



VIETNAM DAILY NEWS



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Market Analysis

1. Positive prospects for VN stock market

The market's uptrend will continue to be consolidated in the first trading session of the Year of Cat.

Indices recorded a new high and closed above the resistance area of 1,100 points of VN-Index, equivalent to 1,120 points of the VN30-Index. Although cash flow has not improved much, supply pressure has not put great pressure on the market.

The market is expected to continue to be supported and gain points in the next trading sessions. Therefore, investors can still expect the market's ability to expand the uptrend and exploit some short-term opportunities in stocks with positive accumulation background, said Việt Dragon Securities Co.

The market continued to record new highs and surpassed the resistance zone of 1,100 points of the VN-Index in the last trading week. 2022 was an eventful year for the Vietnamese stock market with many records set.

After a prosperous 2021, the VN-Index continued to stay at its historic peak for the first three months of 2022. However, the market then declined, putting itself on the list of markets with the sharpest decreases in the world. As of December 27, the VN-Index had dropped to 1,004.57 points, or 34.2 per cent lower than the 1,520-point gained in April.

In some months in 2022, half a million trading accounts were opened. Foreign investors' net purchases reached a record high. The liquidity of some shares at times reached hundreds of millions of units each trading session.

In November and December, the market witnessed the strongest recovery sessions in the world.

In 2023, economic growth will be somewhat slower than the previous year. Some pressure from tight monetary policy in the world will make money flow into the stock market more difficult, said Lã Giang Trung, CEO of Passion Investment Co.

He added: "Two major factors affecting the stock market in 2023 are cash flow and the process of restructuring and shifting resources of the economy. If interest rates continue to rise sharply, the stock market will face difficulties, whereas when interest rates cool down, it can help the market grow.

"I am quite optimistic about the picture of the stock market in 2023. The first three to six months of the year will be a period of continued difficulties. But when the difficulties are over, the monetary policy will start to be loosen, which will open a new cycle for the stock market. Then the market will easily conquer new height in the following years."

There are two scenarios for the stock market in 2023. Firstly, the bottom of the VN-Index this year will not be lower than the level of 873 points set in 2022, and the market will go up gradually.

Secondly, the VN-Index will look for a new bottom before recovering at the end of the year. The market may fall to the old bottom of about 780-800 points, this possibility becomes real if the US economy falls into a sharp recession in 2023.

With the forecast that monetary policy will be eased soon in the second quarter of 2023, the market can increase by 50 per cent from the bottom, equivalent to 1,200 points at the end of this year. In 2023, there may be quite big fluctuations, but the general trend towards the end of the year is still positive, Trung said.

Macro & Policies

2. High exports but challenges ahead for fertiliser industry

Vietnamese fertiliser exports were riding high in 2022 with an aggregate volume of 1.7 million tonnes, bringing in over 1 billion USD.

As organic agriculture has begun to gain traction in the world, organic fertiliser exports reached 2.91 million tonnes last year, up 14% year-by-year. The number of organic fertiliser factories hit 468, four times as high as the number in 2017.

However, high exports are only part of the story. In fact, Vietnam imported 3.44 million tonnes of fertilisers last year as some types of fertilisers could not be produced domestically. Of the imports, 0.46 million tonnes are organic and 3 million tonnes are non-organic.

The Ministry of Agriculture and Rural Development revealed that there were 792 fertiliser factories in the country in 2022, 112 factories lower than the figure in 2021.

The ministry remarked that the mounting prices of fertilisers in 2022 were pushing up agricultural costs, driving many farmers into unprofitability.

Specifically, fertiliser costs increased from around 25% of their total costs to roughly 50%, surpassing the rise in their revenues. Substandard fertilisers added to their woes by causing damage to their crops.

As such, the Vietnam Fertiliser Association (VFA) urged domestic fertiliser producers to invest further in advanced technologies to improve efficiency and cut costs, which would reduce fertiliser prices to the relief of farmers.

"Production should be distributed equally between non-organic and organic fertilisers as the latter has become a trend globally," added Nguyen Tri Ngoc, VFA deputy director.

The International Fertiliser Association (IFA) had three scenarios for the global fertiliser market in 2023.

Under the worst-case scenario, global fertiliser demand would fall in 2023 and stand at 194.6 million tonnes in 2026. Under the midpoint scenario, global demand would reach 201.1 million tonnes in the next three years. Under the best-case scenario, the figure is adjusted to 211.1 million tonnes.

Fertiliser prices, meanwhile, are not likely to drop in 2023 under all three scenarios.

Over the past 50 years, global fertilisers witnessed three booms in prices, one between 1973-1974, one between 2007-2008, and one from 2021 until now.

The recent boom in fertiliser prices was triggered by the balloon in prices of natural gas, which accounts for about over 70% of fertiliser production costs. Some factories which were unable to transfer higher costs to higher fertiliser prices have been left with no choice but to shut down.

The Russia-Ukraine conflict fuelled the situation by causing global supply chain disruptions. Specifically, Russia has suspended its fertiliser exports to cater to domestic demand. The suspension will remain in effect until May 2023.

3. Vietnam's foreign exchange reserves to grow this year

Analysts of VNDirect have made forecasts and said that with the US Federal Reserve (Fed) slowing down the rate of interest rate hikes this year and improving Vietnamese foreign exchange

reserves, it would stop the decline price of Vietnamese dong.

At the same time, the rate at the end of this year is likely to decrease by 1-2%.

Besides, experts also expect a trade surplus of 13.4 billion USD this year, from a trade surplus of 12.4 billion USD last year.

In addition, the current account will turn into a surplus at 1.4% of GDP this year from a projected deficit of 0.8% of GDP last year.

According to data published in March 2022, Vietnam's foreign exchange reserves are at a record high of nearly 110 billion USD.

However, after that, the State Bank of Vietnam (SBV) faced many difficulties in balancing the three main goals of controlling inflation, stabilising exchange rates and interest rates to support growth.

SBV had to sell a large amount of foreign exchange reserves to stabilise the exchange rate, which is estimated at approximately 20% of foreign exchange reserves, in the first 10 months of last year.

This has caused Vietnam's foreign exchange reserves to fall below the level recommended by the

International Monetary Fund (IMF) when it was less than three months of imports.

VNDirect expects a trade surplus of 12 billion USD next year, from an expected trade surplus of 10.4 billion USD last year.

At the same time, VNDirect also expects the current account to turn into a surplus in to 0.4% of GDP this year from a projected deficit of 1.3% of GDP last year.

Therefore, the securities company said that Vietnam's foreign exchange reserves will recover to the level of three months of imports and reach 102 billion USD by the end of this year from the current level of 89 billion USD.

However, VNDirect said that there were several key risks to the forecast including higher-than-expected inflation and a stronger-than-expected US dollar which could put additional pressure on the Vietnamese dong and the stronger-than-expected recession of Vietnam's major trading partners.

In fact, Vietnamese dong once depreciated by 7-8% last year compared to the end of 2021, but by the last trading day of last year, Vietnamese dong only depreciated by 3.53%, equivalent to half of the two previous months.

4. Ba Ria- Vung Tau aims for per capita GRDP of 8,200 USD in 2023

Vice Chairman of the provincial People's Committee Dang Minh Thong said, in 2023, total development investment capital in the province is expected to reach nearly 59 trillion VND (about 2.6 billion USD), up 6.54%. The total local budget revenue is projected at nearly 89 trillion VND (nearly 3.8 billion USD), of which domestic budget revenue is roundly 43 trillion VND.

Accordingly, the province has rolled out action plans for 2023 with a focus on deploying work such as connecting inter-regional infrastructure and key projects, and medium-term public investment projects during 2021-2026. They will also plan out the Bien Hoa – Vung Tau expressway project (the first phase), the Phuoc An bridge, Ring Road No.4; Highway No.994, and coastal road.

The province has also developed projects to lift Ba Ria- Vung Tau into a national economic centre including works on a free trade zone associated with Cai Mep- Thi Vai area, and a project to modernise Cai Mep- Thi Vai sea port, among others.

In 2022, the province achieved significant socio-economic developments (excluding oil and gas) with an expected increase of 10.97% compared to 2021, the highest rise of the province in the past decade. Budget revenue was estimated at about 110,000 billion VND, reaching 153.4% of the estimate. Domestic revenue reached 45 trillion VND, reaching 130% of the estimate, the highest rate in recent years.

In the same year, the province attracted 58 foreign direct investments, increased capital for 40

projects with a total of newly granted and adjusted domestic and foreign investment capital of about 2.07 billion USD, or 112.77% of the plan.

5. Fintech startups urged to think for long term

In the first three quarters of 2022, fintech investment in Vietnam accounted for only 5 per cent of the total of this type of funding in Southeast Asia, but the new year is expected to bring many more opportunities.

Despite the incomplete legal framework for this sector, fintech was still a hot keyword in 2022 in Vietnam's startup community. According to data from Do Ventures and Cento Ventures, financial services still attracted \$162 million, up 2.6 times from the previous year's \$61 million.

In early 2022, MoMo officially reached unicorn status with a valuation of over \$2 billion, after announcing the completion of the fifth round of funding. Prior to that, the two other startups in the Vietnamese unicorn club were VNG and VNPAY. Both are multi-field businesses, which includes fintech.

"Seeing the potential of the market, investors are willing to spend large amounts of money to build a set of existing customers, so that in the future they can provide full banking services," said Do Danh Thanh, deputy general director of digital transformation and IT strategy at Deloitte Vietnam.

A report on venture capital (VC) activity and trends for 2023 by Golden Gate Ventures also forecasts that capital flows will focus more on the health and financial sectors in the next decade, despite the slowdown of VC in 2022. Particularly, Southeast Asia will see many emerging unicorns in the fintech field.

Among other countries in the region, Vietnam saw a relegation in the funding race of 2022, with investment accounting for only 5 per cent of the total in the first nine months, according to a fresh report titled Fintech in ASEAN 2022 by UOB, PwC Singapore, and the Singapore Fintech Association.

Specifically, Singapore and Indonesia continue to be the most successful Southeast Asian countries in fundraising, taking up 76 per cent. Meanwhile, Vietnam and the Philippines recorded a sharp

decrease in the proportion of investment compared to 2021.

However, embedded finance, the seamless integration of financial services adopted by non-financial companies and one of the biggest fintech trends in the next decade, is especially evident in Vietnam, Thailand, and Indonesia.

In Vietnam, 83 per cent of respondents said they have used embedded financial applications, while the average usage of these apps in the region is 70 per cent. On average, almost three out of four users in the region of apps with embedded financial services use them at least once a week, with the highest in Vietnam at 85 per cent.

"This underscores how such apps have the potential to increase user engagement through enhanced utility," the report assessed. "Embedded financial services in Vietnam are used most in the field of small-scale investment (28 per cent), followed by integrated insurance in travel and transportation services (23 per cent)."

In the midst of the global financial crisis of 2022, many Vietnamese startups continued to successfully raise capital, with a total of nine deals, including Finhay (\$25 million), Timo (\$20 million), and VUIAPP (\$6.4 million). Even though the \$211.4 million total was still a decline compared to 2021, experts assessed that this small setback might present an opportunity for fintech growth in Vietnam in the coming years.

"The reason for growth has been digital transformation. This remains an important cornerstone for embedded finance. And the ones set to capitalise on this are small- and medium-sized enterprises and micro merchants," noted Nguyen Huu Tuat, co-founder and CEO of NextPay.

Jalil Rasheed, managing director at the Tony Blair Institute For Global Change, added, "The next stage of VC investments is predicted to create a fintech boom in Southeast Asia. In particular, Vietnam is

strengthening its reputation as a safe, effective home for VC, especially in fintech and e-commerce, as these are the areas attracting the biggest investment in 2022.”

However, startups are encouraged to aim for sustainable rather than short-term and trendy models.

“The retail and consumer market in Vietnam is still developing strongly. At the same time, the internet economy is forecasted to grow up by 11 times by 2030, ranking first in terms of growth speed in Southeast Asia. With that opportunity, fintech in Vietnam still has a fertile ground to innovate,” said

Bui Thanh Do, founding partner and CEO of ThinkZone Ventures.

The challenge is to create revolutionary and accessible solutions that bring value to users. Successful companies must simultaneously solve problems in customer classification, business models, bad debt settlement, and tech application in optimising solutions and processes, according to Do. “Another challenge is that in Vietnam, user data is quite fragmented. If this can be improved, there will be more breakthrough solutions from startups in the future. And it is the founders' responsibility to try and find ways to optimise the company's products and businesses to meet the market requirements,” he said.

6. Viet Nam will face opportunities and challenges from the world economy in 2023

Pham Sy Thanh, Director of the China Economic Research Programme at the Viet Nam Centre for Economics and Policy Research (VEPR), spoke to Vietnam News Agency about this issue.

Many financial institutions believe that monetary policy tightening for curbing high inflation and the unending energy crisis will be important factors affecting the world economy in 2023. What do you think about this issue?

The monetary policy tightening of the major central banks is one of the important factors that create a reduction of external demand of the economies as well as the decline in production of countries at present. However, this is only part of the difficulties to anticipate for 2023. The fact is that world inflation has already peaked while the roadmap of central banks' interest rate hikes will follow a much lower margin compared to that in 2022.

Besides that, I think there are three other factors that have a negative impact on the global economy. First of all, there is not ever a situation that all three major economic regions of the global economy face many difficulties like now.

In 2008, the US economy had problems, while the European and China economies were fine.

In 2010, the European economy was unstable, but the US economy recovered and China was on a good growth track.

In the two years of 2015-2016, China's economy had problems, while the US and Europe recovered strongly from the crisis.

However, now, it is the first time all three major economies have problems. Specifically, the US still faces high inflation. In Europe, inflation and energy prices are problematic. China, on the other hand, is experiencing problems in asset market and the unexpected effects of the zero-COVID policy.

In the world economic model, the US and Europe are like the demand side, and China is like the supply side. So, if only one of the two sides has problems, the global economy will face great difficulties. If these two sides face difficulties at the same time, the risk of a global economic slowdown is even more obvious.

The second factor that will negatively affect the global economy is the consequence of the

monetary policy tightening that central banks have applied in recent years to control high inflation. Accordingly, it is not only the problem in the exchange rate, but also the consequence will create great pressure on the economies that pursue an export model or rely on exports to promote economic growth.

In addition, the instability of the asset market in China is also a new hot spot to watch. For the world economy, China is a very important growth country. According to the latest forecast, China's economic growth in 2022 reached only 50 per cent of the target. The reasons are the effect of the zero-COVID policy, the volatility of the asset market affecting consumer sentiment and reducing exports. These are the factors that can adversely affect China's economic growth prospects in 2023.

Many analysts believe that China can fully open up in 2023 after a long period of isolation against the COVID-19 pandemic. It will be a big impact on the world's inflation control in 2023. What do you think about this?

China's opening has a huge impact on the prices of global basic commodities such as copper, aluminum, steel, oil and agricultural products. In fact, China's imports of those commodities for domestic consumption are very small. With the characteristic of being an export economy, if the exports from China to the US and Europe cannot recover, China will boost exports to other markets.

However, the statistics at the end of 2022 showed that China's export growth was at a low level. In November 2022, China's exports fell 8.7 per cent year-on-year, and it was the second consecutive month of decline.

This was also the deepest drop in China's exports since February 2020 - the peak of the outbreak of COVID-19 in China.

These numbers showed that the real difficulty comes from the monetary policy tightening of the US and EU that have had an immediate impact on large export-based economies like China.

Besides, the world's inflation problem also comes from the conflict between Russia and Ukraine because this has caused the world to face an energy price crisis. Therefore, the world's inflation in 2023 depends not only on China's opening up, but also on solving the world's energy crisis.

How will Viet Nam's economy face these big challenges to maintain economic growth?

I think that Viet Nam is facing a big challenge from the outside, which is a huge decrease in demand for Vietnamese exports.

In fact, the growth rate of Viet Nam's many export commodities gaining turnover of over US\$1 billion, such as wood and garment products, in October and November 2022 decreased by 30-40 per cent compared to the same period last year and to the previous month.

This showed that the foreign market is no longer attractive enough for exports in 2023. Meanwhile, the decline in exports will bring many problems, especially poverty, lack of work, and an increase in unemployment in industrial zones.

In addition, Viet Nam also faces two internal challenges. Firstly, the handling of violations in both the bond market and the banking system is creating bottlenecks in capital flows.

Meanwhile, the cost of capital is one of the barriers for businesses in approaching capital. This difficulty requires the Government to take measures on removing it, helping businesses access capital as quickly as possible with an appropriate interest rate.

Besides, Vietnamese exporters also have great opportunities to get orders from partners that did business with Chinese businesses before in the context of China applying the zero COVID policy.

That partly also made the supply chain's move out of China to Viet Nam faster, like the move of Foxconn, Apple, Adidas or Samsung. In fact, in Southeast Asia, Viet Nam is emerging as one of the

locations where large corporations choose to build research and development (R&D) centres.

To take advantage of the external advantages, Viet Nam needs to have synchronous solutions, including the building of a better industrial infrastructure and office systems.

Another important solution is to deal with the problems of the bond markets and banking system. In particular, fiscal policy needs to play a bigger role in opening up more opportunities for economic development as well as take advantage of the situation that other affected economies do not recover.

7. Association asks for support to build cold storage system in HCM City

The two projects play an important role in the development of the city's food processing industry in the 2021-2030 period. The industry is among the four key industries that the city prioritises, it said.

Ly Kim Chi, chairwoman of the association, said the city currently has many cold storages units but they are at small scale and not that modern, so they do not meet all the requirements for cold storage.

The municipal government, therefore, has approved a cold storage system development project and assigned the city Department of Industry and Trade in collaboration with the association to deploy it, she said.

The cold storage units will have an average area of 5-10ha and be located at areas with convenient traffic and not too far the city centre. They must be at international quality to store and preserve many groups of goods, including imported ones and locally produced products, she said.

“But we have not found an appropriate site for building the cold storage despite making intensive searches,” she said.

Funds for building the cold storage system are contributed by businesses in the industry. The association did not ask the city government to fund

for the project, but wanted the city to have policies to support the industry to implement the project, she said.

Chi said a material storage area is very important to the food processing industry, adding that currently, material inputs for food processing firms in the city are mainly supplied by farmers in the southwest provinces.

Therefore, the industry needs to link with provinces to build stable material storage areas for each commodity, and instruct farmers to adopt certain requirements in their crop production to yield clean raw materials so firms can process products for export to fastidious markets such as the US and EU, she said.

Building raw material storage areas should go in tandem with logistics development. The current transport infrastructure is not that good, pushing up costs to firms. If ring roads that connect the city with neighbouring provinces are soon completed, they would help HCM City food processing enterprises reduce costs, she said.

While other sectors witnessed a drop in revenue last year, the food and foodstuff sector recorded over 10 per cent growth in revenue in 2022, and enterprises have had many export orders from several markets for this year, Chi said.

Corporate News

8. FPT: BOD resolution dated January 17, 2022

↑ 0.60%

BOD resolution dated January 17, 2022 of FPT Corporation as follows:

File Attachment

[32405_January-17,-2022.pdf](#)

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