VIETNAM DAILY NEWS

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Market Analysis

1. Indices inch lower despite gains of steel stocks

Outflows of foreign capital also increased pressure on the market.

Benchmark indices extended losses on Tuesday as risk-off sentiment persisted, while outflows of foreign capital also increased pressure on the market.

The VN-Index on the Ho Chi Minh Stock Exchange (HoSE) closed the day at 1,034.85 points, a decline of 6.51 points, or 0.63 per cent. It had lost more than 14 points in the last three sessions.

The breadth of the market inclined to the bearish trend as 204 stocks went down, while 103 ticker symbols inched higher. Liquidity was little changed over Monday's trade, with the trading volume and value of 539.6 million shares and VND9.4 trillion (US$401 million).

The 30 biggest stocks tracker VN30-Index dropped by 9.13 points, or 0.87 per cent, to 1,037.04 points. Twenty-seven stocks in the VN30 basket performed poorly, while only two inched higher and one finished flat.

On the Ha Noi Stock Exchange (HNX), the HNX-Index fell for the second day in a row, and ended Tuesday at 204.69 points, down 2.07 points, or 1 per cent.

During the session, nearly VND1.2 trillion worth of shares, equal to a trading volume of 88.47 million shares, was traded on the northern exchange.

Leading the downtrend were familiar names in manufacturing, oil and gas, and banking industries. Specifically, Masan Group (MSN) was the worst performer, posting a loss of 2.73 per cent in market capitalisation.

It was followed by PV Gas (GAS), Vietinbank (CTG), Techcombank (TCB), and VPBank (VPB), down in a range of 1.03-1.69 per cent.

Other stocks also witnessing significant losses in market capitalisation were Vinhomes (VHM), Vinamilk (VNM), and Vincom Retail (VRE).

Trading on the contrasting side of the market, the group of steel producers saw a positive movement. Of which, Hoa Phat Group (HPG) grew 1.94 per cent, Hoa Sen Group (HSG) up 2.4 per cent, Nam Kim Steel JSC (NKG) increased by 1.81 per cent, Pomina Steel Corporation (POM) up 0.22 per cent, and Song Hong Aluminum Shalumi Group (NSH) rose 2.33 per cent.

Shares traded in bearish tendency despite the fact that the market continuously received positive news from the authorities.

The State Bank of Vietnam (SBV) announced on Monday that starting from April 24, credit institutions and branches of foreign banks may immediately buy back corporate bonds they sell instead of waiting for 12 months from the date of sale.

On Sunday, SBV also issued a circular allowing credit institutions to restructure the repayment terms and keep the debt group unchanged to support borrowers struggling with production and business expenses.

Meanwhile, foreign investors were net sellers on Tuesday as they withdrew capital from both main exchanges. Of which, they net sold a value of VND140.68 billion on HoSE and VND4.08 billion on HNX.

Macro & Policies

2. Central bank eases control over corporate bond buybacks

On April 23, the SBV issued Circular 03/2023, suspending Clause 11, Article 4 of Circular 16/2021/TT-NHNN on trading corporate bonds by foreign credit institutions, effective from April 24 to December 31, 2023.

The new circular aims to spur corporate bond market growth amid a liquidity crunch as directed by the Government. With this, banks and foreign bank branches can buy back corporate bonds issued by unlisted companies within 12 months after they were issued.

Circular 16 bans banks from repurchasing the bonds they sold within 12 months and regulates that they are allowed to buy back part of the bonds they sold under some specific conditions.

The corporate bond market grew by leaps and bounds in the years before 2022, with bond sales totaling VND462 trillion in 2020 and VND658 trillion in 2021, showed data from the Vietnam Bond Market Association.

However, the market saw a steep decline in 2022 due to arrests related to securities market fraud, resulting in bond issues plunging to VND255 trillion in the year and making it greatly difficult for debt-ridden companies to sell bonds.

Corporate bond issues have ground to a halt since, with almost no corporate bond issues in January.

Though the market has shown signs of recovery, with corporate bonds worth VND26,425 billion issued in March, the total value of corporate bond issues in the first quarter this year plunged 60% year-on-year at VND28,556 billion.

3. $8.8 billion of FDI into Vietnam in the first four months

According to the Ministry of Planning and Investment's Foreign Investment Agency (FIA), FDI stood at $8.88 billion in the first four months of 2023, equivalent to just 82.1 per cent compared to the same time last year.

Over 750 new projects were granted investment registration certificates in the same period, with total registered capital of over $4.1 billion, up 65.2 per cent in the number of projects and up 11.1 per cent on-year in terms of capital.

The adjusted capital of almost 386 ongoing projects stood at about $1.66 billion, up 19.5 per cent on-year in number but down 68.6 per cent in capital terms. There were approximately 1,044 capital contributions and share purchases as of April 20, equivalent to $3.1 billion, showing an increase of 70.4 per cent over the same period last year.

In addition to the decrease in FDI, the country's disbursed capital also saw a slight decline of 1.2 per cent to $5.85 billion.

The FIA said that the on-year decrease in disbursed FDI capital has been narrowing as compared to the previous months of the year (2.2 per cent on-year in the first quarter and 4.5 per cent in the first two months of the year). At the same time, newly registered capital has been increasing, and sharply soared as compared to the previous month.

"The increase in the number of projects is much more significant than the rise in investment. That means small- and medium-sized investors are paying a lot of attention to Vietnam, and highly appreciating the nation's investment climate," noted the FIA's report.

The FIA census also indicated that FDI was seen in 18 out of the 21 economic sectors in the first four months. Of those, processing and manufacturing took the lead with $5.1 billion, capturing 57.8 per cent of the total, but saw a 17 per cent drop compared to the same period in 2022. Banking and finance ranked second with $1.5 billion, making up 17 per cent of the total and rising 12-fold on-year. This was followed by real estate and wholesale and retail with $972 million and $372 million respectively.

Singapore was the top foreign investor in Vietnam with close to $2.2 billion, accounting for 24.7 per cent of FDI into the country in the first four months of 2023, but representing a decrease of over 29.5 per cent on-year. Japan came second with $2 billion and China third with $752 million. They were followed by Taiwan, Hong Kong, and South Korea.

Foreign-invested projects still choose cities and provinces that have more advantageous infrastructural development, human resources, and clear administrative procedures, like Bac Giang, Dong Nai, Bac Ninh, Hanoi, Ho Chi Minh City, and Haiphong.

4. Capital thirst to fuel real estate M&A: insiders

Many property developers are planning asset and stock sales as they look to slash debts, restructure business and stay afloat, which is expected to lead to a surge in M&A deals in the market.

The real estate's present worst period will offer an opportunity for Khai Hoan Land Group JSC to embarked on big M&A deals, its General Director Dinh Thi Nhat Hanh said.

Currently, the domestic property market is witnessing M&A deals worth hundreds even thousands of billions of VND, Dau tu (Investment Review) reported.

NoVa Real Estate Investment Group Joint Stock Company (Novaland, HOSE: NVL) just announced that it has reached an agreement with its "bondholder" Dallas Vietnam Gamma Ltd. The companies have negotiated and reached an agreement to reduce the number of outstanding bonds and warrants through a swap agreement.

Accordingly, Dallas Vietnam Gamma Ltd will receive a portion of shares in two member companies of Novaland, namely Thanh Nhon Real Estate Investment Company Limited and Mui Ne General Investment Joint Stock Company, in exchange for the cancellation of a corresponding number of bonds and warrants.

Nguyen Quoc Anh, Deputy Director of batdongsan.com.vn, Vietnam's leading real estate trading website, said M&A activities are expected to rise in the time ahead as investors will continue their attention on debt and capital restructuring.

David Jackson, CEO of Colliers Vietnam, a real estate consulting service firm, noted that foreign investors are confident in Vietnam's real estate market, and M&A activities will play a key role in "rescuing" domestic property developers and recovering the market.

There is a wave of M&A in the Vietnamese real estate market, he said, adding that Colliers has received many requests from both domestic and foreign investors, mainly from North Asia, North America and Europe.

Duong Thuy Dung, Director of Research and Consulting, CBRE Vietnam, said new foreign investors, including those from South Africa and the Middle East, have showed interest in the Vietnamese market.

However, she pointed to roadblocks to M&A deals such as high loan interest rates offered by foreign investors, at about 18-20% each year, while domestic firms expected them at only 13-15%.

Experts predicted that the obstacles will linger on for the remaining months of this year, and said they hope that deals will be fixed in the fourth quarter or in 2024.

5. Multiple realty firms exit market in Jan-Mar

At a press conference on April 24, Hoang Hai, director of the Housing and Real Estate Market Management Agency under the Ministry of Construction, said realty businesses still grapple with difficulties.

The first three months of the year saw a 63% plunge in newly-established firms over the same period of last year. Meanwhile, firms liquidating and temporarily suspending their operations soared 30% and 61%, respectively.

Statistics showed that 30%-50% of real estate exchanges had to cease operating against the previous quarter, while 30%-40% of real estate brokering companies struggled to survive tough times.

Access to credit, bond issues and fundraising have not improved much. In addition, rising interest rates, foreign exchange rate risk and higher fuel and construction material prices have negatively impacted the sector.

To help the sector tackle woes, the Ministry of Construction continued proposing ministries and localities remove hindrances to property projects, quickly approve the relevant planning and issue a resolution on rescheduling debt owed by property businesses.

The Ministry of Construction now expedites completing criteria set for businesses and residents eligible for the credit aid package of VND120,000 billion.

Resolution 33, issued by the Government on April 12, provides solutions to remove bottlenecks, boost the real estate market and help businesses in difficulties reschedule their principal, loan interest and debt classification.

Given the measures applied by the Government during the past time, experts forecast that from the fourth quarter of this year, the real estate market might recover when support policies produce results.

6. Broad ground covered in aim to reinforce FIE conditions

At last week's meeting between Prime Minister Pham Minh and foreign-backed enterprises and business associations late last week, a series of issues such as work permits for foreign experts, green investment, supply chains, the upcoming global minimum tax (GMT), and the energy industry were discussed by the various participants, which included heads of influential international organisations.

The foreign business community continues to assert that the issuance of work permits is too lengthy, causing many difficulties for production and business. Even after submitting documents for the first time, it often takes 2-3 months to obtain a work permit if any documents require to be amended or supplemented.

According to the Korean Chamber of Commerce in Vietnam (KorCham), each time additional documents are requested, companies spend considerable time and money on document preparation, translation, notarisation, and consular certification.

"Vietnam also needs to captivate and retain exceptional talent. For this, the current work permit procedures should be streamlined," KorCham said.

Especially, the GMT is attracting both the government and businesses as currently, there is no announcement or specific regulation regarding the adoption and implementation of Pillar Two in Vietnam. Countries that are members of the Organisation for Economic Co-operation and Development, as well as members of the inclusive framework, have been in the process of developing and changing their domestic laws to cope with the implementation of Pillar Two from 2024.

"We recommend that the government of Vietnam investigate the impact of GMT on investors and the business environment in Vietnam, and provide practical, effective, and timely solutions to compensate enterprises whose corporate income tax (CIT) incentives will become less favourable or ineffective as a result of GMT implementation," said KorCham.

To overcome the impact of the upcoming GMT rate, the European Chamber of Commerce in Vietnam (EuroCham) has proposed measures to encourage investment, including the exemption of import tax and extension of the tax exemption period.

Currently, CIT incentives are mainly in the form of incentives on income, but some forms of direct cost incentives are not yet popular according to regulations in Vietnam.

At a forum related to GMT last week, Robert King, deputy general director of Ernst & Young Vietnam said that when tax incentives are no longer effective, Vietnam needs to take supportive measures to maintain competitiveness in attracting investment.

"However, monetary support should be carefully considered because it may not be in accordance with the applicable rules of the GMT," King said.

He suggested that the government should directly support investment costs and research and development (R&D) costs, as well as support production prioritised to draw investment. In addition, to support funding in the construction of environmental protection works, emission reduction activities would encourage environmental protection.

"During times of economic downturn, it is possible to consider supporting costs related to employee welfare, such as the cost of building dormitories, kindergartens, and medical stations for workers in urban areas. In addition, it is possible to consider supporting expenses to reduce production costs, such as supporting electricity bills and transportation costs for workers," King commented.

Home of global groups such as Samsung, Intel, Bosch, and AES, Vietnam targets luring in $150-200 billion worth of the total registered foreign direct investment (FDI) in the 2021-2025 period. In this period, disbursed FDI will be $100-150 billion, or $20-30 billion annually. In the 2026-2030 period, the total registered FDI will be $200-300 billion and disbursed capital will total at $150-200 billion.

When compared to 2018, the number of businesses in Vietnam adopting advanced and environmentally friendly technology, as well as having modern governance and plans for high-tech application, is expected to increase to half by 2025 and 100 per cent by 2030.

The top priorities for FDI attraction in the coming years will include IT and telecommunications, advanced electronics, cars, agricultural machinery, supporting industries, R&D, the Internet of Things, and AI, among others.

According to the latest Business Climate Index report released by EuroCham and produced by Decision Lab, Vietnam's draw as an FDI destination remains strong among European business leaders, with 3 per cent more European stakeholders citing it as one of their top three investment hotspots worldwide. Overall, just over one-third of those surveyed ranked Vietnam either first, within their top three, or among their top five investment destinations on a global scale.

Despite this, foreign businesses in Vietnam continue to grapple with regulatory opacity, administrative inefficiencies, and visa and work permit issues, but upcoming reforms to work permit and travel visa procedures will likely have a direct impact on growth.

"We eagerly await further information on these proposed changes. There has also been a notable improvement in liquidity in recent months, and we believe that a clear indication from the government on improved access to finance would boost morale," said a EuroCham press release.

7. Credit institutions allowed to reschedule repayment terms

The State Bank of Vietnam (SBV) on April 23 issued Circular No. 02/2023/TT-NHNN stipulating the restructuring of repayment terms and keeping the debt group of credit institutions and foreign bank branches unchanged.

The rescheduling of debt repayment terms for customers is implemented from the effective date of this circular, starting from April 24 to the end of June 30, 2024.

Restructured debts include loans and financial leases.

SBV authorised credit institutions and foreign bank branches to take the initiative in reviewing and assessing the difficulties of borrowers to decide on the restructuring.

The rescheduled terms shall be decided by credit institutions but not exceed 12 months from the due date of the balances subject to the restructured repayment term.

The just-issued circular, along with other supportive policies, will contribute to removing difficulties for people and businesses, extending the lending period, repaying bank loans, and creating conditions for continued capital turnover and access to new loans.

In a meeting with representatives of the central bank at the end of March, business leaders all expressed their most pressing need for a suspension of debt payments.

Most export items saw a decline in the first quarter, which led to a slowdown in GDP growth.

Nguyen Ngoc Hoa, chairman of the Ho Chi Minh City Union of Business Association (HUBA), said: "Since the beginning of the year, the city's main export industries have all dropped sharply by 20-40%. Although businesses have limited expansion, they still need capital to endure this tough time."

Dinh Trong Thinh, senior lecturer at the Academy of Finance, said that the circular helps banks have a legal basis to be able to extend, postpone, and charge off debt groups for businesses, thereby creating favourable conditions for businesses to access credit.

However, other financial experts said the rescheduling term of 12 months is short. Therefore, the period should be extended to support individuals and enterprises in overcoming challenges due to the slowdown of the global economy.

In the middle of last year, a debt restructuring policy was also issued to support businesses affected by the COVID-19 pandemic.

Statistics showed that in the previous debt restructuring for clients affected by the pandemic, nearly 1.1 million debtors had their repayment terms restructured, keeping the debt group with an accumulated value of more than 722 trillion VND (30.7 billion USD).

Recently, Prime Minister Pham Minh Chinh, in a meeting with the SBV, requested the central bank to amend bond regulations and reschedule debts for businesses. The PM asked for the completion of the draft circular amending Circular 16/2021 on credit institutions buying and selling corporate bonds in the direction of allowing banks to immediately buy corporate bonds.

According to regulations applied in 2021, banks can only buy unlisted corporate bonds 12 months after these bonds are sold and can only repurchase the same type of bonds that were sold by credit institutions before.

The SBV's recent amendment is to allow credit institutions to buy back unlisted or unregistered bonds on UPCoM that banks sold before the end of 2023.

Corporate News

8. FPT: FPT revenue, profit grow in first quarter

↓ 0.88 %

FPT Corporation, Viet Nam's leading technology firm, said it recorded revenue of VND11.6 trillion (US$486 million) and profit before tax of VND2.12 trillion in the first quarter of 2023, increases of 20.1 per cent and 19.2 per cent, respectively, from the same period last year.

The group's earning per share (EPS) reached VND1,361, an increase of 19.8 per cent compared to the previous year, showing the relentless efforts of the leaders and staff of FPT Corporation to create shareholder value and ensure the interests of shareholders and related parties.

The corporation's technology sector (including domestic IT services and global IT services) continues to play a key role, contributing 59 per cent of revenue and 43 per cent of pre-tax profit of the Corporation, or equivalent to VND6.84 trillion (+21.3 per cent) and VND906 billion (+19.5 per cent), respectively.

Global IT Service revenue reached VND5.43 trillion, up 32.2 per cent, and profit before tax stood at VND889 billion, an increase of 33.2 per cent over the same period last year. Notably, revenue grew in all markets, especially in Japan (up 31.2 per cent YoY) and Asia-Pacific (up 65.7 per cent), thanks to rising demand for digital transformation. Digital transformation revenue reached VND2.1 trillion, an increase of 28 per cent over the same period a year ago, affirming the ability of the company to provide effective and comprehensive digital transformation services.

The domestic IT services segment showed a recovery compared to the first two months of the year, reaching revenue and pre-tax profit of VND1.4 trillion and VND18 billion, respectively. However, the figures are still 8 per cent and 80.6 per cent lower, respectively, over the same period a year earlier.

The domestic market faced short-term difficulties in Q1 due to a decrease in demand for IT investment from local enterprises. The company continues to promote cooperation with Government sectors, foreign businesses and other resilient economic sectors to ensure growth.

Meanwhile, telecommunications sector revenue grew by 9.2 per cent year on year, reaching VND3.79 trillion. The slower growth in profit-before-tax was mainly caused by a drop in demand for Online Advertising.

Strong demand for education in the IT industry contributed to boosting FPT's education revenue by 47 per cent compared to the same period last year, reaching VND1.41 trillion.

9. VRE: Explanation for the Quarter 1/2023 consolidated financial statements

↓ 1.60 %

Vincom Retail Joint Stock Company explained the movements of business result compared to the same period of last year according to the Quarter 1/2023 consolidated financial statements as follows:

The explanation for the movements of 10% or more:

– Net sales in Quarter 1/2023 increased by 574 billion dongs, of which: (i) the revenue from real estate for rent and related services provision increased by 667 billion dongs mainly due to the retail sale recovered well after the epidemic was controlled and the same time opened 03 commercial centers in Quarter 2/2022; (ii) the revenue from real estate transfer decreased by 81 billion dongs.

– Financial income increased by 121 billion dongs due to the increase in the gain from investment activities.

– Financial expenses increased by 11 billion dongs mainly due to the increase in bond interest rate.

– Selling expenses decreased by 25 billion dongs mainly due to the decrease in selling expenses of real estate corresponding to the decrease in revenue. General & administrative expenses decreased by 9 billion dongs due to the reduction of provision for bad debts.

– The profit after tax increased by 646 billion dongs compared to the same period of last year mainly due to the reasons above.

				Unit: VND million
Item	Quarter 1/2023	Quarter 1/2022	Difference	%
Net sales	1,943,276	1,369,460	573,816	42%
Financial income	223,816	102,854	120,962	118%
Financial expenses	100,408	89,512	10,896	12%
Selling expenses	28,678	54,586	(25,908)	-47%
General & administrative expenses	79,047	87,799	(8,752)	-10%
Profit after tax	1,024,011	377,597	646,414	171%

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