VIETNAM DAILY NEWS

March 15th, 2023

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Market Analysis

1. Shares inch lower following region's downtrend

The Vietnamese stock market was unable to escape the global downtrend and finished lower on Tuesday.

On the southern bourse Ho Chi Minh Stock Exchange (HoSE), the VN-Index declined by 12.67 points, or 1.2 per cent, to 1,040.13 points.

This marked its third losing day in a row after the collapse of two American banks spooked global markets.

288 stocks on HoSE edged down, while 50 added points.

The market liquidity was also lower than in the previous session. Of which, investors poured more than VND10.4 trillion (US$443.2 million) into the southern market, equivalent to a trading volume of nearly 621.2 million shares.

The 30 biggest stocks tracker VN30-Index ended the trading day at 1,037.35 points, down 12.72 points or 1.21 per cent.

In the VN30 basket, 25 ticker symbols fell, while two stocks rose and three stayed unchanged.

Data compiled by a financial website vietstock.vn showed that BIDV (BID), Hoa Phat Group (HPG), and Vietnam Rubber Group (GVR) led the bearish trend, down in a range of 2.59-4.35 per cent.

Also weighing on the market, Vietcombank (VCB), Techcombank (TCB), Asia Commercial Joint Stock Bank (ACB), Vietinbank (CTG), and MBBank (MBB) posted poor performance with a decrease of at least 0.55 per cent.

In contrast, Sabeco (SAB), Vietnam Airlines (HVN), and Vietjet Aviation JSC (VJC) helped cushion some losses, with SAB being the biggest gainer at 1.6 per cent.

The HNX-Index on the Ha Noi Stock Exchange (HNX) also settled lower on Tuesday. The northern market's benchmark index fell 3.3 points, or 1.6 per cent, to 202.55 points.

During the session, more than 78 million shares were traded on the bourse, worth VND1.14 trillion.

On the other hand, foreign investors continued to inject capital into the Vietnamese market for the sixth straight session. They net bought VND385.37 billion on HoSE and VND13.49 billion on HNX.

On Monday, they bought the largest amount on HoSE since the beginning of the year.

In Asia markets, indices dipped as investors turned more cautious after the collapses of Silicon Valley Bank and Signature Bank last week. Particularly, Japan's Nikkei posted the biggest intraday point fall in three months, led by strong sell-off in the bank sector.

Macro & Policies

2. Domestic investors open less than 100,000 new accounts in first two months

In February, domestic retail investors opened 63,731 new accounts and institutional investors opened 133 new accounts.

In the first two months of the year, domestic investors opened a total of less than 100,000 new accounts. At the end of February, the total number of domestic retail investor accounts reached 6.94 million accounts.

After a surge from 2021 to the first half of 2022, the influx of new investors has slowed down significantly.

Liquidity, therefore, decreased gradually for the fourth month in a row. In February, the average matching value on the Ho Chi Minh Stock Exchange (HoSE) was only about 8.6 trillion VND per session, down 10% month-on-month. The figure continued to decline sharply to only about VNĐ6.5 trillion per session since the beginning of March.

The drop in liquidity was partly due to a reduction in foreign investors' transactions after a period of fast and strong buying. In February, foreign investors net sold 640 billion VND on HoSE. The trend continued in the first few days of March.

Last month, foreign investors opened 176 new accounts, a sharp increase from 112 in the previous month. Specifically, retail investors opened 151 new accounts while institutional investors opened 25 new accounts in the past month. At the end of February, there were a total of 43,029 accounts belonging to foreign investors.

3. Airlines ready for return of Chinese tourists to Vietnam

A representative of national flag carrier Vietnam Airlines said that the local airline has made early preparations ahead of the return of Chinese tourists.

In December last year, as soon as China moved to ease rules on flight permits and quarantine requirements, Vietnam Airlines reopened air routes connecting Hanoi and Ho Chi Minh City to Guangzhou and Shanghai, as well as increasing the frequency of flights to these destinations.

The airline also unveiled plans to resume four air routes between Da Nang and China's Guangzhou, Shanghai, and Chengdu, as well as between Hanoi and Chengdu from April 2023, using wide-body Airbus A350s and Boeing 787s.

Vietnam Airlines is currently examining plans to restore a route connecting Hanoi with Beijing Daxing international airport.

Meanwhile, budget airline Bamboo Airways has also formulated a scenario to welcome back Chinese tourists. Since the beginning of December last year, the carrier has launched direct flights connecting Hanoi to Tianjin, operating one flight per week.

Starting from April the airline plans to start operating the charter route Nha Trang - Macao with a frequency of four flights per week, as well as from Hanoi and Ho Chi Minh City to Hekou with a frequency of three flights per week.

Bamboo Airways is negotiating the opening of new routes with partners, hoping to launch in in May or June, said the airline's representative.

Elsewhere, low-cost airline VietJet Air also revealed that it has devised plans to reopen a series of routes to Beijing, Shanghai, Hangzhou, Chengdu, Chongqing immediately after the northern neighbour's reopening.

According to a representative of VietJet Air, passengers can enjoy a variety of options for direct flights from Ho Chi Minh City, Da Nang, and Phu

Quoc to Hong Kong (China) and a wide flight network connecting destinations throughout Southeast Asia,

Economist Dr. Le Dang Doanh said China's reopening of group tours to Vietnam starting from March 15 is anticipated to significantly stimulate consumption demand in the aviation, transportation, and accommodation industries.

He predicted that tourist destinations in the central region would attract more Chinese tourists than other places as the tourists tend to prefer sports and entertainment activities by the sea, and sample distinctive cuisine in the region.

Sharing this viewpoint, a representative from a travel firm in Hanoi said that there is ample room for the further development of the Chinese tourism market as their spending is rather high compared to those from other markets.

A survey on international visitors to Vietnam in 2019 by the Vietnam National Administration of Tourism showed Chinese visitors spend US$1,022 on a trip on average, higher than those from markets such as Japan, the Republic of Korea, and South Asian nations.

Statistics show in 2019 approximately 155 million Chinese people travelled across the globe, spending US$255 billion on services. Among the travelers, 5.8 million chose Vietnam as one of their destinations, making up one third of the total number of foreign travelers to the country.

4. Resort real estate anticipates recovery this year

Mauro Gasparotti, Director at Savills Hotels Asia Pacific, called villas and condotels a good investment channel, and advised investors to pay more attention to project quality.

The segment's recovery will depend on tourism growth, especially international tourism, he said.

The experts noted that although Vietnam opened its borders to international visitors in March 2022, the tourism sector still faces a range of challenges, including its reliance on the Chinese market and oversupply.

Gasparotti pointed out that prior to the pandemic, international tourists to Vietnam increased 16.9% each year in 2009-2019, which boosted resort projects. Especially, in the 2017-2019 period, about 10,000 high-end hotel rooms were put into service annually.

However, the pandemic has dealt a severe blow to the industry, which, therefore, needs great efforts to fully recover.

Statistics show that in the first two months of this year, Vietnam welcomed 1.8 million international arrivals, down 40% year-on-year, mainly from the Republic of Korea (RoK) and the US.

Gasparotti said Korean and domestic tourists have contributed to the recovery of coastal resorts in the central city of Da Nang, with their room occupancy exceeding 50%. Meanwhile, Nha Trang resort town in the central province of Khanh Hoa has still felt the pandemic impacts as China has yet to open its borders.

Room occupancy of hotels in Ho Chi Minh City has also been recovering to pre-pandemic levels.

Experts said that many countries reopening their borders and removing all restrictions for travelers have boosted outbound tours, enabling resort real estate to reboot this year.

5. Momentum for seaports hard to retain

Phan Hoang Vu, deputy general director of SP-SSA International Terminal (SSIT), is worried as the market continues to face difficulties. Not long ago, SSIT renovated several yards to temporarily meet the empty container needs of shipping lines.

"A large amount of empty containers are in excess globally, including Vietnam," said Vu. "The oversupply of containers reflects a decline in global freight demand."

Issues like global inflation have made an impact on freight activities and consumer demand, photo Le Toan

Many warehouses at seaports in the northern port city of Haiphong are filled with containers. Seaport operators have said that numerous empty containers have poured into Vietnam in recent times due to low storage costs.

The market difficulties have been forecast since late 2022 and was also evident in many seaports' financial statements in the fourth quarter, in which they reported a fall in profit.

In the south-central region, as shown in the financial statement of Quy Nhon Port for Q4 last year, it recorded an after-tax consolidated profit of VND98.9 billion ($4.3 million), down 70 per cent over the same period the previous year.

Similarly, Cam Ranh seaport saw its net profits sit at VND5 billion ($217,400), down VND3.3 billion on-year.

A leader of Cam Ranh seaport blamed the fall on reduction of key goods being shipped that produce high profit for the port, such as wind power equipment and woodchips. Moreover, revenues from port fees from foreign ships also dropped.

In the north, the situation is similar. VIP Green Port and DinhVu Port Investment & Development both reported an on-year drop in net profit between October and December last year.

For Gemadept's northern ports, such as Nam Dinh Vu and Nam Hai Dinh Vu ports, their volume also decreased by 1.1 and 0.9 per cent, respectively.

Vietnam Maritime Corporation (VIMC) faces similar challenges. VIMC now has 35 member companies, managing and operating over 13,000 metres of piers – nearly 30 per cent of the country's total – and capable of handling over 100 million tonnes of cargo, over 20 per cent of the national total.

VIMC recorded revenues in this period reaching over $144.35 million, down 12 per cent on-year. Its after-tax profit reached about $9.28 million, down 86 per cent on-year. Among business lines, seaport business and maritime services decreased by 11 per cent over the same period last year.

According to the corporation, inflation has had a significant impact on global consumer demand and freight activities. Freight rates began to fall deeply since June 2022, while the oversupply of containers is becoming a bigger issue due to the continuous decrease in global consumption demand, as well as tightened spending.

"The market and output of some key products of VIMC such as iron, steel, and animal feed dropped sharply. The port system was not also unable to exploit wind power equipment as it did in 2021 because projects are currently paused while waiting for the government's new policy," a VIMC representative explained.

Ho Kim Lan, secretary general of the Vietnam Seaports Association, said that the amount of cargo moving through seaports decreased more than expected last year, especially in the fourth quarter. The global complexities of the past two years have resonated and are now affecting the shipment of goods.

“Complicated global developments and how long they will impact Vietnam is hard to predict. Therefore, it is important to have internal economic resources as well the state's supporting policies and guidelines for the economy and seaport enterprises,” Lan said.

According to the General Statistics Office, the country's total trade turnover was estimated to have reached $96.06 billion in the first two months of 2023, down 13.2 per cent on-year, of which exports fell 10.4 per cent and imports down 16 per cent.

“Two existing key points facing seaports that need to be solved now are to clear the creeks to operate ships efficiently and to raise the price of container handling services at seaports. Currently, Vietnam's seaport service rates are among the lowest in the region,” Lan added.

Phan of SSIT said that low service rates are also competitive. But this also makes businesses suffer. “The state should create a mechanism so they can compete but still keep the profit margins, thus promoting the advantages of seaports,” Phan said.

Nevertheless, there are some positive signals that bring hope to seaports for the next quarter. China's reopening is likely to increase import-export volume from Vietnam. Moreover, some shipping carriers plan to open more Vietnam - China - Japan routes, and others. For instance, in January, CMA CGM, one of the world's largest container shipping companies, officially resumed the Nghi Son seaport route in the north-central province of Thanh Hoa after a year of interruption.

Industry insiders predicted that the market will prosper from the second quarter of 2023 and reach a growth rate of 5 per cent in 2023.

Port operators who take right and timely actions can keep growth this year. Nguyen Manh Ha, director of Nam Dinh Vu Port, said that his business has invested in more loading and unloading equipment to improve productivity and shorten the time of ship operation.

“The port also expanded by 20 hectares to improve cargo handling capacity, as well as upgrade software, and invest in IT, all towards building a smart port and the centre of Dinh Vu with a high level of automation and energy saving,” he said.

6. Domestic steel enterprises suffer falling demand

In the context of weak domestic steel demand and rising costs pushing up global commodity prices, the selling prices of finished steel are increasing slower than the prices of input materials.

Analysts say that the business performance of construction steel companies is still insignificant.

According to the Vietnam Steel Association (VSA), steel prices have continuously increased mainly due to the fact that input prices of input materials for steel production such as coal, iron ore, scrap steel, and hot-rolled coils are still climbing.

VSA believes that the high prices of raw materials have caused domestic factories to increase selling prices many times to compensate for production costs and reduce losses.

Since the beginning of the year, steel prices have been continuously adjusted up, with a total increase of more than 1 million VND per tonne. Although the upward momentum has slowed down, steel prices will continue to increase in the coming months.

As for steel giant Hoa Phat Group, the analysis team of VNDirect Securities Company said: "With weak demand, Hoa Phat Group may transfer the risk of increasing input material prices to consumers. In addition, low factory operating efficiency in the first half of 2023 will also affect the company's profit margins, so we forecast Hoa Phat Group's net profit may be still negative in the first quarter of 2023."

New data released by the group shows that consumption of steel products in domestic and foreign markets both decreased over the same period. This reflects two different states of the construction market in early 2022 and 2023.

In the first quarter of 2022, construction steel consumption reached a record high thanks to strong growth in market demand. In 2023, the market was quiet due to weak demand, leading to negative steel consumption.

Accumulated in the first two months of this year, Hoa Phat Group's crude steel output reached 809,000 tonnes, down 42% over the same period last year. Sales of construction steel, hot rolled coil (HRC) steel and billet was recorded at 877,000 tonnes, down 34% compared to the first 2 months of 2022.

At the recent 2023 General Meeting of Shareholders of Hoa Sen Group, a representative of this enterprise said that steel exports still saw many potential uncertainties in the context of increasing competition and challenges caused by trade barriers.

Forecasting the market situation in 2023, according to this business, the fierce competition in the domestic market, tightening monetary policies, increasing interest rates, and escalating exchange rates may negatively affect the economy and production of steel companies.

Hoa Sen Group proposed two consumption plans for the financial year 2022-2023.

Under the first plan, the sales volume will reach 1.52 million tonnes, the revenue will be 34 trillion VND and the profit after tax will be 100 billion VND. In the more positive plan, this enterprise can achieve a sales output of 1.62 million tonnes, revenue of 36 trillion VND and profit after tax of 300 billion VND.

Previously, according to the report of the fiscal year 2021-2022, the consumption output of Hoa Sen Group reached more than 1.81 million tonnes, completing 91% of the yearly plan; revenue reached 49.7 trillion VND, completing 107% of the plan; consolidated profit after tax reached 251 billion VND, completing 17% of the plan.

According to the analysis team of VNDirect, the prolonged low demand of the domestic civil construction sector will have a significant impact on the demand for construction materials in 2023. This means that the demand in short term for steel products remains low.

However, the demand for iron and steel is expected to improve thanks to more public investment projects being implemented.

Recently, the Ministry of Transport was assigned by the Government to disburse public investment with a capital of 94 trillion VND this year, 1.7 times higher than in 2022.

Other positive signals from the export market, especially recovering demand in China - the largest steel producer and consumer, accounting for more than 50% of total supply and demand in the world - will support domestic steel enterprises.

The research team of DSC Securities said that iron ore prices have witnessed a strong increase of nearly 50% from 85 USD per tonne to nearly 120 USD per tonne.

DSC expects demand as well as steel prices to increase further in the second half of 2023. However, the DSC team noted that these recovery signals are still quite weak and likely to be unsustainable.

China had abolished its zero-COVID policy, but it will still take a certain amount of time to really restart the economy. According to DSC, FDI growth and public investment are also not certain factors. When the supporting factors have not been put into practice, steel prices may end up gaining momentum due to high expectations and enter a correction span.

However, last week, steel stocks still recorded gains in the context that the steel industry is expected to recover thanks to the government's boost in public investment and recovery in demand in China.

Accordingly, Nam Kim Group (NKG) increased by 8.8%, Hoa Sen Group (HSG) rose by 7.2% and Hoà Phát Group (HPG) gained by 4.7%.

7. Chinese reopening and global fuel price strife to influence CPI

The Ministry of Finance (MoF) is expecting that the average oil price will hover at around $70 per barrel this year, and if this comes true and if about eight million tonnes are exploited domestically, Vietnam will earn about $1.83 billion from crude oil exports.

A container truck carrying Vietnamese goods to China via the Kim Thanh II international border gate in Lao Cai province. (Photo: VNA)

However, according to Swiss-based multinational Vitol Group, oil prices could reach a $90-100 per barrel range in the second half of this year as demand is set to reach record levels amid constrained supply.

One of the key drivers of a high hike in oil prices this year is China's economic recovery. According to the World Bank, nearly half of the growth in oil consumption in 2023 is expected to come from China. Goldman Sachs has estimated that China's reopening will add one million barrels per day to global demand (or about 1 per cent of world consumption), putting an extra $5 a barrel to oil prices.

“In the context that the world economy's growth is forecasted to be slow down, while a number of major economies are facing with a danger of depression and a very high hike in prices of oil and input materials is creating big pressure on global inflation,” the MoF said.

“Besides that, the political situation in the region and the wider world has become increasingly complicated, coupled with climate change, natural disasters, and epidemics. All of these challenges have and will continue increasing risks and difficulties for the Vietnamese economy in 2023 and the country's budget and inflation situations as well.”

According to the World Bank, global inflation is expected to fall from 7.6 per cent in 2022 to 5.2 per cent in 2023 and 3.2 per cent in 2024, still above the 2015-2019 average of 2.3 per cent. The deceleration in headline inflation this year is envisaged to be primarily driven by moderating prices for many commodities; furthermore, core inflation is expected to slow substantially next year but remain above pre-pandemic levels.

Vietnam is a big importer of fuel. Statistics from the Ministry of Trade showed that the country's oil and petrol imports almost doubled to $9 billion in 2022 from $4.9 billion in 2021. Volumes were 28 per cent up to 8.9 million tonnes. Diesel accounted for 54 per cent of the volume, petrol for 19 per cent and jet fuel for 16 per cent.

The General Statistics Office (GSO) reported that in the first two months of 2023, Vietnam's consumer price index (CPI) increased 4.6 per cent on-year. “The domestic prices of petrol and gas have risen following a big hike in world fuel prices, and this is a key reason for the CPI in February to climb 4.31 per cent on-year," said GSO general director Nguyen Thi Huong.

In the 2-month CPI hike, the price of the transport group, one of the 11 item groups used to measure CPI in Vietnam, saw the biggest ascension – at 2.11 per cent on-year due to a 2-increase 5.66 per cent climb in the prices of petrol and oil from in February. This has caused a 0.2 per cent rise in CPI.

The transport price hike has also increased public transport services by 2.58 per cent, with a 6.63 per cent rise by air, and 32.92 per cent by train.

Meanwhile, the prices of the housing and building material group have also expanded 1.81 per cent in the first two months due to a very high on-year increase of 14.56 per cent in February's gas price, following a global gas on-year increase of $190, to $790 per tonne. In addition, the housing electricity price has risen 1.12 per cent in February.

Anticipating risks, the National Assembly set a CPI growth target of about 4.5 per cent for 2023. "In 2023, it is quite necessary to keep close watch over the developments of the domestic market, and the global and regional markets, prices, and inflation in order to timely detect risks and advance suitable measures," read the NA's Resolution on the Plan for Socioeconomic Development in 2023 adopted in November last year.

"There must be synchronous and flexible in monitoring, with the close combination between the fiscal and monetary policies and other macro policies so as to control inflation, contributing to macroeconomic stability and supporting economic recovery," the resolution stated. "It is also a must to strengthen the financial and banking system' resilience and stability, while also taking the initiative in actively applying such tools as interest rate and exchange rate in a manner appropriate for the country's socioeconomic situation."

However, analysts at the Economist Intelligence Unit commented, "We forecast that consumer price inflation will accelerate to an annual average of 3.2 per cent in 2023 but will record a declining trend in the second half of the year to about 2 per cent by end-2023. The softening of consumer prices will be driven by a declining trend in global oil prices next year."

Global analysts FocusEconomics is also expecting Vietnam's inflation rate to average 3.9 per cent in 2023, and 3.5 per cent in 2024.

Corporate News

8. VIC: VinFast delivers 782 electric cars in two months

↓ -0.56%

InFebruary alone, the firm handed over 416 EVs, including 266 VF8 and 150 VF e34.

Along with the Vietnamese market, VinFast has also officially delivered the first VF 8 electricvehicles to customers in the US, receiving their positive feedback.

As planned, VinFast is also preparing to hand over the VF 9 andVF 5 Plus models to domestic customers, and export the next batches to theinternational market.

Regarding service, VinFast has just announced that it will inaugurate"No day off" service workshop system from March 15 acrossthe country to meet the demand of and provide an excellent service experiencefor customers.

VinFast is still the only automobile firm in Vietnam thatprovides the 24/7 mobile services, including mobile service, charging serviceand rescue service.

Globally, the firm has also put into operation a 24/7 global repairsupport and consulting centre to promptly provide advice and technical support for the service workshops in markets where VinFast cars are present.

9. DGW: Record date for holding AGM 2023

↓ -4.02%

On March 09, 2023, the Hochiminh Stock Exchange issued an Announcement No. 462/TB-SGDHCM about the record date of DIGIWORLD CORPas follows:

- Ex-right date: March 24, 2023
- Record date: March 27, 2023

1) Reason and purpose: to hold the 2023 Annual General Meeting of Shareholders

2) Content:

- Exercise ratio: 01 share – 01 voting right
- Time: expected on April 26, 2023
- Venue: Notice later..

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