



VIETNAM DAILY NEWS

May 24th, 2023



Table of content

Table of content

1. Market falls on bearish sentiment
2. Electric stocks expected to benefit from Power Plan
3. Nearly 2.3 billion USD in state capital saved in 2022: Gov't report
4. Bad debts running rampant in construction sector
5. Short-term policy support complementing 2025 targets
6. Textile enterprises face negative prospects this year
7. Rubber firms face mounting hardships
8. FRT: Approving the record date for 2022 dividend payment
9. AGM: Overcome the status of trade restrictions

Market Analysis

1. Market falls on bearish sentiment

The market settled lower yesterday, driven largely by the bearish sentiment toward food and drink stocks.

On the Ho Chi Minh Stock Exchange (HOSE), the VN-Index shed its morning gains and began a downward trend at around 1.30pm. In the last minutes of the session, it suddenly ballooned on the back of a short-lived buying force but the buy-in was not large enough to lift it above the reference line.

VN-Index ended the session at 1,065.85 points, down 4.79 points (0.45 per cent) compared to the previous session.

HOSE-listed decliners outnumbered advancers by 212 to 128, with four stocks hitting ceiling prices and five at rock bottom. HOSE was busy with nearly VND11.8 trillion (US\$500 million) worth of shares traded.

"Money keeps flowing to the market, indicating that the Sell in May adage might not hold true this time", said an analyst.

The VN30-Index echoed the VN-Index pattern. It lost 5.69 points (0.53 per cent) to close at 1068.05 points. In the basket, six stocks climbed, none stayed unchanged, and 24 fell.

Petro Vietnam Gas (GAS) led the market downturn with a fall of 1.58 per cent. Other stocks behind the bearish trend included BIDV (BID), Vinamilk

(VNM), Masan Group (MSN), Vinhomes (VHM), and Vietcombank (VCB).

Food and drink was the sector on the decline yesterday as it lost 1.30 per cent on the bearish vibes. In the sector, Vinamilk (VNM) dropped by 1.76 per cent, followed by Sabeco (SAB) and Masan Group (MSN).

Retail was the next sector dragging down indices as it saw lots of red on the screen. Major decliners included Mobile World (MWG) and FPT Retail (FRT). Analysts believe 2023 would be a tough year for the mobile phone segment as heavyweights have been forced into harsh competition, a lose-lose situation for all.

Upbeat investors put their bullish bets on insurance stocks yesterday as the stocks were a bright spot in the market. Notably, Bao Viet Holdings (BVH) rose by 1.83 per cent and Vietnam National Reinsurance (VNR) by 0.82 per cent.

The HNX-Index on the Ha Noi Stock Exchange (HNX) fell yesterday, losing 0.11 points (0.05 per cent) to end at 215.79 points.

Foreign investors withdrew their money from the market as they net-sold a total of around VND603.66 billion worth of shares on the two exchanges. Of which, they net sold VND605.08 billion on HoSE and net bought VND1.42 billion on HNX.

Macro & Policies

2. Electric stocks expected to benefit from Power Plan

The recently passed Power Development Plan VIII (PDP8) is expected to have positive impacts on the Vietnamese stock market, electric utility stocks, as well as related industries' ticker symbols, said experts.

The Government on Monday approved the PDP8, which guides the growth of renewable energy sources, including rooftop solar power.

The plan aims at providing sufficient supply for domestic electricity demand, meeting the socio-economic development target with an average GDP growth rate of about 7 per cent a year during 2021-2030 and about 6.5-7.5 per cent a year in 2031-2050.

The ambitious plan also sets out a roadmap to drastically cut coal power to convert and replace it with clean energy sources, especially wind and gas power. The share of renewable energy will increase to 30.9-39.2 per cent by 2030 and 67.5-71.5 per cent by 2050.

Offshore wind power capacity is expected to reach at least 6,000 MW by the end of this decade and 70,000-91,500 MW by 2050.

Nguyen Minh Hoang, director of the Analysis Department at VietFirst Securities, said that the approval of the Power Development Plan VIII is a positive factor to the domestic stock market, especially electric utility stocks.

"Stock markets are driven by futures factors and these elements will be priced in at the present. And obviously, the plan gives a clear orientation about the development of the power sector, benefiting electric utility stocks," Hoang told Viet Nam News.

According to Agriseco Research, given the priority in wind power development, leading companies in the industry, such as Refrigeration Electrical Engineering Corporation and Gia Lai Electricity JSC, will have advantages in developing and operating projects, helping these enterprises access cheap

capital and reduce production and business expenses.

As liquefied natural gas (LNG) power has been considered one of the key solutions for replacing coal-fired power, with the share in the energy mix expected to increase from 0 per cent in 2022 to 14 per cent in 2030, companies like PV Power, LNG Nhon Trach 3 & 4 and LNG Quang Ninh projects, will also benefit from PDP8.

In addition, businesses that supply input gas to domestic thermal power plants, such as PV Gas, stand to gain.

Hoang said that other sectors will also benefit from the plan.

"The plan will also boost public investment, helping related construction companies," Hoang added.

PDP8 targets to invest US\$134.7 billion, of which investment in power source is about \$119.8 billion, and the transmission grid is about \$15 billion, creating growth momentum for power construction enterprises such as PC1 Group and Power Engineering Consulting JSC 2.

It is also expected to promote credit growth in the banking sector, according to Agriseco Research.

Positive prospects in 2nd half

The expert from VietFirst Securities said that the plan is another factor cushioning the stock market, improving investor sentiment.

"Given supportive monetary and fiscal policies from the Government, I think the stock market had hit bottom in the period of 2022-23," said Hoang.

"Therefore, the market now will move up and trade sideways to digest bad news. After that, it will continue to edge higher."

He also said that it is unlikely for the market to hit below 900 points as it did earlier, unless there was a black swan event.

"Amid the economy's struggles, measures like fiscal policies and money injections are carried out to support the stock market. So it is not easy for the market to set another bottom like it did at the end of 2022 and early 2023," Hoang said.

3. Nearly 2.3 billion USD in state capital saved in 2022: Gov't report

On behalf of the Government, Minister of Finance Ho Duc Phoc delivered a report on thrift practice and wastefulness prevention last year in front of the 15th National Assembly (NA) at the ongoing fifth session on May 23.

He said that thanks to proactive governance, the state budget spending tasks in 2022 basically reached their targets.

In particular, the Government has pushed ahead with carrying out the Party Central Committee's Resolution No 19-NQ/TW on reforming the organisation and management, and improving the quality and efficiency of non-business public units, with a focus on perfecting the mechanisms and policies on financial autonomy.

The implementation of fixed spending and financial autonomy in ministries, sectors, and localities last year saved over 3.49 trillion VND, of which 1.17 trillion VND was saved by Hanoi and another 1.22 trillion VND by Ho Chi Minh City, Phoc noted.

The Prime Minister issued a decision on a general programme on thrift practice and wastefulness prevention for 2023 that features eight focal tasks and four groups of measures, the official added.

Reading the verification report, Chairman of the NA's Finance-Budget Committee Le Quang Manh said that the committee basically agreed with the Government's report and highly valued the Government, ministries, sectors, and localities' activeness and determination to achieve encouraging results in thrift practice and wastefulness prevention in 2022.

However, he went on, the Government's report didn't assess or analyse improvements in the organisation of thrift practice and wastefulness prevention; or sufficiently point out problems, shortcomings, causes, and responsibilities for the management and use of public investment capital, recycled resources, renewable energy, and digital resources, among others.

Notably, Manh underlined the sluggish implementation and many problems of the three national target programmes on new-style rural area building, sustainable poverty reduction, and socio-economic development in ethnic minority and mountainous areas, which have eroded the effectiveness of investment capital use and wasted state funding.

The NA committee also gave some proposals to the Government and the PM to help with thrift practice and wastefulness prevention.

4. Bad debts running rampant in construction sector

Little is known about the exact amount of bad debts being incurred by construction firms, but the non-payment is eating into their bottom line day by day.

Le Hong Minh, Chairman of the 2T Corporation, claimed that he had never witnessed such a serious situation in the construction sector for 40 years.

Debt collection has now become a high priority for small- and medium-sized firms.

And his firm is no exception. The debts owed by construction investors to 2T have amounted to over VND200 billion (US\$8.5 million), two times higher than its charter capital of VND100 billion.

The firm has no option but to withhold the transfer of some finished units to the investors to press for payment. Dozens of condotel apartments have been put at its disposal as a result of their defaults.

"I've suddenly become the owner of dozens of villas and condotel apartments. But those properties are not eligible for sale as yet because of insufficient legal documents," said Minh.

The chairman remarked that investors' non-payment had pushed many contractors into financial distress and some others into bankruptcy. Several investors went so far as to refuse payment even though they made huge profits from the sale of transferred units.

Very few contractors have taken legal action against their defaulted investors. It took them around three to five years to have their cases heard but the plaintiffs got their money back in just 30 per cent of the cases.

The chairman underlined two factors behind investors' tendency to default on their payments: their upper hand in negotiations and legal loopholes.

Investors have more bargaining power than contractors in negotiations because there are few investors but plenty of contractors in the market. Their higher position has put the latter at a disadvantage when it comes to payment clauses.

Regarding legal loopholes, contractors are required to have various types of bank-issued guarantees, including performance security, to be qualified for a contract. Meanwhile, the requirement applicable to investors is far more lenient.

On top of that, certain bank-backed guarantees presented by investors can only be activated with proof of their acceptance of construction work. That means if the investors deliberately refuse to accept contractors' work, the latter would be unable to, by any means, request the banks to pay in the event of investors' default.

Minh called for new regulations that require investors to present bank-backed guarantees unconditionally covering all the feedstock and equipment employed by contractors.

Nguyen Quoc Hiep, Chairman of the Viet Nam Association of Construction Contractors, said the debt defaults were vertically spilling over into other construction players. The long chain of defaulters has thrown the sector into disarray.

"Investors owed contractors, contractors owed sub-contractors, sub-contractors owed suppliers, and so on," said Hiep.

He cited legal loopholes as the main cause of the situation. He called for new regulations to fix the loopholes and hedge contractors against non-payment. He also believed that "arbitration and litigation should only be used as a last resort".

Dogged by non-payment, many contractors have begun to shun all-inclusive contracts with investors to reduce default risks. They engage in nothing more than procuring workers for the investors or acting as sub-contractors to foreign companies.

5. Short-term policy support complementing 2025 targets

Under a draft report submitted to the National Assembly (NA) Standing Committee, the government has suggested that more new fiscal policies, especially on taxes and fees, be soon designed and enacted to assist enterprises and labourers, therefrom helping to ensure macroeconomic stability and social security. The report will be discussed by the NA over the next few weeks before specific solutions are crafted.

"There will be more solutions to help the public and enterprises have access to bank loans at favourable rates," the report stated. "In addition, the government will continue to drastically and effectively implement already-promulgated solutions to support enterprises and production and business activities such as Resolution No.58/NQ-CP on policies and solutions to support enterprises to adapt, recover, and develop sustainably towards 2025."

Under Resolution 58, the government requested the Ministry of Finance (MoF) to continue implementing in the short-term tax administration reform for individual business households, and report to the prime minister this quarter.

At the same time, the government has directed the General Department of Vietnam Customs to coordinate with authorities at all levels in simplifying the current administrative processes or consider applying priority import and export processes to help businesses optimise time and costs, as well as speed up the import process and procedures for essential commodities, and accelerate the export of agricultural products and key export commodity groups.

“Enterprises are now in massive difficulties and lack capital. Many major enterprises say they have sold most of their assets at half of the real value, and the buyers are foreign enterprises and investors,” said Minister of Planning and Investment Nguyen Chi Dung. “Cumbersome investment procedures remain popular. Currently, it would take 1-2 years to remove an unnecessary procedure, meaning enterprises cannot do anything, while the economy is increasingly becoming difficult.”

Deputy Minister of Planning and Investment Tran Quoc Phuong last month said that his ministry has advised the government to order all provinces and cities in the country to establish local-level taskforces in charge of helping business projects which are now facing difficulties.

“Besides special taskforces set up by the government, these local-level taskforces are the first of its type in Vietnam. Chairpersons of provinces and cities will act as heads of these taskforces, which will have to work directly with ventures in difficulties and map out solutions for them,” Phuong said.

“The key aim behind this new solution is to lift production and business activities out of difficulties as soon as possible. If this situation continues, it will be difficult to reach the government’s growth target of 6.5 per cent for the whole year.”

It is expected that the government will issue a new related resolution, with a focus to be laid on continued reductions and exemptions of some types of taxes and fees compiled by the State Bank of Vietnam.

The government last week agreed on a draft NA resolution on VAT reduction until the end of 2023 from 10 to 8 per cent for all types of goods and services. The government will submit the draft resolution for issuance in May or June under simplified procedures.

Specifically, the VAT reduction policy will help businesses reduce 20 per cent of the percentage for tax calculation when issuing value-added invoices, for goods and services currently subject to the 10 per cent tax rate. With this proposal, the MoF estimates, the budget will reduce revenue by \$252.2 million per month and \$1.52 billion in the second half of 2023.

With the orientation to stimulate economic demand, as well as increase production and business to promote economic development, the MoF also proposed many other support policies, such as lowering the collection rate of 35 fees and charges in the second half of the year equivalent to a decrease in revenue of \$30.4 million.

This is the second time Vietnam has introduced a policy to reduce VAT from 10 to 8 per cent. In 2022, Vietnam also applied the policy, but for only some types of goods and services.

Last month, the government promulgated Decree No.12/2023/ND-CP on extending the deadline for paying VAT, corporate income tax (CIT), personal income tax, and land rental in 2023.

The decree stipulates a six-month extension for VAT amounts from March-May and Q1 of 2023; five months’ extension for VAT in June and Q2 of 2023; four months’ extension for July; and a three-month extension for August.

When it comes to the CIT, the decree stipulated that payment would be extended for the temporarily paid sum for Q1 and Q2 of the tax calculation period in 2023. Specifically, the time for payment extension will be three months as from the date of ending the CIT payment time under the tax management law. It is estimated that the value of the CIT payment extension will be around \$1.9 billion.

Furthermore, according to Decree 12, the government is applying a six-month extension for paying half of the land rental in 2023 for those

renting land from the state. This scheme lasts from May 31 to the end of November.

The General Department of Taxation has required provincial and municipal tax departments to disseminate information to taxpayers in their localities to promptly implement the deadline for paying tax and land rental.

In January, the government also enacted Resolution No.07/NQ-CP on reducing land and water surface

rentals for 2022 for those hit by the recent pandemic.

The resolution stipulates a 30 per cent reduction in land and water surface rentals in 2022 for organisations, units, businesses, households, and individuals that were directly leasing land from the state under a decision, or contract, or certificate on land use rights ownership of houses and other land-attached assets of authorised agencies, in the form of land rental featuring an annual payment.

6. Textile enterprises face negative prospects this year

The slowdown of global economic growth has affected manufacturing activities across industries, including textiles.

In the first quarter of the year, Vietnamese textile and garment exports decreased nearly 18% on-year to more than 7 billion USD, according to General Department of Vietnam Customs statistics.

The April data continued to show not very positive signs, with an export value of 2.5 billion USD, down nearly 20% over last year.

The industry continues to face challenges shortly due to a sharp decrease in purchasing power from major markets such as the US and European Union (EU), the recent textile industry report of KIS Vietnam Securities showed.

Many businesses have not had orders for the rest of the second quarter.

Inventories at major foreign retailers, like Nike and Adidas, have increased since the second half of 2022, while weaker consumption results in reduced orders. Both the problems are unlikely to be solved just in the second quarter.

The securities firm also said that the reopening of China is another obstacle for garment companies as they have to compete with the country's garment exporters.

However, this is a good sign for yarn companies with a large export market share in China. Besides, according to the Vietnam Cotton and Spinning Association (VCOSA), the price of imported cotton is forecasted to decrease, which will help improve the gross profit margin of yarn companies in the second quarter.

Amid the difficulties, most textile and garment enterprises have cautiously planned for 2023 with negative growth rates.

In particular, the Vietnam National Textile and Garment Group (Vinatex) said that the textile and garment industry would face many challenges from the Russia-Ukraine conflict, persistent inflation, and falling global demand. Therefore, the enterprise plans to reduce its profit before tax in 2023 by half over last year to only 610 billion VND (26 million USD).

In the first quarter, the company posted declines in both consolidated net revenue and profit after tax, down 16.2% and 255.3% on-year, respectively.

Even more cautiously, the General Meeting of Shareholders of Binh Thanh Import - Export Production & Trade JSC (Gilimex) approved the 2023 business results, with targeted revenue down more than half to 1.5 trillion VND and profit after tax set to fall by 71% year-on-year to nearly 104 billion VND.

Gilimex also reported poor performance in the first quarter, with the consolidated revenue down from 1.4 trillion VND in 2022 to nearly 156 billion VND. And profit after tax suffered a loss of 39 billion VND while in the same period last year, it gained 107 billion VND.

On the other hand, Sông Hồng Garment JSC also plans double-digit negative growth. The company's Annual General Meeting of Shareholders has agreed that the profit before tax in 2023 will drop by 20% to 350 billion VND.

The company said that the global apparel supply chain is moving adversely with weaker demand, so the plan is somewhat modest. It also reported negative results in the first quarter.

Similarly, Phong Phu Corporation set an optimistic plan with the target of profit after tax decreased by 17% over the same period to 397 billion VND.

Thanh Cong Textile and Garment Investment Trading Joint Stock Company also set a target of

negative growth in 2023 after experiencing outstanding achievements last year with record revenue and profit.

Textile orders are lower, making the situation difficult for businesses. Amid the tough period, many enterprises have to reduce jobs, up to thousands, to cut costs.

For example, Garmex Saigon announced a drastically cut in employees. In the first quarter of 2023 alone, the number of employees plummeted by 1,797.

In addition, Gilimex and Century Yarn also slightly cut 70 and 11 employees, respectively, in the first quarter of 2023.

As well as listed companies, another well-known enterprise specialising in manufacturing and exporting sports shoes, Pouyuen Vietnam, a subsidiary of Pou Chen Group of Taiwan (China), has continuously cut jobs.

7. Rubber firms face mounting hardships

Huynh Van Bao, deputy chairman of Vietnam Rubber Association, has noted that rubber production and trading units are encountering difficulties on all sides. Amid global headwinds the demand for rubber has sunk, leading to a supply and demand imbalance.

This has caused both the rubber price and order intake to diminish, creating market pressures as most Vietnamese rubber is bound for export, while domestic consumption just accounts for 15 per cent of the total production output.

"The global rubber output exceeds 14 million tonnes per year, and demand is nearly the same. However, the demand for production and consumption is sinking due to inflation, rising interest rate and the impact of armed conflicts," said Bao.

This has also entailed difficulties associated with human resources working at businesses producing items from rubber latex.

Sinking finance has been preventing firms from offering their labourers better wages. Such workers earn around \$230 per month on average versus tough working conditions, leaving many labourers to quit their jobs and shift to other works.

The biggest difficulty to rubber firms at present is depleting capital sources, putting businesses in a 'dilemma'.

In addition, many natural rubber export firms report having yet to receive tax refunds despite having sent many proposals.

The VAT tax refund of these firms is approximately \$10.8 million.

Hoa Thuan Trading Co., Ltd. is one of Vietnam's leading natural rubber producers and exporters.

The company, however, has recently cut jobs and temporarily ceased production.

According to director Dinh Thi Thanh Tam, for a couple of months now, the company's order intake has decreased gradually, and they have had to temporarily halt production.

In 2022, Hoa Thuan saw its revenue take a 94 per cent dip, and it has yet to receive its \$2.1 million tax refund, leaving the company in 'dire straits'.

Meanwhile, the company still incurred diverse expenses, such as corporate income tax, bank interest, and payment for workers.

"We continue paying tax. The regulated fine for late tax payment is 0.3 per cent. Bank interest is high. Payment for the labourers cannot be late as they need to cover daily expenses. Without working capital, the company has to halt operation, causing a big impact on our workers," said Tam.

Hoa Thuan has sent dispatches asking for help to diverse management agencies, yet a reasonable response or supportive policies to help the firm have not been forthcoming.

Similarly, Tan Quang Huy, managing director at Huy Brothers Co., Ltd. said, "Rubber is a raw material, so despite order shortfalls, businesses might maintain operations waiting for the market to move. However, not having the tax refund, means businesses are struggling for oxygen and can hardly sustain operations."

"Our company runs its business effectively so that we can fulfill tax obligations and create jobs for our workers. We then expect relevant management agencies to soon tackle unsolved matters, helping firms to shortly come back to normal operation."

Apart from Hoa Thuan and Huy Brothers, many other rubber firms have temporarily halted operation due to failure to sustain pressure from high interest rates and unpaid tax refunds, such as Huynh Hai Nam Import and Export Trading JSC, Viet Phu Thinh Rubber JSC, and Nam Phat Rubber Mechanical Co., Ltd.

Corporate News

8. FRT: Approving the record date for 2022 dividend payment

↓ -0.48 %

The Board resolution dated May 22, 2023, the Board of Directors of FPT Digital Retail Joint Stock Company approved the following contents:

1) Approved to pay cash dividend for 2022:

- Record date: June 07, 2023

- Payment date: June 27, 2023.

2) Approved to pay stock dividend for 2022:

- Record date: June 07, 2023.

3) Approved to collect shareholders' written opinions:

- Record date: June 07, 2023

- Time: expected from June 10, 2023 to June 30, 2023

- Venue: Zodiac building, 19 Duy Tan, Dich Vong Hau ward, Cau Giay district, Hanoi.

- Content: approving the transaction with related party – FPT Long Chau Pharma Joint Stock Company.

- Deadline for receiving ballots: expected on June 30, 2023.

9. AGM: Overcome the status of trade restrictions

↓ -5.02 %

On May 22, 2023, An Giang Import - Export Company announced the measure to overcome the status of trade restrictions. Accordingly, the company will strive to disclose the audited

financial statement in 2022 (separate and consolidated) as soon as possible and announce the measure and schedule to overcome the status of trade restrictions as well as follows the regulation of information disclosure in the stock market.

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

Disclaimer:

Copyright 2015 Japan Securities Co., Ltd (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

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