VIETNAM DAILY NEWS

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Market Analysis

1. Shares mixed on blue chips divergence

Rising selling pressure increased in the latter half of Tuesday's session and pulled the market down, despite the recovery of some blue chips.

On the Ho Chi Minh Stock Exchange, the VN-Index inched down 0.08 per cent to close at 1,053.35 points. The southern market's index had risen 0.3 per cent on Monday.

Liquidity increased to more than 546 million shares worth VND9.7 trillion (US$411 million), up around 15 per cent in both volume and value compared to the previous session.

Banks were mixed. While Vietcombank (VCB), BIDV (BID), Asia Commercial Bank (ACB), Sacombank (STB), Vietnam Maritime Bank (MSB) and LienVietPost Bank (LPB) were among the top 10 shares lifting the VN-Index most, Vietinbank (CTG), Techcombank (TCB), VPBank (VPB) and Eximbank (EIB) led the group of shares pulling the market most.

Shares related to public investment and construction were bright spots in the market on Tuesday.

Deo Ca Traffic Infrastructure Investment (HHV), Licogi 16 (LCG), Vinaconex (VCG) and Fecon Corporation (FCN) all hit the ceiling price of 7 per cent growth.

The gain spread to construction materials stocks, including iron and steel, cement and stone. Typically, Hoa Phat Group (HPG), Hoa Sen Group (HSG) and Nam Kim Group (NKG increased between 1 per cent and 3 per cent.

According to Viet Dragon Securities Co, the market's gain continued to slow down when VN-Index approached the resistance area of 1,065 points and caused the index to retreat.

"Therefore, the risk at the resistance zone of 1,065-1,078 points is expected to present in the near future and the market may correct to find the balance zone after the recent rally," Phuong Pham, a market analyst, said in a note.

She advised investors to be cautious as the market was moving close to the resistance zone and could take advantage of the upturn in the session to restructure the portfolio in the direction of minimising risks.

On the Ha Noi Stock Exchange, the HNX-Index recouped Monday's loss with a growth of 0.46 per cent to end at 210.63 points. The northern bourse's index gave up 0.5 per cent on Monday.

Liquidity also increased slightly here with 53 million shares worth VND893.5 billion being traded.

Foreign traders were net buyers on both exchanges, picking shares worth total net buy value of VND466 billion but their buys focused on HCM City's shares with net value of VND438 billion. HPG topped their buy list with net value of more than VND100 billion.

Macro & Policies

2. Retail market predicted to bustle in 2023

According to the Ministry of Industry and Trade (MoIT), the scale of the Vietnamese retail market is 142 billion USD, which is expected to reach 350 billion USD in 2025, with contributions of 59% to total GDP.

Last year, the total revenue from retail sales of goods and services rose 21%, exceeding the target of 8%.

A survey by Vietnam Report showed that over 53.8% of total retail firms enjoyed similar and higher business results compared to the pre-pandemic level.

Experts held that growth of retail sales is being supported by rise in income and the strong recovery of the tourism sector as well as relevant sectors such as transport and accommodations, as well as the effectiveness of inflation control measures.

Particularly, from now to the Lunar New Year (Tet) Festival, which falls in late January, consumers are predicted to loosen their wallet dramatically.

At the same time, there are signs of vibrant retail activities as many foreign investors have announced their plans to return after COVID-19.

Recently, Thailand's Central Retail said that it will pump additional 20 trillion VND (852.87 million USD) into the Vietnamese market in the next five years, pushing its investments in Vietnam in the 2022-2026 period to 65 trillion VND. With this plan, Central Retail will raise their coverage from 40 localities currently to 55.

Meanwhile, Japanese giant retailer Aeon Group plans to build another megamall in Hanoi, raising its total trade centres in Vietnam to 20.

Phung Trung Kien, Founder of Vietnam Holdings Inc., said that retail businesses will see good growth in early 2023, especially those trading consumer goods thanks to the Lunar New Year Festival.

In 2023, four trade centres are scheduled to be launched - Central Premium plaza, Vincom Megamall Grand Park, Sunrise City Central and Emart 2 with total area of over 116,000 sq.m.

Many experts predicted that this year, retailers will expand their selling channels, bringing their products to different trading platforms to optimise online retail channels.

MoIT Deputy Minister Do Thang Hai said that in the time to come, the ministry will coordinate with other ministries and localities to keep a close eye on the developments of the market, ensuring the supply of commodities, especially during Tet. At the same time, it will apply measures to control consumer price index (CPI), he said.

3. Drugstore chains continue growth momentum

Leading players in the pharmaceutical retail market, including FPT Retail, An Khang, and Pharmacity, are ramping up expansion efforts, giving birth to the modern pharmacy model.

2022 was a bonanza year for FPT Retail as the company reached the 1,000 Long Chau pharmacy mark early last month, securing a bigger piece of the pie in a market that is enjoying such robust growth.

According to Nguyen Bach Diep, chairman and CEO of FPT Long Chau, achieving the 1,000-store system and a presence in 63 localities throughout the country in such a short time marks a major milestone for the company, surpassing 125 per cent of its expansion plan for 2022.

Last year, the Long Chau pharmacy chain generated $285.3 million in total revenue, equalling a 2.6-fold jump on-year.

Over the next five years, FPT Retail aims to boost the number of Long Chau pharmacies to 3,000, with 600 outlets being launched this year.

Meanwhile, the An Khang pharmacy chain, operated and managed by Mobile World Group – Vietnam's largest consumer electronics retailer – currently consists of 529 outlets.

Despite slower growth compared to its rivals, An Khang also shows strong potential and has caved a spot among Vietnam's top three pharmaceutical retailers, behind Long Chau and Pharmacity.

For its part, Pharmacity, belonging to Pharmacity JSC which is owned by Mekong Capital – a large Vietnam-focused private equity firm – has opened nearly 1,100 drugstores and eyed double-digit growth in the past years.

The three pharmacy chains aim to scale up their drugstores to about 10,000 units by 2025.

According to global market research organisation IQVIA, modern pharmacies will swell in number in the years to come and are striving to diversify their offerings to also include personal care products and cosmetics, complementing their revenue and profit figures.

Business opportunities for modern pharmacies are deemed considerable according to the World Bank forecast. The proportion of people aged 65 and above in Vietnam will have more than doubled by 2040, accounting for 18 per cent of the total population. This is likely to lead to increased demand and create growth space for retail pharmacies.

4. Standard Chartered forecast Viet Nam 2023 GDP growth at 7.2 per cent

The forecast is highlighted in the bank's recently published global research report on Viet Nam titled "Viet Nam – Still enjoying high-growth status".

"We still have a conviction on Viet Nam's high growth potential over the medium term," said Tim Leelahaphan, Economist for Thailand and Viet Nam, Standard Chartered. "While macro indicators moderated somewhat in Quarter 4 2022, they remain largely robust. Retail sales posted solid growth in the second half of 2022, implying improved domestic activity."

According to Standard Chartered's economists, trade balance has tentatively improved; exports may face global headwinds; imports are at risk of reversal. FDI disbursements have continued to increase, but the outlook hinges on the global economy. Inflation may pose a threat to Viet Nam's continued recovery.

Inflation is anticipated to rise throughout 2023, potentially reaching 6 per cent in the final months of the year and averaging 5.5 per cent in both 2023 and 2024 (from 3.2 per cent in 2022). Viet Nam's fiscal deficit may persist and be a source of inflation.

Standard Chartered Bank expects the State Bank of Vietnam (SBV) to hike rates by another one per cent in Quarter 1 2023 and to stay on hold through end-2024 as it shifts to a tightening stance with a view to maintaining stability.

"We expect the central bank to stay vigilant against inflation, a weakening Vietnamese dong, and financial instability arising from risky loans in the real-estate sector. The SBV may prefer a relatively strong Vietnamese dong, as long as it does not harm the country's trade competitiveness," said Tim Leelahaphan, Economist for Thailand and Viet Nam, Standard Chartered.

According to Tim, the Vietnamese dong has recovered sharply in recent weeks, however, the pace of Vietnamese dong appreciation is likely to slow down, as several headwinds persist. The replenishment of FX reserves is likely to be a key priority for the central bank. An improving Current Account backdrop and tourism recovery is likely to be supportive to the Vietnamese dong. USD-VND is forecast at 23,400 by end-2023 and 23,000 by end-2024.

5. VN remained among world's top FDI destinations in 2022

In a recent report by the ministry, the total asset value of foreign firms in the country has increased to over VND8,857 trillion (US$377 billion), a 13.1 per cent increase from the previous year. During the same period of time, the FDI sector reported an after-tax profit of nearly VND9,455 trillion, an 8.8 per increase year-to-year.

The sector's net income in 2021 was reported at over VND8,567 trillion, a 19.3 per cent increase over the previous year with an after-tax profit of over VND8,358 trillion or a 29.6 per cent increase over 2020.

FDI's contribution to the state's budget continued to grow in size from VND164 trillion in 2020 to VND180 trillion in 2021.

Major growth drivers in the sector included manufacturing, processing (VND621.5 trillion), finance, banking and insurance (VND133.3 trillion), energy (VND68.3 trillion), wholesales and retails (VND58.1 trillion) and logistics (VND35.8 trillion).

Notably, according to the ministry's report, FDI assets in manufacturing and processing have increased at a pace 4.5 times faster than finance, banking and insurance and 9 times faster than other industries.

Logistics led the pack in growth with an annual rate of 34.9 per cent, followed by financial services at 30.6 per cent and energy at 23.8 per cent.

On the other hand, there were still a number of FDI-dominated industries that reported losses.

By the end of last year, nearly 14,300, or 55 per cent of all FDI firms operating in Viet Nam, still reported losses, 11 per cent higher than the same figure in 2020 with a total amount of VND168.3 trillion. Cumulative losses were even higher with more than 16,250 FDI firms reporting losses up to VND706.1 trillion.

"Higher losses and cumulative losses among FDI firms showed a large number of FDI firms have not been able to fully realise their potential and effectively utilise their investment," said the ministry in a statement, "It has also called for a more selective process to choose FDI investors in the future.".

Another issue pointed out by the ministry was the vast majority of FDI firms chose to locate in or near major cities and provinces in the Red River Delta and the Mekong Delta to take advantage of existing infrastructure and logistics, which has resulted in an uneven pace of industrial development among localities.

Southern economic hub HCM City remained the country's top destination with VND1,739 trillion in FDI flow, followed by capital city Ha Noi with VND916.8 trillion, southern Binh Duong Province with VND687.6 trillion and northern port city Hai Phong with VND533.6 trillion last year.

The Ministry of Finance called for measures to be taken to increase the pace of localisation and the development of high-tech industries as well as to improve linkage among economic centres and domestic production capacity.

6. Seafood sector striving to expand export market

Vietnam's seafood exports reached a record $11 billion in 2022, up 24 per cent on-year and 22 per cent higher than the year's target of $9 billion. Besides traditional markets such as the US, Europe, and China, Vietnam's seafood exporters have been entering other potential markets.

Notably, seafood exports to Australia grew impressively in 2022 with an increase of 42.64 per cent after 11 months compared to the same period in 2021, reaching a turnover of more than $331 million. In particular, the position of Vietnamese shrimp products in this market has been confirmed.

According to a representative of the Vietnam Association of Seafood Exporters and Producers (VASEP), as of December 2022, shrimp exports to Australia reached nearly $214 million, up an impressive 62 per cent over the same period in 2021.

The Philippines is another potential market for the seafood industry with more than 100 Vietnamese enterprises exporting seafood products there. Currently, the Philippines has risen to become the 13th largest single import market for Vietnamese seafood, up 10 places compared to 2020.

Truong Dinh Hoe, general secretary of VASEP said, "Currently, Vietnamese seafood has been exported to 160 markets around the world and it has a strong reputation. Seafood exporters are in a ready-to-supply position."

However, Hoe also warned, "Seafood exporters need to regularly follow the market and capture information to adapt to the changing needs. It is necessary for Vietnam's exporters to exchange information and expand their networks, ensuring they grasp the requirements and standards of any new markets and ensure product quality."

In the long term, export enterprises need to build specific strategies and suitable solutions to adapt to harsh conditions and sudden changes in the market.

Hoe pointed out three main areas where seafood exporters need to prepare well. The first is to maintain stable financial resources and allocate reasonable capital sources to operations. The second is to ensure jobs for employees and build human resources well. Thirdly, enterprises in the seafood sector need to pay attention to producers' livelihoods, because without them, there are no raw materials to sell.

Nguyen Xuan Thang, head of the Import-Export Management Department under Ho Chi Minh City Department of Industry and Trade, said that in order to expand exports, businesses need to continue to strengthen the available markets and diversify, especially eyeing those with free trade agreements. Enterprises also need to fully participate in the global value chain to improve their production and export capacity.

7. Some shipping companies confront hardship, some benefit

Good growth in 2022

According to the Viet Nam Maritime Administration, in 2022, the total volume of cargo throughput via seaports was estimated at 733.18 million tonnes, up 4 per cent compared to 2021. Exports reached 179.07 million tonnes, down 3 per cent compared to 2021. Imports reached 209.26 million tonnes, down 2 per cent. Domestic goods reached 342.79 million tonnes, up 12 per cent. The volume of container cargo through the seaports in 2022 was estimated at 25.09 million TEUs, up 5 per cent compared to 2021.

At the conference held last month by the Viet Nam Maritime Administration to evaluate the work results in 2022 and deploy the key tasks in 2023, Deputy Minister of Transport Nguyen Xuan Sang assessed that the Vietnamese fleet has met 100 per cent of the demand for goods transportation. The volume of cargo transported on international routes of Viet Nam's fleet in 2022 increased by more than 10 per cent compared to last year, reaching nearly 1.3 million tonnes of cargo.

"Revenue and profit of shipping companies both increased, possibly partly due to increased freight rates, but fleet quality also continued to improve, so did the fleet structure," Sang said.

According to VNDirect's estimates, in the first nine months of 2022, the revenue of listed shipping companies increased by 73.7 per cent over the same period of the previous year, mainly thanks to the high sea freight rates contracted by the companies. Gross profit margin also improved by 13.0 percentage points due to the increase in scale. As a result, net profit of listed shipping companies increased by 70.8 per cent, in which The Hai An Transport and Stevedoring JSC (HAH) recorded the strongest net profit growth of 171.8 per cent thanks to strong fleet expansion in 2022.

However, in the international market, after a period of rapid growth, sea freight rates suddenly dropped. This is the result of the weakening of global freight demand while the market expects an increase in supply in the near future.

According to Alphaliner, the number of new shipbuilding orders continues to increase, bringing current orders to 27.9 per cent of total market capacity, the highest level since 2012. The global fleet could grow by 4.4 per cent and 8.2 per cent year-on-year in 2022 and 2023 due to new orders being delivered, while global cargo throughput may increase only by 0.9 per cent and 2.7 per cent in 2022 and 2023 due to the global economic recession.

VNDirect forecasts that the oversupply will put great pressure on sea freight rates in the near future. Business results of shipping lines see a certain lag with fluctuations in sea freight rates because charter contracts usually last from 6 to 12 months. Therefore, the impact of the reduction in sea freight rates will begin to reflect on the business results of shipping companies in the 2023-2024 period.

However, analysts still see a number of positive factors that could somewhat mitigate the negative impact of the price reduction. First, China is on track to reopen, which will boost global trade and consumption. Second, the average Brent oil price is forecast to remain around $90 per barrel in 2023, which will help reduce fuel costs for shipping companies.

Stocks

In 2023 - 2024, VNDirect believes lower sea freight rates will support global trade activities. Besides, the shortage of containers – the main factor causing seaport congestion – will be solved thanks to the additional volume of containers. With ports operating at 100 per cent capacity after the pandemic, the number of ships waiting in line has been eased in the main port areas. The reopening of China could offset the weakening global economy, providing a neutral outlook for the global port industry.

Experts also expect that Viet Nam's container throughput will increase by 2.5 per cent year-on-year in 2022 to 24.9 million TEUs after a growth of 2.9 per cent in 10 months of 2022.

In the seaport master plan for the 2021 - 2030 period, among Viet Nam's major port clusters, Hai Phong port cluster and Cai Mep – Thi Vai port cluster are classified as Viet Nam's special port clusters and will be most developed. Therefore, these two port clusters will have more growth potential in 2023 - 2024

For businesses, VNDirect believes that the interest rate increase will help Port of Hai Phong JSC (PHP), Viet Nam Container Shipping Joint Stock Corporation (VSC) and Viet Nam Ocean Shipping JSC (VOS) benefit in the near future. Of which, PHP will be the most profitable. In contrast, Hai An Transport and Stevedoring JSC (HAH) and Gemadept Shipping Holding Co Ltd (GMD) may be affected because these companies plan to expand scale in the future.

Corporate News

8. CTG: VietinBank's individual pre-tax profit estimated at $868.6 million

↓ -1.89%

The bank organised the conference to summarise the Party's work and business activities last year, and to implement tasks for the new year on Sunday.

The total credit scale for priority industries and fields accounted for more than 40 per cent of the total credit portfolio by the end of last year.

Assessing VietinBank's operations in the past year, Doan Thai Son, deputy governor of the State Bank of Vietnam (SBV) commented that VietinBank was one of the four major State-owned commercial banks that have maintained its leading role in the banking bloc in strictly implementing the orientation of SBV assigned at the beginning of the year.

The bank maintains a low lending rate in the market in the context of strong fluctuations in general interest rates.

Bad debt ratio is controlled at a low level at about 1.2 per cent and bad debt coverage ratio is approximately 190 per cent, a year-on-year increase of 10 per cent.

The bank was approved to retain all profits of 2021 in the fourth quarter of this year to increase capital.

9. VIC: VinFast delivers over 4,000 electric cars in December

↓ -0.91%

Of the sum, there were 2,730 VF 8 and 1,548 VF e34 units.

On December 12, the company's VF 5 Plus model was officially opened for booking, receiving 3,293 orders within just nine hours. The EVs will be delivered to their owners starting April 2023.

VinFast offers flexible sales options for customers with batteries or with a battery subscription programme. Its EVs are also warranted for up to 10 years — one of the best warranty policies in the market.

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