VIETNAM DAILY NEWS

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Market Analysis

1. Shares rise for a third day on fresh money inflows

Shares rose for a third day this week, driven by fresh money inflows.

On the Ho Chi Minh Stock Exchange, the VN-Index edged up 0.43 per cent to close Wednesday at 1,058.26 points. The southern market's index has gained 1.7 per cent this week.

Trading accelerated in the afternoon trade with the trading value reaching VND5.4 trillion, up 23 per cent over the morning level. For the whole day, the matching value reached VND11.2 trillion (US$475 million), up 20 per cent over Tuesday.

Small stocks took the centre stage with the number of stocks hitting the ceiling prices increasing to 24. The VNSmallcap and Midcap also grew 1.16 per cent and 1.02 per cent, respectively, which doubled increase of both the VN-Index and VN-30 Index (which tracks the top 30 shares by market value and liquidity).

The biggest gainers among the midcaps included Dat Xanh Group (DXG), Sonadezi Corp (SNZ), Quoc Cuong Gia Lai Co (QCG), Duc Long Gia Lai Group (DLG), Sieu Thanh Group (ST8) and Van Phat Hung Corp (VPH).

Blue chips also performed well with 18 stocks rising, eight declining and four closing flat. Some posted gains of more than 1 per cent such as Vietnam Rubber Group (GVR), Mobile World Investment (MWG), Saigon Securities Inc (SSI), Sacombank (STB) and Vincom Retail (VRE) but the majority saw only slight increase with very limited influence on the VN-Index.

The liquidity of the VN30 group accounted for 33 per cent of transactions on the floor, better than the 24.7 per cent seen in the morning session. However, in the top 10 most liquid in the market all day, the VN30 basket only had three representatives including SSI, STB and Hoa Phat Group (HPG).

On the Ha Noi Stock Exchange, the HNX-Index increased by 0.92 per cent to end at 213.89 points. The northern market's index has grown 2.5 per cent this week.

Liquidity also increased substantially with 130.5 million shares worth VND1.7 trilion being traded, up 61 per cent in volume and 37 per cent in value compared to Tuesday's levels.

According to analysts at Viet Dragon Securities Co (VDSC), with the modest movements of large-cap groups and lingering cautiou sentiment of the demand, the market's rally may cool down and retreated before the 1,060-point threshold for the VN-Index.

"For the time being, it's possible to expect a short-term rally in some stocks with good technical signals, but investors should avoid overbuying status and keep the portfolio weight at a reasonable level," said Phuong Pham, VDSC's analyst, in a note.

Foreign investors were net sellers on both exchanges, responsible for a total net sell value of VND29 billion.

Macro & Policies

2. Vietnam's forex reserves forecast to recover by year-end

Moody's Investor Service has forecast that Vietnam's forex reserves excluding gold will rebound to 95 billion USD by the end of the year as the State Bank of Vietnam rebuilds its stockpile.

Nishad Majumdar, a sovereign analyst in Singapore, held that the recent appreciation of VND, which reflects the improved external position, will give the central bank space to rebuild the forex buffers that were spent down during the USD's rally last year.

Vietnam's reserves stood at 88.3 billion USD in January, according to the International Monetary Fund.

Majumdar held that the recovery in tourism and steady foreign direct investment inflows will help boost the nation's reserves even as exports weaken.

The VND has advanced 6% in the past six months, joining a rally in Asian peers, as the USD has weakened.

He recommended that Vietnam prioritise exchange rate stability as a means to stabilise inflation and create certainty for inbound investors.

A stronger VND reduces the local-currency value of the government's external debt, which still accounts for about a third of overall government borrowing, he said.

It will also likely mitigate the impact of higher import and manufacturing input costs into domestic inflation, giving the authorities further space to pursue a more accommodative monetary policy, the expert added.

3. Industrial production increases in April

The index of industrial production (IIP) in April was estimated to increase by 3.6 per cent on month and by 0.5 per cent over the same period last year, according to the General Statistics Office (GSO).

However, the office also reported that IIP in the first four months of 2023 decreased by 1.8 per cent on year. The IIP growth in the first four months of 2022 was 7.8 per cent.

Among the sectors, the water supply, waste-water treatment and management activities recorded the highest IIP increase of 5.5 per cent in the first four months. The electricity generation and distribution sector followed with 0.5 per cent.

However, the mining industry and the processing and manufacturing saw a decline of 2.8 per cent and 2.1 per cent in IIP, respectively.

The world economy's slow recovery and tightened monetary policy in many countries has made the consumption demand of major trading partners decline, leading to a decrease in goods orders and export turnover. Those factors affected the growth of industrial production in the first four months of 2023, according to the Ministry of Industry and Trade (MoIT).

In terms of localities, the GSO said in the first four months, 52 localities gained growth in this index compared to the same period of last year, while IIP decreased in the remaining 11 localities.

Of which, Tuyen Quang recorded the highest increase in IIP at 14.8 per cent. Dak Lak followed with the IIP growth at 14.2 per cent. Other top ten localities achieving high growth rates included Thai Binh (13.8 per cent), Hau Giang (13.8 per cent), Hai Phong (13.4 per cent), Bac Giang (13.3 per cent), Quang Tri (12.2 per cent), Nam Dinh (12 per cent), Kien Giang (11.6 per cent), and Cao Bang (11.2 per cent).

Several essential industrial products showed a decrease in IIP during the first four months of 2023, including automobiles (19.3 per cent), bar and angle steel (15.1 per cent), mobile phones (13 per cent), motorbikes (12.3 per cent), urea fertiliser (12.2 per cent), textiles from natural fibres (11.1 per cent), casual wear (10.4 per cent), and phone components (10.1 per cent).

Meanwhile, some other products gained growth in IIP in the same period, such as sugar (23.2 per cent), gasoline (15.1 per cent), garments made from man-made fibres (12.2 per cent), NPK fertiliser (10.4 per cent), and chemical paint (6.1 per cent).

The world economy has shown signs of recovery but it is slow and unequal in different countries, so consumer demand is also recovering slowly. China's reopening also increases competition for Viet Nam's products in export markets.

They are factors that will continuously affect Viet Nam's production and trade activities in the coming months.

Besides that, the slow recovery of the real estate market and low disbursement of investment capital will affect the consumption of some related manufacturing industries.

To promote production development and support businesses, MoIT has said it will closely monitor the production of sectors and fields to promptly grasp and remove difficulties in promoting production development.

In addition, the ministry will continue to implement the connection of domestic enterprises to FDI enterprises and large global enterprises to participate in their global supply chains.

At the same time, it continues to support businesses, especially small and medium-sized enterprises, to recover and develop production through solutions for stabilising financial and monetary markets. Those solutions include proposing the exemption and reduction of some taxes and fees, and favourable conditions on access to credit.

According to experts, Viet Nam should give priority to the development of domestic manufacturing industries, especially the mechanical industry.

According to Nguyen Ngoc Thanh, deputy director of MoIT's Department of Industry, the processing and manufacturing industry plays a key role, creating the largest added value for the industrial sector. Most of Viet Nam's important economic sectors directly or indirectly depend on the manufacturing industry. It is also to provide employment and stable income for the long term.

So it is necessary to have timely and efficient policies and solutions to find markets for industrial products, thereby promoting domestic production and improving economic growth.

Assoc. Prof. Dr. Nguyen Chi Sang, vice chairman of the Viet Nam Association of Mechanical Industry, said that the Government should promote the development of finished mechanical products and large mechanical products for several industries such as wind power, high-speed railways and medical equipment. Viet Nam needed a strategy and a roadmap to make those products.

Economist Dr. Le Dang Doanh said it was necessary to promote Viet Nam's advantages for sustainable industrial development. Specifically, industrialisation in Viet Nam should combine agriculture and industry with the development of industrial products for lines processing agricultural products to enhance the value of Viet Nam's farm produce.

According to Thanh, to promote domestic production, the steel and mechanical industries need to take advantage of public investment capital in large projects in the field of industrial construction, infrastructure, transport and energy, to create a market for mechanical products.

For the auto industry, it is necessary to increase purchasing power to restore the auto market, maintaining and promoting the assembly of automobiles in the country.

MoIT is working with the Ministry of Finance to research and propose the Government issue a number of financial support policies for the industry. They include extending the deadline for paying excise tax or having incentives on registration fees for domestically manufactured and assembled cars.

4. Mixed fortunes for major retail names in first quarter

According to Q1 financial reports for Mobile World and FPT, two of the biggest names in electronics retail in Vietnam, revenues and profits have plummeted.

Mobile World's revenue reached over $1.1 billion, down 28 per cent over the same period last year. Although sales and administrative expenses were reduced by 19 per cent after cutting up to 4 per cent of staff, equivalent to 7,000 employees, the company's profit after tax still decreased by nearly 99 per cent to just over $913,000.

In 2023, Mobile World set a revenue target of $5.8 million, up 1 per cent compared to the previous year, and profit after tax is expected to reach $182.6 million, up 2 per cent. But the company has only completed 0.5 per cent of the annual profit plan.

In the first three months of the year, FPT Retail also lost more than $217,000. According to a representative, the revenues of the FPTShop chain decreased by 20 per cent due to the continuous introduction of many discount policies to stimulate demand for electronic products in the face of competitive pressure and reduced consumption demand.

However, the pharmaceutical retail segment was strong for FPT Retail with a revenue growth of 52 per cent over the same period.

According to this year's development plan, FPT Retail will be more cautious in expanding the store system. The company will proactively come up with policies and promotions to accompany customers in the context of high inflation, thereby leading to lower expected gross profit margin than last year.

"FPT Retail will improve gross profit by opening and selling household goods in the chain, increasing from 300 FPTShop stores selling household appliances to 600 stores by the end of 2023," a company representative said.

FPT Retail also aims to open at least 400 more pharmacies this year, develop new services, and apply technology and digital transformation to enhance the customer experience.

Elsewhere, AEON Vietnam and Masan's WinCommerce retail chain seem to be bright spots in the retail sector. AEON Vietnam recorded effective operations in the first quarter, with a stable growth of about 5 per cent compared to last year. In 2022, it also grew by more than 30 per cent compared to 2021.

"We have made careful preparations to bring new experiences and welcome customers back," stated general director of AEON Vietnam Furusawa Yasuyuki. "AEON has researched and developed its own brands of fashion, interior products, home appliances, established specialised sales areas, and improved sales space. However, shopping malls and supermarkets still account for 90 per cent of AEON Vietnam's total revenue."

Yasuyuki expects AEON's business results this year to be the same or higher than last year. He demanded that one of the goals of the year is that newly opened supermarkets must be successful.

"Last year, AEON made many refinements and repairs, and this year we need to maintain and develop our own brands, and unrealised plans in e-commerce. These activities must all be implemented according to the schedule to create a foundation for growth," said Yasuyuki.

Meanwhile, the revenue of the WinCommerce retail platform increased by 0.5 per cent, reaching $1.1 billion. The increase in the number of stores and customers has helped it offset the decrease in the shopping carts. The company opened 55 more WinMart+ and one WinMart store in the first quarter, bringing the total to just over 3,440 convenience stores and supermarkets nationwide.

WinCommerce CEO Nguyen Thi Phuong said that the company will pursue the supermarket and minimart models because of possessing full advantages such as convenience, solving people's concerns about food hygiene and safety, and thoroughly different customer experience. In 2023, WinCommerce aims to open 800 new stores and build corresponding models for urban and rural areas.

"We focus on the quality of goods, providing a great experience for consumers such as developing personalised services and convenience. Besides that, the membership scheme and competitive pricing policy are factors that will help us achieve the expected sales," Phuong added.

5. BYD produces electric vehicles in Viet Nam

Chinese BYD Co plan to produce electric vehicles in Viet Nam, the automaker's chairman and founder Wang Chanfu said.

During a meeting with Deputy Prime Minister Tran Hong Ha this month, Wang said he expected support from the Vietnamese Government for the plan.

Wang said he hoped Viet Nam would create favourable conditions for his company to fulfil investment procedures so electric cars could be sold locally and in other South Asian markets.

BYD also planned to establish a supply chain, he said.

According to Bloomberg, a BYD spokeswoman confirmed by email the plan to make EVs in Viet Nam. She didn't provide any investment details.

BYD's new factory in Viet Nam would be located in Phu Hoa Industrial Zone, Phu Tho Province. It would produce 150,000 vehicles per year once operational in 2024.

Headquartered in Shenzhen, BYD is the biggest producer of electric vehicles in China. In April, BYD sold 210,295 vehicles, double that of last year's period.

The Chinese market accounts for the majority of BYD's sales. The company has also expanded into overseas outlets such as nations in Latin America, Asia, and Europe.

6. Apparel firms scaling down business targets

In the first four months of this year, textile apparel exports were hit by an economic slump and high inflation on a global scale, leading to a 19.3 per cent plunge in value on-year, falling to $9.57 billion.

Export of fabric also took a dive, falling 33.6 per cent on-year to just $1.28 billion.

Textile apparel and spinning firms all face a critical shortage of orders amid hardly predictable market circumstances.

That explains why at their 2023 annual general shareholders meetings in late April, many such firms have set forth business targets much lower compared to 2022 performance.

A major unit under state-owned conglomerate Vietnam National Textile and Garment Group, last year Danang-based Hoa Tho Textile Garment Corporation eyed consolidated revenue touching $223.6 million, up 33 per cent and consolidated profit reaching $14.66 million, up 52 per cent on-year. In which, the consolidated revenue and profit figures of the parent company witnessed a 35 per cent and 79 per cent jump on-year, respectively.

The situation this year, however, presents a stark difference, with a critical shortage of orders.

Hoa Tho Corporation has therefore set forth the consolidated revenue target down nearly $28.26 million and consolidated profit target down $5.97 million in 2023.

Nguyen Van Hai, Hoa Tho Corporation CEO, has attributed the company's reduced business figures to unpredicted market situation and declining global textile apparel aggregate demand, citing that the current time is unprecedented when the market was dented by diverse bad factors.

Similarly, as rebound signs are yet on the horizon, Phu Bai Spinning JSC, based in the southern province of Thua Thien Hue, has cut its revenue target by over $17.39 million and pre-tax profit more than a half to just $217,390 in 2023.

Last year, though the spinning sector faced more hardships than the apparel sector, Phu Bai still reaped $58.9 million in revenue, up 120 per cent compared to 2021 and took over $488,000 in pre-tax profit.

Last year was a bumper year for Hung Yen Garment Corporation (Hugaco) as the company posted $36.17 million in revenue, equal to 117 per cent of 2021 levels and $5.08 million in pre-tax profit, equal 139 per cent of 2021 levels.

Amid unfavourable market conditions, Hugaco has reduced its revenue target to $32.6 million, down $3.47 million and pretax profit to $3.04 million, down $2.04 million compared to 2022.

Likewise, Viet Tien Garment Corporation has set its revenue target in 2023 equal 95 per cent of 2022, to $349.1 million, and pre-tax profit equal 96 per cent of 2022, at $8.69 million.

The latest report by the General Statistics Office shows that in the first four months of 2023 woven spinning rate shed 4.9 per cent, costume production was cut 7.9 per cent, and casual wear production reduced 10.4 per cent on-year.

Many firms assumed it is rather hard to present remedies in the face of stagnant total aggregate demand, meanwhile the local textile apparel sector is confronting big challenges following China's reopening with a raft of policy incentives such as lower electricity cost, or delayed tax payment.

Other countries like India, Pakistan or Bangladesh have maintained cheap home currency to stimulate their exports, while the VND has even inched up in the first quarte, and the retail power price has increased by 3 per cent since May 4.

Experts assume that flexible production, small orders and high specification are now smart measures to textile apparel units in the current context.

7. Hanoi metro station plan hits new brakes

Hanoi People's Committee at the end of April sent a dispatch to the prime minister seeking approval to revise the investment policy of the Nhon-Hanoi Station section of the capital's metro line.

The proposal was drawn based on a March appraisal report from the Ministry of Planning and Investment (MPI), according to Deputy Chairman of Hanoi People's Committee Duong Duc Tuan.

The People's Committee proposed to revise the time for project implementation to 2027, not including a 24-month guarantee period, in which the elevated section is slated to be put into use this year, and the entire project including underground section will become fully operational in 2027.

The Nhon-Hanoi Station reportedly will be running on a separate line with a total length of 12.5km, of which the elevated section will stretch 8.5km and the remainder is underground.

In addition, it asked to scale up total investment to $1.51 billion, up $83.3 million. Almost $170 million will come from the city's budget, while funding from official development assistance (ODA) will be reduced by $86 million.

Following the move, the revised investment capital structure of the project will consist of ODA loans valued at $1.07 billion and Hanoi's budget at $436.6 million.

Currently, many bidding contracts for the project cannot be extended as it has yet to fulfill procedures for the revised investment policy approval. In this context, developer Hanoi Metropolitan Railway Management Board is urging relevant contractors to execute their work in order to ensure the elevated section opens by the end of this year.

"Hanoi People's Committee wants consent for further executing the project, including continued construction, disbursement, and payment to contractors, expediting further negotiations to revise loaning agreements and bidding contracts, and ratifying the revised investment policy to avoid disruption during the implementation process," said Tuan.

Authorities have acknowledged the limitations in the implementation capacity of the developer and coordination efficiency between foreign consultant unit Systra, the developer, and relevant management departments and sectors.

According to Hanoi People's Committee, the foreign consultant has yet to fully and efficiently provide the project developer with solutions to deal with rising impediments, particularly helping to clarify the differences between various contracts and current Vietnam's regulatory system to ensure effective management.

In addition, the single local contractor engaged in the project, Hanoi Construction Corporation, who handles Bidding package CP05 related to depot architectural works, has also continuously caused headaches over its implementation capacity.

The original value of the package was $26.68 million, with the implementation period stretching back to October 2012. After 10 adjustments, the contract value has swollen by an additional $12.1 million.

By April this year, CP05 has only reached 78 per cent of the work volume (mostly construction), six months behind a revised progress date and failing to meet many targets such as handover of electro-mechanical sub-packages or closing a depot low-voltage line, both scheduled for June 2022.

"This came despite the fact that Hanoi People's Committee and the developer has often given instructions and teamed up with the Ministry of Construction to push up the pace," said Tuan. "A six-month delay of package CP05 seriously poses a threat to the target of finalising the elevated section and causes additional expenses to the developer."

Another limitation the MPI noted in its March appraisal report is the poor supervisory and investment assessment activities of the developer. Although an account was opened for Nhon-Hanoi Station project progress reports in the information portal about state capital investment usage, there have been no updates since 2017.

The Nhon-Hanoi Station venture revised its implementation schedule for the first time in 2014, with the completion date extended from 2018 to 2022.

Corporate News

8. HDB: Notice of bond repurchase before maturity

↑ 0.52 %

On May 08, 2023, Ho Chi Minh City Development Joint Stock Commercial Bank announces the repurchase of bonds before maturity with details as follows:

- Issuer: Ho Chi Minh City Development Joint Stock Commercial Bank

- Bond code: HDBL2128001

- Expected repurchase value (at par value): VND400,000,000,000

- Estimated repurchase time: May 26, 2023

- Repurchase volume: 400 bonds

- Total unpaid interest: VND30,900,000,000

- Total amount of repurchase: VND430,900,000,000.

9. VSH: Board resolution on record date for dividend payment

↑ 0.24 %

The Board resolution dated May 08, 2023, the Board of Vinh Son - Song Hinh Hydropower Joint Stock Company announced the record date for the cash dividend payment in 2022 as follows:

1) Record date: May 23, 2023

2) Exercise ratio: 30%/ share (3,000 dongs/share)

3) Payment date:

a) Phase 1:

• Exercise ratio: 05%/share (500 dongs/share)

• Time: June 12, 2023.

b) Phase 2:

• Exercise ratio: 10%/share (1,000 dongs/share)

• Time: July 31, 2023.

c) Phase 3:

• Exercise ratio: 15%/share (1,500 dongs/share)

• Time: September 29, 2023.

Research Team: **Tsugami Shoji** *Researcher* jsi@japan-sec.vn

Disclaimer:

Japan Securities Co., Ltd – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818 *Fax: (024) 3791 5805*

Email: info@japan-sec.vn

Website: www.japan-sec.vn