VIETNAM DAILY NEWS

JSI

December 29th, 2022

Table of content

Table of content

Market Analysis

1. Shares go up amid strong fluctuation

Vietnamese stocks continued their gains yesterday on low liquidity but the market still fluctuated with large amplitudes.

The VN-Index on the Hồ Chí Minh Stock Exchange (HOSE) closed the day at 1,015.66 points, an increase of 1.1 per cent.

The market's sentiment was positive with more stocks increasing, of which 259 stocks inched higher and 146 reduced.

Liquidity stayed low with more than 590.5 million shares traded, equivalent to a value of VND 10.7 trillion (US$452.8 million).

Ngô Minh Đức, Director of LCTV In- vestment, said that the market has ended the downtrend cycle lasting nearly 11 months and moved into a new cycle.

According to Đức, the market in 2023 is likely to go sideways for at least 3-4 months if the FED continues to raise interest rates and maintain high interest rates at 5 per cent. From April, the market will enter a new cycle, he said.

The 30 biggest stocks tracker VN30-Index posted a gain of 0.65 per cent, to finish at 1,013.95 points. Of the VN30 basket, 19 stocks climbed, while nine declined and two ended flat.

Banking stocks saw positive results, with Holdings gainers including Sài Gòn Thương Tín Commercial Joint Stock Bank (STB), Military Estate (P Bank (MBB) and Vietnam International In the Bank (VIB), Sài Gòn-Hà Nội Bank (SHB), ties Inc (Asia Commercial Bank (ACB), and Vietin bank (CTG), VPBank (VPB), Tiên Phong Bank (TPB) and Liên Việt Post Bank (LPB).

Some large-caps still performed positively, with the biggest gainers in the VN-30 basket being FPT Corporation (FPT), Masan Group (MSN), Khang Điền House (KDH), Bảo Việt Holdings (BVH), Vingroup (VIC), Vietjet (VJC), Vinamilk (VNM) and Phát Đạt Real Estate (PDF).

In the basket, losers included SSI Securities Inc (SSI), Petro Vietnam Gas JSC (GAS), HDBank (HDB), Hoà Phát Group (HPG), Techcombank (TCB) and Novaland (NVL).

On a sector basis, 22 out of 25 indices on the stock market gained ground, including wholesale, construction, logistics, agriculture, real estate, seafood production, securities, rubber production, plastic and chemical production, banking, oil and gas, IT, food and beverage, and healthcare.

Meanwhile, losers were retail, insurance and construction materials.

The HNX-Index on the Hà Nội Stock Ex- change (HNX) also ended higher. The north- ern market index rose 1.43 per cent, to close at 206.04 points.

More than 43.9 million shares were traded on the HNX, worth VND603 billion.

Macro & Policies

2. Vietnam's credit growth expands nearly 13% in 2022

"Banks' lending continues to be channeled into priority economic fields, rather than high-risk ones, such as real estate or the stock market," Tu said during the banking industry's year-end conference on Dec. 27.

For next year, Tu expected the SBV to maintain a cautious approach in managing fiscal and monetary policies to ensure an inflation rate of around 4.5% and keep economic fundamentals intact.

Echoing Tu's view, the Director General of the SBV's Monetary Policy Department Pham Chi Quang added the SBV's main priority is to keep inflation in check, which is key to ensuring macroeconomic stability and the stable operation of the banking sector.

In 2022, Vietnam's economy faced major headwinds during its recovery from the Covid-19 pandemic. The Russia – Ukraine conflict has led to high inflationary pressure across countries worldwide, prompting major central banks to reverse their stance on policy management.

Fed's decision to raise its policy rates several times put the Dollar Index at its highest level in the last two decades. In this context, the USD/VND exchange rate has risen since late August.

"Vietnam can't buck the trend," Quang said, referring to the local central bank's move to raise the management rate for the first time in two years on September 22.

In mid-October, the SBV decided to widen the trading band of the USD/VND exchange rate from 3% to 5%, and the USD selling prices were raised for the third time in one month. In the free market, for the first time, the rate went up to VND25,000 per $1.

In late October, the SBV raised its policy rate for the second time in a year, and the interest rate cap was increased from 5% to 6%, around the level in the pre-Covid-19 period.

SBV Governor Nguyen Thi Hong, during a National Assembly session in late October, explained the foreign exchange market would have remained out of control had the interest rate remained unchanged, implying the central bank's need to stabilize the market as a short-term priority.

But a higher interest rate in the market resulted in a lack of liquidity in the economy, especially in the securities and real estate markets. The matter worsened as banks depleted their credit quota room assigned by the SBV since the middle of the year, forcing companies to look for loans outside the banking system with high-interest rates.

The SBV only expanded the credit room in early December by 1.5-2 percentage points, meaning around VND156-200 trillion ($6.5-8.3 billion) being injected into the economy.

"With all key economic objectives having been fulfilled, the SBV decided to expand the credit to meet the rising capital needs," Tu from the SBV said.

"Inflation continues to be a key factor influencing the direction of the monetary policy in 2023," Tu added.

3. Industrial sector reports 9% growth in 2022

Minister Nguyen Hong Dien said the sector had made significant progress despite numerous difficulties and challenges including complicated geo-political developments around the world, rising trade protectionism, disrupted supply chains in the aftermath of a global pandemic and tightened monetary policies by major central banks.

"In order to better respond to and mitigate the damage caused to Vietnam's economy our ministry has been working closely with other governmental agencies, local authorities, business leaders and experts to strengthen the country's domestic supply networks and diversify our export markets," he said.

Deputy Minister of Industry and Trade Tran Quoc Khanh said this year's 9% growth reflected the sector's resilience and ability to adapt to the post-pandemic global economy.

In addition, the sector had stayed on the right course with a growing portion of high-tech, manufacturing/processing industries and a shrinking portion of natural resource extraction-based industries.

Export of manufactured and processed goods maintained good momentum to grow by 86% this year, compared to 85.5% the previous year.

This year, manufacturing and processing, which reported growth of 9.5%, continued to be the main driver for the entire sector, contributing 86% to the country's total export despite difficulties to secure orders in major industries such as footwear, textile, furniture and electronics.

Major shortcomings such as being overly reliant on imports of raw material, sub-par productivity and efficiency, however, continued to plague its development

Dien said the sector's targets for next year would include keeping a growth rate at 8-9%, bringing manufacturing/processing industries' share of total GDP to over 25%, increasing total import/export turnover by 6% and maintaining a trade surplus.

The continuation of sectoral restructuring which encourages industries that employ digitalisation, the application of advanced science and technology, as well as addressing numerous challenges faced by the sector would be among the ministry's top priorities for 2023.

Others would include greater integration into the global supply chain and the global economy, the development of the domestic capacity to provide raw materials for industrial production, focus on the auto industry and energy supply.

Regarding the recent fuel shortage and fuel trader's grievances over rising costs and declining profits, the MoIT's leaders said the ministry was to keep a close watch on developments in the global oil market and measures were to be taken to improve the management of domestic fuel trading activities.

4. EVFTA remains untapped for Vietnamese businesses

The view was shared among experts at the conference held by the Ministry of Industry and Trade (MoIT) on December 27, discussing the EVFTA's performance since it came into force two years ago.

Data from the MoIT revealed during the first year of implementation in 2020, bilateral trade turnover rose by 12.1% year on year to US$54.9 billion, in which Vietnam's exports to the EU rose by 11.3% to $34.5 billion.

Despite severe Covid-19 impacts, the turnover rose to $61.4 billion in 2021, or an increase of 11.9%, and $57 billion during the first 11 months of 2022, up 14%. Of the total, the export revenue from Vietnam to the EU hit $43.5 billion, rising 21%.

Vietnam's export staples to the European bloc continued to recover and expand at a steady rate, including garment (24%), footwear (19%), and seafood (41%).

"The country's exports to the EU have undergone a positive change, according to which not only the bloc's large markets, such as Germany, the Netherlands or France but also the niches of Western, Eastern and Southern Europe are promoted," Deputy Minister of Industry and Trade Tran Quoc Khanh told the conference.

"Such positive figures show local businesses have been taking advantage of opportunities from the EVFTA," Khanh noted, adding 40% of Vietnamese firms are enjoying a preferential treatment from the deal.

"The trade relations between Vietnam and the EU are complementary instead of direct competition, so the potential remains huge," he suggested.

Director of the Export Department at Loc Troi Company Nguyen Van Hieu added the EVFTA is opening the door for the company to increase rice exports to the EU market. In 2018, Loc Troi exported a modest amount of 2,000 tons of rice to the EU, but the figure jumped to 11,000 tons in 2020 when the EVFTA kicked in, and an estimated 21,000 tons by late 2022.

Challenges remain

Experts said despite the rising trade turnover, Vietnam's exports to the EU only accounted for 2% of the bloc's total imports of $2.5 trillion per year.

Deputy Director of the Multilateral Trade Policy Department under the MoIT Ngo Chung Khanh said Vietnam's strategic export products, including seafood, vegetable, and garments, to the EU market made up 2-4% of the market share, so the potential remains huge.

"While a handful of local firms have secured a solid foothold in the European market, the majority are still struggling to find a way in, due to their inability to meet EU's high standards or rules of origin for export products," Khanh added.

On this issue, Director of the WTO and Integration Center Nguyen Thi Thu Trang said two years on since the implementation of the EVFTA, Vietnamese brands remain unheard of in many European countries.

"This means that the benefit to local businesses has not been commensurate with their potential," Trang said.

She called on local businesses to focus on brand positioning in the European market, adding they should be active to study market information and preferences to avoid trade-related risks. Vietnamese exporters should change their mindset of doing business by getting out of their comfort zone and looking for new markets.

In this regard, Trang called for the MoIT to help local firms in trade promotion activities and raise awareness of technical trade barriers, and food safety requirements of the import markets.

Khanh from the MoIT noted in the coming time there would be more incentive policies for businesses to form value chains and get better chances of penetrating demanding markets. In addition, the Government would set up an FTA Index to assess the performance of local provinces/cities in utilizing free trade agreements.

"From that basis, the authorities could provide effective support for businesses to maximize the benefits from the EVFTA," he concluded.

5. Air fares rise in build up to Tet holiday

After the official announcement made about the upcoming Tet holiday break and the release of tickets, Hoang Minh, who lives in Ho Chi Minh City, enthusiastically starts searching for air tickets to Hanoi.

Minh said that all economy class air tickets during January 16 to 19, December 25 to 28 according to the lunar calendar, have been sold out. There are still seats available in flexible economy and business classes, however, tickets cost VND5 million and VND9.6 million for a one-way trip, respectively.

The same high ticket prices are also being applied for flights from Hanoi to Ho Chi Minh City from January 7 to 8.

"I regret not buying air tickets earlier because I thought as in previous years there would still be many seats available close to Tet and the ticket prices would only cost VND3.5 million for one-way trip," Minh said, adding that he may have to book night flights to save money.

Most airlines have increased airfares during the Tet holiday – the peak season for travelling. Online ticketing site Abay, the lowest price for one-way tickets from Ho Chi Minh City to Hanoi from December 23 to 29 on the lunar calendar, is VND3 million per person.

Meanwhile, on the same route, the cheapest tickets for the night flights of Bamboo Airway cost VND3.4 million per person, while low cost airlines Vietjet, Pacific Airlines and Vietravel Airlines offer at nearly VND3.2 million per person.

Explaining the high ticket prices, a representative of national flag carrier Vietnam Airlines said that domestic airlines continue to increase the number of flights to meet the passengers' needs, however, some negative factors have meant that supply can't meet demand.

Moreover, travel demand has shot up in the post-pandemic period, leading to a sharp scarcity of air tickets during Tet, the representative added.

It is nearly impossible to book economy class tickets for flights during Tet these days, though Tet is almost one month away.

According to statistics compiled by several airlines, air tickets of several main routes have been sold out.

Vietravel Airlines said that tickets for flights from Ho Chi Minh to Hanoi, Phu Quoc, and Quy Nhon have been selling quickly over recent days following the tickets put on sale. On the Ho Chi Minh City - Da Nang route, tickets are still available with low availability.

The airline stressed that the Tet holiday in 2023 is predicted to be the most exciting period for the aviation industry, this is largely down to the huge demand of Vietnamese labourers and students wishing to return to their hometowns after two years of struggling to overcome the COVID-19 pandemic.

All eyes are on the Civil Aviation Authority of Vietnam that is tasked with permitting domestic airlines to add more flights to serve the needs of passengers.

6. Why does Vietnam attract global tech giants?

A magnet to global tech giants

In 2006, Intel announced the establishment of an assembly and testing factory in Saigon High-Tech Park in Ho Chi Minh City with a total investment of US$1 billion. This was the largest US high-tech investment project in Vietnam at the time.

Two years later, Samsung Electronics of the Republic of Korea marked its presence in the nation by unveiling an investment project worth US$670 million in the northern province of Bac Ninh. On March 25, the locality granted an investment license to Samsung Electronics Vietnam to undertake the project.

In 2011, Nokia of Finland also chose Bac Ninh as the manufacturing base for its well-known mobile devices. The Finish group poured more than US$300 million into the site that went into operation in 2014. Financial difficulties later forced the group to sell part of its stake to Microsoft, and the factory then changed its name into Microsoft Mobile Vietnam.

According to statistics, Samsung has recorded the highest level of investment growth in Vietnam. Specifically, after 14 years, rising from initial capital of US$670 million, the electronics corporation has invested nearly US$19 billion into the Vietnamese market, and the figure anticipated to keep rising moving forward. Alongside Bac Ninh, Samsung has also expanded its operations to Ho Chi Minh City, Hanoi, and Thai Nguyen.

Meanwhile, US technology giant Intel has also increased its investment from an initial figure of US$1 billion to US$1.5 billion at present. Patrick Gelsinger, CEO of Intel Corporation, revealed that the firm would continue to expand operations in the country, with capital set to increase many times in the coming time.

The second wave of technology FDI enterprises investing in the Vietnamese market started in 2016 and has so far not shown any signs of cooling down. In 2016, LG Display Vietnam Hai Phong was granted an investment license with capital of US$1.5 billion, and the firm has raised its registered capital to US$4.65 billion in the northern port city.

Over the past two years, Vietnam has also received billions of US$ of investment capital from major Apple suppliers such as Foxconn, Luxshare, Pegatron, and Wistron. Japanese news outlet Nikkei Asia recently revealed that Apple has already initiated plans to move some MacBook production to the country for the first time in 2023.

Moreover, China-based electronics company Xiaomi has made investments into manufacturing smartphone components in Vietnam as part of its plan to compete against market leader Samsung. In June, DBG Technology Company, a manufacturing partner of Xiaomi Vietnam, officially announced its first batch of Xiaomi's genuine production in the country at a factory located in Thai Nguyen Industrial Park.

The appearance of several the world's leading technology giants has turned Vietnam into a potential and attractive destination on the global technology equipment production map.

Rebalancing values

Statistics indicate that Vietnam produced 233.7 million mobile phones last year, making up nearly 20% of the total global supply. For Samsung alone, Vietnam has become the group's largest phone producer, accounting for 60% of its total phone sales globally.

US-based IDC Research, Inc., a firm that provides market research and advisory services, recently revealed the results of a survey which shows Vietnam emerged as the second largest smartphone exporter in the world in the initial months of the year.

In December 2022, the US$220 million Research and Development Center (R&D) of Samsung was inaugurated in Hanoi, clearly demonstrating the group's ambition to increase its presence in the Vietnamese market. The group also announced plan to produce semiconductor chips, starting in the summer of 2023.

However, technology experts has assessed that Vietnam-based plants are mostly involved in processing and assembly which creates the lowest added value in the supply chain of technology corporations. These foreign firms significantly contribute to GDP growth, export growth, and employment, although their budget revenue remains modest as they enjoy numerous tax incentives from the State.

Meanwhile, Vietnamese owned enterprises have not yet received spillover effects from technology giants and have yet to make a presence in the supply chains of these big projects. Indeed, the majority of factories belonging to these groups still use products produced by FDI suppliers.

Although these weaknesses have been identified for years, there are not enough strong solutions for the country to attract the world's big technology enterprises with higher added value.

Experts have suggested that Vietnam refer to China's experience in taking advantage of FDI attraction as it seeks to develop domestic technology enterprises. After a while, China has become the world's leading producer of electronic devices with big names such as Huawei, Xiaomi, Alibaba, Baidu, Tencent, and ZTE.

7. Real estate absorbs over 4.4 billion USD in FDI

According to the Foreign Investment Agency under the Ministry of Planning and Investment, there were 75 new projects in the sector during this year with a combined capital of more than 1.8 billion USD, and 37 others adjusting their investment capital up by a total 1 billion USD.

Meanwhile, 103 transactions of capital contribution and share purchase were recorded in the sector with an accumulative value of around 1.6 billion USD.

Notably projects included the 900 million USD Lotte Eco Smart City complex in Ho Chi Minh City and the Green Park, developed by YSL Group from the Republic of Korea (RoK), covering nearly 300 hectares in the northern province of Vinh Phuc.

The ssector also saw several major M&A deals, which were Singapore-based Viva Land's acquisition of the Grade-A office building Capital Place in Hanoi from CapitaLand Development (CLD) of CapitaLand Group for 550 million USD, and Keppel Land's purchase of a 49% stake in three residential land plots in Hanoi's Hoai Duc district for a total of 119 million USD.

Substantial potential remains for the domestic property market in particular and the national economy in general, Nguyen The Diep from the Vietnam National Real Estate Association told Lao dong (Labour newspaper), noting that the real estate sector is expected to attract more foreign investments next year.

Pointing out challenges to the market, he suggested that relevant policies should be adjusted to match the new situation.

Economist Dinh Trong Thinh stressed the need to carefully select investors, with their financial capacity, investment capital and reputation taken into consideration.

Vietnam attracted a total of 27.72 billion USD in FDI as of December 20, equal to 89% of the figure recorded in the same period last year.

Corporate News

8. VIC: VinFast returns to CES 2023 with electric vehicle ecosystem

↑ 0.19%

Returning to the CES 2023 a year after announcing its all-electric vehicle strategy, VinFast will display four electric SUV models, the VF 6, VF 7, VF 8 and VF 9, which represent the most popular segments from small crossovers to large 5- and 7-passenger SUVs.

Among the four models, the VF 8 was recently launched, and the first vehicle shipment arrived in the US in mid-December 2022. CES attendees can test drive the VF 8 in two special areas around the convention center. One area will be a ride along experience with VinFast's product experts, where customers can experience the VF 8's modern technology and features. The second opportunity will be for those customers who elect to drive themselves on the closed track provided by CES, where they can directly experience the VF 8 model.

The VF 6, VF 7 and VF 9 are currently under development and will be launched in 2023.

Apart from the electric crossovers and sport utility vehicles, VinFast will also display electric bike concepts for the first time. These will join the previously launched electric vehicles, e-scooters, electric buses and clean energy solutions to complete its full ecosystem of electric products. Inspired by the design of VinFast electric cars, these electric bikes will have a modern and stylish design to inspire customers toward a greener future.

9. KBC: Guarantee loan for subsidiary

↑ 6.78%

The Board resolution dated December 26, 2022, the BOD of Kinh Bac City Development Holding Corporation approved the use of collateral from the balance of term deposits with the value of VND 285,000,000,000 at VietinBank – Ngo Quyen branch to guarantee loan for its subsidiary - Saigon – Hai Phong Indus zone Joint Stock Company.

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

Disclaimer:

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