.”

According to Chinh's department, Vietnam needs a considerable amount of fine feed ingredients, while the country can only supply about 13 million tonnes annually, accounting for about 35 per cent of the total demand. The rest comes from imported sources. Currently, the total demand for refined feed such as maize, soybean meal, bran, and fish meal of

the entire livestock industry of Vietnam is about 33 million tonnes per year, mainly used for pig and poultry production. Vietnam imports about 20-22 million tonnes of animal feed ingredients each year, including ingredients for aquatic products.

In 2023, Vietnam's animal feed industry may continue to feel two risks in particular, according to domestic manufacturers. Firstly, about 80 per cent of input materials for animal feed production are imported, so an increase in the USD exchange rate will lead to higher import prices. Secondly, African swine fever may continue to affect the supply of pork, while current vaccines have not shown many positive results.

Many meat producers expect difficulties to ease in 2023 as pig prices are expected to increase by 5 per cent over the same period, thanks to increased demand for food. This month, as meat producers are actively restocking for Lunar New Year, the Commodity Exchange of Vietnam found that the price of input materials for the animal feed industry was at a high level and thus attractive to domestic manufacturing enterprises.

According to the exchange, due to the nature of direct links with world prices, the prices of animal feed ingredients in the Vietnamese market are likely to remain at a stable price range and are unlikely to fall sharply, a fact that could be used by livestock enterprises and factories to buy and import goods and prepare for the anticipated recovery of raw material prices.

Many domestic analysts forecast that feed costs will gradually decrease in 2023, offset by a 10-15 per cent increase in meat consumption demand from the fourth quarter of 2022 as the Lunar New Year approaches.

Nevertheless, a few Vietnamese companies have considered self-sufficiency in raw materials for animal feed production. De Heus Vietnam asked the MARD to develop a key animal feed production area to proactively source domestic raw materials and lower the price of animal feed.

“We are ready to coordinate, build a preliminary processing plant, and store raw materials for animal feed,” said Nguyen Quang Hieu, deputy general director of De Heus Vietnam. The firm is planning to develop a material growing area in the Central

Highlands for animal feed in the next 2-3 years. Currently, domestic raw materials only account for 10-15 per cent of De Heus' structure of input materials for animal feed production.

“The biggest problem is to accumulate enough land to form a large sample field,” Hieu said. “Only then will it be possible to develop mechanisation and the area of genetically modified corn, which renders us able to compete with imported materials. Currently, maize yield in Vietnam is only 4.8 tonnes per hectare, meaning it's difficult to compete.”

Corporate News

8. VJC: Vietjet resumes two routes to Republic of Korea

↓ -0.27%

The resumption of the two routes raises Vietjet's total services between Vietnam and the RoK to 12, further strengthening its leading position in the Vietnam-RoK flight network.

With just around five flying hours, travellers in Vietnam and the RoK can easily reach their favourite destinations for leisure, studying, business, or visiting relatives at affordable fares, especially during the year-end festivals and Lunar New Year of 2023.

Vietjet Vice President Nguyen Thanh Son said: “We are delighted to be the only airline operating direct services between Da Lat, Can Tho and Seoul on cost-effective and time-saving flights. The direct connectivity will bring flyers from Vietnam's Central Highlands and Mekong Delta regions to Seoul, Asia's famous destination and major transportation hubs. In return, travelers from Korea and Northeast-Asian region now have more options to explore the romantic city of Da Lat and the prosperous rivers in Can Tho, those among the top favourite destinations in Vietnam.

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