# VIETNAM DAILY NEWS

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# Market Analysis

## 1. Shares extend gains on the rise of real estate, securities stocks

Shares gained ground on Wednesday thanks to the sharp rises of large-caps and in the securities and real estate group, supporting the overall market.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) gained 0.92 per cent to close at 1,098.28 points. The index had ended Tuesday at 1,088.29 points, an increase of 2.03 per cent.

The market's breadth turned positive with 105 stocks declining, while 322 rose.

Liquidity rose to a new high with 604.2 million shares traded on the southern bourse, worth VND10.2 trillion (US$435.2 million).

The 30 biggest stocks tracking VN30-Index rose 1.09 per cent to 1,115.72 points. Twenty-five in the VN30 basket increased, while two declined and three ended unchanged.

Securities stocks soared at the end of the session with many strong gainers, namely Asia - Pacific Securities Joint Stock Company (APS), Viet Nam Bank For Industry & Trade Securities JSC (CTS), VNDirect Securities Co (VND), Bank for Invesment & Development of Vietnam Securities Company (BSI) and VIX Securities Joint Stock Company (VIX).

Real estate and construction stocks witnessed a dramatic gain in prices, such as Khang Dien House (KDH), Novaland (NVL) and Phat Dat Real Estate Group (PDR).

The bullish inertia continue to bring the market up and conquer the higher resistence zone. Liquidity improved compared to the previous period, showing that investors' sentiment is gradually becoming positive again, said Viet Dragon Securities Co.

"With this development, the market may continue to gain in the next session thanks to the inertia, yet a dispute situation may take place. The next resistance area to watch out for is the old peak of 1,100 points of VN-Index, equivalent to 1,120 points of VN-30 index. Therefore, investors expect the market's ability to rise, but still need to pay attention to selling pressure at the upcoming peak," said the company.

Meanwhile, the HNX-Index on the Ha Noi Stock Exchange (HNX) gained 1.2 per cent, to close Weddnesday at 217.73 points.

The index had closed Tuesday at 215.15 points, a decline of 2.02 per cent.

During the trading session, investors poured VND1.2 trillion into the northern market, equivalent to a trading volume of 75.3 million shares.

# Macro & Policies

## 2. VN needs to move forward on global minimum tax

A number of countries were adopting Pillar Two global minimum corporate tax and moving toward implementing this measure.

In the tax insights issued early last week, PwC wrote that South Korea was the first country to have codified the global minimum tax rules in its domestic legislation.

The newly enacted rules are added to the existing Korean Law for the Coordination of International Tax Affairs.

In December, the European Union (EU) reached a unanimous agreement to implement this global minimum tax starting from 2024, which would pave the way for the EU to roll out a global corporate minimum tax rate of 15 per cent imposed on large multinational companies with annual revenue of US$790 million.

Other countries including the UK, Switzerland, Japan and Australia also initiated domestic legislative procedures to introduce the global minimum tax rules.

To date, over 140 countries and jurisdictions, including Viet Nam, joined the OECD's two-pillar solution to reform international taxation rules and ensure that multinational enterprises pay a fair share of tax wherever they operate. As part of this plan, Pillar Two introduces domestic rules that establish a global minimum effective corporate tax rate of 15 per cent for large multinational enterprises (MNEs).

The other half of the OECD framework, Pillar One, would cover the allocation of taxing rights over large multinationals to jurisdictions where profits are generated.

Under the OECD's implementation plan, Pillar Two should be brought into law in 2022 and be effective in 2023.

The global minimum tax rules were forecast to have a significant impact on Viet Nam where foreign direct investment (FDI) played a significant role in the economy.

According to the report of the Central Economic Commission, the FDI sector contributed around 20 per cent of GDP, accounted for 70 per cent of the country's export value and 50 per cent of the industrial output.

The FDI not only created jobs but also contributed to accelerating the economic restructuring, improving trade balance and promoting economic growth in Viet Nam.

For a long time, tax incentives have been an important tool for Viet Nam to attract FDI.

Given the short timeline before the new rules were in force, experts urged Viet Nam to take action to come up with appropriate tax policies in adaptation to the global minimum corporate tax in order to remain an attractive destination for FDI.

The Pillar Two would limit the ability of countries to use tax incentives to compete for investment attraction, forcing affected multinational corporations to consider other factors rather than tax for investment decisions, such as infrastructure development, market potential, policy environment, political stability, labour and other support measures besides tax.

According to PWC, when Pillar Two was adopted, tax incentives of countries would not bring many benefits to in-scope multinational corporations. If the government did not change the domestic legislation, the country might lose its competitiveness in the race of attracting FDI because tax incentives were no longer attractive, and investors might look to other countries for investment location.

Phan Duc Hieu, Permanent Member of the National Assembly's Economic Committee, said it was necessary to develop appropriate tax and fee policies, especially building policies to adapt to the global minimum tax and improving the business environment transparency to remain an attractive FDI destination.

The global minimum tax would have a significant impact on Viet Nam's FDI attraction, he said, adding that many countries were gearing up preparations in reviewing the legal frameworks and even implementing other measures to attract FDI as an alternative to tax incentives.

For Viet Nam, the slow policy change might affect many FDI projects which were operating in the country, especially in the plans for expansion of production and business.

Director of the General Statistics Office Nguyen Thi Huong said that to attract investment, Viet Nam needed to reduce logistics fees, enhance human resources quality, improve the infrastructure system and create a transparent business environment.

At the recent reception for President of the Republic of Korea's Samsung Electronics Park Hark Kyu, Deputy Prime Minister Le Minh Khai said that a special work group was founded under the Prime Minister's Decision No 55/QD-TTg dated August 4 to be in charge of studying and proposing solutions related to OECD's Pillar Two.

Khai said that the working group would focus on reviewing the framework of corporate income tax in the adoption of the global minimum tax.

According to OECD, the introduction of the global minimum corporate tax rate set at 15 per cent would be applied to multinational enterprises with revenue above $790 million and was estimated to generate around $150 billion in additional global tax revenues annually.

## 3. Vietnam likely to become next Asian industrial hotspot

The newswire pointed out that while parts of Asia are still in the process of recovering from the global pandemic, the Vietnamese economy has boomed, reaching an impressive 8% growth last year, faster than other major regional economies in Asia, including India, Japan, and China. In addition, export revenue hit US$372 billion, an annual rise of 10%.

The Indian news outlet attributed the boom for Vietnamese industry to the disruption to supply chains occurring on the Chinese Mainland, Asia's largest manufacturing hub, particularly as factories were subject to shutdowns during the COVID-19 pandemic. As a result, companies turned to alternative locations as a means of continuing and diversifying their production streams.

According to the publication, the country boasts a competitive labour force and low manufacturing costs with strong infrastructure. It has a young and growing population of 97 million, 70% of whom are under 35 - a considerable labour force for the manufacturing industry

While China's manufacturing costs have risen to around US$6.50 per hour, those in Vietnam remain low at less than half the cost, equal to US$2.99 per hour.

Most notably, the country is strategically located along a strip of 3,200km long coastline which makes it, particularly the northern region, an ideal location for shipping cargo in and out. The Government has been investing in improving the nation's infrastructure, particularly in the northeastern cities, to create a more attractive travel destination and ultimately a more connected port and industrial hub.

The newswire outlined that more companies are now moving their production to Vietnam which is the world's second-largest manufacturer of tech and apparel, with big brands such as Nike, Adidas, and Samsung all operating across the country.

Moreover, the disruption caused by the pandemic has seen more companies explore options in the Vietnamese market. While Apple manufactures the majority of its products in China, it has been diversifying its production in other countries, namely India and Vietnam.

Last year, the tech giant announced that it will be producing Apple products, mainly Apple Watches and MacBooks, in Vietnam for the first time.

Google's newest Pixel phone, too, will be made in the country, while Microsoft started shipping Xbox game consoles from Ho Chi Minh in 2022.

Reports have also emerged that Apple supplier Foxconn is looking at investing US$300 million to expand their factories in northern Vietnam, whilst Dell, HP, Nintendo, and Lenovo are all planning on setting up plants in the country as well.

Meanwhile, the Government has been making strong efforts in order to make trade easier between Vietnam and the rest of the world.

To support these efforts, Vietnam has signed free trade agreements with the EU, UK, and nations across the Asia-Pacific region, opening up the country to further trading opportunities.

Another strong driver of trade is the Regional Comprehensive Economic Partnership – a trade agreement among the Asia-Pacific nations of Australia, Japan, Chinese Mainland, New Zealand, the Republic of Korea, and other ASEAN members.

## 4. China's re-opening to impact Vietnam

According to the latest report "2023 outlook: Three ripples from China's re-opening" by HSBC, ASEAN is well situated to receive a punchy boost from China's re-opening after an impressive recovery in 2022.

The direct benefit comes from the heavily-exposed tourism sector, though it offers some hope for FDI and trade.

After a strong recovery in 2022, ASEAN started 2023 with more good news as China began its re-opening on January 8. The most direct transmission channel is tourism, a sector that has been ailing in ASEAN.

Vietnam along with Thailand will be the two clear winners, as Chinese tourists made up around 30 per cent of visitors pre-pandemic. While Vietnam's economy is not as heavily dependent on tourism as Thailand, the significance of the sector to its job market cannot be underestimated.

In Vietnam, around 25 per cent of the workforce works in food, beverage, and accommodation-related sectors. The proportion of broader tourism-related employment is low in Vietnam, with the share significantly higher in the Philippines, Malaysia and Indonesia. Meanwhile, Vietnam's informal job market is even more sensitive to tourism, such as those working in restaurants and entertainment.

In addition, its larger services deficits, a result of a lack of tourism receipts, have been a major drag on Vietnam's current account. More tourist receipts will thus provide further foreign currency inflows and reduce Vietnam's services deficit, though HSBC expects only a small rebound in 2023.

The report also pointed out that ASEAN has surpassed the EU to become China's largest trading partner since 2022, so exports should also benefit from a rebound in China demand. Agriculture exports from Vietnam, Thailand, and the Philippines will likely see considerable support from booming Chinese pent-up demand. Meanwhile, Indonesia and Malaysia will likely keep outperforming in exports as commodity prices stay high.

The most notable drag came from weakening electronics exports, making Vietnam and Singapore particularly vulnerable. Vietnam's phone and computer shipments saw an even more striking decline of close to 30 per cent on-year in December. In particular, given the import-intensive nature of tech manufacturing, plunging electronics imports signals an uncertain outlook for tech exports.

The green shoots in terms of trade prospects is through FDI, an area which has seen China's growing footprint in ASEAN. Over the years, China has been investing heavily in ASEAN's booming manufacturing sector, ranging from the EV supply chain in Indonesia and Thailand, to consumer electronics in Vietnam, as well as Singapore's promising pharmaceuticals.

High-profile examples include Apple's plans to relocate the MacBook supply chain to Vietnam.

Goertek and Luxshare, two of Apple's three major suppliers (in addition to Taiwan's Foxconn), have poured additional funds worth $400 million and $306 million, respectively, to expand their production of consumer electronics and multimedia equipment.

This is part of Apple's ongoing expansion plans into Vietnam, with the most recent relocation being for its relatively complicated MacBook supply chain, which is expected to start producing in mid-2023.

## 5. Vietnam-Australia bilateral trade hits record high of US$15.7 billion

Most notably, export turnover from the country to Australia saw a marked improvement, reaching US$5.55 billion, up 26.18%, whilst imports hit US$10.14 billion, up 27.31% on-year.

Statistically, many key Vietnamese export products continued to record high growth amid facing many challenges.

On the other hand, Australia continues to represent an important source of raw materials for domestic production such as coal, cotton, ores and other minerals, as well as wheat.

These goods accounted for approximately 80% of imports from Australia, with the import proportion reaching 30% to 70% of total Vietnamese imports from other countries, depending on different items.

Upon assessing the trade relationship between the two countries, Nguyen Phu Hoa, head of the Vietnam Trade Office in Australia, said that the industry structure of both sides can be considered complementary to each other, thereby helping the two economies enhance their own advantages instead of being in competition.

Overall, the past year has seen bilateral trade goals achieved quickly under the direction of the two countries' senior leaders. As a result, the nation has developed into Australia's 10th largest trading partner for the first time, while Australia is currently the seventh largest Vietnamese trading partner.

Economic experts have therefore highlighted the huge potential to boost trade growth, noting that taking advantage of signed free trade agreements (FTAs) such as 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) can continue to open up fresh opportunities to build links between the two countries across many new fields.

In December, 2021, the two nations signed a strategy aimed at strengthening economic ties and issued a roadmap aimed at promoting trade and investment relations between the two countries in the first 2021 to 2025 period.

The common goal of the strategy is to lift the two countries into each other's top 10 trading partners and to double investment in each nation. This represents a premise aimed at creating favourable conditions for businesses seeking to expand co-operation.

Upon speaking at the event "Vietnam - Australia Business connect" organised by the Vietnam Trade Office in Australia, Graham Kinder, vice chairman of the Australia - Vietnam Business Council, said that Australian businesses realise there are plenty of investment opportunities across multiple fields in the Vietnamese market. This includes trade, investment, development, education, tourism, and transportation.

These areas are inherently Australia's strengths, meaning Australian firms operating in these sectors are constantly seeking to expand their investment in Vietnam.

Moreover, Kinder believes that Vietnamese businesses can also effectively utilise investment co-operation opportunities across all regions, states, and localities of Australia in a bid to expand business activities and investments that the country has advantages in.

Chu Hoang Long, lecturer at the Australian National University (ANU), recommended that in order to make good use of co-operation opportunities, Vietnamese and Australian management agencies and businesses need to clearly identify their strengths and comparative advantages. In addition, they must carefully study the legal system, customs, regulations, and standards of goods and services, whilst seeking to improve local knowledge and understand the capacity of partners.

With regard to the Vietnamese side, it is necessary to enlist the support of Australia to improve the local investment and business environment, as well as the capacity building, thereby being ready and proactive to receive technology transfer. This is along with efforts to upgrade value chains in both governance and technology to quickly connect with Australian value chains and reach out to the global value chain.

Hoa shared that in the past, the Trade Office has strictly implemented the Vietnamese Government's policy relating to economic relations with Australia, actively putting into practice directions put forth by the Ministry of Industry and Trade and the Vietnam representative agency in Australia.

Entering 2023, the Vietnam Trade Office in Australia plans to continue carrying out promotional schemes according to the action plan set out in relation to industries with large turnover, following the direction of the Ministry of Industry and Trade on expanding imports and exports of Vietnamese products.

Furthermore, the digital economy will also be promoted by the Trade Office, especially with agricultural products. In particular, many new Vietnamese products show growth potential in the Asia-Pacific market, such as frozen fruits, including jackfruit, passion fruit, durian, and some spices.

## 6. Textile, leather and footwear exports fetch US$71 billion

In terms of the figure, the garment and textile sector grossed US$44 billion, while the leather footwear and handbag industry recorded turnover of US$27 billion.

Vitas assessed that despite facing the impact of a global economic recession coupled with high inflation, leading to a sharp decline in the consumption demand and export orders, the garment, textile and footwear sector was able to achieve double-digit growth.

Sharing this perspective, Le Tien Truong, chairman of the Vietnam National Garment and Textile Group (Vinatex), revealed that the garment and textile sector achieved robust growth in the fourth quarter of 2021, as well as during the initial eight months of 2022.

However, export orders recorded a significant drop in the fourth quarter of 2022, thereby leading to several businesses being forced to lay off their workers.

Truong analysed that high inflation in the majority of major Vietnamese markets such as the United States and the EU will have an impact on the furniture, garment and textile, footwear, electronics, and plastics sectors moving forward.

With a decline in the number of orders, the export market for the textile, garment and footwear industry is therefore forecast to remain quiet until the end of the first quarter of the year.

This year the textile and garment industry has set sights on reaching its export target of between US$46 billion and US$47 billion, while the leather and footwear industry strives to fulfill its goal of between US$27 billion and US$28 billion.

As the major export industries of the national economy, the textile and footwear industry has been advised to retain skilled workers, promote investment in the production of raw materials and auxiliary materials, focus on producing artificial fabrics, as well as encourage the production of domestic yarns.

This should be done in order to reduce imports whilst simultaneously seeking to establish a complete value chain within the industry in the long-term.

## 7. Wood and wooden product exports projected to rake in 25 billion USD by 2030

Vietnam expects to earn 25 billion USD from the export of wood and wooden products by 2030.

The export turnover would set a record high of 18 billion USD by 2023, with wood pellets and woodchips forecast to enter the one-billion USD club.

President of the Vietnam Timber & Forest Products Association (Viforest) Do Xuan Lap said that the figure will represent a growth rate of 7-9%.

To that end, the industry will focus on raising the competitiveness of enterprises by reducing the use of imported wood, applying scientific and technological advances in improving labour productivity, and stepping up digital transformation to cut production costs.

The export of wood and forestry products was valued at 16.92 billion USD last year, surpassing the set target by 3.8%, and up 6.1% year-on-year.

To boost the export, the Ministry of Agriculture and Rural Development will propose the Prime Minister and the Government approve relevant policies, such as the national forestry planning scheme for 2021-2030 with a vision towards 2050.

Importers, especially those from major markets like the US and Europe, have intensified their technical barriers and product origin tracing, the ministry said, suggesting businesses satisfy requirements of partners to optimise advantages generated by free trade agreements in order to achieve the above-said targets.

# Corporate News

## 8. FPT: FPT revenue, profit jumps

↑ 1.71%

Vietnamese software giant FPT recorded revenue of VNĐ44 trillion (US$1.8 billion), bringing profit before tax of VNĐ7.6 trillion, up 23.4 per cent and 20.8 per cent year-on-year, respectively.

The company's EPS (earning per share) reached VNĐ4,421 per share, up 22.2 per cent compared to the previous year, showing the company's efforts to achieve the goal of sustainable growth of over 20 per cent.

The technology unit (including Domestic IT Services and Global IT Services) continued to play a key role, contributing 58 per cent of revenue and 45 per cent of pre-tax profit.

Global IT Service revenue reached VNĐ18.9 trillion, up by 30.2 per cent and its profit before tax reached VNĐ2.98 trillion, up 23.3 per cent over the same period in 2021. Notably, revenue grew in all markets, especially in the US (up 50 per cent) and Asia-Pacific (up 36.4 per cent). The Japanese market also witnessed a rapid recovery with revenue growth reaching 16 per cent despite weakening Japanese yen.

Meanwhile, digital transformation revenue reached VNĐ7.34 trillion, an increase of 33 per cent over the same period, affirming the ability of the company to provide effective and comprehensive digital transformation services.

The domestic IT services segment achieved revenue and pre-tax profit of VNĐ6.59 trillion (+6.3%) and VNĐ434 billion (+15.3%), respectively, of which, products of the Made by FPT ecosystem brought in VNĐ1.15 trillion in revenue, up 54.3 per cent over the same period.

The Made by FPT technology ecosystem is developed based on core technology platforms including AI, Blockchain, Cloud, IoT and Lowcode and has wide applicability in many key fields such as e-government, transportation, healthcare, finance and banking, telecommunications, education and manufacturing.

## 9. SFI: Notice of the record date for the 2022 dividend payment

↑ 0.99%

Sea & Air Freight International announces the record date for the second phase of 2022 dividend payment:

Record date: February 09, 2023

Purpose for the payment for the second phase of 2022 dividend in cash

Dividend pay-out ratio: 20%/ par value (VND2,000/ share)

Payment date: March 08, 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: Sea & Air Freight International as from March 08, 2023.

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