VIETNAM DAILY NEWS

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Market Analysis

1. Shares rebound after SBV's rate cut

The stock market rebounded strongly on Wednesday, lifted by a regulatory interest rate cut by the State Bank of Vietnam (SBV).

The VN-Index on the Ho Chi Minh Stock Exchange (HoSE) soared by 22.06 points, or 2.12 per cent, to 1,062.19 points.

The recovery session snapped the index's three-day losing streak and was its biggest one-day percentage gain in nearly a month.

The breadth of the market returned to positive territory with gainers outnumbering of losers on the southern bourse.

Liquidity was slightly higher than the previous session with nearly VND10.7 trillion (US$453 million) worth of shares, equivalent to a trading volume of nearly 623 million, traded on HoSE.

The VN30-Index also jumped 27.03 points, or 2.61 per cent, to 1,064.38 points.

Twenty-seven of the 30 biggest stocks in the VN30 basket advanced, with one hitting the biggest intraday gain of 7 per cent, and three stocks finished lower.

On the Ha Noi Stock Exchange (HNX), the northern market's benchmark HNX-Index closed the trading day at 207.01 points, an increase of 4.46 points, or 2.2 per cent.

Investors poured nearly VND1.2 trillion into the exchange, approximating a trading volume of more than 82.4 million shares.

The market's reversal was driven by the improvement in investors' cautious sentiment after the central bank announced a trim to regulatory interest rates on Tuesday afternoon.

SBV has decided to cut regulatory interest rates by 0.5 to 1 per cent from March 15.

According to the SBV's decision issued on Tuesday, the rediscount interest rate is lowered to 3.5 per cent from 4.5 per cent per annum, while overnight lending rates in interbank electronic payments and loans to cover capital shortfalls in clearing payments of the SBV for credit institutions are cut from 7 per cent per annum to 6 per cent.

Statistics showed that BIDV (BID) was the market's leader on Wednesday with a gain of 3.88 per cent in market capitalisation. It was followed by Hoa Phat Group (HPG), up 4.93 per cent, Vinhomes (VHM), up 2.79 per cent, and Vingroup (VIC) rose by 1.89 per cent.

Securities stocks also performed well, with SSI Securities Corporation (SSI), Ho Chi Minh Securities Corporation (HCM), Viet Capital Securities JSC (VCI), VNDirect Securities Corporation (VND), and VIX Securities JSC (VIX) all posting the maximum daily gain of 7 per cent.

Also supporting the market, foreign investors continued to be net buyers on both main exchanges. They bought a net value of VND219.94 billion on HoSE and VND29.11 billion on HNX.

In global markets, Asia shares ticked up, tracking Tuesday's rebound on Wall Street after US inflation data suggested a smaller rate hike from the US Federal Reserve when it meets next week.

Macro & Policies

2. Central bank makes first rate cut since 2020 to support economic growth

Under Decision No 313/QD-NHNN issued by the SBV late Tuesday, several policy rates have been adjusted down by 50-100 basis points since Wednesday.

Accordingly, the rediscount interest rate has been reduced from 4.5 per cent per year to 3.5 per cent per year while overnight electronic interbank rate and interest rate for loans to offset capital shortages in clearance between the central bank and commercial banks have been also decreased from 7 per cent per year to 6 per cent per year.

The SBV has also adjusted down the maximum short-term interest rate of Vietnamese dong-denominated loans from 5.5 per cent to 5 per cent per year to meet capital needs of the Government's priority industries.

The maximum short-term interest rate of dong-denominated loans of People's credit funds and microfinance institutions has also decreased from 6.5 per cent to 6 per cent per year.

According to the SBV, reducing the interest rates is a flexible solution in line with current market conditions to meet the National Assembly and Government's goal on economic recovery as it helps reduce the market interest rates, contributing to removing difficulties for firms and the economy.

Notably, the reduction of the short-term lending interest rate cap for priority industries to 5 per cent per year creates better conditions for firms and individuals in the industries to access loans at a lower cost.

According to the SBV, the rate cut was made as the country's inflation is under control. Data from the General Statistics Office (GSO) showed the consumer price index (CPI) last month increased by 0.45 per cent against the previous month. For the first two months of 2023, the CPI increased by 4.6 per cent against the same period last year.

The SBV's move was surprising as central banks around the world are still tightening their monetary policies, increasing and keeping interest rates at a high level, especially when the US Federal Reserve (Fed) is forecast to continually raise interest rates by 25 basis points at its meeting on March 22 this year to 4.75-5 per cent per year, and may increase further during its meetings in May, June and July.

Bui Van Huy, director of DSC Securities Company's HCM City branch, said most people believe as the Fed maintains high interest rates, it will make it difficult for the SBV to lower interest rates because it may affect the country's foreign exchange rate.

According to Huy, this is partly true, but it should be noted that Viet Nam's inflation rate is currently quite well controlled and lower than that of the US and many other countries. Therefore, if Viet Nam can keep a low inflation rate, it is quite possible for Viet Nam's interest rates to be equal to or even lower than that of major countries in the short run.

In February 2023, commercial banks in Viet Nam also continued to agree to reduce deposit interest rates to reduce lending interest rates, which supports firms and the economy.

Accordingly, commercial banks have reduced deposit interest rates from 0.2-0.5 percentage points per year for a term of 6-12 months. Currently, the interest rate of newly arising deposits from commercial banks is about 6.7 per cent per year and the interest rate of newly arising lending from commercial banks is about 9.4 per cent per year.

3. Hitting 6 per cent export growth this year will be a challenge: MoIT

Global demand for Vietnamese products has been dwindling, with the country's major exports, such as furniture, footwear, and seafood, receiving far fewer orders than last year.

The General Department of Viet Nam Customs revealed that, by the end of February, the country's electronics exports had dropped by 13.9 per cent to US$6.87 billion compared to 2022.

Additionally, machinery and tools exports reported a 1.6 per cent decline to $6.4 billion, while textile exports dropped by a significant 19.6 per cent to $4.55 billion. Footwear and furniture exports also suffered losses, declining by 15.8 per cent and 34.8 per cent, respectively, to $2.76 billion each.

Mobile phones and parts remained among a handful of exports that reported a positive growth at 7.6 per cent, or $9.42 billion, thanks to Samsung introducing its 2023 models earlier than usual.

The textile sector was particularly affected by lower global demand, according to the minister of trade and industry Nguyen Hong Dien, with a total export worth of $4.5 billion, a 20 per cent decrease year-on-year.

"Lower demand in the world's major markets such as the US and China, on top of a large inventory held by retailers, have resulted in fewer orders placed this year," said Cao Huu Hieu, director-general of Vinatex, one of the country's largest textile groups.

The seafood sector has seen fewer orders since the end of 2022, with demand from the US and the EU nosediving by 35 per cent and 8 per cent, respectively.

Viet Nam's seafood export during the first two months of the year was reported at $1.1 billion, a 26 per cent decrease from last year. Tra fish, in particular, was down by 38 per cent, shrimp by 37 per cent and tuna by 27 per cent.

Furniture was down by 35 per cent, with the industry's forecast remaining grim as large global markets such as the US and the EU will likely reduce spending due to inflation, economic setbacks and lower purchasing power.

Meanwhile, Vietnamese furniture makers still struggled to meet said market's product origin and standards regulations. High inventory and a damaged distribution network after the pandemic were other contributing factors.

Several measures have been taken to support businesses, according to the Ministry of Industry and Trade (MoIT), including trade promotional and networking events.

Viet Nam's trade representative offices overseas have been told to step up efforts to help businesses enter new markets and resolve on-going issues with their entry.

The ministry said while businesses wait for traditional markets such as the US, the EU and Japan to recover, they must seek out other alternatives, especially markets in the Middle East, Eastern Europe, Latin America and South Asia.

4. High cost of construction materials puts pressure on Viet Nam's construction industry

Despite expectations that the demand for iron and steel will rise due to the government's efforts to reduce supply by disbursing public investment, removing funding for key projects or focusing on social housing projects, the cost of construction materials remains stubbornly high.

According to contractors and investors in Ha Noi, while the price of cement has stabilised, other essential building materials such as steel and construction sand continue to increase in price.

This trend has made it difficult for businesses to accept contracts for construction projects that require large amounts of steel, as they fear heavy losses if the price of steel continues to rise.

As a result, many construction projects remain unfinished, as businesses are unwilling to take on the financial risk of completing the work.

A director of an enterprise specialising in the construction of bridges and roads said that every time a supplier sent a new quote, it was like "sitting on a fire".

Since the beginning of this year, the price of CB240 coil and D10 CB300 reinforcing bars after at least five adjustments has reached approximately VND16 million (US$678) per tonne. Hoa Phat steel bar prices in the south rose by VND200,000 per tonne on March 6, and it is expected to be applied in the northern market too.

The price of construction sand after the Lunar New Year has soared because many agent owners reported scarcity due to decreasing supply.

Construction enterprises, which already had difficulty in maintaining their cash flow, high borrowing costs and many debts from the declining real estate market, are now gradually "getting hit" by fluctuations in the price of building materials.

Some experts predicted that if this situation persists, the number of companies with sufficient capacity and quality in the construction industry would be counted on one hand in the next five years.

Data from the business registration authority shows that the whole country had 51,401 enterprises withdrawing from the market in the first two months of this year, a year-on-year increase of 14.5 per cent.

Among 17 business lines, construction and real estate businesses have a very high number of enterprises suspending business with more than 7,180 enterprises.

The construction industry has 5,525 enterprises registered to suspend their business, up 22 per cent year-on-year.

Similarly, 1,660 enterprises in the real estate industry registered to suspend their business in the past two months, up 57 per cent.

5. Vietnam's hotels recovering from pandemic but still face challenges: Savills

Vietnam's hotel industry has been slower to bounce back from the COVID-19 pandemic than that of other countries due to a series of factors, including strong reliance on the Chinese market and a large pipeline of hotels, according to Savills Hotels APAC.

Globally, the hotel industry started 2023 off strong, with more than 60% of properties reaching 2019 revenue per available room (RevPAR) levels.

RevPAR growth was still predominantly driven by growth of room rates, with only a handful of countries exceeding 2019 occupancy.

In Southeast Asia, Singapore reached the highest RevPAR last year and this strength has continued in early 2023.

This was mainly due to stronger demand from business and leisure travel, especially pent-up demand for luxury accommodation from overseas visitors.

Following China's border reopening in early 2023, many countries are gearing up for the return of Chinese travellers.

In 2019, approximately 32 million Chinese travellers visited Southeast Asia, and the return of these guests will aid recovery in the region significantly.

"Vietnam experienced remarkable growth in the past ten years with international travellers increasing by 16.9% per year between 2009 and 2019," said Mauro Gasparotti, Director of Savills Hotels APAC.

"High demand boosted confidence in the sector, with a strong development pipeline. On average, about 10,000 rooms entered each year between 2017 and

2019," Mauro said. "This strong growth was interrupted by the pandemic, and it will take time to recreate the necessary momentum to reach pre-pandemic levels. Given the strong pipeline, even pre-pandemic, Vietnam needed 20% to 30% growth in annual demand to keep pace with new openings."

In the first two months of this year, the country welcomed 1.8 million international travellers, which is 40% lower than the pre-pandemic level. There were 560,000 Korean travellers and 148,000 from the US.

The domestic market continued to dominate with 20 million travellers.

The lack of the Chinese market imposes further challenges on the recovery of tourism.

In 2019, almost a third of Vietnam's 18 million foreign arrivals came from China and they dominated coastal destinations such as Nha Trang, where 70% of international travellers were Chinese.

The domestic and Korean markets supported the recovery of certain areas such as Da Nang, with some beachfront properties able to exceed 50% occupancy.

However, other destinations such as Nha Trang have been heavily affected by the drop in Chinese tourists and the significant number of openings in the past few years.

According to Savills Hotels statistics, Nha Trang provides 24,000 mid to luxury rooms, half of which entered the market between 2017 and 2019.

This destination may require greater joint efforts from business owners and local authorities to reposition its tourist image and catch international attention and demand.

"The resumption of Chinese tour groups from March 15 is good news, however, we shouldn't forget that excessive reliance on a single market is risky due to the notorious volatility of hospitality," Gasparotti said.

Certain cities have experienced significant recovery, particularly HCM City, where occupancy is fast reaching 2019 levels.

Uyen Nguyen, head of consultancy at Savills Hotels APAC, said, "though occupancy is improving, average daily rates are between 15% and 20% lower than pre-pandemic levels."

"But it is worth noting that in certain cases, luxury and boutique hotels that were well-positioned have reached or even surpassed 2019 rates," Uyen said.

Last year, drive-by destinations showed robust performance after the lifting of the national lockdown, but there has been a slight decrease since the beginning of this year. The reopening of borders has spurred demand for outbound travel.

Despite intensifying competition, development prospects remain available for those who can effectively respond to market dynamics.

The market requires innovative products that can cater to the demands of both young domestic and international travellers, such as poshtels, entertainment-integrated complexes, limited-service accommodations, and co-living and co-working spaces.

Major cities and coastal destinations have promising prospects for ultra-luxury products, with branded residence offerings.

"There is a growing trend for wellness-related offerings that should be explored because this trend can manifest in various forms, from yoga and meditation retreats to senior living residences, medical tourism complexes, or nature-immersed resorts located in areas close to major cities," Uyen said.

"The market anticipates a shift towards quality, with a heightened emphasis on details that can contribute to the success and character of resort operations," she said.

6. Bank law to be amended to ensure banking system safety

According to the SBV, the law, which was issued in 2010, currently shows a number of limitations, requiring an amendment to suit the actual operation of credit institutions and management practices of State agencies.

The law's regulations on organisation, administration and operation of credit institutions overlap with other laws including Law on Enterprises and Law on Cooperatives.

While the Law on Credit Institutions has been promulgated since 2010, other relevant laws, such as the Law on Enterprises, Law on Investment and Law on Management and Use of State Capital for Investment in Production and Business of Enterprises, have been so far amended, supplemented or replaced. Therefore, some provisions of the Law on Credit Institutions need to be revised and supplemented to ensure consistency with the above laws.

Some operations of credit institutions, such as treasury activities and payment agent assignment, are not regulated in the Law on Credit Institutions, which causes difficulties for credit institutions in implementing the work.

Besides, the law's regulations on some operations of credit institutions, such as letters of credit (L/C) and receiving deposits between credit institutions, also need to be improved to be consistent with reality and international practices.

A number of new rising problems, such as trading securities that are not stocks or bonds, and providing information about foreign bank branches to parent banks, have not been regulated in the law yet.

According to the SBV, a revision of the Law on Credit Institutions is necessary to ensure the safety of the banking system, market transparency, and fundraising for socio-economic development.

The current Law on Credit Institutions needs to be amended to complete the legal framework for credit institutions to control the operation, prevent risks and limit the occurrence of wrongdoing.

Under the draft revised law, the SBV and the Government Inspectorate will strengthen the inspection and supervision measures to effectively manage credit activities, and combat manipulation, group interests and cross-ownership.

The revised law will also include regulations to enhance the State management for weak credit institutions with an aim to limit and deal with the situation of depositors withdrawing money en masse like at the Saigon Commercial Bank (SCB) late last year.

Besides, the law will also regulate risk prevention and further strengthen the self-inspection, internal control and self-responsibility of credit institutions.

It is also necessary to develop tools to manage credit institutions, especially the appointment of their leaders with the consent of the SBV, according to the draft law.

7. Over 250 petitions submitted to authorities on fragility of petroleum regulations

On March 14, over 250 urgent petitions regarding market volatility were lodged by fuel and oil dealers with Prime Minister Pham Minh Chinh. These retailers own almost 9,000 outlets throughout the nation.

According to the petitions, the Regulations on Petroleum Business in Decrees No.83/2014/ND-CP issued in March 2014, and No. 95/2021/NQ-CP issued in November 2021, are the primary cause of the depletion of fuel station owners.

To minimise local shortages, gasoline merchants suggest procuring commodities from three distinct sources, including distribution traders.

"Only importing items from one focal point would eliminate the rivalry of enterprises," Le Van Bau, director of Le Hong Thu Co., Ltd., argued in the appeal.

These retailers also advocated amending the rules on the methodology for determining the base price and discount rates to guarantee justice and put a stop to the scenario of opening and selling at a loss, shutting down, and being sanctioned by the authorities that has persisted for over a year.

According to merchants, the basic pricing formula has a standard cost of doing business per litre of petrol (4.3-5.3 US cents per litre, depending on the kind), but at varying times, major firms have retained the whole amount above with no discounts.

The state management of petroleum is delegated to the Ministry of Finance (MoF) and the Ministry of Industry and Trade (MoIT) by the Vietnamese government. Ho Duc Phoc, Minister of Finance, said at a session on February 28 where the Central Committee's Economic Commission explained the state of the petroleum market and the results of tasks and remedies in the administration of petroleum that there are some limits on how the state can handle petroleum.

According to Minister Phoc, one of the present difficulties is that there are too many wholesalers and distributors. According to him, Vietnam has 34 significant retailers, while Japan has five and China has only four.

In the minister's opinion, too many middlemen would increase expenses and cause fuel prices to rise. He advocated reducing wholesaler regulations from 34 to 10 units. Likewise, the existing number of roughly 332 distribution merchants is excessive and must be decreased.

According to several enterprises, Vietnam's petroleum market lacks a focal point for administration to direct, control, and clarify duties. The government makes the final decisions.

Minister Phoc suggested in a meeting of the National Assembly in October last year to shift the supervision of petroleum, from price regulation, cost standards, and business, to the MoIT so that the supply can be proactive. However, the MoIT proposed that the administration of petroleum be delegated to the MoF.

Corporate News

8. VNL: Record date for AGM 2023 and dividend payment in 2022

↑ 4.12%

On March 09, 2023, the Hochiminh Stock Exchange issued Announcement No.451/TB-SGDHCM about the record date of Vinalink International Freight Forwarders as follows:

- Ex-right date: March 22, 2023
- Record date: March 23, 2023

1) Reason & purpose:

- To hold the 2023 Annual General Meeting of Shareholders;
- To pay the 2nd cash dividend in 2022.

2) Content:

a) To hold the 2023 Annual General Meeting of Shareholders:

- Exercise ratio: 01 share – 01 voting right
- Estimated time: April 26, 2023
- Venue: Notice later.

b) To pay the cash dividend in 2022:

- Exercise ratio: 8%/par value (800 dongs/share)
- Payment time: April 21, 2023.
- Place of implementation:

+ For deposited securities: Shareholder will implement procedures to receive dividend at the securities companies where shareholders opened securities depository account.

+ For undeposited securities: Shareholder will receive dividend at Vinalink International Freight Forwarders office on working days. Please present shareholder's identity card/citizen identity card and Share ownership certificate when receiving dividend at the Head office.

9. BWE: Buying shares of LAW

↑ 0.23%

The Board resolution dated March 13, 2023, the Board of Directors of Binh Duong Water Environment Joint Stock Company approved the policy to buy shares of Long An Water Supply Sewerage JSC (LAW) with the ownership ratio from 20% to 100%.

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