



VIETNAM DAILY NEWS



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Market Analysis

1. Shares open new week low with dry liquidity

Shares opened the new trading week on a negative note as blue chips plummeted across the two national stock exchanges.

On the Ho Chi Minh Stock Exchange, the VN-Index gave up more than 35 points, or 3.44 per cent, to close Monday at 985.21 points.

The southern bourse's index lost more than 3 per cent last week.

The market was in favour of the sellers with 400 stocks declining, only 65 rising and 130 closing flat.

Only one out of 25 sectors tracked by vietstock.vn performed well while 24 slumped, of which 18 recorded an average loss of more than 2 per cent. Financials led the losers with an average decrease of 8 per cent while securities, retail, agricultural processing, and construction materials decreased by more than 6 per cent on average each.

Large caps were behind the market slump as 29 of the top 30 shares by market value and liquidity lost value and only one gained. Only PV Gas (GAS) increased by 1 per cent and failed to rescue the market.

Vinhomes (VHM), Vingroup (VIC) and Vietinbank (CTG) topped the list of shares dragging the VN-Index most. CTG dropped 5.8 per cent, VHM decreased 5.6 per cent and VIC fell 4 per cent.

Others in the top 10 worst performers also included VPBank (VPB), Hoa Phat Group (HPG), Techcombank (TCB), Masan Group (MSN), Mobile World Investment (MWG), Military Bank (MBB) and Vietnam Rubber Group (GVR) with losses of between 3 per cent and 7 per cent each.

Liquidity remained modest with more than 623 million shares worth nearly VND10 trillion (US\$403.2 million) being traded, the second session which saw the trading value below VND10 trillion since November 28.

On the Ha Noi Stock Exchange, the HNX-Index also dropped 3.31 per cent to end the day at 198.50 points.

Liquidity increased sharply, however. The trading value more than doubled Friday's value, reaching VND1.3 trillion while volume rose 96.2 per cent to more than 98 million.

Foreign traders were net buyers on both exchanges, being responsible for total net buy value of VND467 billion.

According to Nguyen Anh Khoa, head of the analysis department at Agribank Securities Corporation, in the last week of the year, although the trend of net withdrawal before the holiday is likely to continue, there will be an opportunity for investors to accumulate stocks at low prices, especially in the VN30 group to take advantage of the net buying effect of foreign investors in the coming sessions.

Macro & Policies

2. HSBC raises Viet Nam’s 2022 economic growth forecast to 8.1 per cent

Given lingering re-opening tailwinds, Viet Nam’s 2022 economic growth will likely reach 8.1 per cent, HSBC said in a report, more than the bank’s previous forecast of 7.6 per cent growth. However, challenges will likely be more acute in 2023, particularly after the re-opening effect fades and the impact of high inflation starts to kick in.

In its Asian Economics Quarterly: Retooling Factory Asia report released on December 22, the bank said 2022 was a year of a booming recovery for Viet Nam, making the country likely to remain one of the outperformers in Asia. In the third quarter this year, Viet Nam’s GDP rose 13.7 per cent year-on-year, helped by a low base, a resilient external sector and robust domestic demand. That said, the growth outlook is now clouded by increasing trade headwinds.

After growing over 17 per cent year-on-year in the first three quarters of 2022, export growth sharply moderated in October, with November seeing the first meaningful year-on-year decline in two years. The primary drag came from electronics shipments, which account for 35 per cent of the country’s total exports. That said, recent data show that export weakness is more broad-based, including textiles, footwear, wood and machinery products. In particular, the economic slowdown in the US has exacerbated the woes, as the US is the largest market for many of Viet Nam’s goods exports.

On a positive note, domestic demand has come to a partial rescue, thanks to an ongoing recovery in the labour market. While the unemployment rate dropped to 2.3 per cent as of 3Q22, there is still potential for a further decline, as many jobs are concentrated in tourism-related sectors. Although tourists have started to return, arrivals are still less than 20 per cent of 2019’s level.

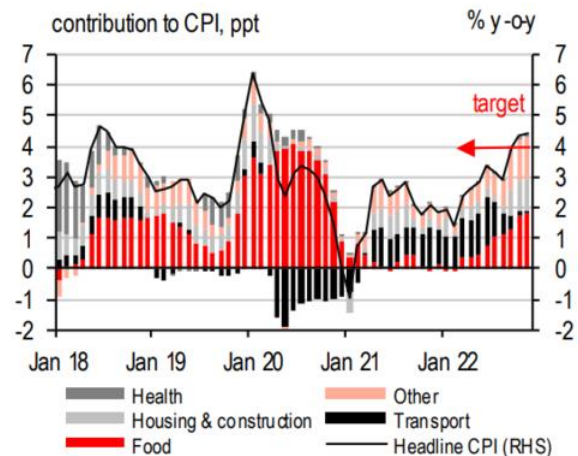
In addition, Viet Nam has started to see stronger inflation pressures, with the latest data exceeding the State Bank of Viet Nam’s (SBV) 4 per cent “ceiling”. Not only has core inflation accelerated, but Viet Nam has also seen a domestic energy shortage,

keeping headline prices elevated. The bank has recently trimmed its inflation forecast slightly to 3.2 per cent (previously: 3.4 per cent) for 2022, and raised its forecast to 4 per cent (previously: 3.7 per cent) for 2023. This means the SBV will likely continue its tightening cycle.

Policy issues

Unlike regional peers, such as Malaysia and Indonesia, Viet Nam has limited fiscal room to introduce immediate relief measures to alleviate the impact of high energy prices.

Since April, the authorities have been cutting various taxes, including fuel and environment taxes. To combat rising inflation pressures, the Ministry of Finance is seeking to extend the current environment tax cuts on various fuels until end-2023.



Source: CEIC, HSBC

Inflation has started to pick up in 4Q22, breaching the SBV’s 4% ceiling. — Photo courtesy of HSBC

This suggests that, while global oil prices may cool down in 2023, the authorities may opt to reinstate the environment tax as early as 2024. In addition,

other energy prices may rise in 2023. Viet Nam Electricity Group (EVN) has recently filed for a price hike in 2023, the first major price adjustment in almost four years, citing high energy import costs.

On the monetary front, as the last ASEAN central bank to move, the SBV has been actively “playing catch up” in the face of a weakening Vietnamese dong (VND) and rising imported inflation. Only starting in September, the SBV has delivered back-to-back rate hikes of 100bp each time, taking the refinancing rate to 6 per cent by end-October. For now, bolder rate hikes reflect more of a concern from external factors, such as the Fed’s rapid hiking cycle and FX volatility. Granted, external factors have turned more favourable in recent weeks, with the Fed likely slowing down its rate hikes and easing exchange rate pressure. However, rising core inflation increasingly suggests the SBV’s hiking cycle is still under way. We expect the SBV to raise its refinancing rate by 50bp each in 1Q23 and 2Q23, taking the refinancing rate to 7 per cent by mid-2023, according to HSBC’s experts.

Risks

The biggest downside risk to Viet Nam’s growth is intensifying trade headwinds. Viet Nam is not immune to a notable global trade slowdown – in other words, “pay-back” time has arrived. Since the advent of the US-China trade tensions, Viet Nam has been one of the biggest beneficiaries in terms of both trade and FDI diversion, boosting its export share in the US market in particular. As a result, Viet Nam has become increasingly vulnerable to a US economic slowdown.

The other risk comes from upward pressures to energy prices. Despite petroleum prices falling below June’s peaks, they remain at elevated levels. To reduce the risk of potentially volatile onshore fuel inventories, the Government has been directing domestic refineries and energy SOEs to plan to raise energy imports for at least the first half of 2023. This would likely squeeze Viet Nam’s current account advantage, on the back of higher import bills.

3. New records seen in agro-forestry-fishery exports in 2022

The agro-forestry-fishery sector has made new export records in 2022 thanks to the diversification of markets and products.

The sector’s export turnover is expected to top 53 billion USD in the year with a trade surplus of 7.8 billion USD, up nearly 48% year-on-year, statistics show.

Notably, fishery exports would reel in nearly 11 billion USD, a 20-year high since Vietnam joined the international market. Records have been seen in shrimp, tra fish (pangasius) and tuna exports, with 4.3 billion USD, 2.4 billion USD and 1 billion USD in revenues, respectively.

Given the 40-year high inflation and currency fluctuations in many markets and surging prices due to the Russia-Ukraine conflict, which have forced importers to consider reducing orders, Vietnamese businesses have flexibly diversified markets and products, according to Director of the Vietnam Association of Seafood Exporters and Producers (VASEP)’s Trade Promotion and Training Centre Le Hang.

She held that free trade agreements (FTAs), especially the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), have significantly benefited the domestic fishery industry, explaining that exports to the CPTPP markets expanded by 30% to make up 26-27% of the country’s total fishery export value.

Trade promotion activities both at home and abroad have also played a role in the hikes, Hang added.

In the year, rice export is also expected to hit a record of 7 million tonnes, said Do Ha Nam, Vice Chairman of the Vietnam Food Association, noting that rice contracts would be maintained in early 2023 thanks to high prices.

Deputy Director of the Vietnam Academy of Agricultural Sciences Dao The Anh attributed the outstanding results to agricultural restructuring, which has created a firm foundation for the sector to move ahead.

Many Vietnamese agricultural products have gained access to new markets, for example durian, sweet

potato and bird's nests winning permit to ship to China, pomelo to the US, longan to Japan, and lemon and pomelo to New Zealand.

The sector will make greater efforts to reach more markets with diverse products, but the achievements in market opening should be maintained, said Hoang Trung, Director of the Plant Protection Department under the Ministry of Agriculture and Rural Development.

Hang also suggested that the State should issue specific policies on market, tax and capital to better access foreign markets in the time ahead.

For his part, Anh stressed the need to continue diversifying markets, including China, and satisfy their requirements in food safety and packaging, expressing his belief that ample room will remain for Vietnam's agro exports next year.

4. Upgrading of Cai Mep – Thi Vai port cluster to be executed early next year

The Maritime Project Management Unit has chosen a contractor to take charge of dredging and transporting sediments and debris for disposal from Buoy No.0 to the upstream of the Cai Mep International Terminal in Phu My town, Ba Ria – Vung Tau Province.

Meanwhile, the selection of a consultancy contractor and environmental monitoring and assessing contractor are being expedited together with preparations for site delivery.

Work on the project is scheduled to commence in early February 2023 and be completed in 2025 with a total investment capital of VND1,400 billion from the State budget.

According to the Ministry of Transport, the navigational channel from buoy No.0 to the upstream of the Cai Mep International Terminal (CMIT) is designed for ships of 160,000 deadweight tonnage (DWT) with a full load and 120,000 DWT vessels for two-way operation.

The section from upstream CMIT to upstream of the Tan Cang-Cai Mep Container Terminal (TCCT) is designed for ships of 120,000 DWT with full cargo and vessels of 100,000 DWT operating two ways.

The section from the upstream of TCCT to the port of Phuoc An is designed for ships of 60,000 DWT full load or larger for one-way operation.

5. VN to enhance competitiveness of logistics industry

According to Tran Thanh Hai, Deputy Director of the Import-Export Department under the Ministry of Industry and Trade, the logistics industry of Viet Nam had large potential for development, given the heavy investments in infrastructure systems including building and expanding expressways, airports, seaports, and logistics centres.

The heavy investment in infrastructure development was creating significant opportunities for logistics enterprises, Hai said.

In addition, Viet Nam's production and trade was recovering quickly with the country's import-export revenue hitting a new record of US\$700 billion this year.

Hai, however, noted that 2023 would be a difficult year because the global economy was in a recession coupled with high inflationary risk, which would lead to a decrease in trade activities as well as logistics activities.

He urged enterprises to prepare for uncertainties in the context of the ongoing Russia – Ukraine conflict, natural disasters, diseases, or unexpected incidents.

To promote the development of the logistics industry, the focus would be placed on promoting the logistics industry development with production, import and export activities. The drivers would come from the transportation and information technology infrastructure development, enhancing

the competitiveness of logistics services companies and increasing linkages to make Viet Nam an important logistics hub of the region.

It was also necessary to establish sustainable supply chains, improve the quality of human resources and promote digital transformation and technology application in the logistics industry.

In addition, the policies of taxes and fees would be reviewed while customs procedures would be further simplified to create favourable conditions for logistics services providers.

Green logistics

The resolution also aimed to promote the development of green logistics.

Green logistics was arising to be a trend and an important indicator for the sustainable development of the logistics industry.

A report by the Ministry of Industry and Trade found that only 31 per cent of logistics enterprises used renewable energy in warehouses operation, 26.8 per cent did not have green development strategies and 35.2 per cent did not have activities related to environmental monitoring.

According to Trinh Thi Thu Huong, Deputy Director of the School of Economics and International Business, the Government should consider building a strategy and planning for green logistics to 2030 with a vision to 2050, in which, the digital transformation should be sped up, infrastructure quality increased and conditions for multimodal transport improved.

Policies should also be raised to encourage small and medium – sized enterprises to switch to green logistics and use renewable energy, she said.

6. Consumers tighten their wallets, retail industry faces difficulties

Besides, the report said that the fading of the “wealth effect” - the psychological phenomenon that refers to a change in consumer spending patterns following a rise in the value of unrealised assets.

All investment channels including the stock market, property market, bond market, and digital asset market enjoyed a robust rise last year.

As all these markets have entered a sharp correction this year which scaled down the unrealised asset value, thus will dent consumer spending power. Most labour-intensive industries are facing headwinds.

The country’s export growth is expected to decelerate amid weakening global demand, thus textile, footwear, aquaculture, and wood processing have to scale down their production.

With signals from the market, large retailers are slowing down or postponing their business expansion amid growing concerns over a downturn.

MWG’s An Khang pharmacy chain expansion has been delayed since the third quarter of this year.

The number of Bach Hoa Xanh and Circle K stores also saw a reduction to prove the caution of retail chains to the current market status.

Thus, listed consumer companies tend to maintain better financial health shape with low leverage and net cash position.

Recovery in the second half of next year

VNDirect expects Vietnamese consumption will be hit hard in the first half of next year and gradually recover to growth momentum from the third quarter as rising interest rates slow down as the

Fed rate gradually eases; a gradually stabilising macroeconomy in Viet Nam, helping to increase people's confidence in consumption; and the recovery of consumption in the EU and the US regions to bring back orders to Vietnamese industrial zones.

In addition, the National Assembly passed a Resolution in November on the state budget estimate for next year with the base salary to be increased by 20.8 per cent compared to the current VND1.8 million (US\$75) per month from July 23, which can increase the income of the cadres and civil servants in Viet Nam.

VNDirect said that the current Vietnamese retail market in general still had a positive trend.

According to General Statistics Office, total retail sales of goods and services grew a healthy 25.3 per cent year-on-year in 10 months, largely thanks to the low base last year.

If excluding the price factor, retail sales rose 16.8 per cent year-on-year, even higher than the pre-pandemic level.

Viet Nam resumed international flights from the first quarter, and revenue from tourism doubled last year, recovering to 78 per cent of the pre-pandemic level.

Google data showed that the country's mobility to retail and recreation has exceeded the pre-pandemic level by 4.6 per cent, and mobility to grocery and pharmacy has increased by 27.5 per cent compared to pre-pandemic.

According to Statista, Viet Nam's personal luxury goods market reached US\$976 million last year and is expected to grow 6.7 per cent per annum to US\$1 billion by 2025.

Another report by Knight Frank said that there were about 72,135 individuals in Viet Nam who had liquid assets of more than US\$1 million last year.

Retail in the race

Analysts said that the retail market was entering a period of "symbiosis" of mutual benefits.

Foreign enterprises when entering the Vietnamese market often look for a local partner.

Domestic partners are enterprises that understand the market, culture and business environment to choose a site, devise a development strategy in accordance with consumer tastes, and contribute to the success of investors.

Experts said that in the long term, the Vietnamese retail market was also driven by other factors, in which the strength of the domestic market with 100 million people and a developing middle class were factors that attract many foreign investors.

When foreign enterprises see the potential retail market, domestic enterprises are also trying to take advantage of their home-field strengths to make a breakthrough.

The Viet Nam Retailers Association said that although the retail market in the country has had the participation of many foreign investors, the enterprises holding market share were still mainly domestic brands such as Masan and MWG.

It can be seen that the picture of the retail industry is bright with competition between domestic and foreign enterprises.

And in this fierce competition, Bui Ta Hoang Vu, Director of HCM City Department of Industry and Trade, said that domestic retailers should have a very methodical development strategy to keep market share, and maintain the existing advantage.

In addition, Vu said that in order to compete effectively in the new situation, domestic retailers needed to be more proactive in the digitalisation process.

If not applying information technology through e-commerce, they would lose a huge advantage, he added.

7. Digital transformation-A key to success for retailers

On December 21, Bach Hoa Xanh, a unit of Mobile World Co., Ltd. – a Vietnam-based company that is active in the retail sales industry – and the most popular digital wallet in Vietnam MoMo announced their strategic partnership to increase the customer experience and promote cashless payments in the modern retail industry.

In early December, Saigon Co.op and VNPAY also signed a cooperation agreement to promote cashless payments and digital transformation within the retail industry.

These are among a series of similar moves to promote cashless payments in line with the government's cashless payment development plan for 2021-2025.

Powerful retailers in Vietnam like Co.opmart and Co.opXtra are focusing more on online channels by introducing promotional programmes and diversifying product portfolios for online customers.

According to a study released by Visa in June, Vietnamese consumers have quickly welcomed a number of digital payment methods and changed their payment habits.

The Vietnam E-commerce Association said that the e-commerce market was valued at \$16 billion last year and is expected to increase further in 2022.

At the virtual media briefing with Vietnamese journalists about digital applications in the retail industry on December 21, Christanto Suryadarma, Southeast Asia sales vice president of Zebra Technologies Asia-Pacific said, "Small- and medium-sized enterprises and retailers in Vietnam need to invest in digital solutions. Whether applications are built on the web or on mobile apps, the right technology can not only capture orders but also make sure that the inventory management is really up-to-date and accurate."

"After many years of analysing shoppers, retail associates, and retailers, one thing remains constant. Retail continues to evolve rapidly," he added. "While integrating technology helps retailers keep up with

customer expectations, retail associates are a significant touchpoint to achieving long-term customer loyalty. Where possible, retailers should reinforce the value that retail associates provide and equip them with the right technologies and processes to handle evolving omnichannel operations."

Globally, shopper interactions across self-serve solutions continue to rise with nearly half of shoppers citing they have used self-checkouts and almost 40 per cent using cashless payment methods. This trend is stated in Zebra Technologies Corporation's findings from its 15th Annual Global Shopper Study which was released on December 21.

A similar trend is observed in APAC, whereby self-checkouts are used by 47 per cent of shoppers and 46 per cent of those surveyed opt for cashless payment methods.

The survey was conducted between June and July, collecting feedback from more than 4,000 retail decision-makers, retail associates, and shoppers around the world, including APAC respondents. According to the study, shoppers are ready for technological advancements, with about 80 per cent expecting retailers to have the latest technology.

Consumers also continue to rely on their smartphones during shopping trips. This year's usage indicates price sensitivity as over half of those surveyed check for sales, special offers, or coupons (51 per cent globally, 48 per cent in APAC), aligning with a strong majority of shoppers (68 per cent globally, 67 per cent in APAC) being concerned about having to reduce their spending to make ends meet.

"Shoppers do not necessarily evaluate retail channels. Rather, they view it as one shopping experience however they shop," said George Pepes, APAC Vertical Solutions lead for Retail and Healthcare at Zebra Technologies.

"With e-commerce as today's normal, channels have converged and it is essential for retailers to ensure a seamless experience across their offline and online platforms. More importantly, they need to empower

retail associates with the right technology to better perform their tasks as the retail sector heads into the future of fulfilment,” he concluded.

Corporate News

8. HDB: Report on the result of bond repurchase before maturity

↓ -4.41%

Ho Chi Minh City Development Joint Stock Commercial Bank reports the result of bond repurchase before maturity in the public offering in 2020 for the phase 3 with details as follows:

1. Information on bond:

- Issuer: Ho Chi Minh City Development Joint Stock Commercial Bank
- Bond name: Ho Chi Minh City Development Joint Stock Commercial Bank
- Bond code: HDB2027_03
- Bond type: non-convertible bond, unsecured and without warrants
- Par value: 10,000 dongs/bond
- Bond term: 07 years

- Interest rate: 8.5%/year
 - Total value of issuance (at par value): VND200,000,000,000
 - Issue date: December 22, 2020
 - Maturity date: December 22, 2027
2. Result of bond repurchase:
- Total value of outstanding (at par value): VND200,000,000,000
 - Repurchase time: December 22, 2022
 - Total value of repurchase (at par value): VND200,000,000,000
 - Remaining value after the repurchase: VND0.

9. HSG: Notice of extension of time for holding AGM FY 2022-2023

↓ -6.78%

Hoa Sen Group has declared the extension of time for holding FY 2022-2023 annual general meeting before date on March 31, 2023.

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