VIETNAM DAILY NEWS

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Market Analysis

1. Shares climb for second day, realty stocks cool down

Viet Nam's stock market had a busy session on Tuesday with rising liquidity, but realty stocks cooled down after Monday's surge.

On the Ho Chi Minh Stock Exchange, the VN-Index rose for a second day, up 1.04 per cent to close at 1,037.84 points. The southern market's index edged up 0.24 per cent on Monday.

The market breadth was positive with 216 stocks rising, 178 declining and 176 closing flat.

Regarding industries, 21 out of 25 stock groups tracked by vietstock.vn gained value, of which the construction materials group led the market with an average growth of 3.1 per cent, followed by the securities group (up 2.6 per cent) and the banking and accommodative services (each up 1.3 per cent).

In the construction materials group, steelmakers posted the biggest gains, led by Hoa Phat Group (HPG, up 3.4 per cent), Hoa Sen Group (HSG, up 4.9 per cent) and Nam Kim Steel JSC (NKG, up 6.5 per cent).

Banks also performed well with six of the top 10 shares lifting the VN-Index most coming from this group. They included BIDV (BID), Vietcombank (VCB), Vietinbank (CTG), VPBank (VPB), Eximbank (EIB) and Ho Chi Minh Development Bank (HDB) with growth of between 1-2.8 per cent each.

The growth of realty stocks cooled down after a surge on Monday. No Va Land Investment Group (NVL) lost 1.8 per cent in value while Dat Xanh Group (DXG) fell 2.8 per cent after hitting the ceiling growth limit on Monday. Phat Dat Real Estate Development JSC (PDR) and Vinhomes (VHM) sustained the green but their growth slowed to below 1 per cent on Tuesday.

According to Hoang Anh Tuan, a senior investment consultant at MB Securities Co, the stock market is unlikely to experience significant growth in the short term (3-6 months). This is due to the possibility of another rate hike by the Federal Reserve. In addition, the pressure on the exchange rate may limit the extent to which Viet Nam's interest rate can be reduced.

For the realty industry, he predicted the real estate industry will remain in a state of stagnation until the end of 2024 due to the typical duration of the "freeze" period being around 2-3 years.

"Currently, there is little movement in the real estate market, and any surge is likely just a rebound from a previous significant decline," Tuan was quoted as saying on bizlive.vn.

On the Ha Noi Stock Exchange, the HNX-Index also extend gains to a second day, up 0.46 per cent to 207.50 points.

Liquidity rose on both exchanges with a total of 518 million shares worth nearly VND9 trillion (US$381.3 million) being traded, up 9 per cent in volume and 18 per cent in value over Monday's levels.

Foreign traders returned to net buying after a 14-day net-selling streak, being responsible for a total net buy of VND210 billion on the two markets.

Macro & Policies

2. Bond debt swap for real estate: investors' benefits must be ensured

Under the new Decree No. 80/2023/ND-CP, which took effect on March 5, all amendments and supplements proposed by the Ministry of Finance were approved.

First, regulations on the maturity of the issued bonds were changed, allowing enterprises to change the terms and conditions of bonds. In case of extending the bond's term, the maximum period must not exceed two years compared to the term in the bond issuance plan announced to investors.

If the bondholders do not agree to change the bond's terms and conditions, the issuing enterprise is responsible for negotiating to ensure the interests of investors. In case a bondholder does not accept the negotiation plan, the enterprise must fulfill all obligations towards the bondholder according to the bond issuance plan announced to investors.

Second, the new decree also cancelled a number of regulations, including those on determining the status of professional securities investors as individuals and corporate credit ratings.

Notably, the third regulation is that for bonds placed in the domestic market, in case the issuing enterprise is unable to pay in full and on time the bond principal and interest according to the issuance plan announced to investors, they are allowed to negotiate with bondholders to swap bond principals and interests with other assets, including real estate.

This is much expected by investors and bond issuers as it will help businesses deal with debts in the context of low level of liquidity in the market.

In reality, negotiations between bond issuers and bondholders have taken place recently.

EGROUP Education Group Joint Stock Company, the parent company of Apax Holdings Investment Joint Stock Company (IBC), has reportedly proposed to fulfil its bond obligations by converting bond payments into real estate.

There are two real estate projects selected by EGROUP to "barter" with investors. The swap plan is given in detail for investors to consider.

A project in Thanh Hoa has 75 land lots with areas ranging from 100 to 194sq.m. The selling price is VND300 million, but investors have to pay VND200 million for the land lot to get the red book. This plan only applies to investors who own bonds worth less than VND1 billion.

The second project consists of 27 resort villas in Chuong My, Ha Noi, which is applied to investors with outstanding loans of more than VND1 billion. Investors can swap the bond debts for the properties but still have to pay VND6.5 billion or more depending on the value of each villa as they are priced at a minimum VND12 billion.

As quoted from the Permanent Deputy General Director of EGROUP by cafef.vn, there is now a group of bond investors who accept swaps for 10 lots in the project in Thanh Hoa and six villas in Ha Noi.

If this information is correct, then this may be positive news as the swapping of bond debts to real estate will probably be applied in the near future.

However, no official announcements related to this issue are released on any websites of either EGROUP and APAX Holdings or State management agencies.

Earlier, NoVa Real Estate Investment Group Joint Stock Company (Novaland, HOSE: NVL) sent a letter to bondholders of the NVLH2123009 bond lot worth VND1 trillion of which the maturity date fell on February 12, 2023 to propose a plan to extend the principal payment term in a suitable time or swap the bond principal for real estate products of the group.

However, after completing the consultation with bondholders on February 20, the bondholders' representative, PetroVietnam Securities Joint Stock Company (PSI), announced that it did not agree with Novaland's proposal, so the collateral will be handled in accordance with the law.

So far, Novaland has only announced that it has reached only an agreement to swap bonds for shares of two Novaland subsidiaries with a foreign investor (Dallas Vietnam Gamma Ltd).

According to Viet Nam's credit rating agency FiinRatings, the swap operations have taken place elsewhere and achieved positive results. The agency notes that the option needs consensus between investors and bond issuers.

FiinRatings also reported that the bond default rate in the Chinese market at the end of 2021 was 1.35 per cent. The bond debt restructuring is mainly implemented via self-agreements such as extending debt payments and bond swaps. About 79 per cent of international bond defaults were handled by the bond swap method, and 72 per cent of domestic defaults were resolved by debt extension.

In the case of debt payment extension, the responsibilities and obligations of related sides are not changed but in the case of bond swap for assets, the nature of the relation between bondholders and bond issuers will be completely changed.

In other words, when the bondholder accepts the swap for assets such as real estate, the bond issuer will no longer have any debt obligations, but the bondholder will continue to face other risks such as the price of assets declining or legal issues related to the property.

Therefore, from the perspective of investors, they cannot easily accept the form of exchanging bonds for assets if they feel unsafe. Some of the main reasons are as follows:

First, bondholders will only agree to accept an asset if the asset is discounted sufficiently below market value, to an attractive level. If the swapped asset is real estate, there will be additional costs related to notarisation and taxes, etc, so bondholders and bond issuers must negotiate further to decide which party will bear the cost.

Secondly, if real estate is a project which is in the progress of construction, investors will feel insecure about the property they receive in the future, especially when the business is facing difficulties. The debtor-creditor relationship is also transformed into an investor-customer relationship. The change in relationship between the two sides will lead to more complicated problems, which make investors hesitant to accept a swap. Dealing with the problems will likely take more time and efforts from investors.

Third, businesses often mortgage their assets for bank loans so the property used to swap with bond debt might not be freely transferred right away. Therefore, in order for investors to receive that real estate, they must spend more money to buy the bank debt or accept the debt transferred from the business. Either way, investors ultimately have to spend more money to get that real estate.

This seems quite similar to what is mentioned in EGROUP's bond-to-asset swap plan when investors are limited to the amount of debt solved per property and to actually own the asset, they must pay the rest if the asset is priced at a level higher than the outstanding debt. This is an unfair problem for bond investors.

In order to ensure the benefits of bondholders, they should be provided with sufficient information of legality of the assets used for bond swap.

Though the amendments to Decree 65 were approved as they are necessary and appropriate to help ease pressure on the shoulder of bond issuers and relieve investors of feeling unsecure about their investments, bond debt swap for real estate is only a short-term solution when the problem cannot be solved completely.

This method is only optional and depends on the nature of the business operation and products of each enterprise. So bond issuers must comply with civil laws and related laws regulating the business operation. The Government agencies might take into consideration of temporarily changing some related regulations to make the swap deal run smoothly.

3. Vietnamese real estate remain attractive to foreign investors

The 2023 Asia-Pacific Investor Intentions Survey released recently by CBRE Vietnam showed that Ho Chi Minh City and Hanoi are among top 10 most attractive destinations for trans-border investment. Particularly, for the first time, Ho Chi Minh City ranked third in the list, even above Australia.

Vietnam drew greatest attention from investors from Asian countries and territories, including Hong Kong, Singapore, China, the Republic of Korea and Japan.

With a forecast urbanisation rate of 42% in 2025, Vietnam has high potential in real estate market development. With more people rising to the middle class, the country has become a magnet for real estate investment.

At the beginning of 2023, Singaporean firms conducted a number of large-scale deals in Vietnam.

Keppel Land, a real estate developer that is running more than 20 projects worth 3.5 billion USD around the world, signed a memorandum of understanding with Khang Dien Group of Vietnam to cooperate in residential area building and sustainable urban development projects in Ho Chi Minh City in February.

Keppel Land CEO Louis Lim said that the firm is keen on strengthening its presence in Vietnam, one of its major markets with great long-term potential.

Meanwhile, Sembcorp Development has also reached a deal with Becamex IDC on partnership in developing five green, smart and sustainable industrial parks in Vietnam in the next three years with total investment of about 1 billion USD. These industrial parks will be built to meet green, smart and sustainable criteria, using high technologies in management.

The report "Vietnam Real Estate: Perspectives from China and Southeast Asian Countries" by PropertyGuru Group said Vietnam's open economic policy and integration into global supply chains have made growth possible. Therefore, a resilient supply chain is key to Vietnam's economic strength and increasing the attractiveness of real estate to foreign investors.

If Vietnam's transport infrastructure of seaports, highways, high-speed railways and airports is expanded and completed, real estate in Vietnam will be a more attractive destination for foreign capital, both direct and indirect investment, the report said.

According to the Foreign Investment Department under the Ministry of Industry and Trade, the real estate sector drew the second largest amount of foreign direct investment among all sectors in 2022, attracting more than 4.45 billion USD, accounting for 16.1% of the country's total.

4. Viet Nam enjoys trade surplus of over $2.8 billion in two months

According to the office, the country has exported $49.44 billion worth of goods so far this year, down 10.4 per cent over the same period last year, with $37.92 billion coming from the foreign-invested sector, accounting for 76.7 per cent.

In February alone, total export revenue is estimated at $25.88 billion, up 9 per cent over January and 11 per cent year on year.

In the first two months of this year, eight kinds of products recorded exports of over $1 billion, accounting for more than 69.9 per cent of the total. Particularly, three enjoyed revenue of over $5 billion.

The manufacturing-processing sector contributed $44.38 billion to the country's total two-month export revenue, accounting for 89.8 per cent, while agro-forestry sector made up 6.9 per cent, fisheries 2 per cent and fuel and minerals 1.3 per cent.

In January and February, the country spent $46.62 billion on importing goods, down 16 per cent year on year, mostly on production materials.

In February, the figure dropped 6.7 per cent over the same period last year to $23.58 billion.

In the first two months of this year, imports of 13 groups of goods exceeded $1 billion, with two recording imports worth more than $5 billion.

So far this year, the US has remained the largest import market of Viet Nam with a revenue of $13.1 billion, while China has been the country's biggest exporter with a value of about $14.6 billion.

In the January-February period, Viet Nam's trade surplus with the EU is estimated at $4.8 billion, up 1.8 per cent.

Meanwhile, the country has suffered a trade deficit of $6.4 billion with China, $4.7 billion with the Republic of Korea, $1.5 billion with ASEAN countries, and $237.2 million with Japan.

To meet the target of about 6 per cent growth in export revenue this year, the Ministry of Industry and Trade has asked businesses to actively improve the competitiveness of their products, while expanding their export markets.

The ministry will strengthen the exploitation of potential markets, while switching to official export channels in association with the building of trademarks. The ministry will also renovate its trade promotion activities and develop digital infrastructure to increase distribution though e-commerce platforms.

Besides, the ministry will organise training courses for businesses and support them to make full use of free trade agreements.

Agro-forestry-aquatic exports up 5.7 per cent in February

Viet Nam earned over $3.4 billion from agro-forestry-aquatic product exports last month, a year-on-year increase of 5.7 per cent, the Ministry of Agriculture and Rural Development said.

The sector's import-export value in the first two months of this year was estimated at $11.99 billion, down 16.8 per cent from the same period last year. Its exports accounted for around $6.28 billion, a drop of 22.5 per cent.

After falling to second position among Viet Nam's agro-forestry-aquatic importers, China returned to the top spot in the first two months of the year with $1.27 billion or 20.2 per cent of the market share. It was followed by the US with some $1.19 billion; Japan, $563 million; and the Republic of Korea, $302 million.

Items that saw hikes in export revenues included tea, up 5.1 per cent; fruits and vegetables, 17.8 per cent; cassava and cassava products, 32.7 per cent; milk and dairy products, 10.2 per cent; and meat and by-products, 14.2 per cent.

Meanwhile, staples such as coffee, rubber, rice, cashew nuts, pepper, tra fish (pangasius), shrimp, wood and wooden products, and rattan and bamboo products experienced decreases.

To promote the consumption of farm produce, the ministry said it will step up market development, remove barriers and facilitate domestic sales and exports, while utilising free trade agreements (FTAs), especially the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Viet Nam Free Trade Agreement (EVFTA).

The sector will also continue its coordination to support the protection of trademarks and geographical indications for Viet Nam's potential export items abroad. It proposed the Government build a decree on the management of Viet Nam's national agricultural product brands.

Representatives from the ministry will hold working sessions with China's Nanning and Yunnan customs forces to seek ways to promote trade and remove obstacles to agro-forestry-aquatic exports.

5. February exports provide positive signal in Binh Duong province

The department said that in February, the province recorded a surge of 91% in the export of wood and wooden furniture, 33% in garments, 28% in electronic accessories, and over 30% in automobile spare parts.

In the month, the locality posted a 42.7% increase in export revenue over January and 25.7% year on year.

The domestic sector earned 497 million USD, 46.2% month on month and 26.5% year on year, while that of the foreign-invested sector was 2.1%, a year-on-year rise of 25.5%.

According to the provincial Statistics Office, despite the February rise, Binh Duong still saw a year-on-year decrease of 18.7% in export revenue in the first two months of this year.

The US was still the largest export market of Binh Duong in the January-February period with nearly 1.5 billion USD, accounting for 32.2% of the province's total export revenue.

A downturn was also seen in other traditional markets such as the EU (21.4%), Japan (6.1%), and the Republic of Korea (20.8%).

According to the Binh Duong Association of Exporters, in the beginning of the year, a shortage of orders due to a global recession, coupled with a long Lunar New Year holiday and high interest rates, hurt production and export activities of local firms.

However, local exporters have seen a recovery in orders and received great support from the local administration, it said.

In the first two months of this year, Binh Duong posted a trade surplus of 905 million USD, with the domestic sector earning 326 million USD and foreign-invested sector enjoying 579 million USD.

6. Southern province welcomes new-generation FDI

According to the Dong Nai Industrial Zone Authority (DIZA), the province attracted 281 million USD in FDI, with eight new projects being licensed and 14 projects receiving additional capital, in the time under review.

Head of DIZA Pham Manh Cuong said that new FDI projects in the province do not have too much capital but all use advanced technologies in the logistics industry, which meets the province's requirements and orientations which will limit labour intensive projects using outdated technologies.

The province has been speeding up projects on new industrial zones and infrastructure works including Long Thanh International airport, Bien Hoa – Vung Tau express, and Ho Chi Minh City's Ring Road 3 and Ring Road 4.

Such improved infrastructure is expected to make the province more attractive to investors, Cuong said.

For the last two years, FDI to Dong Nai reduced and for the first time in the last 30 years, Dong Nai was out of the top five leading FDI recipients in Vietnam, Cuong said, adding that a lack of land funds is one of its difficulties in attracting investors.

Enterprises from Japan, the Republic of Korea, Taiwan (China), and Europe are eyeing to implement projects in the province but there is no land available to meet their demand, Cuong said, noting that the province's industrial zones projects are just at land clearance phase.

Once the bottleneck in infrastructure is removed, FDI flows into Dong Nai will be much stronger, which helps the province regain its position, Cuong said.

7. Global Minimum Tax a head-scratcher for Vietnamese policymakers

Under GMTR rules, corporations with more than €750 million in annual revenue would be subject to an effective tax rate of at least 15 per cent, not including deductions for depreciation and certain tax credits. The introduction of GMTR is aimed to increase compliance costs and create a level playing field between developed and developing countries.

The European Union has unanimously agreed to implement the rate on January 1, 2024. Japan followed suit with the enactment date being April 1, 2024. Other countries are preparing their legislation for the adoption of GMTR in the short term, including Indonesia, Malaysia, and the Republic of Korea (RoK).

Experts worry that the introduction of GMTR in other countries would cancel out the tax incentives that Viet Nam has laid down for years and result in tax revenues being effectively exported to those countries.

Take RoK companies operating in Viet Nam for example. These companies are subject to a preferential tax rate of 7 per cent. Once GMTR comes into force in RoK, the companies would have to pay an additional rate of 8 per cent to RoK tax authorities, which is the difference between the Vietnamese rate and GMTR.

Dang Ngoc Minh, deputy director of the General Department of Taxation, estimated that 1,015 FDI companies operating in Viet Nam would be unfavourably affected by the broad-based tax rules.

He said global corporate heavyweights in the country are enjoying tax rates of between 2.75 per cent to 5.95 per cent, far lower than the GMTR of 15 per cent. As such, the implementation of GMTR abroad would cost Viet Nam a couple of billions of dollars in tax loss every year.

Thomas McClelland, country tax leader at the Deloitte Vietnam Company Ltd, urged Viet Nam to act quickly and decisively to adopt GMTR. Otherwise, the country would lose out to others on the differential tax revenues.

Some other experts share this view, saying that Viet Nam must be quick to bring GMTR into force to boost its tax revenues from FDI companies. But they also warn that the bandwagon would pose some new challenges for policymakers, who would have to find non-tax ways to attract FDI.

Can Van Luc, chief economist at the BIDV, believed that the implementation of GMRT would put developing countries at a competitive disadvantage, especially those using fiscal incentives as a magnet for FDI.

He urged Viet Nam to improve its business environment and investment climate to make up for the tax incentives that would diminish in the next few years.

"A sound business environment and investment climate are more beneficial to investors than the financial incentives offered in the form of tax cuts," said Luc.

It is also worth noting that GMRT can only be officially put in place next year under the circumstance that the Government proposes amendments to Corporate Law, Investment Law, and Tax Law to the National Assembly before October 2023.

Corporate News

8. VIC: Vingroup helps Viet Nam go green with Vinfast car rental, taxi company

↑ 0.19%

GSM is the world's first multi-platform green transport rental and taxi service aiming to promote electrified mobility while advocating a green lifestyle.

The company is expected to provide the market with 10,000 cars and 100,000 motorbikes made by the VinFast Trading Service Limited Liability Company, a subsidiary automaker of Vingroup.

With charter capital of VND3 trillion (US$126.77 million), GSM, founded by Vuong, who owns a 95 per cent stake, is expected to begin operation in Ha Noi next month and then nationwide this year. The company will offer rental services to transport companies, while operating its own electric taxi service.

Specifically, GSM will offer electric car rental services for traditional and online taxi service providers and their employees. At the same time, GSM will operate its own electric car taxi service.

Nguyen Van Thanh, CEO of GSM JSC, said: "GSM was established to further the development of the green and smart mobility ecosystem in Viet Nam, providing people with more options to use electric vehicles at reasonable prices.

"Whether it is just a few dozen minutes in a taxi or a few weeks or months of renting, customers will have the opportunity to experience the smart features and convenience of electric vehicles. In this way, we can accelerate the smart electric vehicle revolution in Viet Nam."

GSM aims to promote the usage of electric vehicles by raising awareness about the convenience, intelligence, and sustainability of electric vehicles. By offering direct driving experiences (with test drive customers) and opportunities to enjoy smart technology features and amenities in vehicles (rental customers, electric taxi passengers), GSM will introduce VinFast electric cars to the broader public and gradually establish the habit of using smart and environmentally friendly transport in the daily lives of Vietnamese people.

9. HPG: Hoa Phat Group reports sluggish sales on weakening demand

↑ 3.43%

The company produced 416,000 tonnes of crude steel in February, or 60 per cent of that recorded in same period last year. The consumption of construction steel, hot-rolled coils, and steel billets reached 475,000 tonnes, only 70 per cent of that in February 2022. In contrast, the output of hot-rolled coil more than doubled month-on-month.

Also in February, only 282,000 tonnes of construction steel and 54,000 steel pipes were sold, down 37 per cent and 31 per cent annually, respectively.

In the first two months of this year, its crude steel production reached 809,000 tonnes, down 42 per cent year-on-year. Consumption of construction steel, hot-rolled coils and steel billets dropped by 34 per cent to 877,000 tonnes.

The group also supplied 107,000 tonnes of steel pipes and 48,000 tonnes of galvanised steel sheets, reaching 83 per cent and 68 per cent of the volumes in the same period last year, respectively.

Each year, Hoa Phat's annual crude steel production capacity usually reaches 8.5 million tonnes, the largest in Southeast Asia. In the future, the group will continue closely monitoring the market situation at home and abroad to adjust production and ensure jobs for workers.

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