VIETNAM DAILY NEWS

January 18th, 2023

Table of content

Table of content

Market Analysis

1. Shares make large gains on banking, securities stocks

Vietnamese equities closed sharply higher on Tuesday, bolstered by a dramatic injection of cash flow into banking and securities.

The market's benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) ended the day at 1,088.29 points, an increase of 2.03 per cent.

The breadth of the market stayed in positive territory, with more stocks gaining points. Specifically, 352 stocks advanced on the southern bourse, while 69 stocks inched lower.

Investors poured nearly VND11.7 trillion (US$499.3 million) into the southern exchange, equivalent to a trading volume of 673.9 million shares.

The VN30-Index, which tracks the 30 biggest stocks on HoSE, also increased by 2.6 per cent, to 1,103.73 points.

Twenty-nine stocks in the VN30 basket witnessed positive performance on the trading day, while only one tumbled.

Strong cash flow poured into blue-chips, spurring the market's gains. Among the most notable gainers were Hoa Phat Group (HPG), the Viet Nam Rubber Group (GVR), SSI Securities Inc (SSI), Khang Dien House (KDH) and FPT Corporation (FPT), 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).

Bank stock prices have witnessed a substantial increase such as Agribank Securities Corporation (AGR), Asia - Pacific Securities Joint Stock Company (APS), Viet Nam Bank For Industry & Trade Securities JSC (CTS), Military Bank (MBB), Petrovietnam Securities Incorporated (PSI), Sacombank Securities Joint Stock Company (SBS), VNDirect Securities Co (VND), FPT Securities Joint Stock Company (FTS) and Lien Viet Post Bank (LPB).

"In the last week of the Lunar Year, BSC maintains the view that VN-Index may not have too strong fluctuations and will continue to accumulate in the range of 1,050-1,065," said BIDV Securities Co (BSC).

Foreign investors net bought VND227.96 billion on HOSE, including FUESSVFL with VND124.26 billion, Hoa Phat Group (HPG) with VND30.29 billion, Bank for Investment and Development (BID) with VND29.99 billion. Foreign investors were net sellers on HNX with the value of VND1.5 billion.

On the Ha Noi Stock Exchange (HNX), the HNX-Index moved up. The northern market's benchmark closed at 215.15 points, a decline of 2.02 per cent.

During the session, nearly 64.7 million shares were traded on HNX, worth VND934 billion.

Macro & Policies

2. The return of China: mostly positive news for Vietnam

China's COVID-19 policy had become untenable: the virus had spread to 170 cities, and new mandatory quarantines triggered protests from exasperated citizens. On December 26, China's National Health Commission announced it would downgrade the response level. Border crossings to enter China without mandatory isolation are now once again permitted.

This is good news for Vietnam, mostly. Chinese tourists will return, though not immediately. Trade flows across the border will operate more smoothly. But Vietnam will, once again, have to compete with Chinese provinces to attract foreign invested investment.

The reopening of China differs from the reopening elsewhere. In other countries, including Vietnam, the population was vaccinated and immunised, so reopening meant it was safe to interact, socialise, and travel.

People regained confidence, and economic activity jumped forward, especially in sectors that required face-to-face interactions, such as entertainment and transportation.

By contrast, China's strategy was focused on mass testing and mobility restrictions rather than vaccination. The reluctance to grant approval to foreign vaccines for the local population meant that the authorities remained focused on suppressing the virus circulation, hoping the coronavirus would eventually become less lethal.

Bleak episode

The protracted period of isolation strained the population's mental and social wellbeing, and residents began to demand the loosening of restrictive measures. In response, public health measures are being eased.

However, China is reopening when a large share of the population is not well immunised. Worryingly, just 60 per cent of the over 80-year-olds have received one injection, and only 38 per cent have received a booster shot.

A surge of severe infections is thus unavoidable, putting pressure on hospitals' emergency services. Although the information is scant, it is likely that people are avoiding social interactions as they seek to protect themselves and their family members.

This is already weighing down on economic growth. Indicators of manufacturing activity recently fell as rapidly spreading infections grounded workers in factories, disorganised logistics and deliveries, and dampened demand.

China's manufacturing Purchasing Managers' Index, which covers the service sector and construction activity, plunged to 41.6 in December. When this index falls below 50, it implies contraction. After the slowdown of activity in the fourth quarter of last year, additional economic weakness is widely expected in the first quarter of this year.

This makes forecasters wonder whether China will be an engine of global growth in 2023. China is a key trade partner for most countries – it imports large amounts of commodities, equipment, and intermediate inputs for its supply chain. China is Vietnam's second-largest export market, making its uninterrupted growth crucial for many Vietnamese companies.

The short-term outlook for China is bleak, but growth will resume. Millions will get sick, herd immunity will prevail, and economic activity will rebound sharply. China will learn to live with the virus, as other countries have.

Consumer confidence will return, and the demand for goods and services will increase. Reopening in other countries has seen a period of "revenge spending", with consumers eager to catch up with their shopping and use their accumulated savings. Investment growth will also pick up, supported by continued infrastructure spending and improved investor sentiment.

In light of the reopening, many forecasters now see a strong V-shaped rebound from mid-2023, led by private consumption. These forecasters have revised up their outlook and now project an acceleration of China's growth to 4.7 per cent in 2023.

The reopening is accompanied by important reforms. In particular, the government has indicated support for the private sector in key communicative guidance.

The release from the recent Central Economic Work Conference – a 2-day meeting during which members of the government and the party discuss economic policy priorities in the coming year – signalled a change of tone in favour of the private sector.

It emphasised that state-owned enterprises and private enterprises will be treated equally before the law, while public policies will support the growth of the private economy and private enterprises. This is a significant evolution from its emphasis of 2021.

In addition, expanding domestic demand, in particular raising consumption and resident income, was given top priority among the five policy goals.

Several policy advancements seem to back up the shift in tone. Over the last year, China rolled out support measures for the property sector. These measures allowed selected developers to extend their borrowing while stabilising the housing market to cushion the negative effects of the sector's restructuring.

Moreover, the country's banking and security regulator approved Ant Group's online lending subsidiary to expand its registered capital by $1.5 billion. The stock market interpreted this step as a changing stance in support of platform companies and responded with a broad-based rally led by e-commerce firms such as Alibaba and Pinduoduo. The property sector and the platform economy were among the most embattled sectors in the past three years. Vietnamese exporters should therefore prepare for a rebound of their shipments to China.

A large part of bilateral trade, about $56 billion in 2021, consists of inputs used in the supply chain, such as electronic components. The return to normal operations in China will boost these flows of intermediate inputs between the two countries. The demand for products entirely made in Vietnam, such as agricultural products and seafood, will jump as Chinese consumers boost their spending.

Tourism can recover

Thanks to the reopening, millions of Chinese tourists will eventually return to Bangkok, Hanoi, Paris, and Phuket. The return of visitors from China is very much hoped for in these tourist hotspots. Before the pandemic, they were fuelling the hospitality and entertainment sectors and the sales of luxury goods in shopping malls.

The return of Chinese tourists is, for now, slowed by entry restrictions – such as proof of a negative coronavirus test and random testing upon arrival – in fear that new virus mutations could emerge and start new outbreaks. Without new deadly variants, these travel restrictions will be lifted, and international travel will resume.

This is crucial for Vietnam, which relies on tourism and received 5.8 million Chinese visitors in 2019. Still, patience is required. A return to past inflows of visitors will not happen overnight. Tourism has yet to return to past levels in Europe and the United States, where travel restrictions were lifted in early 2022.

Airports, hotels, restaurants, and entertainment centres are not fully functioning. The tourism sector is a complex business with long lags, which takes time to be cranked up. Adding more challenges, Russian tourists are unlikely to return to Vietnam anytime soon. Hopefully, Vietnam's tourism sector will regain its past prosperity by 2024 or 2025

A strong economic rebound in China will be a major event for the world economy in 2023. It will fill the gap left by faltering demand in Europe caught in the clouds of war, and in the United States, where tight monetary policy will contribute to a shallow recession. But it will complicate central banks' efforts to tame inflation.

A substantial importer of commodities, China's recovery will once again push up the global prices of oil, natural gas, metals, and food. Global inflation has started declining in recent months, but this could be reversed if commodity prices increase again. Instead of halting their hikes in interest rates, policymakers at the US Federal Reserve, European Central Bank, and Bank of England would then have to postpone monetary easing. High-interest rates set by these central banks are prone to create difficulties for emerging market economies like Vietnam.

They increase the cost of debt service by governments and corporate borrowers. They also encourage a return of capital flows towards markets in advanced economies, which can put downward pressure on the currencies of emerging market economies, as seen by the rapid – though temporary, depreciation of VND in terms of the US dollar in late 2022.

China's pandemic strategy has challenged the country's lustre as a reliable manufacturing hub.

Doing business in China looks more hazardous, as illustrated by disrupted work at factories operated by Tesla and Foxconn.

Some multinational companies, such as Apple, are now interested in diversifying their production sites to avoid the risk of further disruptions, and Vietnam is an appealing place for such investors. Yet, China is unlikely to be replaced as an attractive investment destination. It has not yet met rivals regarding workforce, skills, logistics, and technology. It is a huge and fast-growing internal market that multinationals cannot ignore.

A successful return to an open, efficient, and attractive China is in the interest of all nations. Close economic cooperation between Vietnam and China will benefit the prosperity of both countries.

3. RCEP brings great business chances for regional firms: experts

The Regional Comprehensive Economic Partnership (RCEP), which came into effect a year ago, has brought about great business chances for enterprises in the region, according to experts.

Right after the deal took effect, trade among regional countries has been increasing. Data from China's General Administration of Customs showed that in the first 11 months of 2022, import-export revenue between the country and RCEP members rose 7.9% year on year to 11.8 trillion CNY (1.74 trillion USD), accounting for 30% of the country's total.

Of the total, trade between China and ASEAN countries reached nearly 5.9 trillion CNY (872.65 billion USD), up 15.5% year on year.

According to experts, the greatest benefit from the deal is preferential tax rates, with zero tariff being applied on more than 90% of goods traded by its members.

A recent survey from HSBC showed that more than 93% of surveyed companies from RCEP members said that they plan to increase transactions with China, and more than 30% said they expects at least 30% growth in business in China this year.

In 2023, RCEP member countries are predicted to recover faster, especially in tourism and real estate.

Thanks to the RCEP, member will have more chances to boost tourism cooperation, thus promoting the growth of other sectors.

At the same time, the deal is expected to create development opportunities for emerging economies in the region, including those in the ASEAN.

Members' cooperation with the thirds has also contributed to the growth of multilateralism, globalisation and regional collaboration, and creating a firm foundation for the speeding up of negotiations of a free trade agreement between China, Japan and the Republic of Korea.

RCEP has helped switch the economic and trade cooperation focus from China to the ASEAN, and move China's economic-trade partnership concentration to the ASEAN, according to experts.

The RCEP was signed in 2020 between the Association of Southeast Asian Nations (ASEAN) and five partners, namely Australia, New Zealand, China, Japan, and the Republic of Korea. Taking effect on January 1, 2022, it is the largest FTA at present, covering 30% of the global GDP.

Under this agreement, about 90% of the tariff lines will be eliminated within 20 years since it came into force.

4. Vietnam-Australia trade hits record high in 2022

Two-way trade between Vietnam and Australia enjoyed a record year-on-year growth of 26.91% to 15.7 billion USD in 2022, according to the Vietnam Trade Office in Australia.

Vietnam's export turnover to Australia last year expanded 26.18% year-on-year to 5.55 billion USD while its imports were valued at 10.14 billion USD, an increase of 27.31%.

Data from the office shows that many key exports of Vietnam continue to post high growth amid various challenges, including machinery, equipment, tools, and other spare parts (62.1%); footwear (41.3%); textiles (26.3%); aquatic products (37.3%); iron and steel (102.9%); handbags, suitcases and umbrellas (24.8%); coffee (62.53%); and electric wires and cables (81.2%).

Meanwhile, Australia continued to be an important supplier of raw materials for Vietnam's production of coal, cotton, ores and other minerals, and wheat.

Head of the trade office Nguyen Phu Hoa said that the industry structure of Vietnam and Australia are complementary to each other, helping the two economies enhance their advantages instead of competing.

Last year, the bilateral trade goals were achieved quickly, he said, adding that Vietnam has become Australia's 10th largest trade partner for the first time, while Australia is now Vietnam's 7th largest trade partner.

Economic experts say that there is a great room for Vietnam and Australia to promote trade growth. The implementation of free trade agreements, including the ASEAN-Australia-New Zealand Free Trade Agreement (AANFTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP), offer opportunities for further cooperation between the two countries.

This year, the Vietnam Trade Office in Australia plans to implement promotion programmes for industries with large turnover and follows the directions of the Ministry of Industry and Trade in expanding the Vietnamese imports and exports.

5. Electronic firms continue to shift investment to Viet Nam

Recently, Apple revealed that it will move its MacBook production chain to Viet Nam in 2023. It has asked Foxconn, its biggest supplier, to launch a MacBook production chain in Viet Nam from May this year, while making plans to produce Macbook Pros in Viet Nam.

In 2025, about 20 per cent of the total number of iPads and Apple Watches will be produced in Viet Nam, along with 5 per cent of the MacBooks and 65 per cent of AirPods. Currently, 25 out of the 190 partners of Apple are running their factories in Viet Nam.

Foxconn, after investing US$1.5 billion in Viet Nam, plans to invest an additional $300 million in the Fukang factory in Quang Chau Industrial Park in northern Bac Giang Province.

Another Apple supplier, Goertek has announced its additional $300 million investment in Bac Giang Province. Meanwhile, Lxshare, which will assemble iPhone 15 Pro Max, is running six factories in Viet Nam with a total of 40,000 labourers.

At the same time, computer producer Dell is striving to make sure all of its chips are produced outside China.

Electronics firm Pegatron is also building a factory worth about $481 million in Hai Phong, while considering moving its R&D centre from China to Viet Nam at a suitable time.

Many other big companies such as OPPO, HP and Bose are also considering the relocation of production plants to Viet Nam, while others, including Xiaomi, Bosch, Panasonic, Amkor, Sharp and Compal, also plan to expand their business presence in the country.

Particularly, Korean firm Samsung, after pouring $18 billion and launching Southeast Asia's largest R&D centre in Viet Nam, also plans to raise its investment in Viet Nam to $20 billion.

Another Korean electronics company, LG, is also making plans to inject additional $4 billion in Viet Nam.

Dr. Ho Quoc Tuan, a lecturer at Bristol University, commented that Viet Nam is benefiting from the diversification of production locations of international businesses.

Experts attributed the phenomenon to Viet Nam's advantages such as low-cost workforce, and the country's engagement in 15 free trade agreements covering more than 50 countries, as well as Viet Nam's political stability.

6. Vietnam remains top 5 global investment sites for EU firms

The confidence of European enterprises in Vietnam's economy declined for a second quarter but the S-shaped country still remains in the top five global investment destinations for their companies, the latest Business Climate Index (BCI) published by the European Chamber of Commerce in Vietnam (EuroCham) showed last week.

The BCI dropped below the baseline to 48.0 in Q4 2022, a drop of 14.2 points compared to three months ago and 25 points from the first quarter of the year.

Though Vietnam's economy grew over 8% for the whole of 2022, this data comes amid continued global economic volatility resulting from a storms of factors including a slowdown in global growth, interest rate hikes, sustained inflation and bruised consumer confidence.

The number of companies expecting economic stabilisation or improvement in Q4 dropped to 27% from 42% in Q3, while the number of firms with growing sense of pessimism doubled from 19% in Q3 to 38% in Q4.

"Things were definitely less positive in the fourth quarter of 2022 than they were earlier in the year," said EuroCham Chairman Alain Cany.

However, according to him, this should not be viewed as a cause for concern.

"In fact, Vietnam's economic opportunities continue to exceed those of its regional and international peers. This is evident from the fact that so many of EuroCham's members consider Việt Nam central to their global investment strategies," Cany said.

The report said 41% of respondents stated their company is shifting operations from China to Vietnam, up from 13% in the third quarter, while nearly 35% of firms ranked Vietnam among the top five global investment destinations for their company, with 12% stating that Việt Nam was their firm's top investment site globally.

However, the report also pointed out three most significant regulatory barriers to foreign companies operating in Vietnam, including a lack of clarity regarding rules and regulations (51%), administrative issues (41%) and visa and work permit difficulties (30%).

Despite that, 58% were satisfied with the attention of policymakers paid to business needs when setting relevant policies.

In addition, BCI participants reported that the EU-Vietnam Free Trade Agreement (EVFTA) had a positive effect on the growth of their businesses, their financial health through tariff reductions and the strength of their supply chains.

7. MoIT prioritises developing domestic supply chains and stabilising prices

Deputy Minister of Industry and Trade Do Thang Hai said at present, the MoIT is promoting the implementation of solutions to ensure the balance of supply and demand and stabilise the market of essential goods for the Lunar New Year of 2023.

At the same time, it will coordinate with localities to implement market stabilisation programmes to meet people's needs during the peak of the Lunar New Year (Tet).

For the development of the domestic market, Tran Duy Dong, director of MoIT's Domestic Market Department, said that the draft on restructuring the industry and trade industry sets the target to restructure the domestic market towards fast and sustainable development.

In addition, the sector will maintain a seamless connection with import and export markets to ensure the smooth operation of domestic manufacturing activities.

Based on expanding the domestic consumption market, together with the development of Vietnamese brands, the sector will exploit the advantages of the rapid growth of the middle class and young and dynamic consumers.

Accordingly, the ministry will prioritise the development of new consumer economic models such as sharing economy, night-time economy, tourism economy, green economy, circular economy, digital economy, and e-commerce.

It expects that the added value of domestic trade will achieve an average growth rate of about 9-9.5 per cent each year.

In addition, the industry and trade sector will build and develop a synchronous and modern commercial infrastructure system and prioritise modernising the distribution system in rural and mountainous areas. It will encourage enterprises, commercial cooperatives and business households to innovate their operation methods according to modern and professional manners.

Dong said that the ministry has been coordinating with the Ministry of Agriculture and Rural Development to effectively connect production with the market under the supply chain model to ensure stability in supply, demand, price and origin of commodities.

The ministries will manage the quality of goods circulating on the domestic market under international regulations and standards, and implement product and goods traceability. In addition, they also coordinate with localities to develop domestic consumer goods supply chains, especially for agricultural products and food.

Economic expert Vu Vinh Phu, former chairman of the Ha Noi Supermarket Association, said that to have sustainable development of the domestic market, it is necessary to promote linkages between enterprises and commodity associations in goods consumption, reducing dependence on exports.

Meanwhile, ministries, localities and associations must also link more closely with online fairs and cooperate with e-commerce platforms to promote the consumption of goods.

The MoIT sets a goal that by 2030, goods distributed via the modern retail system will account for about 38-42 per cent, while those sold via e-commerce channels account for about 10.5-11 per cent.

The domestic sector is targeted to account for 85 per cent of Viet Nam's total retail sales of goods. In comparison, the foreign-invested sector will account for about 15 per cent.

According to MoIT, in 2022, Viet Nam controlled the COVID-19 pandemic, so production activities and people's daily life gradually recovered, and the demand for goods increased again.

The domestic supply of goods met the demand, while commodity prices did not have large fluctuations.

Concerning petroleum products, the ministry has carried out many solutions to ensure supply, limiting the impact of fuel price hike.

The ministry reported the prices of many goods on the domestic market tended to increase from the end of the first quarter of 2022.

In the second quarter, the price of input materials rose due to the increase in the price of raw materials on the world market.

However, from the beginning of the third quarter, following the trend of world prices, prices of many commodities have gradually stabilised again.

The General Statistics Office reported that in 2022, the national retail sales of goods and services were estimated at VND5.7 quadrillion, up 19.8 per cent over the previous year. This was a fairly high growth rate in recent years.

After two consecutive years of decline due to the impact of COVID-19, the country's total retail sales this year rebounded sharply. That meant the State's post-pandemic economic recovery policies have been effective, and people's purchasing power has gradually restored to the pre-pandemic level.

Corporate News

8. APH: Redemption of preferred shares

↑ 2.84%

On January 13, 2023, An Phat Holdings Joint Stock Company announces the redemption of preferred shares as follows:

- Number of treasury shares before trading: 0 share
- Number of shares registered to buy: 7,314,880 shares
- Stock type: preferred share
- Purpose of redemption: the share repurchase to redeem the contribution capital of preferred shares , redeem and can convert into common shares.
- Trading method: to transfer rights via the Vietnam Securities Depository (VSD).
- Expected trading date: from January 31, 2023 to March 01, 2023.

9. PNJ: Result of stock issuance for capital increase

↑ 0.57%

Phu Nhuan Jewelry Joint Stock Company has reported the result of a stock issuance to increase its share capital from the owner's capital as follows:

I. Information on stock:

1. Stock name: Stock of Phu Nhuan Jewelry Joint Stock Company
2. Charter capital: VND2,461,716,200,000
3. Number of outstanding shares (before the issuance): 246,002,061 shares
4. Number of treasury shares (before the issuance): 169,559 shares
5. Stock type: common share
6. Stock code: PNJ
7. Par value: VND10,000/ share
8. Exercise ratio: 3:1
9. Number of shares expected to be issued: 82,000,687 shares
10. Ending date: December 30, 2022
11. Estimated trading date: expected in Quarter I/2023

II. Result:

1. Number of distributed shares: 81,997,568 shares
2. Number of distributed shareholders: 9,023 shareholders
3. Number of fractional shares: 3,119 shares
4. Plan to deal with fractional shares: The distributed shares will be rounded down. The fractional shares will be cancelled.
5. Total current shares (December 30, 2022): 328,169,188 shares
    - Outstanding shares: 327,999,629 shares
    - Treasury shares: 169,559 shares.

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

Disclaimer:

Japan Securities Co., Ltd – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818 *Fax: (024) 3791 5805*

Email: info@japan-sec.vn

Website: www.japan-sec.vn