



VIETNAM DAILY NEWS



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Market Analysis

1. Cash flows, positive news support market

The Vietnamese stock market posted a weekly gain last week, buoyed by the improvement of cash flows and supportive news lifting the market's outlook.

Even though measures to support the economy have not yet shown results, the market is still likely to react positively, said analysts.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index closed last week at 1,066.9 points, while the HNX-Index on the northern bourse, the Ha Noi Stock Exchange (HNX), was at 215.1 points.

Both benchmark indices logged another weekly gain, with the former up 2.6 per cent and the latter rising 3.5 per cent.

VNDirect Securities Corporation said that the market experienced a better-than-expected week thanks to the return of domestic cash flows after investors withdrew capital from the market at the end of April, ahead of the long holiday.

Thereby, the market's liquidity increased by 14 per cent last week.

US inflation data in April, which maintained a downward trend and was lower than the market's expectations, reinforces the possibility that the US Federal Reserve may decide to pause the tightening policy at the upcoming meeting in June.

Meanwhile, the State Bank of Vietnam (SBV) also said that it is considering the possibility of further lowering the operating interest rate in the near future to support the recovery of economic growth.

The Government is also accelerating the drafting process for early approval of the Power Development Plan VIII and preparing to submit to the National Assembly for consideration and approval of the Resolution on reducing VAT 2 per cent in the upcoming meeting.

This helped lift investor sentiment and attract cash flows back to the market.

With those positive signals, VNDirect believes that a short-term uptrend in the market has been formed.

Therefore, investors can increase the proportion of stocks if the VN-Index retests the range around 1,050 - 1,055 points, while prioritising stock groups that are impacted by supportive news.

On the contrary, a strong resistance zone of VN-Index is 1,080 - 1,110 points. The securities firm also warns investors not to buy at high prices if the VN-Index approaches the above resistance zone.

According to Saigon-Hanoi Securities JSC, the Government is also actively offering solutions to remove difficulties for the corporate bond and real estate markets.

Although macro challenges remain as the measures to support the economy have not shown results and the global economy is still very unstable, it is possible that the market will react positively.

SHS said that one piece of positive news cushioning the market last week was that SBV directed, orientated, and called commercial banks to continue reducing interest rates for businesses, creating favourable conditions to expand and further boost credit from now until the end of the year.

Thanks to that, real estate stocks, the group that received a lot of positive news, had performed well with the improvement in liquidity. Stocks in financial services and securities sectors also inched higher.

According to the 2023 shareholder meeting plans of 261 out of 400 enterprises listed on HoSE, their

expected profits before tax fall sharply, mainly in the non-financial groups, while the banking, financial services and insurance industries continued to set growth plans for this year, said Mirea Asset (Vietnam) Securities.

Targeted profits before tax for 2023 weakened across most sectors, particularly utilities, energy, materials, transportation, and retail.

Industries entering the declining cycle are mainly related to export activities such as logistics, chemicals, fertilisers, textiles, and seafood.

The main obstacle is the gloomy export outlook amid recession risks in the US and European Union and rising competition from China after the country reopens its economy, Mirea Asset said.

Macro & Policies

2. Hanoi targets 7 million sq.m of housing this year

The target is set in a housing development plan for 2023, which has been approved by the municipal People's Committee.

The new housing area will include 4.5 million sq.m of floor of independent houses, over 2.33 million sq.m of commercial housing, 32,000 sq.m of social housing 94,000 sq.m of resettlement housing.

The city administration will focus on rolling out mechanisms and policies to remove difficulties in the implementation of urban projects that have been stalled for a long time while encouraging new housing projects.

It will also accelerate the approval of investment plans for building social housing or housing for workers. Investors' responsibilities will be clarified and projects that are behind the schedule will be strictly dealt with.

Departments, agencies and People's Committees of districts will be tasked with promptly relocating households out of old apartment buildings that are deemed dangerous and devise planning relating to the renovation of old apartment buildings, namely those in Giang Vo, Trung Tu and Khuong Thuong residential areas.

According to the municipal Department of Construction, the city added 1.3 million sq.m of housing in 2022, which was equivalent to 109% of the year's target. The figure includes 985,000 sq.m of commercial housing in 16 projects and 257,000 sq.m of social housing in three projects.

From 2010-2020, the city completed approximately 50 million sq.m of residential housing. However, it is predicted that from 2021 to 2030, the capital city will need around 89 million sq.m of housing.

The housing demand for 2021-2025 is projected to be 44 million sq.m, while the demand for 2021-2030 is estimated to be around 45 million sq.m.

In line with the housing development plan for 2021 - 2025, which has been endorsed by the municipal People's Committee, the city aims to have an average housing area of 29.5 sq.m per person.

Hanoi will spend 437 trillion VND (18.3 billion USD) to implement the plan.

The capital city will also build 550,000 sq.m of housing for the purpose of relocating residents and speed up the renovation of old apartment buildings, especially those deemed dangerous for living.

Regarding commercial projects, the city will strive to complete 109 projects with 19.4 million sq.m of floor.

Hanoi will continue to abolish makeshift houses and raise the permanent housing rate in the city to 90%.

Of the total investment of 437 trillion VND, 5.8 trillion VND will be used for social housing, resettlement housing projects, and apartment upgrading. The investment will be sourced from the city's budget.

The city will also mobilise investment from possible sources for the development of commercial houses and other real estate projects.

The municipal People's Committee requested that agencies comply with the city's housing development plan to ensure a balance between housing supply and demand as well as to fulfill the set targets. Legal documents will be reviewed to remove difficulties relating to housing and construction investment management of infrastructure works.

Between now and 2030, the city will focus on developing satellite towns and areas that are expected to become urban districts while diversifying housing types to meet the needs of people of different income levels. Priority will be given to social housing, apartment buildings and housing for workers in industrial zones.

The development of apartment buildings in the downtown area will be limited to minimise population growth and infrastructure overload, except for those aimed at renovating and rebuilding old apartment buildings and resettlement projects. Meanwhile, the development of apartment buildings

in other areas will be given priority so as to use the land effectively.

Urban and residential areas will be planned and invested in line with building technical and social infrastructure.

3. Central bank drains VND39 trillion from market this week

The State Bank of Vietnam (SBV) sold seven-day and 28-day government bonds worth a combined VND20 trillion with a coupon rate of 5% per year by auction via open market operations (OMO) yesterday, May 11, but it saw no bidders.

More than VND11.9 trillion worth of government bonds fell due the same day, decreasing outstanding government bonds on OMO to over VND24.6 trillion. Outstanding treasury bills stayed at around VND110.7 trillion.

Since the start of the week, the SBV has net withdrawn over VND38.9 trillion via OMO.

As of late April, credit grew merely 3.05%, suggesting weak demand in the interbank and personal loan markets.

It then reduced interbank rates by 0.03-0.04 percentage point for tenors of less than one month. The overnight rate now stands at 4.78% per year.

Analysts predicted that interest rates would continue sliding in the next three years. According to Standard Chartered, the central bank may slash its refinancing rate by 50 basis points by the end of the second quarter to 5% yearly.

“If the Federal Reserve halts interest rate hikes at its meeting slated for June, the SBV may revise down its key interest rates by at least 50 basis points until late 2023,” said securities firm VNDirect.

4. Banking industry takes on economic challenges

Economic difficulties are on the shoulders of the banking industry as it has to stabilise the macroeconomy, control inflation, and support economic growth and businesses, experts have said.

At the 2023 Vietnam Banking Forum held on Wednesday, the experts said the banking system still has to mainly provide capital for the whole economy as the country’s capital market is still inadequate. Viet Nam’s credit-to-GDP ratio is currently at a very high level. If Viet Nam continues to maintain credit growth at a high level as in previous years, it will be very risky for the country’s banking system and the whole economy.

Nguyen Quoc Hung, General Secretary of the Vietnam Banking Association, said it is currently difficult for the State Bank of Vietnam (SBV) as it has

to stabilise the macro-economy and control inflation besides supporting firms and economic growth.

If the current difficulties of the whole economy are put on the banking industry, firms will even face more difficulties next time when banks struggle, Hung warned.

According to Hung, although Circular No 02/2023/TT-NHNN on debt rescheduling and retention of debt categories to assist borrowers has been issued, commercial banks still have to take full responsibility and make their own decisions on debt restructuring. Therefore, commercial banks may have to burden all difficulties of the whole economy.

Ha Thi Kim Nga, senior economist of the International Monetary Fund (IMF)’s Resident

Representative Office in Viet Nam, also said the SBV is currently having to navigate a very difficult balance between controlling inflation and avoiding a sharp slowdown in growth, and at the same time dealing with uncertainties related to the real estate market.

Nga recommended the SBV should rely on policy interest rates to control inflation and avoid putting pressure on the exchange rate. At the same time, the SBV should ensure the stability of the financial sector when handling the bottlenecks of the bond and real estate markets.

SBV's Deputy Governor Pham Thanh Ha said amid a complicated and unpredictable international environment, a small and highly open economy like Viet Nam had to face many difficulties in harmonising contradictory goals.

Ha specified that the challenges were supporting economic recovery while keeping inflation in check, reducing the depreciation of the local currency while keeping interest rates stable, and ensuring the safety of the banking system while providing adequate credit for the economy.

5. Corporate debt sales plummet in April

VBMA saw no new corporate debt issued in the first five days of May.

The total value of corporate debt issued in the year to date has reached nearly VND31,700 trillion.

As of May 6, all the bond buybacks that businesses announced in May were conducted in the previous month. Enterprises redeemed over VND49.5 trillion of their corporate bonds, up 48% over the same period last year.

Corporate bonds worth over VND21.4 trillion are expected to fall due in May.

In the first months of 2023, credit growth was very slow, but if credit was loosened, there would be potential risks, Ha noted.

According to Ha, difficulties in the economy include those facing firms and banks. If banks support firms at an acceptable level, the economy will get better. However, if banks support firms by loosening credit granting conditions, and postponing or rescheduling loan payment time, the difficulties will be transferred to the bank.

"The firms' desire for interest rate cuts is legitimate, and the banking industry also does not want high deposit and lending interest rates. However, we still have to take into account the stability of the macroeconomy and the banking system," Ha said.

At the forum, experts said as the global economy is facing many uncertainties while the domestic economy is riddled with numerous problems, collaboration between ministries, agencies and localities is needed to work out common solutions that can enhance the connectivity between policies and the effectiveness of monetary policy in particular.

Some industries with a large volume of corporate bonds falling due comprise the real estate sector with bonds worth VND9,600 trillion, the consumer goods sector with VND3,700 trillion, and the banking sector with VND2,500 trillion.

Eight companies announced to delay their payments of principal and interest for their bonds, with a total value of VND1,200 trillion.

Six other companies have announced their restructuring plans, primarily by extending the bond maturity by three to 24 months compared to the original term.

6. Bac Giang improves quality of investment attraction

Under its scheme on improving the efficiency of investment attraction till 2030, Duong said the province will target strategic investors, and hold dialogues with the business community in various industries, with a particular focus on small and medium-sized enterprises.

Bac Giang is also preparing necessary conditions, especially in terms of infrastructure, human resources and land to proactively attract foreign capital flows, especially high-quality capital with advanced technology.

In the near future, the province will guide businesses in strictly complying with legal regulations on investment, production, labour, environment and construction. It will strengthen inspections and strictly handle violations in investment, revoke licences of delayed projects and thoroughly assess the potential impacts of foreign-invested projects on local security, order, environment and society.

For licensed projects, the locality will review their progress and fix any shortcomings and arising problems.

In April, Bac Giang attracted 63.4 million USD worth of investment both domestic and foreign, or 1.7 times higher than the same period last year. For the first four months of this year, the figure hit over 1 billion USD, nearly 2.2 times higher than last year's same period. Of which, there were three new domestic projects worth 402.8 billion VND and 17 FDI projects valued at 943.9 million USD.

Moreover, 8 domestic and 9 FDI projects increased their capital by 364.9 billion VND and 41.8 million USD, respectively.

In 2022, Bac Giang was the first province in the country to have its development master plan for the 2021-2030 period with a vision until 2050 approved by the Prime Minister. Information on the province's investment is provided through various channels, such as the English, Chinese, and Korean pages on the province's electronic portal, the Japan Desk and Korea Desk investment support teams, and the bilingual "Economic Diplomacy" section in Vietnamese and English on the provincial Department of External Affairs' website.

The provincial People's Committee has held meetings with foreign delegations who came to explore opportunities in the province, and engaged in online meetings with investors from Japan, Hungary and Turkey, and provided information for the Vietnamese Embassy in India, Vietnamese diplomatic representative agencies in the US and the Singaporean Embassy in Vietnam.

Also last year, Bac Giang drew around 1.7 billion USD in investment capital, up 6.5% annually. In terms of FDI attraction, Bac Giang ranked ninth nationwide. To date, 27 countries and territories have been investing in Bac Giang, of which China is the biggest investor with over 170 projects worth around 3.41 billion USD, followed by the RoK with more than 300 projects valued at some 2.1 billion USD.

7. Apple to open first online store in Vietnam on May 18

Apple announced on May 12 that it will open its first online store in Vietnam on May 18 in a bid to boost operations in emerging markets.

The online store will have a team of experts who are ready to share expertise in Vietnamese to support customers in need.

Online shops often precede the opening of retail stores. Apple already sells products in Vietnam via

licensed vendors and has multiple suppliers that assemble its gadgets in the country for export.

Deirdre O'Brien, Apple's senior vice president of retail, said the company is proud to be expanding in Vietnam.

In 2022, Vietnam's import of CBU (completely built units) phones reached a turnover of 3.5 billion USD,

up 10.5% compared to 2021, accounting for 16.6% of the import turnover of phones and components.

Apple, Samsung, Oppo, and Xiaomi phones were the most favoured brands, accounting for 93.4%. iPhone imports saw the most significant growth rising 46% to 1.16 billion USD.

Corporate News

8. HBC: Overcome the status of securities being put under warning and supervision

↑ 6.95 %

On May 11, 2023, Hoa Binh Construction Group Joint Stock Company announced the measures to overcome the status of securities being put under warning and supervision. Accordingly, due to the existing difficulties in the real estate market and

the postponement of projects under construction, the company has strived to improve the current situations and disclose the financial statement in 2022 not later than May 30, 2023 as well as the Annual Report in 2022.

9. DRC: Plan for remaining cash dividend payment in 2022

↑ 0.70 %

The Board resolution dated May 11, 2023, the BOD of Danang Rubber Joint Stock Company approved to pay the remaining cash dividend for 2022 as follows:

- Exercise ratio: 13%/share (1,300 dongs/share)

- Record date: June 09, 2023

- Payment time: June 29, 2023.

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