# VIETNAM DAILY NEWS

**January 4th, 2023**

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# Market Analysis

## 1. Market opens the new year on a positive note

The stock market finished higher on the first trading day of the new year, boosted by bullish sentiment with many blue-chip and large-cap stocks hitting the maximum intraday gain.

On the Ho Chi Minh Stock Exchange (HoSE), the benchmark VN-Index ended the day at 1,043.9 points, an increase of 36.81 points, or 3.66 per cent. It closed slightly lower on the last trading day of 2022, hovering around 1,007.09 points.

The gain helped the market benchmark claim back most of the recent losses.

The HNX-Index on the Ha Noi Stock Exchange (HNX) also inched up on Tuesday, up 7.25 points, or 3.53 per cent, to 212.56 points.

The market opened the new year on a positive note with more stocks in the bull market. Of which, 435 ticker symbols on both main exchanges rose, while 104 stocks went down.

Liquidity also improved over the previous session. Specifically, investors poured more than VND9.2 trillion (US$393.1 million), up nearly 25 per cent, into the southern bourse, equal to a trading volume of more than 551.3 million shares.

The VN30-Index, which tracks the 30 biggest stocks on HoSE, advanced sharply by 42.06 points, or 4.18 per cent, to 1,047.25 points.

In the VN30 basket, all stocks added points, of which four stocks, including Hoa Phat Group (HPG), Phat Dat Real Estate Development JSC (PDR), SSI Securities Corporation (SSI), and Vincom Retail (VRE) registering the biggest daily rise of 7 per cent.

Optimistic sentiment was the main driver of the rally, lifting stocks in most industries.

Leading the market uptrend were the popular sectors, including banking, realty and manufacturing. BIDV was the biggest gainer in terms of the market's value, up 6.74 per cent.

Speaking at the market's first session ceremony earlier in the day, Deputy Finance Minister Nguyen Duc Chi said that the Vietnamese stock market will rebound strongly, developing in both size and quality. It will continue to be the economy's effective capital mobilisation channel and the Government's macro-management tool.

Even though the market has experienced ups and downs in 2022, it still operated stably, safely, and smoothly as most listed companies recorded profits, and more domestic and foreign investors participated, Chi said.

The deputy ministers suggested the industry focus on completing regimes, mechanisms, and policies to amend the Securities Law, relevant laws, and documents to continuously develop the stock market in terms of scale.

In addition, the market needs to improve the quality, financial capacity, and competition of organisations participating in the market, while concentrating on innovation, application, and development of information technology systems in service of management and supervision.

The market also received support from foreign cash inflows as foreign investors continued to be net buyers on two main exchanges. Of which, they net bought a value of VND241.19 billion on HoSE and VND15.93 billion on HNX.

# Macro & Policies

## 2. Viet Nam is one of potential markets for branded residences

Branded residences, as a property sector, have proved to be incredibly resilient in the face of global uncertainty and change. The sector has not only survived the disturbance but continues to thrive. Over the past 10 years, it has grown by over 150 per cent, Savills reported.

Savills Branded Residences shows that Dubai, South Florida, and New York are the top three locations for branded residences globally this year, based on their supply of completed and pipeline schemes.

By volume of pipeline, the United States, United Arab Emirates, Viet Nam, and Mexico are forecast to add the largest number of schemes – more than 30 in each country, in the future.

Viet Nam is leisure and business destination, and both tap into a wide range of international demand. The high net-worth individual (HNWI) population in Viet Nam has expanded by 86 per cent in the last five years. The burgeoning middle- and upper-classes in the country also present further potential for branded residences.

Mathew Powell, Director of Savills Hanoi said: "During the economic turmoil, buyers will look for the property with long-term investment potential, this is also an advantage of branded residences.

"International brands bring their own quality assurance: through design, service, amenities, but also through reputation. Therefore, it is good time for branded residences development to the global experiences that branded residences bring.

"Viet Nam market for branded residences is continuing to expand, especially Viet Nam urban and resort market with a very strong potential.

"There is live interest for brands to enter into new markets and look for new locations to grow their portfolios not only in the resort destinations but also in major urban centres. The collaboration with brands also helps developers with better recognition.

"On the demand side, there's a lot of demand for three- and four-bedroom apartments which provide extra space for families. Having said that, we also see a lot of interest for two-bedroom units from young families and couples, as well as buyers that are using the residence as their second home.

Younger customer base, affluent, globally-mobile individuals will continue to drive demand for branded residences."

He also stressed the associated risks of poorly planned projects. The failure to hand over projects on time or with the expected financial commitments has impacted the appetite for the second home market.

According to Oxford Economics forecasts, the highest growth in terms of number of high-income households over the next five years is projected in the Americas, Asia Pacific, the Middle East and European regions. These locations expect some of the new high-net-worth buyers to be looking for primary residences and second homes in branded schemes. According to Savills, the future hotspots include some of the cities that are going to see a strong rise in wealth, such as Jakarta, HCM City, Beijing and Shanghai.

Domestic demand for luxury branded residences is likely to grow faster in emerging markets (where the base point is low), such as HCM City, where the quality of the existing stock is unlikely to meet the requirements for high-quality fit-out and services by new HNWI. In these markets there will be opportunities for urban upscale products as well as luxury products for brand-loyal, well-travelled customers.

## 3. Pressure on capital market forecast to ease in 2023

Citing forecast data of financial institutions, financial expert Dr Dinh The Hien said Viet Nam's GDP growth rate in 2023 will slow to below 7 per cent, but it is still a good growth rate compared to that of ASEAN region (4.9 per cent), Asia-Pacific (4.6 per cent), and the world (2 per cent). The National Assembly has recently also approved the country's GDP in 2023 at about 6.5 per cent, which is also close to the above forecasts.

Hien said both international financial institutions and Vietnamese experts forecast the difficulties and challenges of the Vietnamese economy in 2023 will come from external factors, especially the decline in consumption of developed countries and disruption of the global supply chain. However, Viet Nam still has certain advantages and opportunities besides the pessimism on interest rates and inflation.

According to Hien, Vietnamese management authorities have gradually controlled high interest rates and restricted credit, which will help the country avoid shocks like in the 2011-12 period. Therefore, concerns about the banking system and corporate bonds have been gradually removed.

Hien predicts difficulties related interest rates and credit will be resolved next year. Interest rates will cool down in the first quarter of 2023 and stabilise by the end of the second quarter of 2023. Credit sources with reasonable interest rates for production and business enterprises will increase gradually from the second quarter of 2023. Meanwhile, exports will continue to decline in the first two quarters of 2023, but will rebound in the third quarter of 2023.

"The difficulties for the domestic economy will ease from the second quarter of 2023 and gain positive growth from the third quarter of 2023, buoyed by upbeat impacts from public investment, and financial and monetary stability. At the same time, the real estate market is also expected to recover slightly from the fourth quarter of 2023, mainly in urban areas, industrial parks and other areas with strong infrastructure investment," Hien forecast.

Tran Ngoc Bau, CEO of financial data provider WiGroup Data Company, is also upbeat about market liquidity in 2023.

According to Bau, though the economic forecast in 2023 is more difficult than in 2022, with initial signals such as export order decline, the cause will be a factor for the Government to partly loose the monetary market to stimulate economic development. Therefore, the market liquidity is likely to be more positive in the second half of 2023.

Nguyen Quang Thuan, chairman of financial data provider FiinGroup, expects the corporate bond market in 2023 will be more active as credit institutions increase to issue bonds after policies are changed.

The market also expects many businesses in 2023 will issue bonds to the public after being rated.

In addition, other capital channels such as issuing green bonds and borrowing/issuing international bonds are also forecast to be further improved, helping businesses have more opportunities to access capital.

However, experts also recommend in the difficult context, businesses need to review their investment portfolios and limit high risk projects. The businesses should review current debt obligations, proactively make public transparent information and improve credit profile for a longer-term capital strategy.

## 4. MoF aims to develop the insurance market

The Ministry of Finance (MoF) aims to implement many solutions to achieve the goal of comprehensively developing a safe and sustainable insurance market and meeting the diverse insurance needs of organisations and individuals and ensuring social security this year.

Accordingly, for market development and improvement of insurance services, the Ministry of Finance said that the average growth rate of total assets, total investment, and total revenue was expected to increase by about 15 per cent this year.

In addition, the Ministry shall grant licences to qualified investors to participate in the market; continue to manage and monitor the market by means of remote monitoring and on-site inspection; at the same time, build and perfect an information technology system serving market management and supervision; and carrying out inspection and examination of enterprises in accordance with the approved plan.

The Vietnamese insurance market currently has 79 insurance businesses; of which there are 31 non-life insurance enterprises, one branch of non-life insurance enterprises abroad; 19 life insurance businesses, two reinsurance businesses, and 26 insurance brokerage businesses.

The total assets of insurance businesses are estimated at VND811.3 trillion (US$34.4 billion), a year-on-year growth of 14.5 per cent.

Total equity is estimated at VND162.8 trillion, up 3.83 per cent. Total insurance premium revenue is estimated at VND251.3 trillion, up 15.09 per cent.

The Ministry of Finance said that the institutional improvement would continue to be focused on to gradually create a favourable legal corridor for the healthy and sustainable development of the insurance market and meet bilateral and multilateral commitments on international integration.

In addition, the inspection and examination of enterprises are carried out in accordance with the order and procedures from the formulation of inspection and examination plans to the organisation and deployment of inspection and examination delegations.

The Ministry of Finance said that management and supervision activities were enhanced and standardised in accordance with management and supervision standards issued by the International Association of Insurance Supervisors.

## 5. Air transport grows 3.7-fold on yearly basis

The aviation market recorded about 55 million passengers in 2022, rising 3.7-fold from the previous year and equivalent to 69.6% of that in the pre-pandemic 2019, according to the Civil Aviation Authority of Vietnam (CAAV).

In particular, about 43.2 million passengers were transported domestically, increasing 3.5-fold from 2021 and 15.6% from 2019, while 11 million others internationally, up 22-fold from 2021 and equivalent to 27% of that in 2019.

About 1.25 million tonnes of cargo were transported by air last year, representing 95% of that in 2021 and equivalent to the volume in 2019. It included 152,000 tonnes carried domestically and 1.1 million tonnes internationally, statistics show.

The CAAV noted aviation activities, especially in the domestic market, have recovered since the end of last year’s first quarter. Right in April, the domestic market was comparable to the same period of 2019.

Driven by a boom in summer travel demand, it completely recovered and grew by over 30% in July and August compared to the same months of 2019.

Besides, authorities have actively discussed with the International Civil Aviation Organisation (ICAO) and foreign aviation agencies, including those of Russia, Germany, the UK, Laos, Cambodia, Taiwan (China), Australia, Thailand, the Republic of Korea, Japan, Singapore, Poland, Romania, and China, so as to reopen international air routes.

Particularly, the Vietnamese side has kept contact with aviation authorities of China and India to increase flight frequency and the destinations available.

However, the recovery of international flights remains slow although Vietnam lifted restrictions on foreign arrivals on March 15 and resumed visa exemption for citizens from 25 countries in May, the CAAV admitted.

## 6. VNG to trade on UpCOM early this month

VNG Corporation has registered to trade 35.8 million VNZ shares on UpCOM from January 5, of which 28.7 million shares are outstanding and 7.1 million treasury shares, according to the Ha Noi Stock Exchange (HNX).

The reference price on the first trading day of VNZ shares is VND240,000 a share (US$10.18). At the price, VNG has a market capitalisation of nearly VND8.6 trillion, which is less than $350 million, much lower than VNG's previous billion-dollar valuation.

According to the information disclosure, as of November 28 last year, the company has three major shareholders, which are VNG Limited holding 49 per cent of its charter capital, 61.1 per cent of its outstanding shares, BigV Technology JSC holding 4.6 per cent of its charter capital, and Le Hong Minh holding 9.8 per cent of its charter capital, 12.3 per cent of its outstanding shares.

VNG's 2022 Extraordinary General Meeting of Shareholders approved the sale of all 7.1 million treasury shares to BigV Technology Joint Stock Company (BigV) at a price of VND177,881 per share. If VNG successfully sells these treasury shares to BigV, BigV will increase its ownership rate in VNG to 24.42 per cent of charter capital.

VNG Corporation is a technology company, specialising in digital content, online entertainment, social networking, and e-commerce. It focuses on four main businesses, which are online games, platforms, digital payments, and cloud services.

In the first nine months of 2022, VNG’s revenue reached VND5.76 trillion, of which the largest contribution was online game services (nearly VND4.1 trillion), followed by online advertising services (VND933 billion) and added value services on telecommunications networks and the Internet, including Zalopay and VNG Clouds (VND683 billion). Music services and song copyright (ZingMP3) only account for a small proportion of VND21 billion.

During the period, it posted a loss of VND764 billion, with the parent company losing VND419.3 billion. The loss was due to the investments in Zion JSC (the owner of the ZaloPay e-wallet) and Tiki JSC.

On separate financial statements, as of September 30, VNG invested more than VND4.4 trillion in subsidiaries and associates, an increase of 73.9 per cent compared to the beginning of the year.

Specifically, the investment in Zion JSC accounted for the largest proportion, with a value of over VND2.56 trillion and a provision of nearly 2.3 trillion.

VNG was valued at $1 billion in 2014, becoming the first unicorn in Viet Nam, according to the World Startup Report. In 2019, VNG was valued at $2.2 billion by the Singapore government's Temasek investment fund, which was equivalent to VND1.8 million a share.

In 2021, Mirae Asset Fund Management Company bought VNG shares at a price of VND1.7 million per share.

## 7. Garment exports expected at more than $45 billion in 2023: association

VITAS President Vu Duc Giang said that although difficulties would remain for the textile and garment exports in the first half of 2023, there were silver linings it could pin hopes on for the second half.

The European and the US markets were expected to warm up from the second half of 2023, together with opportunities provided by new-generation FTAs, Giang said. For example, under the EU – Viet Nam FTA (EVFTA), many products exported from Viet Nam to the EU would enjoy zero tariff from 2023.

The visit of Prime Minister Pham Minh Chinh to Europe would also open significant opportunities for attracting investment in the garment and textile industry, especially in the production of raw materials.

The Vietnam National Textile and Garment Group (Vinatex) said though forecasts had been made early, its members were still surprised at unpredictable changes in 2022 such as the Russia-Ukraine conflict and surges in oil prices, inflation, and interest rates, which have caused demand to nose-dive in importing markets.

Yet Vinatex estimated its 2022 consolidated revenue at over VND19.53 trillion VND ($826.84 million), up 15 per cent from last year and 8 per cent higher than the target, and consolidated profit at more than VND1 trillion, up 14.6 per cent from the target. These figures are assessed as encouraging amid numerous market difficulties.

Pointing out three scenarios, Vinatex chairman Le Tien Truong said in the best-case one, the global economy will become stable and geopolitical conflicts over by the end of the second quarter, meaning exports in 2023 may go up 4 – 5 per cent from 2022.

In the middle-case scenario – instabilities will linger on, inflation remain, and interest rates still increase until Q3 - exports may stay unchanged compared to this year. And in the worst-case one where the world economy will enter a recession, the 2023 revenue may be about 5 per cent lower than that of this year.

Meanwhile, VITAS forecast its export revenue this year is likely to stand at nearly $44.5 billion, up 10 per cent from 2021.

For 2023, textile and garment exports may reach $47-48 billion in the positive scenario and $45-46 billion in the lower-case scenario, Vinatex noted, adding that how enterprises adapt to changes in markets will affect their growth in any circumstance.

In the positive scenario, instabilities in the global market will be brought under control and all activities of the sector may have recovered by the end of next year's first quarter. In such case, $48 billion in revenue is achievable.

Giang, however, said that in the second scenario, under which the global market will recover in the latter half of 2023, export turnover may reach $45 billion.

In the current context, when international markets do not place long-term textile and garment orders, businesses can switch to producing lower-value items. In 2022, as they have started to diversify markets and products, growth is still sustained.

In any scenario, textile and garment markets will be unable to bounce back at least in the first half of 2023.

However, experts held that there are still certain bright spots next year, noting the COVID-19 pandemic is being put under control, the world getting used to a new normal, the Asia-Pacific predicted to be the fastest-growing region in 2023, China easing the zero-COVID policy, and logistics costs showing signs of declining.

Giang said that an important factor underpinning the growth of the textile and garment industry was the ability of domestic supply of raw materials which increased year over year. Domestic supply now meets 45-47 per cent of the demand for raw materials for garment and textile productions.

Increasing the local procurement rate was very important because only with this can Viet Nam enjoy preferential tariffs under FTAs, Giang said, adding that this was a great motivation for Viet Nam's garment and textile industry to invest in fiber, yarn and raw materials production as well as to attract foreign direct investment (FDI).

Sustainability

Domestic garment companies are also switching to green production to meet the demand of the import markets.

According to Truong, raw materials production is the first step to implementing greening as required by the import markets like the US and Europe.

Therefore, Vinatex organised the production of yarn from recycled or organic materials. In the past five years, the production of fiber made from organic ingredients in cotton accounted for 30-35 per cent of the total output. In addition, factories were equipped with solar power which met around 20 per cent of their energy consumption.

Green production was the new standards that were introduced to push us to increase the capacity and be able to participate in global supply chain, Truong stressed.

Vitas submitted a draft strategy for the development of the garment and textile industry in 2021-30 period with a vision to 2030 to the Ministry of Industry and Trade and the Government for consideration.

According to Giang, the strategy would be an important basis for realising the industry's sustainable development goals, from which enterprises would develop practical solutions to catch up with the global trends.

The focus would be placed on calling investment in establishing the supply chain of raw materials to solve the shortage of the domestic supply, greening the garment and textile sector and training of workforce to meet the demand, he said.

Investments in technology, automation and digital management would also be enhanced together with ensuring a transparent production and business market, he added.

# Corporate News

## 8. KBC: Loan from subsidiaries

**↑ 2.07%**

The Board resolution dated December 29, 2022, the BOD of Kinh Bac City Development Holding Corporation approved to borrow capital from the following subsidiaries:

1. Loan from Hung Yen Investment and Development Corporation with total amount of VND 500,000,000,000.

2. Loan from Trang Cat Urban Development One Member Company Limited with total amount of VND 300,000,000,000.

## 9. NVL: Record date for seeking shareholders' approval

**↑ 4.64%**

The Hochiminh Stock Exchange announced the record date as follows:

- Listed firm: No Va Land Investment Group Corporation
- Stock code: NVL
- Stock type: common stock
- Par value: VND10,000
- Ex-right date: January 09, 2023
- Record date: January 10, 2023

I. Purpose:

To seek shareholders' approval in writing.

II. Detailed content:

- Exercise ratio: 1:1 (01 share – 01 voting right)
- Time of implementation: expected from January 14, 2023 to February 01, 2023
- Address: 65 Nguyen Du street, Ben Nghe ward, district 1, HCM city.

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