VIETNAM DAILY NEWS

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Table of content

Table of content

Market Analysis

1. Foreign capital outflows, selling force cap market gains

Benchmark indices extended gains on Tuesday, but sell-offs in some large-cap stocks and lower liquidity pared the rally trend.

The VN-Index on the Ho Chi Minh Stock Exchange (HoSE) ended slightly higher at 1,053.77 points, an increase of 0.33 points, or 0.03 per cent. It posted the biggest daily rise in nearly a month on Monday.

The breadth of the market was still in the positive zone with winners outnumbering losers on the southern bourse.

However, liquidity decreased over the previous session, with the trading value and volume both down 14 per cent to VND9.3 trillion (US$398 million) and 564.4 million shares.

The VN30-Index, tracking the 30 biggest stocks on HoSE, dropped 0.05 points to 1,049.67 points. In the VN30 basket, 13 stocks increased, while 15 went down and two ticker symbols finished flat.

Data compiled by a financial website, vietstock.vn, showed that BIDV (BID), PV Gas (PVG), Hoa Phat Group (HPG), Kinh Bac City Development Holding Corporation (KBC), and Vinamilk (VNM) were the market's pillar stocks. The stocks gained in a range of 0.43-5.36 per cent.

Also supporting the bullish trend, LienVietPostBank (LPB), Vietinbank (CTG), TPBank (TPB), and FPT Corporation (FPT) performed well on Tuesday.

But persistent selling force weighed on some pillar stocks, capping the rally of the benchmark index.

Vietcombank (VCB) witnessed the biggest losses, down 0.75 per cent in market capitalisation. The bank's shares jumped nearly 3.6 per cent on Monday, being the biggest contributor to the uptrend.

It was followed by property developer Vingroup (VIC), Sabeco (SAB), and Masan Group (MSN).

The market showed positive signs of approaching the end of the accumulative cycle after trading sideways in the last six months, said analysts from the Saigon-Hanoi Securities JSC.

"In the short-term, if the bullish trend is extended, the VN-Index is likely to head toward the closest resistance zone of 1,070 - 1,075 points," SHS said.

On the Ha Noi Stock Exchange (HNX), the HNX-Index also finished higher on Tuesday, up 1.03 points, or 0.49 per cent, to 211.95 points.

Investors poured more than VND1.2 trillion into the northern exchange, equal to a trading volume of 81.1 million shares.

Meanwhile, foreign investors continued to withdraw from the market as they net sold about VND254.4 billion on both main exchanges. Specifically, they net sold a value of nearly VND230 billion on HoSE and VND24.51 billion on HNX.

Macro & Policies

2. Viet Nam's first oil refinery to be expanded for $1.26b

Dung Quat oil refinery in the central province of Quang Ngai will be expanded to raise its capacity to 171,000 barrels per day, up from 148,000, with a total investment of US$1.26 billion.

Under a decision by Deputy Prime Minister Tran Hong Ha, the operator of the refinery - Binh Son Refining and Petrochemical Joint Stock Company (BSR) - will provide $503 million from its equity and the remaining from loans.

The company, a subsidiary of state-owned PetroVietnam, will set up and put into operation additional technology workshops for the processing of crude oil with higher sulfur content in accordance with the "Euro 5 standard".

The 10.6ha refinery will be expanded by 41ha, and is scheduled to be finished in the first quarter of 2028.

The expansion was approved in 2014 but was postponed by problems related to the design, appraisal, approval process and capital mobilisation.

PetroVietnam and the company had sought permission to adjust the scale, required technology and progress of the expansion.

The capacity target was adjusted down to 171,000 barrels a day from 192,000, and investment was lowered by $540 million to $1.26 billion.

Construction of the country's first refinery located in Dung Quat Economic Zone started in 2005 and it started producing refined oil products for sale in 2010.

It produces 6.5 million tonnes of crude oil products each year, meeting around 35 per cent of Viet Nam's total demand.

Viet Nam is currently home to two operational oil refineries. In addition to Dung Quat, the Nghi Son Refinery and Petrochemical LLC located in the northern province of Thanh Hoa is the country's latest and largest refinery.

The $9 billion refinery is co-owned by state-run PetroVietnam, Kuwait Petroleum Europe B.V. (KPE) and Japan's Mitsui Chemical and Idemitsu Kosan Co.

3. Bank deposit interest rates keep falling

The highest listed rate for 12-month deposits is around 8 per cent per year.

Larger private banks have cut the 12-month rate to below 8 per cent. SHB, Techcombank, ACB, and MB pay between 7.3 per cent and 7.9 per cent.

The four State-owned banks – Agribank, BIDV, Vietcombank, and Vietinbank – continue to pay the lowest rates in the market, around 6 per cent for six to less than 12 months and 7.2 per cent for 12 months.

Smaller banks have also reduced rates significantly since last month.

For 12 months, Bac A Bank's rate has fallen from 8.6 per cent to 8.3 per cent; KienlongBank's from 8.5 per cent to 8.2 per cent; and SaigonBank's from 8.3 per cent to 8 per cent.

Deposit interest rates have been creeping downwards, especially after the central bank cut the operating interest rate on March 15 and April 3.

At the end of last year, almost all private banks offered more than 9 per cent for 12-month deposits.

Smaller banks paid 10 per cent or more.

The high deposit interest rates pushed up lending rates to 13-14 per cent, putting huge pressure on businesses.

According to VNDirect Securities Company, deposit interest rates will continue to fall until the end of 2023, tracking sluggish credit demand due to a slump in economic growth and the property market.

It also said the Government would increase public spending this year to pump more money into the economy.

It expected the 12-month deposit rate to fall to around 7 per cent by the end of 2023.

Lower lending rates

The high lending interest rates are burdening businesses amid declining export orders and weak domestic demand.

But the falling deposit interest rates have raised hopes of a drop in lending rates.

At a meeting last week, central bank deputy governor Dao Minh Tu urged banks to cut operating costs and improve administrative procedures to reduce lending interest rates.

Vietcombank reduced lending rates by 0.5 percentage points last week.

Earlier, Agribank cut them by 1.5 percentage points for dong loans and 1 percentage point for dollar loans.

According to the central bank, deposit interest rates have decreased by 1-1.2 percentage points since the end of last year and loan interest rates by 0.5-0.65 percentage points.

In a related move, the central bank has instructed commercial banks to roll over debts and keep debt classifications unchanged until June 2024 to ease the pressure on borrowers. — VNS

The deposit interest rate list at a Saigon Joint Stock Commercial Bank branch in HCM City's District 3 on May 8. — VNS Photo Bo Xuan Hiep

HCM CITY — Banks have been steadily cutting deposit interest rates, which have reached around 8 per cent, a move aimed at reducing lending rates to support businesses.

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4. Firms ponder impact of new electricity hike

Annual inflation in the country has been easing since the beginning of the year, with April consumer prices rising 2.81 per cent from a year earlier. The government is targeting average inflation of 4.5 per cent for the year.

The widely anticipated hike in electricity prices (see box) is expected to help state utility EVN reduce losses as production costs remain elevated. The rise in electricity costs may also thwart the cost-cutting strategies of a number of businesses that are experiencing protracted order shortages.

The increase is significantly less than the price increase scenario previously devised by Electricity of Vietnam (EVN) and submitted for review by the Ministry of Industry and Trade (MoIT).

General director of Saigon 3 Garment JSC, Pham Xuan Hong, does not wish electricity prices to be raised at this time. “Profits will be negatively impacted if input costs are increased, thereby reducing the competitiveness of products,” he said. For the past few years, Saigon 3 has spent more than $17,000 per month on electricity.

According to Dinh Van Chung, deputy director of Hoa Phat Dung Quat Steel JSC, rising electricity prices have become a “huge burden” for steel producers as orders have not improved and interest rates have surpassed the 10 per cent per annum threshold.

“We have had a plan to minimise the impact of electricity price raises since last year and, at the same time, push investment in technology to recoup excess heat for electricity production, generating roughly 70 per cent of the total required electricity,” Chung said.

Nguyen Tien Thoa, president of the Vietnam Valuation Association, said, “A 3 per cent rise is a modest level and the impact will not be significant on the product prices of manufacturers that use a great deal of electricity.” According to his calculations, the cost of producing steel will increase by 0.18 per cent, cement by 0.45 per cent, and paper by 0.4 per cent.

Electricity manufacturing and company enterprises will continue experiencing issues if the price of electricity only rises modestly, Thoa said. However, the cost of purchasing electricity from coal-fired power plants in 2022 increased by 25 per cent, and from gas turbine plants by 11.3 per cent.

“The large proportion of power generation from thermal power results in greater electricity purchase expenses than the present average retail price computation criteria,” Thoa added.

The MoIT verified at the end of March that the ministry and EVN were not turning away from the proposal of rising electricity prices as a means to rebalance EVN’s finances, given that it suffered losses of over $1.12 billion in 2022, not including the exchange rate deduction of up to $628 million that was not allocated to electricity costs.

According to EVN's deputy director general Nguyen Xuan Nam, the 3 per cent rise in electricity prices will help boost revenues for the remaining months of this year, estimated at $341 million.

"It will help the group minimise financial difficulties. Residences that produce electricity and pay an average of $450 per month will pay an additional $13 per month after the price of electricity is adjusted," he said.

In the first four months of 2023, the consumer price index (CPI) increased by only 3.84 per cent compared to the same period the previous year, which is a favourable condition for electricity price adjustment. According to Dr. Bui Trinh, an independent analyst in Haiphong city, the effect of a raise in electricity prices can last through many manufacturing cycles.

"GDP will decline by 0.16 per cent in the next production cycle if businesses are unable to raise product prices and are willing to reduce added value by reducing labour, compensation, or profits," Trinh said.

Trinh cited information from Vietnam's intersectoral balance sheet indicating that the production cycle immediately following a 5 per cent rise in electricity prices will increase the CPI by 0.08 per cent and the producer price index by 0.048 per cent.

Increasing electricity prices "have nevertheless introduced a new price range" since output is falling, but Trinh cautions that consumer consumption will be impacted. Currently, consumer demand is feeble due in part to the impact of final consumption demand in 2022, which increased by just 7.8 per cent, while GDP by end-use method grew by 9.6 per cent and GDP by production method increased by 8.02 per cent.

5. Hopes build that lower steel prices can boost consumption

The price of steel is decreasing on both the international and domestic markets. According to the Shanghai Futures Exchange, global steel prices have fallen continuously since March 30, from $610 to $578 per tonne on April 18. According to SteelOnline.vn, the price of Pomina Steel coil dropped by $27.2 to $720 per tonne, and the price of rebar fell by $30.6 to $717.9 per tonne. Domestic prices have also dropped in a similar fashion.

SteelOrbis, as of 10 days ago, noted that "influence from the Chinese market" also had an impact on billet prices in Southeast Asia. The price per tonne of Chinese-origin billet has decreased by $15 since the beginning of April and by $10 since the end of last week. "The ongoing slump in China compounds the price uncertainty in Southeast Asia," the website remarked.

"The lack of demand will persist for at least two months longer," Duong Duc Quang, deputy general director of the Mercantile Exchange of Vietnam (MXV), told VIR.

According to Quang, approximately 60 per cent of steel is used in civil construction. According to him, this will continue to be a "substantial barrier to purchasing power", so consumption growth will be limited in the short term, at least through the second quarter.

"As a result of high interest rate pressures in many of the world's largest economies, global trading activity is still relatively quiet," Quang remarked.

Therefore, Vietnam's steel exports also encounter obstacles. According to information provided by the World Steel Association (WSA), global primary steel production in February was 1 per cent less than in February 2022. March data has not yet been released.

According to the MXV, the price of input materials on the global market, such as steel billet and particularly iron ore, which account for approximately 36 per cent of the cost of steel products, has substantially chilled and continues to fall.

The drop in the cost of steel and billets has prompted production companies to anticipate a slight increase in consumption, although not a total reversal of fortunes. According to Vu The Duyet, an analyst at Vietcombank Securities (VCBS), consumption volume in 2023 will remain "dismal".

"There are three reasons for the limited consumption volume. Firstly, the steel industry can initially rely on public investment. Due to the small proportion of steel in public investment, its contribution is "not genuinely significant" at this time," Duyet said.

According to VCBS, total construction steel consumption will decline by roughly 4 per cent in 2023 before rebounding by 7 per cent in 2024, when the recovery of the building sector will be the primary growth driver.

"Secondly, the domestic real estate market is also ailing. Only four housing ventures were licensed in the southern provinces in Q4 last year. The record-low number of new licenced projects in the country in 2022 indicates that construction demand in 2023 will be extremely weak," Duyet added.

In addition, export output is anticipated to remain low given that the economies of the United States, the EU, and China have all shown signs of weakness.

The third reason is that consumption will continue to be challenging in the future, as the steel industry's business results will continue to be negative. According to VCBS data, a handful of significant steel companies had to partially cease operations. In particular, Pomina Steel, Hoa Phat, and numerous other enterprises in the steel industry shut down their furnaces in Q4 of 2022 and partially reopened them earlier this year.

The production of construction steel reached 2.7 million MT in the first quarter of 2023, a drop of 23 per cent from the same period in 2022. Sales of construction steel reached 2.6 million MT, a decrease of 28.5 per cent compared to the same period in 2022; while exports reached 422,000 MT, a fall of 41 per cent.

The WSA predicted that global steel demand will increase by approximately 1 per cent in 2023 as a result of public investment and a managed energy shortage. Particularly, the ASEAN region will lead the development of steel consumption due to its strong infrastructure investment orientation.

According to the VSA, this will continue to be the primary export market for Vietnamese steel in the future.

According to the proposed strategy to for the nation's steel industry to 2030 by the Ministry of Industry and Trade (MoIT), the overall demand of Vietnam's manufacturing sectors could reach $310 billion between now and 2030. In which, automotive manufacturing and mechanical design for industrial activities comprise the majority of the economy.

The MoIT believes this will be a substantial market for the domestic steel industry, particularly for high-quality fabricated steel and stainless steel for the manufacturing sector.

Hoa Phat Group announced in March that it will concentrate on manufacturing goods such as hot-rolled coil used in the production of galvanised steel sheets, container shells, and steel pipes for the naval construction and auto-shell industries. Chairman Tran Dinh Long stated that the group will regulate production based on market conditions, with a focus on developing high-quality steel.

In addition, steel companies have greater expectations due to the government's economic stimulus programme. Specifically, there is a support initiative of $5 billion in tax credits for the social housing market and the construction of at least one million social housing units. As of March, according to the Ministry of Construction, the nation had completed over 300 social housing projects in urban areas with a construction scope of approximately 157,000 units.

In the meantime, the MXV indicated that the State Bank of Vietnam's interest rates have been lowered to support the economy and that demand will increase, particularly in the second half of this year.

"This will be one of the primary factors boosting steel demand," said Quang of the MXV.

6. Ministry urges assessment over proposal to lift the ceiling prices of air tickets

The Ministry of Finance urged the Ministry of Transport to have detailed evaluations about the proposal of lifting the ceiling price for air tickets.

In Document No. 168/QLG-CNTD, the finance ministry recently sent to the Viet Nam Civil Aviation Authority of Viet Nam, Viet Nam Register, departments of finance and transport under the Ministry of Transport with regard to the proposal of lifting the ceiling price, the finance ministry said that civil aviation services and airfares were under the management of the Ministry of Transport.

According to the finance ministry's Price Management Department, during the compilation of the amended Law on Price, the department receive the proposal of removing domestic airfare ceiling from Viet Nam Aviation Business Association, Vietnam Airlines and Bamboo Airways.

The department said that the established Law on Civil Aviation stipulates that airlines decide on prices of domestic air transportation services within the framework set by the Ministry of Transport and was in charge of declaring prices with the Ministry of Transport.

Accordingly, the Ministry of Finance urged the Ministry of Transport to have detailed proposals coupled with assessments of the impacts of lifting the ceiling prices of domestic air tickets.

At the meeting about the draft amended Law on Price in late April, the proposal of lifting the domestic ceiling price was also raised.

Under the current bracket, airfares were capped at VND1.6 million for routes below 500km and playing an important role in socio-economic development, VND1.7 million for other routes below 500km, VND2.2 million for routes of between 500-800km, VND2.79 million for routes of between 850-1,000km, VND3.2 million for 1,000-1,280km and VND3.75 million for routes over 1,280km.

These prices did not include value added tax and airport services fees.

Mixed opinions have arisen from the proposal of lifting the ceiling prices.

Some said that the ceiling prices should be kept as a base for the management agency to regulate the market and ensure the rights of customers.

Meanwhile, some said that the existence of ceiling prices was inhibiting the growth of the domestic air transport market.

Luong Hoai Nam, an industry insider, said that airline ticket prices should be decided based on the market economy principle. The ceiling price was stealing the opportunity of improving the financial capacity of carriers.

Tran Tho Dat, chairman of the Academic Board of the National Economics University, said that currently, just a few countries imposed ceiling and floor prices for airfares. Removing the ceiling prices was necessary but an appropriate pricing mechanism should be tabled instead to ensure healthy competition, transparency and the stable, long-term and sustainable development of the aviation market as well as the rights of passengers.

7. Vietnam's IT workers in high demand despite global layoffs

A survey by TopCV, one of the best job-search sites in the country, shows that software engineers are one of the three most searched-for positions, yet also one of the most difficult to recruit for and keep staffed.

A medium-level software engineer might pocket a monthly salary of $1,190, and despite such an attractive offer, the supply of candidates still falls short of demand.

In fact, for the last couple of years, Vietnam has been experiencing an overall shortfall in IT personnel, particularly since the COVID-19 pandemic. According to Tech Hiring report 2022, foreign investment flow has produced multiple opportunities for the country's IT labour market, while regional IT firms have dropped anchor in the Vietnamese market and built up their IT teams to develop their products.

Ngo Thi Ngoc Lan, northern director at Navigos Search of employment platform Navigos Group, noted that the effect of the massive global lay-offs of tech personnel is relatively inconsequential to Vietnam as the major tech firms do not have much of a workforce operating in the country.

Meanwhile, sectors across Vietnam all need quality IT personnel to work on digital transformation plans.

"We might think there is a gloomy outlook for the IT sector, but in fact many businesses are building a presence in Vietnam," said Lan.

Shining further light on the issue is Nguyen Xuan Son, country operations manager for Staffing and Outsourcing, ManpowerGroup Vietnam. Son said, "Many businesses and professions in Vietnam are ramping up efforts towards full digital transformation in the post-pandemic era, and in the face of scarce high-quality IT human resources."

According to Nguyen Huu Lem, chairman of TMA Solutions, "Recent lay-offs of IT personnel worldwide is beneficial to Vietnam as the country might acquire quality manpower at lower cost for remote work."

Local firms, however, have to entice IT talent away from a raft of foreign tech giants with a track record in Vietnam, such as Samsung and Bosch.

According to the Ministry of Information and Communications, the country's demand for IT personnel could grow 13 per cent this year. As it moves into a robust stage of digital technology development, Vietnam's demand for IT workers increases.

However, one negative point is that a high percentage of IT human resource fall below expectations in terms of quality and professional qualification.

This thorny issue needs to be remedied swiftly, if not, the space might be soon filled by foreign IT personnel from India or China.

Corporate News

8. FRT: Plan for 2022 cash and stock dividend payment

- 0.00 %

The Board resolution dated May 04, 2023, the BOD of FPT Digital Retail Joint Stock Company approved the following issues:

1) Approved the plan to pay cash dividend for 2022:

- Exercise ratio: 5%/share (500 dongs/share)

- Estimated payment time: June 2023 or July 2023.

2) Approved the plan to pay stock dividend for 2022:

- Stock name: FPT Digital Retail Joint Stock Company

- Stock code: FRT

- Stock type: common share

- Par value: VND10,000/share

- Number of outstanding shares: 118,472,535 shares

- Number of treasury shares: 0 share

- Number of shares expected to be issued: 17,770,880 shares

- Total value of issuance (at par value): VND177,708,800,000

- Estimated charter capital after the issuance: VND1,362,434,150,000

- Exercise ratio: 20:3 (Those own who 20 shares will receive 03 new shares)

- Plan to deal with fractional shares: The distributed shares will be rounded down to units, the fractional shares will be cancelled

- Transfer restriction: none

- Time of implementation: expected in June 2023 or July 2023.

9. HAX: Plan for stock issuance to pay dividend in 2022

↑ 0.55 %

The Board resolution dated May 04, 2023, the BOD of Hang Xanh Motors Service Joint Stock Company approved the following issues:

1. Approved the plan to pay stock dividend for 2022:

- Stock name: Hang Xanh Motors Service Joint Stock Company

- Stock code: HAX

- Stock type: common share

- Par value: VND10,000/share

- Number of outstanding shares: 71,943,434 shares

- Number of shares expected to be issued: 17,985,858 shares

- Total value of issuance (at par value): VND179,858,580,000

- Exercise ratio: 25% (04:01) (Those own who 04 shares will receive 01 new share)

- Plan to deal with fractional shares: The distributed shares will be rounded down to units, the fractional shares will be cancelled

- Transfer restriction: none

- Estimated time of implementation: being approved by the State Securities Commission of Vietnam (SSC).

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