VIETNAM DAILY NEWS

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Market Analysis

1. Shares decline after four days of gains

Vietnamese stocks snapped a four-day winning streak on Friday, facing strong selling from investors, as they sought profits from those firms that made significant gains during the last sessions.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index lost 0.28 per cent to close at 1,053.00 points. The index had gained 3 per cent in the last four days.

Market breadth was negative with 135 gainers and 256 decliners.

Some 509 million shares were traded on the southern exchange, worth VND8.7 trillion (US$367.5 million).

The possibility of shaking will continue in the next session but it is expected that the cash flow will continue to support when the market gradually moves towards the resistance zone of 1,070 – 1,090 points at VN-Index in the near future, said Viet Dragon Securities Co.

"Therefore, investors can expect the market's ability to recover, and look for short-term opportunities in the correction in stocks that have maintained a positive trend over time. However, it is still necessary to control the appropriate proportion of the portfolio because the current recovery span may only have short-term and technical factors," said the company.

The VN30-Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, dropped 0.29 per cent to reach 1,047.20 points. In the basket, eight stocks climbed, one stayed flat and 20 slid.

Banking stocks lost ground with most of the stocks in the basket declining, including Vietinbank (CTG), Asia Commercial Bank (ACB), Tien Phong Bank (TPB), National Commercial Joint Stock Bank (NVB), Military Bank (MBB), Techcombank (TCB), Sacombank (STB), Bank for Investment and Development of Vietnam (BID) and Vietcombank (VCB).

VPBank (VPB) was the only gainer in the banking group.

Energy stocks also suffered selling pressure with losers such as Drilling Mud Joint Stock Corporation (PVC), PetroVietnam Drilling and Well Services Corporation (PVD), PetroVietnam Technical Services Corporation (PVS) and PV OIL (OIL).

Securities stocks decreased towards the end of the session. VN-Index's loss was significantly broadened as securities stocks declined strongly, such as VNDirect Securities Corporation (VND), Saigon-Hanoi Securities JSC (SHS) and Viet Capital Incorporation (VCI).

On a sector basis, 23 out of 25 sector indices on the stock market lost ground, including wholesale, construction, rubber production, IT and logistics, agriculture, real estate, food and beverage, retail, seafood production, and plastic and chemical production.

The HNX-Index on the Ha Noi Stock Exchange (HNX) declined 0.56 per cent to close Friday at 207.86 points.

Nearly 66 million shares were traded on the northern exchange, worth VND976 billion.

Macro & Policies

2. Players take sides in drink tax discussion

Alcohol, tobacco, and sugary drinks could be subject to an increased excise tax aiming to improve community health and tackle the national budget deficit as part of a comprehensive tax reform strategy for 2030. However, the size of the proposed increase has not yet been decided, and the Ministry of Finance (MoF) is consulting ministries, localities, and firms on the matter.

The MoF's proposal aims to improve community health and tackle the national budget deficit as part of a comprehensive tax reform strategy for 2030.

According to the Vietnam Beer-Alcohol-Beverage Association (VBA), it is too early to fully assess the impact of tax rises or the addition of sugary drinks to the list of special taxable goods because the changes are only tentative. However, growing taxes will raise the financial burden on businesses, which need to have time to prepare and plan their production.

In Vietnam, alcoholic beverages are currently subject to an excise tax rate of 65 per cent, up from 50 per cent in 2018.

"Enterprises are very concerned and worried about this proposal being implemented early because businesses are still in the post-pandemic recovery stage," said VBA chairman Nguyen Van Viet. "The adjustment to increase excise tax will put pressure on businesses and tax rises will directly affect people's lives."

The VBA has called on government bodies to consider a more appropriate roadmap to amend the excise tax law after 2025. The association explained Vietnam's difficulties, from external and internal influences, and said it was too early to judge whether growth will be more sustainable and developed in 2023 and beyond.

"Therefore, we believe the MoF and the government will need more time to evaluate the conditions to decide which time is most suitable," added Viet.

Katsuhiko Usui, general director of Sapporo Vietnam, said, "Currently, the details of a draft law have not been disclosed, so we cannot comment in detail, but if the tax is raised, it will definitely have a negative impact on the industry."

He explained that the industry had faced a difficult situation in the past few years, though it was expected that it would gradually recover in the near future.

"There are many unstable factors, such as soaring prices of raw materials worldwide, and it is expected that it will take a little more time to reach pre-pandemic levels. For this reason, we think it is necessary to consider delaying the timing of the tax increase and easing the extent of the increase," said Usui.

The purpose of the tax increase should also be clarified, he added. "If the goal is to increase tax revenue, there is a possibility that this purpose will not be achieved due to a decline in the aggregate demand."

SSI Securities said that input costs are expanding, and the beverage industry mainly imported materials that are affected by global economic issues, such as the Russia-Ukraine conflict. With supply chains broken, there is no sign of prices cooling. According to the MoF, the consumption of alcohol in Vietnam is high and rising, and the excise tax increases between 2016-2018 were not strong enough to affect consumption.

Meanwhile, the ministry also pointed to a World Health Organization report that showed that high consumption of soft drinks leads to obesity. The prevalence of overweight Vietnamese adults increased by 68 per cent between 2002 and 2016, it said.

The MoH added that there was recent evidence linking sugary beverage consumption with non-communicable diseases, increased health costs, and higher mortality.

3. Drugmakers build on early 2023 gains

Tran Tuc Ma, general director of Traphaco, the country's second-largest publicly traded drugmaker, noted that it has received positive signals from the market so far this year.

"Last year marked a new development step for Traphaco as we began to implement business system restructuring, applying a new organisational model, and reforming sales and marketing, research and development, finance-planning, and other units," he said.

Ma added that this year, Traphaco will focus on several big plans to tap into new opportunities. Specifically, the company will implement digital transformation in all company activities in a comprehensive manner, invest in upgrading production lines for its high-tech oriental medicine factory, carry out a feasibility assessment of GMP-EU standards in its Traphaco Hung Yen factory, and continue to implement its latest phase of tech transfer.

Traphaco is set to split off the entire sales system into the two groups of traditional and non-traditional medicines, invest in human and material resources, and separate sales policies with incentives to promote mutual development.

The company currently operates two factories in Vietnam – a smart western pharmaceutical factory and the first and largest GMP-WHO oriental medicine factory in the country, both in the northern province of Hung Yen.

Elsewhere, the nation's fourth-biggest pharma firm Imexpharm saw its net revenue and pre-tax profit in January ascend 83.3 and 78 per cent on-year, respectively. The strong result is attributed to impressive growth in the over-the-counter channel and the ethical drugs channel, as well as good management of operating expenses.

In 2023, Imexpharm plans to accelerate digital transformation in its sales and marketing activities to increase efficiency and control possible risks; and strengthen cooperation with strategic partners to increase sales and expand the distribution network. The company will also focus on maintaining a prudent working capital management policy, minimising liquidity risks; shorten its operating days by reducing inventory and receivable days; and adjust and update policies to both attract and retain skilled workers.

Meanwhile, the top firm in Vietnam – DHG Pharmaceutical – is focusing on developing high-quality product lines that are qualified to replace foreign medicines while strengthening the company's production capacity and increasing its competitiveness. Last year the group kicked off construction of its JAPAN/EU-GMP Betalactam factory, helping to increase its competitiveness.

Together with strategic and key products like Hapacol, Klamentin, Medlon, and Bocalex, the company has begun to distribute high-quality healthcare products from Japan.

Vietnam's healthcare and pharmaceutical industry witnessed positive growth in 2022, driven by full operations at hospitals, thus increasing demands for drugs and tenders. Moreover, the government's effort to make medical services more accessible at reasonable prices has also become a driving force for development.

With these conditions, the leading Vietnamese pharma giants made gains. Traphaco hit consolidated revenue of over $104 million in 2022, up from $94.35 million, while after-tax profit was $12.75 million, up 10.95 per cent on-year. This year, Traphaco plans to make revenues of $113 million and an after-tax profit of $14.17 million.

Imexpharm reported a rise in net revenues of 29.8 per cent on-year to $71.3 million, and its pre-tax profit increased by 26.3 per cent. This year, it is looking for pre-tax profit of $13.26 million, slightly up 1.1 per cent on-year.

Meanwhile, DHG made net revenues of $203 million last year, surpassing the year's target by 11 per cent and rising by 17 per cent on-year. In 2023, the giant aims to fetch revenue of $217.4 million and a pre-tax profit of $49.13 million, up 3 per cent from 2022.

Amid continuing unpredictable changes worldwide, the pharmaceutical industry remains impacted here. Leaders said the major challenges come from a high reliance on imported raw materials, making up 80-90 per cent of total demand. Among the markets, imports from India and China make up 85 per cent of total imports. This means suffering changes in exchange rates, supply chain disruption, and import cost, thus increasing input costs by as much as 20-25 per cent.

Prescription drugs are expected to account for an increasing share of total pharmaceutical sales in the coming years, driven by rising medical treatment needs, the rollout of national health insurance, rising incomes, better healthcare infrastructure, and the development of generic drugs.

4. Airlines need more assistance to recover, develop

After a period of stagnation due to the pandemic, the number of passengers on domestic air routes has rebounded strongly.

In 2022, air transport served about 55 million passengers, surging 3.7-fold from 2021 and equivalent to 69.6% of that before the COVID-19 outbreak in 2019. The number of air passengers increased almost 92% year on year in the first two months of 2023.

However, the recovery is uneven among the segments. Cargo transport is rebounding fast and enjoying growth compared to 2019 while passenger transport is recovering at a slower pace and mainly in the domestic market, according to the Vietnam Aviation Business Association.

Despite certain growth in the transportation volume, the revenue of Vietnamese airlines hasn't increased accordingly or even declined as a result of discounts to stimulate demand and rising fuel prices and other input costs.

In contrast to the strong recovery of some enterprises running infrastructure facilities and providing services, many airlines and other service suppliers are still struggling with difficulties as they have to deal with adverse impacts emerging during the pandemic.

Witnessing a fall in revenue, most aviation firms have had to scale down operations, and some even had to sell part of their fleet, said Bui Doan Ne, Vice Chairman and Secretary General of the Vietnam Aviation Business Association.

Authorities have assisted aviation enterprises via different support programmes and packages, but these supports haven't been interconnected to generate common effects for the entire sector or groups of businesses, he pointed out.

Therefore, it is necessary to make a comprehensive review of effects of the State's policies on the sector, continue perfecting policies, and develop manpower training centres in Vietnam to address shortages and reduce dependence on other countries, Ne added.

He recommended the State devise policies for attracting more private investment and public - private partnerships to help diversify and upgrade aviation infrastructure, promote negotiations with the potential markets that Vietnam hasn't fully tapped into, and hold more promotion activities to help the aviation and tourism sectors attract international passengers and investors.

The Civil Aviation Authority of Vietnam have forecast the domestic aviation market will fully recover by the end of 2023 and post fast growth compared to 2019. The international market is also bouncing back gradually and will near the 2019 level by the end of this year.

Economist Can Van Luc held that although air travel demand is predicted to sustain the upward trend in 2023, the growth may slow down.

Due to financial difficulties, risks posed by the international situation, the slow recovery of international tourism, and high fuel prices and interest rates, it is necessary to maintain the land rent reduction policy, extend tax payment deadlines, and cut down fees of some services at airports like in 2022, he suggested.

5. Falling price of fertiliser causes headaches for producers

The market has continued to witness a sharp drop in prices, with urea fertiliser currently at its lowest price point in over two years. As a result of domestic production, enterprises now have an excess of urea that they can export.

DAP, NPK and potassium fertiliser prices have decreased but are still high.

Prices of many fertilisers are likely to decline due to abundant supply and a sharp drop in world fertiliser prices.

According to the Viet Nam Fertiliser Association, fertiliser prices are falling rapidly as the cost of natural gas, an important raw material for fertiliser production, and farmers' demand both decrease.

After China started reopening and no longer restricted the export of 29 types of fertilisers, the supply of fertiliser on the world market was no longer in short supply.

Though fertiliser prices rose in proportion to the world oil and gas price at the beginning of last year, the price of fertilisers has decreased sharply, especially urea, from the fourth quarter of last year.

As the output selling price is low and slow, inventory pressure and financial costs are extremely large, and profit margins are falling rapidly.

Vu Xuan Hong, Deputy General Director of Lam Thao Fertilisers And Chemicals JSC, shared that the drop in fertiliser prices helped farmers reduce difficulties, especially in the context of high fertiliser prices in the last two years.

However, the current situation also puts great pressure on fertiliser enterprises, especially agent systems.

As the price fluctuated week by week, day by day, many farmers were waiting for further price drops to buy, Hong said.

He added that some dealers bought fertiliser when the price was still high, but the price was decreasing daily, and the goods were sold slowly, so there was a lot of inventory.

This is forcing fertiliser enterprises to find solutions to their difficulties, said Hong.

Supe Lam Thao has also been implementing a series of solutions such as reducing production costs to help lower product costs, improving technology and especially launching new fertiliser products, which were suitable for a variety of crops, said Hong.

6. Domestic poultry sellers face tough competition from imported chicken

The market research company Ipsos published a report assessing the meat consumption and livestock market in Viet Nam on Wednesday.

The report showed that chicken has been consumed more in recent years.

The amount of chicken consumed was 17.8kg per person in 2021, growing to 18.3kg last year.

Chicken consumption is forecasted to grow rapidly, but it isn't easy to increase suddenly.

Specifically, since Viet Nam signed free trade agreements, imported meat has been eliminated from tariffs, leading to fierce competition as imported chicken prices have always remained low.

The value of imported chicken meat reached $237 million and about 178,000 tonnes, despite an excess in domestic supply last year.

In contrast, Viet Nam only exported 1,000 tonnes, with a total value of $2.2 million.

While chicken farmers are looking for solutions to lower costs to compete with cheap imports, bran prices increased six times within half a year.

According to calculations and analysis by Ipsos, it is not until the second quarter or the third quarter of this year that bran prices in Viet Nam have begun stabilising and decreasing following the general global trend.

Another important factor is the decline in the land fund for livestock in the country.

The Law on Livestock 2018 regulated that livestock production would no longer be allowed in the inner city, which has affected the livestock land fund.

In addition, due to the recent increase in housing prices, many households choose to sell their land or stop raising livestock to make a profit.

A representative of the Dong Nai Animal Husbandry Association said that the total chicken population of Viet Nam, including white-feathered chickens, coloured chickens and egg-laying hens, was 498 million in 2020. This number is forecasted to rise to about 555 million this year.

For pig production, Ipsos Viet Nam forecasts that consumer demand has not recovered compared to the period before the 2018 African swine fever outbreak.

Pork is losing its position as the number one choice in the animal protein category.

7. Dong Nai to build three bridges to HCM City

One of the three bridges will connect HCM City's Thu Duc City and Dong Nai province's Tam An commune, Long Thanh district. One will link southern HCM City with Dong Nai's Nhon Trach district, and the other will replace the existing Cat Lai ferry.

Work on the six-lane Cat Lai bridge is scheduled to start before 2025. The other two bridges will be developed in the 2026-2030 period, according to a dispatch that the Dong Nai authorities sent to Ho Chi Minh City on March 8.

Dong Nai province is located on the eastern side of HCM City. The two localities are geographically divided by the Dong Nai, Long Tau, Dong Tranh and Thi Vai rivers, but there are only two bridges connecting them. They are the Dong Nai Bridge on National Highway 1A and the Long Thanh Bridge on the HCM City-Long Thanh-Dau Giay Expressway.

The two bridges are overwhelmed by a huge traffic load. The eight-lane Dong Nai Bridge has a designed passenger car unit (PCU) of 96,000 per day, but it is currently handling 216,000 PCUs.

Similarly, the actual PCU recorded on the four-lane Long Thanh Bridge is 65,000, while its designed capacity is 48,000.

Corporate News

8. VJC: Vietjet launches two direct routes from Viet Nam to Hong Kong

↓ -1.18%

Vietjet will open two direct routes from Da Nang and Phu Quoc to Hong Kong (China) in April, the budget carrier announced on Thursday.

As the only airline with a direct route connecting Phu Quoc and Hong Kong, Vietjet will operate the route from April 27 with a frequency of three return flights per week every Tuesday, Thursday and Saturday. Hong Kong passengers flying to Phu Quoc are eligible for a visa exemption.

Meanwhile, it will also start the route from Da Nang to Hong Kong on April 28 with a frequency of four return flights per week every Monday, Wednesday, Friday and Sunday.

The frequency on the HCM City-Hong Kong route will be increased to seven flights per week from March 26, Vietjet said.

9. ACB: Explanation for 2022 audited financial statements

↓ -1.78%

Asia Commercial Joint Stock Bank has explained the movements of 2022 audited financial statements compared to 2021 as follows:

1) Profit after tax based on the separate financial statements in 2022:

- The company's business result in 2022 increased by 4,542,231 million dongs. increased by 49.94% compared to 2021 due to the following causes:

• Net profit income in 2022 increased by 4,493,858 million dongs compared to 2021;

• Net profit from service activities in 2022 increased by 783,694 million dongs compared to 2021;

• Net profit from other activities in 2022 increased by 653,675 million dongs compared to 2021;

• Operating expenses in 2022 increased by 3,373,794 million dongs compared to 2021;

• Provision expense for credit risk in 2022 decreased by 3,246,558 million dongs compared to 2021.

2) Profit after tax based on the consolidated financial statements in 2022:

- The company's business result in 2022 increased by 4,085,447 million dongs, increased by 42.54% compared to 2021 because the following causes:

• Net profit income in 2022 increased by 4,588,737 million dongs compared to 2021;

• Net profit from service activities in 2022 increased by 632,281 million dongs compared to 2021;

• Net profit from other activities in 2022 increased by 850,231 million dongs compared to 2021;

• Operating expenses in 2022 increased by 3,375,269 million dongs compared to 2021;

• Provision expense for credit risk in 2022 decreased by 3,265,295 million dongs compared to 2021.

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