



VIETNAM DAILY NEWS



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Market Analysis

1. Market experiences ups and downs with low liquidity

The market demonstrated volatility with ups and downs since early this week. The benchmark VN-Index rebounded 0.23 per cent to close Wednesday at 1,055.76 points after a brief decrease on Tuesday.

Liquidity remained at low level of less than VND10 trillion this week. More than 545 million shares worth VND8.9 trillion (US\$377 million) were traded on the Ho Chi Minh Stock Exchange (HoSE).

“The market continued struggling in the range of 1,050-1,065 with low liquidity. After touching the threshold of 1,065 in the morning, the market turned around and closed at 1,055.76, a slight increase of two points compared to yesterday,” a report by BIDV Securities Co (BSC) said.

The rising momentum slowed down in the latter half of the day. The market breadth was positive with 255 stocks rising and 155 falling but still weakened compared to 270 rising stocks and 99 declining in the morning.

Statistics on HoSE showed 205 stocks were driven down from their peak of the day by 1 per cent or more in the afternoon, of which half were down by 2 per cent or more. Under heavy selling pressure, half retreated below the reference thread.

Among blue chips, Vietcombank (VCB) lost 2.52 per cent and Vinamilk (VNM) decreased 2 per cent, being the two shares dragging the VN-Index most.

On the other end of the spectrum, Vinhomes (VHM), brewer Sabeco (SAB) and Vietinbank were among the top three lifting the Index most, up between 2-2.8 per cent each.

According to BSC's analysts, in the next trading sessions until the end of the Lunar Year, the market will not see too strong fluctuations.

On the Ha Noi Stock Exchange, the HNX-Index climbed for a second day this week, gaining 0.49 per cent to end at 211.67 points.

Liquidity increased slightly to nearly 62 million shares worth VND901 billion.

“The market kept falling as a result of the pressure from the resistance zone and the deteriorating money flow. As VN-Index was able to bounce back from 1,045 points, the fall was actually pretty slight. At the same time, there was just a small amount of selling pressure when the market started to rebound,” Phuong Nguyen, a market analyst at Viet Dragon Securities Co, wrote in a note.

Phuong pointed to the pressure as a resistance in the range of 1,065 points for the VN-Index and predicted the market is able to recover, but advised investors should watch for changes in supply and demand in the resistance zone to reassess the market's situation.

Macro & Policies

2. World Bank says Vietnam's GDP growth to moderate in 2023

Vietnam has witnessed strong growth in 2022 which was supported by a release of pent-up demand as Vietnam continued to lift pandemic-related mobility restrictions and travel bans. The country also benefited from a surge in private consumption and export growth.

After the strong rebound in 2022, Vietnam's GDP growth is expected to fall back as the growth of exports to major markets slows.

Specifically, the prolonged war in Ukraine and intensifying geopolitical uncertainty could further reduce global business and consumer confidence. This could lead to a sharper slowdown than projected in the Asia-Pacific region's export growth through weaker global demand and trade disruptions. Such interruptions could lead to

shortages and higher prices for food, fertilisers, and energy.

Further geopolitical fragmentation could also impede global trade and investment and weigh on regional growth for a prolonged period. Commodity- and export-dependent economies like Vietnam are particularly vulnerable to weaker export demand, including from China.

The report says that GDP growth is predicted to be 4 per cent in Malaysia and 5.4 per cent in the Philippines in 2023. Meanwhile, Thailand's GDP growth is expected to accelerate to 3.6 per cent, reflecting the delayed recovery of contact-intensive sectors like tourism and transport. In Indonesia, GDP is anticipated to grow by 4.9 per cent on average in 2023-24, only slightly slower than in 2022. This reflects softening but still robust private spending.

3. UKVFTA offers tariff-free access to Vietnamese market

The ambassador was speaking at the workshop 'UKVFTA commitments and implications for the pharmaceutical sector in Viet Nam' on January 10.

He said under the UK-Viet Nam Free Trade Agreement (UKVFTA), UK pharmaceutical companies enjoy lower tariffs, increased access to the public procurement market for pharmaceutical products, and enhanced protection of intellectual property rights in Viet Nam.

"UKVFTA has helped deliver regulatory changes that have allowed British pharmaceutical companies to obtain foreign-invested enterprise (FIE) status in the country," said Iain Frew.

The ambassador expressed his appreciation for the Ministry of Health's efforts to revise the legal regulations on pharmaceutical registration and management, especially the issuance of Circular 08 which removed additional requirements on the certification of pharmaceutical products.

He also appreciated the decision by the National Assembly to allow the extension of the expired marketing authorisation until 2024. He hoped that the ministry would be able to issue the list of pharmaceutical products under this resolution soon to ensure the continuity of supply and patient treatment.

Do Xuan Tuyen, deputy minister of Health, revealed that the National Assembly had approved a resolution, under which the marketing authorisation (MA) of certain drugs and medicinal ingredients is extended to December 31, 2024.

He said his ministry had been working on the above-mentioned list of pharmaceutical products and would soon publish it to avoid a disruption of medical supply chains.

He also said his ministry had drawn up a revised version of the Law on Pharmacy 2016 and

submitted it to the Government for approval. The version offers five big changes to the original law.

One of the changes involves the replacement of five-year-periodically approved extensions of MA by automatic extensions of MA. Another change centers around the reduction of clinical trial requirements in favour of developed countries.

"Another change involves the decentralisation of MA to local pharmaceutical authorities," said Tuyen.

The deputy minister expected the version to be approved and sent to the National Assembly for discussion in October 2024.

Harry Rawicz-Szczerbo, head of Trade & Investment, British Embassy in Ha Noi, underlined several opportunities for UK pharmaceutical products under UKVFTA.

The first opportunity involves preferential tariffs, with more than 71 per cent of UK pharmaceutical products enjoying tariff-free access to Viet Nam immediately. The remainder is slated to benefit from tariff elimination in the next four to nine years.

The second opportunity involves the access to Vietnamese public procurement market. After a transitional period of two years from the entry into force of UKVFTA, UK suppliers will secure access to a pre-determined portion of the market.

The third opportunity is about the FIE status. The free trade agreement will allow UK pharmaceutical companies to set up FIE status, which entitles them to build warehouses and facilities, hire health experts, and carry out marketing activities in the country.

The fourth opportunity is the improvements in intellectual property rights. For example, Viet Nam will provide regulatory data protection to pharmaceutical products every five years.

"Competitors are prohibited from relying on submitted test data in support of an application for MA for at least five years," said Rawicz-Szczerbo.

The fifth opportunity centers around clinical trials. Under UKVFTA, Viet Nam will withdraw existing clinical trial requirements that are not in line with international norms and standards, including the International Conference on Harmonisation of Technical Requirements for Registration.

4. Banking industry difficulties forecast to continue in 2023: analysts

Under a report released recently, Viet Dragon Securities Company (VDSC)'s analysts have said the interest income growth of the banking industry in 2023 will slow due to the impact of low credit growth and a decreasing net interest margin (NIM).

The credit growth target in 2023 is expected at 11-12 per cent, lower than the 15.5-16 per cent rate in 2022. Though the credit growth rates will differ among banks, the negative outlook of the real estate market will cause the credit demand to be lower than in past years.

The NIM decline will differ among banks in 2023, which will cause the growth of interest income of the entire banking industry to stay at less than 11 per cent. Therefore, VDSC believes banks' interest income will grow slowly in 2023.

The analysts have also projected a high comparative base effect; the customer interest aid programmes and the real estate market difficulties will lessen the non-interest income growth. Accordingly, payment activities will likely decelerate along with credit activities in 2023. Moreover, the tendency of banks to switch to a zero-fee payment programme will also contribute to a decrease in fee income growth.

Besides, the asset investment banking activities, including bonds, will fall in size and profit margin because the bond issuance volume may soon increase again compared to 2022 but will remain lower than that in the booming 2019-21 period due to the Government's tightened conditions. Improved professional investor standards will make it difficult for banks to find bond buyers.

In addition, the costs of complying with the new provisions of Decree 65/2022/ND-CP prescribing private placement bonds in Viet Nam will also increase.

The most important factor is the decline in investor confidence, which will cause the bond market to be continuously tough in 2023.

Therefore, the higher banks have income sources from investment banking operations, the bigger their service fee revenue decline.

Besides, the growth of bancassurance fees will continue to slow due to the lower expected credit growth, the allocation of personal assets to high-interest savings channels, and the saturation of the investment-linked insurance market.

Exceptions may be seen in some banks, such as Lien Viet Post Commercial Joint Stock Bank (LienVietPostBank) and HCM City Development Commercial Joint Stock Bank (HDBank), as the banks will record exclusive fees and the collection of first-year premiums when signing new exclusive contracts for insurance distribution.

The proportion of investment-linked products also cooled down in 2022, while this is the business segment that often contributes the most fee income to banks. The declining trend is forecast to continue in 2023, causing a slowdown in banks' fee income growth next year.

On this basis, VDSC forecasts banks' total operating income will grow modestly in the context of decelerating lending activities. Specifically, in the group of banks in VDSC's watch list, the total operating income in 2023 is expected to grow slowly by 10 per cent over the same period in 2022, when

the interest income will rise by 11 per cent, and the fee income growth will cool down to 16 per cent.

Besides, banks' asset quality is forecast to decline slightly in 2023 while credit expenses will increase moderately by 18 per cent, and the pre-tax profit is expected to go up slightly by 6 per cent compared to 2022.

With the above forecast, VDSC estimates the return on equity (ROE) of banks, in general, will slightly decline in 2023 as Viet Nam experiences decreasing economic growth.

However, some banks, which have high provision buffers for risky loans and good asset quality, and are less vulnerable to risky areas, will still maintain a relatively high ROE in 2023 and recover to the average level in 2024.

According to VDSC's analysts, the banking industry's asset quality may reduce in 2023 in the downtrend of the real estate sector and the less favourable import and export prospect.

However, the analysts have noted the reduction will differ among banks based on the impacts of corporate bonds and real estate lending. A high provision buffer for risky loans will help some banks, which had prudent policies with the two business segments, avoid the decline in asset quality.

A Q1 2023 business performance survey released this week by the State Bank of Vietnam also showed commercial banks were more cautious when forecasting the coming time. According to the survey, only more than half of banks expect their business performance to improve in 2023, but the improvement is lower compared to 2022.

5. Hanoi sees strong recovery in serviced apartment market in Q4/2022

On the serviced apartment market, occupancy of 81% rose by four percentage points quarter on quarter and 12 percentage points year on year. That has nearly reached the pre-COVID (or the quarter of 2019) figure at 82%.

Rent of 575,000 VND per sq.m per month increased by 1% quarter on quarter and 6% year on year.

Grade A charged the most at 735,000 VND per sq.m per month.

According to the report, Hanoi had no new supply of serviced apartments in the fourth quarter of 2022, while the stock of 5,935 units from 63 projects was stable quarter on quarter but increased by 4% year on year.

In 2022, Hanoi was sixth nationally in registered foreign direct investment (FDI), reaching 1.7 billion USD, a year-on-year increase of 12%. Newly registered FDI mostly came from Singapore, Japan, and the Republic of Korea.

The Hanoi Department of Labour, War Invalids and Social Affairs granted over 10,000 new work permits to foreign workers and reissued 868.

China reopened its borders on January 8, 2023. This will likely correlate to manufacturing and industrial growth in Vietnam, which will support FDI inflows and the serviced apartment sector. These properties largely cater to expats working in FDI projects and related enterprises, embassies, industrial parks, international banks, and other foreign businesses.

Meanwhile, Hanoi also changed the infrastructure with the development of Samsung's R&D project in Starlake Tay Ho Tay, which is its largest R&D facility in Southeast Asia.

Ring Road 2 is expected to be completed at the beginning of 2023. Once completed, it will improve traffic in Hanoi and between other provinces. These projects will drive demand for well-located serviced apartments.

"Samsung Vietnam built its largest R&D centre in Southeast Asia. FDI will drive the serviced apartment sector. As large corporations enter, there will be a demand for high-quality products. As such, the market expects more high-end branded projects soon," Matthew Powell, Director, Savills Hanoi.

Nineteen future projects will provide 3,778 units from 2023 onwards. The secondary area will provide 3,097 units or 82%. Branded operators will have 93% or 3,596 units; brands include Ascott, Lotte, The Shilla, Pan Pacific, Wink, Hyatt and Hilton.

For the sector of apartments for sale, most developers are still pursuing new investment opportunities, which promise to bring development potential to the market.

Moreover, the Government's policies in promoting infrastructure development, providing support for the property market and amending laws are expected to bring positive changes to the recovery of the real estate market this year and beyond.

"Most developers are still pursuing new investment opportunities. Amended laws are expected to give the housing market room to grow," said Do Thu Hang, Senior Director of Advisory Services at Savills Hanoi.

In 2023, 19 new launches and the next phases of two projects will add 15,800 units to the Hanoi apartment market. Grade B will have 79%. Hoang Mai, Nam Tu Liem and Gia Lam will deliver 57%.

Developers also want residential land in satellite provinces, which increasingly meet Hanoi's housing demands. Hung Yen and Bac Ninh will provide approximately 103,900 units from 2023 to 2025 onward.

Improving infrastructure, more affordable products and diverse facilities are key success factors, according to Savills.

In the fourth quarter of 2022, Hanoi's primary supply of 20,333 units dropped by 3% quarter on quarter and 6% year on year. There were no new projects, and all the new supplies came from the next phases of six existing projects.

In 2022, the new supply was the lowest for eight years at 12,637 units. Grade B had 83%, followed by Grade A with 9%.

There were 2,890 sales in the fourth quarter, decreasing by 20% quarter on quarter and 30% year on year. Grade B had 76% of sales. The new supply was 28% absorbed.

The average primary price of 47 million VND per sq.m was stable quarter on quarter but improved by 15% year on year.

Average primary prices were 42% higher than secondary prices. The gap between primary and secondary prices was highest in Grade A projects (52%), followed by Grade B (27%) and Grade C (25%).

Since launching in late 2018 and early 2019, Vinhomes Ocean Park and Vinhomes Smart City accounted for 45% of new supply and 33% of sales, reflecting continued demand for outlying areas.

6. Bright outlook for livestock farming industry

Listed firms in the industry had a tough year dealing with the mounting fuel prices caused by the Russian-Ukrainian conflict.

Higher fuel prices drove up transport costs, which, in turn, passed on to higher animal feed prices. As animal feed is an important input to animal agriculture, its rising prices added to their bills, driving down their profits.

Specifically, their aggregate net profits in the first nine months of 2022 fell by 6.2 per cent year-by-year. Their aggregate revenues were harder hit, witnessing a fall of 31 per cent.

The situation began to turn around in Q3/2022 as the demand for meats rose. The rise in sales was large enough to offset the rise in costs, resulting in higher profits.

Hoang Anh Gia Lai JSC (HOSE: HAG) was taking the lead in terms of financial performance during the period. It made a revenue of VND1.4 trillion (US\$61.4 million), up 160 per cent year-by-year. Its net profit stood at VND369.5 billion, increasing seventeen-fold against last year.

BAF Vietnam Agriculture JSC (HOSE: BAF) came next with a revenue of VND1.9 trillion. Its net profit hit VND158 billion, up 260 per cent year-on-year. Dabaco Group (HOSE: DBC) followed suit with a revenue of VND3.6 trillion, up 33 per cent, and a net profit of VND206 billion, up 49.5 per cent.

Vietnam Livestock Corporation JSC (UPCOM: VLC) also did well in Q3/2022. It raked in VND78.3 billion in net profit, up 10.59 per cent. Vissan JSC (UPCOM: VSN), likewise, posted a net profit of VND31 billion.

Masan MeatLife Corporation (UPCOM: MML) was the only firm operating in the industry running unprofitably in Q3/2022. It made a net loss of

VND98 billion due to a nosedive in animal feed sales.

The securities firm VnDirect has an optimistic outlook for the industry. It forecast that firms would be riding high on the back of higher pork prices and growing meat demand in 2023.

Specifically, pork prices are expected to rise by 5.0 per cent during the period as a result of a tight pork supply. Accounting for 60 per cent of the national pork output, household swine farms were reluctant to raise new hogs amid the high animal feed prices, causing the shortage.

The same goes for meat demand, which is expected to remain high thanks to the governmental wage-rising scheme in mid-2023 and the full recovery of tourism in the late months of the year.

VnDirect estimated that basic wage rates would increase by 20.8 per cent in July. Additionally, the number of foreign tourists to Viet Nam would recover to 84 per cent of its pre-pandemic levels in Q2 and 100 per cent in Q4. These two favourable factors would give a huge boost to firms' revenues.

But the good news goes only as far. VnDirect was concerned that the rise in exchange rates between USD and VND would pass through to animal feed prices, adding to firms' costs. The pass-through effect is considerable because firms have to import 80 per cent of their animal feed.

A BAF representative forecast that the situation would be better in 2023 than in the past two years because major importers have begun to open their economies, leading to a growth in global meat demand.

However, the representative was also concerned that transport costs would keep rising this year, adding to animal feed prices. That means firms still

have a hurdle to overcome before they could turn the higher demand into higher profits.

7. Vietnam - one of Asia's best performing economies: IMF Managing Director

At talks with Vietnam's Prime Minister Pham Minh Chinh, the IMF official praised the efforts made by the Vietnamese Government, enterprises, and people to beat the Covid-19 pandemic and achieve impressive socio-economic development.

In 2022, Vietnam undertook important policies to beat adversities brought by the Covid-19 pandemic and domestic and international uncertainties and reaped upbeat results.

In 2022, Vietnam's macroeconomic factors remained stable: inflation rose by 3.15% and remained below the estimation (4%), and gross domestic product (GDP) rose by 8.02%.

The country also achieved a trade surplus of US\$10 billion and contributed to global food security by exporting more than seven million tons of rice and agricultural products worth US\$53 billion.

Furthermore, Vietnam's economy in 2022 was worth some \$409 billion, with a GDP per capita of \$4,110.

He affirmed that Vietnam is one of the best growing economies in Asia-Pacific and that the country must underpin its growth with a good policy-making system focused on fiscal and monetary maneuver, public investment, inflation control, and exchange rate management.

The IMF managing director also hailed the partnership between Vietnam and her organization, saying it has developed and recorded amazing results in recent years.

She said that the IMF shared Vietnam's practices and experiences with other nations and pledged the IMF would provide all kinds of support to Vietnam to sustain and amplify such achievements.

For his part, Prime Minister Pham Minh Chinh thanked the IMF for supporting Vietnam in recent years, particularly during the Covid-19 pandemic.

He said that the Vietnamese Government would execute solutions to stabilize the economy, control inflation, propel socioeconomic growth, and secure major balances.

Prime Minister Chinh said that the government would also ensure that monetary policies are efficient and in line with fiscal policies, invest heavily in infrastructure development, and accelerate digital transformation, energy transition, and circular economy development.

He added that Vietnam is willing to receive and discuss the recommendations made by international organizations such as the IMF and the World Bank (WB).

IMF Managing Director Antoinette appreciated the Vietnamese government's determination and measures taken by local authorities to achieve the goal of zero net emissions by 2050, energy transition, and response to climate change.

She said the IMF is committed to providing Vietnam with technical support on such issues.

PM Chinh said that Vietnam is taking vigorous measures to refine the legal framework for the development of renewable industries.

"With the support of other nations and global financial institutions in technology, finance, administration and governance, and human resources, Vietnam expects to reap good results in both socio-economic growth and protection of the environment," PM Chinh said.

"Climate change is a global issue, which can only be resolved on a global-scale approach and the solidarity of international communities," he added.

PM Chinh hoped that the partnership between Vietnam and the IMF would become a role model for other nations to follow.

Corporate News

8. PET: Record date for 2021 stock dividend payment

↑ 4.08%

On January 09, 2022, the Hochiminh Stock Exchange issued an Announcement No.27/TB-SGDHCM about the record date of Petrovietnam General Services Corporation as follows:

- Ex-right date: January 18, 2023
- Record date: January 19, 2023
- 1. Reason & Purpose: to pay stock dividend for 2021.
- Expected issue volume: 8,983,742 shares
- Exercise ratio: 100:10 (Those who own 100 shares will receive 10 new shares.)
- Plan to deal with fractional shares: The distributed shares will be rounded down to units, the fractional shares (if any) will be cancelled.

- For example: at the record date, shareholder A owns 95 shares. With 10% performing ratio, the shareholder A will receive: $95 * 10\% = 9.50$ shares. According to rounding policy, the shareholder A will receive 09 new shares and the fractional shares of 0.5 share will be cancelled.

- Place of implementation:

+ For deposited securities: Shareholder will implement procedures to receive dividend at the securities company where shareholders opened securities depository account.

+ For undeposited securities: Shareholder will receive dividend at PET's head office on working days. Please present shareholder's identity card/citizen identity card and Share ownership certificate when receiving dividend at the Head office.

9. HDB: Increasing the credit limit to VJC

↓ -0.30%

The Board resolution dated January 09, 2023, the Board of Directors of Ho Chi Minh City

Development Joint Stock Commercial Bank approved to grant for increasing the credit limit to Vietjet Aviation Joint Stock Company (VJC) from VND3,500 billion to VND4,300 billion.

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