VIETNAM DAILY NEWS

January 17th, 2023

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Market Analysis

1. Shares start week on a positive note

The stock market settled up on Monday, boosted by positive sentiment and inflows of foreign capital. But the divergence trend still prevailed so the index fluctuated in a narrow range.

The market's benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) ended the day at 1,066.68 points, an increase of 0.61 per cent.

The breadth of the market stayed in negative territory, with more stocks losing points. Specifically, 175 stocks advanced on the southern bourse, while 215 stocks inched lower.

Investors poured nearly VND9.4 trillion (US$401 million) into the southern exchange, down 24 per cent over the previous session.

The VN30-Index, which tracks the 30 biggest stocks on HoSE, also increased by 0.55 per cent, to 1,075.71 points.

Fifteen stocks in the VN30 basket witnessed positive performance on the trading day, while 13 tumbled. And two stocks stayed unchanged.

Foreign investors also supported the market as they kept pouring capital into the southern exchange. They net bought VND227 billion on HoSE. But they net sold VND1.5 billion on HNX.

Banking stocks performed positively and bolstered the increase of the market with gainers including Military Bank (MBB), Techcombank (TCB), VietinBank (CTG), Viet Nam International Commercial JS Bank (VIB), Saigon-Hanoi Commercial JS Bank (SHB), Tien Phong Bank (TPB) and Vietcombank (VCB).

Notably, Bank for Investment and Development of Viet Nam hit the daily limit gain of 7 per cent.

Other pillars in the VN-30 basket also gained including Hoa Phat Group (HPG), the Viet Nam Rubber Group (GVR), SSI Securities Inc (SSI), Sabeco (SAB), Khang Dien House (KDH) and FPT Corporation (FPT).

Meanwhile, some other pillars still put pressure on the market such as Vingroup (VIC), Vincom Retail (VRE), Masan Group (MSN), Vinhomes (VHM), Novaland (NVL), Vietjet (VJC), Vinamilk (VNM), Mobile World Group (MWG) and Bao Viet Holdings (BVH).

Statistics showed that the banking, manufacturing, utilities, and real estate industries led the market's rallies.

On the Ha Noi Stock Exchange (HNX), the HNX-Index moved down. The northern market's benchmark closed at 210.88 points, a decline of 0.18 per cent.

During the session, nearly 36.8 million shares were traded on HNX, worth VND544 billion.

Macro & Policies

2. Bank stocks to flourish in 2023

Bank profits are forecast to be the bright spot in the fourth quarter 2022 financial report season, which takes place after the Lunar New Year. This will help bank stocks flourish.

Although the financial statements for the fourth quarter of 2022 have not been announced, according to analysts' forecasts, in 2022, the picture of bank profits will have a strong divergence, along with the return of the commercial banking group with State capital. After two years of "holding" growth to support customers affected by the COVID-19 pandemic, the profit of this banking sector has increased sharply again.

By the end of 2022, Vietcombank's pre-tax profit reached nearly VNĐ36.8 trillion (US$1.6 billion), an increase of 39 per cent compared to 2021. This figure at BIDV was VNĐ22.56 trillion, an increase of nearly 80 per cent and at VietinBank was VNĐ20.5 trillion, an increase of 21.5 per cent compared to 2021.

Credit poured into priority areas, interest rates controlled at a reasonable level, and good asset quality are the reasons why State-owned commercial banks are granted more credit room by the State bank, thereby improving business results. In 2022, the credit of these banks all increased sharply, while bad debts were strictly controlled.

By the end of 2022, BIDV's bad debt ratio was only 0.9 per cent, bad debt coverage ratio reached 245 per cent, the highest level in recent years, and the balance of the risk reserve fund was up to VNĐ40 trillion. At Vietcombank, the bad debt ratio was only 0.67 per cent and the bad debt coverage was also above 465 per cent. At VietinBank, bad debt was also only 1.2 per cent, bad debt coverage ratio reached approximately 190 per cent, up 10 per cent compared to 2021.

The private joint stock commercial banks have not yet announced their profits, but it is forecast that the top banks will still maintain a positive growth rate, especially those with not too large corporate bond outstanding loans. Meanwhile, small joint stock commercial banks and banks with large bond outstanding loans are likely to see lower profits in the fourth quarter of 2022.

A recent survey by the State Bank of Việt Nam showed that business results of many credit institutions in the fourth quarter of 2022 did not meet expectations. However, 80 per cent of credit institutions predict that the overall business situation in 2022 will improve compared to 2021.

According to VNDirect analysts, in 2022, the banking industry's profit increased by about 32 per cent. In 2023, the banking sector's profit growth will decelerate, growing at only about 10 per cent due to slowing credit growth, narrowing net profit margin (NIM) and rising credit costs. Even so, opportunities are still open for banks with cheap valuations, healthy asset quality, high capital adequacy ratio, healthy credit structure, and restructuring. These will be the banks prioritised by the State Bank in the credit room grant in 2023.

Nguyễn Hoài Phương, Investment Director, who runs the Việt Nam Market Access Equity Fund (VESAF) under VinaCapital, said that in 2023, the VESAF Fund will consider increasing the proportion of bank stocks, especially banks with competitive advantages in terms of liquidity ratios, diversified loan portfolios and good risk management.

In 2022, banking stocks went through a turbulent period, with only two stocks increasing, namely Vietcombank (VCB) and Bank for Investment and Development of Việt Nam (BID), 25 out of 27 stocks declined, with some decreased by more than 50 per cent. The liquidity of bank stocks also dropped sharply. Even so in 2023, banking stocks are expected to lead the rising wave again after hitting 10-year lows in 2022. However, most likely, the market will have challenges in the first half of 2023, before growing in the second half of the year.

Analysts appreciate banks that have a high proportion of retail lending and demand deposits, or current account savings account (CASA), as well as good liquidity buffers and risk provisions.

In the first week of 2023, bank stocks traded actively. Lê Đức Khanh, analyst at VPS Securities Company, said that it is still too early to judge the growth trend of bank stocks, but most likely, the banking group is leading the market to 1,060 - 1,080 - 1,100 points.

3. Insurance companies benefit from interest rate hike in 2023

It is feasible for insurers to continually increase profits this year as the majority of their investment portfolios are bank savings and government bonds, whose interest rates are forecast to remain at high levels in the year.

According to the current legal regulations, insurers have to use at least 70% of their capital to deposit at banks or buy government bonds to ensure the insurers' capital safety. Therefore, the current high interest rates of the two channels are an advantage for insurers to increase their profits.

As the interest rate hike trend is forecast to remain in 2023, financial activities of insurance companies are expected to continually record positive results this year.

The US Federal Reserve (Fed) last year raised interest rates by a total of 4.25-4.5% per year to curb inflation, the highest rate since January 2008. Fed is expected to continue increasing interest rates in the first quarter of 2023.

The Fed's interest rate hike caused the money flows to change. Investors have gradually withdrawn in most of the emerging and frontier countries and returned to the US. This pushed the US dollar Index to 104.2 points on December 27 last year, up by 8.6% compared to the beginning of 2022.

Facing the pressure of local currency devaluation, as well as the withdrawal of investment flows, most countries have had to raise interest rates. Vietnam is no exception, especially when the market is thirsty for capital with the credit growth increasing faster than the capital mobilisation growth. To cope with the difficulties, the State Bank of Vietnam (SBV) increased policy interest rates twice in September and October 2022, by 1% per year each time.

Under the SBV's move, the interest rates for 12-month term deposits at banks in 2022 increased by 2-4% per year on average. For example, the 12-month interest rate at BIDV is currently 7.4% per year from 5.5% at the beginning of 2022. Similarly, the rate rose from 5% to 9.1% per year at VPBank, from 5.8% to 8.9% per year at Sacombank, from 5.5% to 7.4% per year at Vietcombank.

The savings interest rates are forecast to remain high or even increase higher in the next six months to 12 months.

As interest rates are high, borrowing costs are expensive, and economic growth is slowing. It is currently a tough time for most businesses. However, this is an opportunity for businesses, including insurance companies, which own a large amount of cash.

Statistics of seven listed insurance companies, including Bao Viet Holdings (BVH), Bao Minh Insurance Corporation (BMI), Petrovietnam Insurance Corporation (PVI), Vietnam Reinsurance Corporation (VNR), Post and Telecommunications Insurance Corporation (PTI), Petrolimex Insurance Company (PGI) and Military Insurance Corporation (MIG), showed by the end of the third quarter of 2022, the companies had more than 127.5 trillion VND in cash. The cash was short-term financial investments with mainly short-term bank savings, which accounted for some 42% of the companies' total assets.

As the short-term savings interest rates of banks have been consecutively adjusted up, especially at the end of September and October last year, the 127.5 trillion VND short-term financial investments of the insurers have earned significant profits.

According to experts, the financial revenue of insurers often depends on the interest rates of the market. When interest rates increased, the financial revenue of the insurers increases and vice versa.

Data from Viet Dragon Securities Company (VDSC) also showed interest rates tended to go up in the 2009-11 period. They then slowed in the 2011-15 period, and increased again since 2016.

The financial revenue of insurers was also under the same move in the periods. The financial revenue of three typical insurance companies, including BVH, BMI and PVI, also increased from 2009 to 2011, when the interest rates rose in the domestic market. In the period of interest rate decline in 2012-2015, the financial revenue of the insurers slowed before increasing again in the 2017-2019 period.

In fact, besides the insurance business segment, the financial revenue of insurance companies is often high compared to their total pre-tax profit. Specifically, at BVH, in the 2008-2021 period, the insurer's ratio of financial revenue to pre-tax profit averaged 339.7%. The ratio at BMI and PVI was 102.5% and 150.7%, respectively.

According to Ngo Viet Trung, Director of the Ministry of Finance's Insurance Supervision Administration, despite difficulties and challenges of the economy after the COVID-19 pandemic, insurance companies adapted proactively and flexibly, helping the country's insurance market maintain a good growth rate in 2022.

As of December 12, 2022, insurance premiums in Vietnam increased 15.1% year-on-year to more than 251.3 trillion VND, of which 68.2 trillion VND was from non-life insurers and 183.10 trillion VND from life insurers.

By December 12, the total assets of insurance companies grew by 14.51% against the beginning of the year to 811.31 trillion VND, while equity reached 162.81 trillion VND, up 3.83%.

The numbers are positive in the current context, Trung noted, adding insurance companies have actively improved their competitiveness and expanded their operation area.

4. Nghi Son Oil Refinery commits to provide enough gasoline for Lunar New Year

Accordingly, NSRP will actively maintain the highest capacity before the maintenance period of the year to compensate for the output lost during the period, contributing to ensuring the adequate and timely supply and national energy security.

In addition, Nghi Son refinery plant will mobilise commercial reserves (finished petroleum products and semi-finished products), link with Binh Son refinery plant to ensure contract output for focal businesses.

NSRP said that it would do the first general maintenance for the entire factory this year, with a total time of 55 days as planned, starting from August 25.

This year's capacity plan is set at 79.6 per cent due to nearly two months of overall maintenance, corresponding to about 7.96 million tonnes of crude oil to be processed.

According to information from NSRP, the plant has overcome technical problems to return to 100 per cent capacity and may increase capacity in the near future.

The factory has mobilised necessary human resources, materials and tools to fix the problems. NSRP's on-site repair and workshop-fabrication activities were speeded up.

NSRP had finished fixing the problem by the afternoon of January 13 and the factory was operating at 100 per cent capacity again in the afternoon of January 15.

By providing about 40 per cent of the market's demand for petroleum fuel, NSRP makes an important contribution to ensure national energy security.

NSRP is a joint venture company established in April 2008, invested by four companies: Viet Nam Oil and Gas Group (PVN), Kuwait Petroleum Europe B.V. (KPE), Idemitsu Kosan Co., Ltd. (IKC) and Mitsui Chemicals Inc (MCI).

With a total investment of more than US$9 billion and processing capacity of 200,000 barrels of Kuwaiti crude oil per day, equivalent to 10 million tonnes per year, Nghi Son refinery plant is one of the national key projects of Viet Nam and is one of the most advanced and modern designed refineries operating in Asia.

5. Vietnamese products hold firm position in domestic market

With the Lunar New Year (Tet) is just around the corner, domestic supermarkets such as Mega Market, Big C, Hapro Mart, Saigon Co.op and Winmart have been filled with products for Tet, most of which are domestic.

According to Le Manh Phong, Managing Director of Big C & Go! in Hanoi and northern region under the Central Retail Vietnam, Vietnamese products are making up over 90% of the total products available in the supermarkets chain.

Bui Trung Chinh, Food Purchasing Manager for the southern region at AEON Vietnam, said that the majority of products sold in the supermarket are supplied by Vietnamese partners, with over 80% being domestic products.

Data from the Ministry of Industry and Trade (MoIT) showed that currently, Vietnamese products are occupying more than 90% of space at domestic distribution facilities, and 60-96% of foreign supermarkets in Vietnam. At traditional markets, the rate is at least 60%.

Particularly, since the COVID-19 pandemic broke out, 76% of Vietnamese consumers have said that they choose domestic products, especially those with trademark and high quality, it said.

Le Viet Nga, Vice Director of the Domestic Market under the MoIT, said that the ministry and domestic firms have paid special attention to material zone to ensure the quality of products, while improving the design and packaging to meet the demands of consumers. At the same time, suppliers have focused on environmental issues and communications to draw more consumers, she said.

However, experts held that with the engagement in many free trade agreements, the nearly 100-million-strong Vietnamese market is becoming an increasingly attractive destination for foreign commodities, which means fiercer competitions facing Vietnamese goods.

They advised domestic firms to raise their production capacity through the strengthening of science-technologies.

Nga said that in order to support Vietnamese firms to improve their competitiveness at the domestic market, the Prime Minister has signed a decision on the development of the market in association with the campaign to encourage Vietnamese people to use Vietnamese products, with an aim to ensure Vietnamese strong products making up 85% of modern distribution channels and over 80% in traditional channels.

6. Retail market returns to pre-pandemic level

In its recently released survey, Vietnam Report said that after the pandemic is controlled, the Vietnamese retail market saw the speeding up of the application of digital technologies in business administration, operations, logistics and distribution of many firms.

Meanwhile, a report from the Ministry of Industry and Trade (MoIT) showed that Vietnam's retail market currently values at 142 billion USD, which is expected to reach 350 billion USD in 2025, making up 59% of the country's 2022 GDP.

Last year, total revenue from retail sales of goods and services rose 21%, exceeding the target set by the MoIT. However, according to MoIT Deputy Minister Do Thang Hai, the figure is equivalent to 82% of the calculated level in normal conditions, while the sector is still facing many problems, including those in logistics, infrastructure and linkage in the supply chain.

Vu Thi Hau, President of the Association of Vietnam Retailers, said that to catch up with the strong growth of e-commerce activities, the association is building a project on digital transformation in the retail sector, which is expected to help payment process easier.

7. RCEP boosting like-minded vision among bloc members

On January 2, the Regional Comprehensive Economic Partnership (RCEP) took effect for Indonesia. The preferential tariffs under the deal can now be used by the private sector who are exporting to and/or importing from Indonesia, according to the ASEAN Secretariat.

In a release issued by the Indonesian Ministry of Trade, Minister Zulkifli Hasan said that the RCEP is expected to increase competitiveness and strengthen global production network, promote regional supply chain through better market access for exports of goods and services, reduce or eliminate trade barriers, and enhance transfer of technology.

“The entry into force of the RCEP is timely to mark the beginning of Indonesia's ASEAN Chairmanship in 2023. Indonesia has been the driving force in the deal since the conceptualisation phase, and we hope more milestones, such as the establishment of the RCEP Support Unit, can be achieved during Indonesia's ASEAN Chairmanship this year,” said Satvinder Singh, Deputy Secretary-General for the ASEAN Economic Community.

The entry into force for Indonesia brings the full implementation of the deal one step closer to making ASEAN the hub of production networks within the region, said the ASEAN Secretariat.

Inked in November 2020 by the 10 ASEAN member states and Australia, China, Japan, South Korea, and New Zealand, the RCEP entered into force for all members a year ago, except for Indonesia, the Philippines, and Myanmar.

At the ASEAN Summit and Related Summits held in November in Cambodia, regional member states agreed that they want to see a favourable investment and trade climate in the region, with the RCEP to be fully adopted by the remaining nations.

“We welcomed the entry into force and look forward to its full and effective implementation to contribute to economic recovery, inclusive development as well as our support for an open, inclusive, rules-based trade and investment arrangement,” the statement said. We acknowledge the significance of the RCEP in contributing to our region's economic recovery as well as its important role in the region's bouncing back faster, better and stronger amidst regional and global challenges.

It is expected that the Philippines will adopt the RCEP early this year, while the status of Myanmar remains unclear.

Top benefits

The RCEP covers a market of 2.3 billion people and $26.2 trillion in global output. This accounts for about 30 per cent of the population worldwide and over a quarter of world exports.

According to consultancy firm Dezan Shira & Associates, the agreement will reduce tariffs and set trade rules, and help link supply chains, particularly as governments grapple with pandemic effects. The free trade agreement is expected to cover all aspects of business including trade, services, e-commerce, telecommunications, and copyright, though negotiations over some aspects still need to be finalised. Tariffs are expected to be reduced within 20 years.

The ASEAN Secretariat stated in its 2023 ASEAN Investment Report released last month that with its one-year entry into force, the RCEP has contributed to the region's performance remarkably.

“The climate for manufacturing has also been significantly improved. Member countries committed to providing duty-free access to goods that represent 92 per cent of tariff lines. They also pledged to harmonise many rules and regulations that affect e-commerce and trade," the report stated. "This will create greater access to Asia's largest and most developed markets, lower the costs of importing manufacturing inputs, and make it easier for companies to build supply chains that leverage different advantages and skills across the region."

According to the report, manufacturers are already taking advantage of this economic integration. Japanese multinational Yokogawa Electrical Corporation illustrates how companies can benefit from distributing segments of the value chain across more than one ASEAN country, benefiting from low costs in one and advanced manufacturing in another.

The company makes precision instruments for industries ranging from chemicals to steel to aerospace. It manufactures components and subassemblies on the Indonesian island of Batam and then ships them to Singapore, where Yokogawa has an innovation centre and its regional logistics hub, for final assembly and testing.

Semiconductor manufacturer Infineon uses a similar strategy. It assembles and packages more than 400 million semiconductor devices each year in Batam and ships them for testing to Singapore, where Infineon also has research and development and Industry 4.0 centres.

Under the RCEP's commitments, member states are to remove around 88-98 per cent of tariff lines for Vietnam, and ASEAN countries pledged to do that with 86-100 per cent of tariff lines. The longest roadmap for tariff elimination is 15-20 years from when the agreement became valid.

According to Dezan Shira & Associates, as the RCEP is focused on trade facilitation, the blue-collar sector is expected to benefit the most. Additionally, consumer sectors like tourism, education, entertainment, healthcare, and retail are also expected to benefit as the middle class expands. Further, Vietnam's export-oriented industries such as IT, agriculture, automobiles, footwear, and telecommunications are also expected to see gains.

Eyes on Vietnam

Jaya Ratnam, Singaporean Ambassador to Vietnam, told VIR that the RCEP is contributing to improve the investment and trade ties between his nation and Vietnam, and Singaporean companies are seeing many opportunities in Vietnam.

"At the regional level, Singapore and Vietnam are also like-minded partners in trade deals like the RCEP," Ambassador Ratnam said. "Singapore and Vietnam share strong trade ties, which have remained robust. Bilateral trade has grown steadily over the past decade, reaching SGD26.9 billion ($20 billion) in 2021, an 18.7 per cent increase on-year. Singapore was also Vietnam's second largest cumulative foreign investor, with around $70 billion put into around 3,600 projects as of June 2022."

Indonesian Ambassador to Vietnam Denny Abdi also highlighted that the RCEP is expected to facilitate Indonesian companies to perform in Vietnam.

"Vietnam continues to be an attractive destination for foreign enterprises. Vietnam's position is considered strategic for the enhancement of mutually beneficial economic cooperation," he said. "Vietnam can serve as an entry point for Indonesian investors to the 98 million people of Vietnam's domestic market as well as entrance to surrounding ASEAN countries such as Laos and Cambodia by utilising tariff preferences in ASEAN; and to Vietnam's third-largest trading partner countries such as the US, EU, the Eurasian Economic Union, and China as Vietnam's trade relations with these countries are significant and increasing."

The Vietnamese Ministry of Planning and Investment (MPI) reported that as of December 20, 2022, Vietnam attracted over $98 billion in registered capital from ASEAN member states, including Singapore ($70.85 billion), Thailand ($13 billion), Malaysia ($13 billion), Indonesia ($638.9 million), and the Philippines ($606 million), Laos ($71 million), and Cambodia ($69.4 billion).

Meanwhile, registered capital from Australia, China, Japan, South Korea, and New Zealand reached $1.98 billion, $23.35 billion, $68.9 billion, $81 billion, and $210.6 million, respectively.

The ASEAN Secretariat has highly appreciated such facilitation in Vietnam, which it said boasts great potential to attract more foreign investment both inside and outside ASEAN.

"The investment environment in Vietnam has improved over the years, as corroborated by survey findings from foreign chambers of commerce based in the country," the secretariat said. "The government has introduced measures to simplify requirements, reduce steps and streamline processes to facilitate such activities."

Specifically, the Vietnamese government has continued to reform and take steps to further improve the country's investment environment, including implementing resolutions and regulatory directives on strengthening information provision, simplifying processes, and reducing administrative requirements.

For example, the existing Law on Investment covers Vietnam's efforts to attract foreign funding, including in certain activities such as university education, pollution mitigation and medical research. It also addresses granting of incentives to promoted activities. What is more, the Law on Public-Private Partnership Investment prioritises key industries such as transportation, electricity grid and power plants, irrigation, water supply and treatment, healthcare, and IT infrastructure for public-private partnerships.

"The Vietnamese government has put in place more facilitation measures in recent years to increase efficiency and improve the country's funding environment. The MPI made greater use of digital technologies and online facilities during the pandemic to support investors," the Secretariat said.

Corporate News

8. PNJ: Change in 34th Business Registration Certificate

↑ 1.39%

Phu Nhuan Jewelry Joint Stock Company announces the changes in 34th Business Registration Certificate due to the change of the Company's charter capital from VND 2,425,361,220,000 to VND 2,461,716,200,000, effective from January 11, 2023.

9. BWE: The record date for the 2023 AGM and dividend payment

↓ -1.50%

On January 12, 2023, HOSE announces the record date for the 2023 annual shareholders' meeting (AGM) and the dividend payment of Binh Duong Water Environment Joint Stock Company:

1. Ex-right date: January 30, 2023

2. Record date: January 31, 2023

The payment for the 2022 cash dividend

Dividend pay-out ratio: 13%/ par value (VND1,300/ share)

Payment date: April 26, 2023

Place & procedure of payment:

-Shareholders whose shares have been deposited: at the securities firms where the shares have been deposited.

-Shareholders whose shares have not been deposited: Binh Duong Water Environment Joint Stock Company as from April 26, 2023.

For the 2023 annual shareholders' meeting (AGM)

Meeting date: expected in March 2023

Meeting venue: Binh Duong Water Environment Joint Stock Company.

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