VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index posts one-month high on increasing cash inflow

The VN-Index posted the highest gain in a month with a strong influx of cash flow on Monday which drove stock prices higher.

On the Ho Chi Minh Stock Exchange, the VN-Index closed 1.26 per cent up at 1,053.44 points, the highest since April 3.

Liquidity increased in both volume and value, reaching 655.5 million shares worth VND10.8 trillion (US$458 million), up respectively 20 per cent and 16 per cent over Friday's levels.

According to market analysts, the liquidity level though did not change substantially but maintaining the threshold of above VND10 trillion compared to the average of VND8-9 trillion two weeks ago was quite positive.

The green dominated the market from the opening minutes and spread to most industry groups. According to data on vietstock.vn, 19 out of 25 stock groups tracked by this website gained value and six lost value.

Securities, banking, other financial services, mining and oil, agriculture, plastics, food and drink, household and utilities all achieved an average growth of more than 1 per cent.

Among the VN30 (which tracks the top 30 shares by market value and liquidity), 26 climbed, two declined and two closed flat. Nine of the top 10 stocks contributing most to the VN-Index were from this group, including Vietcombank (VCB), BIDV (BID), Vinamilk (VNM), Vietnam Rubber Group (GVR), Techcombank (TCB), PV Gas (GAS), Vinhomes (VHM), Masan Group (MSN) and Sacombank (STB).

VCB, which saw a gain of 3.6 per cent and contributed 3.8 points to the VN-Index. BID followed with a gain of 2.9 per cent contributing 1.6 points, while VNM gained 2.3 per cent and contributed 0.8 points.

On the Ha Noi Stock Exchange, the HNX-Index increased by 1.5 per cent to end the session at 210.92 points.

Liquidity also grew here with nearly 114 million shares worth VND1.4 trillion being traded, up 54 per cent in volume and 42 per cent in value compared to Friday's figures.

Despite the market gain, analysts at Viet Dragon Securities still cautioned when the VN-Index attempted to regain the green colour and back above 1,040 points, selling force continued to put pressure on the general market's recovery.

Foreign investors remained net sellers on the HCM City's bourse but their net sell value decreased to just VND13 billion from Friday's level of VND176 billion. However, they remained net buyers in Ha Noi's market with another net value of VND760 million.

Macro & Policies

2. Four weak banks to be taken over: central bank

The State Bank of Viet Nam (SBV) plans to seize four weak commercial banks in a move aimed at strengthening the country's banking system.

The poorly-performing banks are DongA Bank, Vietnam Construction Bank, Ocean Bank and Global Petro Bank, the SBV said in a report submitted to the National Assembly's Economic Committee at the end of April.

As outlined in the report, three of the banks - Vietnam Construction Bank, Ocean Bank and Global Petro Bank - would be sold by the SVB to stronger commercial banks, including Vietcombank, one of the country's largest commercial banks.

The move is part of SBV's efforts to improve the local banking system and address bad debts accumulated for the 2021-2025 period, according to the report.

Measures to manage a weak commercial bank placed under "special control" include finding partners to restructure it, rearranging its network of branches, and reducing operation costs to ensure stable operations, the SBV said.

As of the end of 2019, Ocean Bank accumulated a loss of more than VND17.9 trillion (US$763.2 million) and Vietnam Construction Bank more than VND31 trillion ($1.32 billion).

In addition, SBV said it was also restructuring Saigon Joint Stock Commercial Bank (SCB), which has been placed under SBV's "special control" since last October.

SCB's operations have become "gradually stable and under control," according to SBV.

Earlier, Prime Minister Pham Minh Chinh asked SBV to carefully restructure SCB to ensure that the restructuring is transparent and "prevents loss of assets".

Depositors rushed to SCB branches to withdraw their money last October following the arrest of Van Thinh Phat Group's chairwoman (who is believed to be the bank's largest shareholder) for fear the arrest could affect the bank's operations.

SCB, formed by a merger of three banks in 2012, is the biggest private bank by assets.

Many banks have been placed under "special control" over the years, but all have recovered and developed strongly later.

Non-performing loans

The bad debt ratio of the banking system has increased to 2.91 per cent of total outstanding loans as of the end of February, up from 2 per cent at the end of 2022 and 1.49 per cent at the end of 2021, according to a report by SBV.

Under SBV's guidelines and regulations, non-performing loans on the balance sheet of commercial banks are controlled below 3 per cent.

The potential bad debts of credit institutions is around 5 per cent, according to a SBV report.

Experts have also warned there is potential bad debt risk from the real estate credit portfolio as the sale of mortgaged real estate is difficult due to the slowdown of the market.

It would be also challenging to find investors with enough funding to buy back large amounts of debt, they said.

There remained problems in legal procedures in handling collateral assets such as real estate, they added.

In a related move, the central bank said in April that it would restructure loans for firms facing challenges, including delaying loan repayments by up to 12 months as part of efforts to speed up the slowing economy.

3. North faces 4,900 MW shortfall in May and June

According to a report by Electricity of Vietnam (EVN) to the Ministry of Industry and Trade (MoIT) on the 2023 electricity supply emergency, the North of Vietnam is at risk of lacking 1,600–4,900 MW during May and June, the hottest months of the year. This probability will increase if the capacity of wind farms is affected or if the water level in the region's hydroelectric reservoirs drops significantly.

EVN predicts that in the months of May, June, and July, the North will reach its hottest point, and the burden on the national power system will grow, with an expected 15 per cent rise compared to the same period last year.

The electricity provider stated that there were ways to offset this by supplementing power sources, reaching agreements on power purchasing, reducing electricity waste, or modifying capacity in extreme circumstances.

The National Load Dispatch Centre mobilised diesel units on April 17 in order to guarantee power supply, with April 21 seeing 2,498 MW mobilised.

However, EVN still requests that the MoIT evaluate and develop essential solutions to assist them in overcoming obstacles resulting from inadequate power sources. The hydroelectric, coal-fired, and gas-fired power sources all face challenges, whereas the procurement of electricity from China is minimal, reaching just 1.1 billion kWh, or 68 per cent of the plan.

As of 2022, unfavourable hydrological conditions have had an impact on hydroelectricity sources. The northern lakes continue to show a low water return, with water flowing at 70 to 90 per cent of the average capacity. The lakes' residual output is 4.5 billion kWh, which is 4.1 billion kWh less than the same period in 2022.

The fuel supply capacity of coal-fired power facilities is also constrained. The supply capacity of Vietnam National Coal and Mineral Industries Group and Dong Bac Corporation is 46 million metric tonnes (MT), which is lower than the 6 million MT approved, as coal imports remain challenging. EVN's power facilities specifically require 1.3 million MT of coal to operate.

Several fields are now officially in a period of decline, resulting in a reduction of gas supplies to gas-fired power plants compared to prior years. The anticipated gas output for 2023 is 5.6 billion cubic metres (cu.m), a decrease from 2022's 1.31 billion cu.m, while some fields continue to experience issues, making gas supply for electricity generation even more challenging.

The ability to produce gas this year is diminished compared to previous years due to the decline of critical fields, making it difficult to provide gas for electricity production. The anticipated supply in 2023 is 5.6 billion cu.m, approximately 1.3 billion cu.m fewer than in 2022.

Mobilisation from wind power is also constrained with the potential of an on-year decrease in power generation, particularly in the evenings, the prime time of day for electricity consumption.

4. Electricity price hike leaves minimal impact in short term: Ministry

The recent electricity retail hike of 3 per cent will likely have a small effect on the country's CPI in the short run, according to the Ministry of Finance.

The impact on the cost of production for industries that use a lot of electricity such as steel, cement and paper may increase by 0.18 per cent, 0.45 per cent and 0.4 per cent, respectively, said the ministry.

According to EVN, the group supplied electricity to more than 528,000 service providers across the country. On average, each paid around VND5.3 million per month. After the price hike, each is expected to pay an additional VND141,000 monthly.

Likewise, more than 1.8 million goods producers, whose average electricity cost was VND10.6 million, are expected to pay an additional VND307,000 monthly.

On the other hand, according to stock company Mirae Asset, electricity accounts for about 3.5 per cent of the total basket of CPI calculation. Therefore, if electricity increases by 3 per cent, it directly increases CPI by 0.105 per cent, while if it increases by 5 per cent, CPI will increase by 0.175 per cent.

In the short term, a small price hike will not likely have a large impact on major industries as electricity producers often signed long-term contracts with Vietnam Electricity (EVN), with some as long as 25 years.

Distributors also benefit, in general, from price hikes as they can now sell electricity at a higher price than long-term contracts, which were negotiated at lower price points.

According to Mirae Asset, electricity costs account for about 9-10 per cent of the cost of goods sold in steel and chemical production, 14-15 per cent in cement production, except for producers with rotary kilns where electricity costs account for about 9-10 per cent, and 4-5 per cent for paper production.

In the worst-case scenario for producers in which they cannot raise their prices, their profit before tax will decrease by as much as 15 per cent for steel, 13 per cent for cement, 2 per cent for paper and 1 per cent for chemical producers.

However, it's likely producers will raise their prices to lessen the impact on their bottom lines. In that case, consumers will bear part of the increased input cost.

In the long term, a more flexible pricing system will allow greater competition and a more balanced supply and demand relationship in the market.

Nguyen Tien Thoa, president of the Vietnam Valuation Association, said considering how much input cost for electricity production increased by 9.27 per cent from 2021 to 2022, a 3 per cent price hike could be viewed as moderate, and could not make up for the rise in input cost.

Thoa said it was in the public's interest to see electricity price increase gradually, within a determined timeline, to ensure socio-economic stability and the rights and interests of both businesses and consumers.

He said the decision to raise the price right before summer might have a small to moderate impact on consumer's bills, especially for households that consume a lot of electricity. Consumers typically consume twice as much electricity during the summer months, largely due to the constant use of air conditioners.

However, the ideal solution would be to have households economise the use of electricity, which is in line with the government's recommendation to conserve energy and reduce CO2 emissions.

Thoa said a 3 per cent price hike in electricity might result in as much as a 1.099 per cent rise in CPI in the short term and a 1.28 per cent rise in the long term.

However, it also depended on the market's tolerance to increased commodity prices, the effectiveness of the government's price stabilisation efforts and cost-cutting measures taken by goods and services producers.

He stressed the importance for the central government to publicise regularly all information related to electricity prices in a timely manner to prevent businesses from taking advantage of the situation to raise their prices disproportionately.

According to Nguyen Manh Hung, chairman of the Vietnam Consumer Protection Association, electricity is considered a special commodity in the sense that it's often most beneficial to maintain a balance between production and consumption at all times as it's nearly impossible to store electricity at a low cost.

Demand for electricity has been on the rise in recent decades in Viet Nam, and will likely continue in the future. Meanwhile, the resources to keep producing electricity are not unlimited. Therefore, according to Hung, it's a key priority for the government to direct industries and general consumers to conserve and economise the use of electricity.

"While Viet Nam's per capita electricity demand is still low compared to developed countries it has increased every year during the last several decades," he said.

He added that ensuring a stable electricity supply for the country's economy and people would likely be a growing challenge in the near future.

The emphasis should be on industrial sectors as they consume from 80 per cent to 85 per cent of the national output, with household usage accounting for the rest.

5. Investment of 304.3 million USD proposed to upgrade Mekong Delta roads

The total investment cost of the above projects will be 7.1 trillion VND (304.3 million USD)

The project of upgrading National Highway 53 includes upgrading a section passing through Long Ho – Ba Si in Vinh Long and Tra Vinh provinces with a length of 46 kilometres and constructing a 23-kilometre bypass in Vung Liem district, Vinh Long province. The project will cost over 1.8 trillion VND, of which the reciprocal capital is 580 billion VND.

A project to improve 77 kilometres of National Highway 62 and build an 8-kilometre bypass through the town of Tan Thanh, Tan Thanh district in Long An province, will cost an estimated 2.2 trillion VND, including a loan of 1.5 trillion VND and reciprocal capital of 705 billion VND.

For the 142-kilometre National Highway 91B south of the Hau River, the total investment capital will be 1.5 trillion VND, of which over 1.3 trillion VND will be sourced from borrowing.

The above projects are expected to shorten travel times, meet transportation demand, ensure traffic safety, complete the regional road systems and help respond to climate change in the Mekong Delta.

In addition, 16 projects worth 94.3 trillion VND (4 million USD) are proposed to boost traffic connections and prevent erosion and drought in the Mekong Delta.

Among those projects are a coastal road running 415 kilometres through seven provinces at a cost of 43 trillion VND and the second phase of an embankment project worth 4.1 trillion VND in Vinh Long.

The remaining projects include building new roads and canals or upgrading existing ones in the region.

The Mekong Delta, covering 40,000 square kilometres (four million hectares), or 13% of the nation’s total area, is home to 17.5 million people, or 18% of the nation’s population.

For generations, the delta, which has 1.5 million hectares of land cultivating rice, has been the rice bowl of the nation.

The region accounts for half of the nation’s rice production, 95% of rice exports, 65% of aquaculture production, and 70% of fruit output.

6. Inflationary caution still to be heeded for rest of year

The General Statistics Office (GSO) last week said that though the consumer price index (CPI) in the first four months of 2023 has been brought under control, at an on-year rate of 3.84 per cent, it may bounce back strongly in the months to come because of an expansion in travelling, ascending consumption of goods and services, and especially a climb in input materials used for production showing no signals of reduction.

In April, the total retail and consumption revenue in the country reached $22.2 billion, up 3.7 per cent on-month and 11.5 per cent on-year. The four-month figure hit $87.27 billion, up 12.8 per cent as compared to the same period last year, when the rate increased only 6.9 per cent on-year.

Also, the goods retail revenue in the first four months of 2023 stood at $68.75 billion – up 10.5 per cent on-year, in which the price of many important groups of items also climbed, such as food and foodstuffs (14.5 per cent), garments and textiles (9.8 per cent), transport (except for automobiles) up 4.1 per cent, and home appliances (2.4 per cent).

The four-month revenues from travelling services are estimated to be $395.65 million, which is 2.1 times higher than in the same period last year, thanks to a strong rebound in cultural and tourism activities taking place nationwide. Many localities with an increase in revenues from these services include Danang (6.3 times), Haiphong (3.2 times), Hanoi (three times), Ho Chi Minh City (up 84.5 per cent), Binh Thuan (up 75.2 per cent), Khanh Hoa (70 per cent), Quang Ninh (28.6 per cent), and Can Tho (15.7 per cent).

Notably, the total retail and consumption revenue in the country in the first four months of this year expanded 26.7 per cent as compared to that in the corresponding period of 2019, before worldwide lockdowns took place.

“We hope to welcome more new French tourists this summer. The situation has got much better, making it easier for travel firms to do business,” said Nguyen Van Tuan, director of Nam Phuc Travel JSC in Hanoi. “Our company has landed big orders from some partners in France. Normally, summer is when consumption services such as hotels, resorts, restaurants, and catering increases. This would mean prices will also climb.”

According to the Asian Development Bank (ADB), in Vietnam, services are expected to expand by 8 per cent in 2023 on revived tourism and associated services.

The GSO added that prices of many other services will increase, pressurising the CPI. In a specific case, Nguyen Thanh Minh and his wife were surprised at a 20 per cent rise in rental of his boarding house as of May 1. The couple are working for Japanese-backed FCC Vietnam at Thang Long Industrial Park, about 15km from the city centre.

“Nearly 1,500 workers at the company are staying in boarding houses in Dong Anh district and Xuan Dinh quarter nearby, and many of them said the rental has climbed by at least 20 per cent against 2021,” Minh said. “Previously our rental was about $52 per month, now it has increased to $65, excluding additional living costs paid due to escalating prices in the market.”

FCC Vietnam manufactures vehicle clutches and other automobile spare parts for Yamaha, Suzuki, and Honda, as well as partners in the US market.

In another case, Nguyen Viet Thang, vice director of Garment Materials in Hanoi, said that his company is employing nearly 1,000 workers and many of them are from other localities so they have to rent houses for living near the company.

“We have a policy to assist each worker for this cost. However, since early this year, the support has almost doubled due to a rise in rent,” Thang said. “This has, however, helped our company ensure production, with revenues in Q1 ascending 9 per cent on-year and export markets expanded to Indonesia, India, and Malaysia, in addition to the domestic market.”

According to the GSO, the rises in housing rents, coupled with big hikes in prices of fuel and other indispensable items in the market, are the main factors causing the CPI rise.

In addition, an expansion in public investment is also expected to increase inflation this year. The government is committed to disbursing $30 billion in the year, of which 90 per cent had been allocated to disbursing ministries and provinces as of January.

“On the demand side, domestic consumption will continue to rebound in 2023. Revived tourism, new public investment, and stimulus programmes initiated in January, and a salary increase effective in July are expected to keep domestic consumption on the rise, though higher inflation may hamper its recovery," the ADB said.

The ADB suggested that Vietnam should continue to prioritise price stability because escalating geopolitical tensions and accelerating disbursement of public investment may still stoke inflation in 2023. Inflation is to increase slightly to 4.5 per cent in 2023, the ADB.

FocusEconomics Consensus Forecast panellists meanwhile expect Vietnam's inflation to average 3.9 per cent in 2023 and 3.4 per cent in 2024.

7. Disbursement of public investment capital slows in 4 months of 2023

The disbursement of public investment capital was only more than VND110.63 trillion in the first four months of 2023 though the Government has taken many solutions to speed up and remove difficulties for the work, the Ministry of Finance estimated.

The value was equal to only 14.66 per cent of the plan, compared with 18.48 per cent of the same period in 2022.

Three ministries and agencies, and 19 provinces and cities currently have a disbursement rate of more than 20 per cent, including Dong Thap Province with 38.3 per cent, Ben Tre Province with 36.96 per cent, the Management Board of Ho Chi Minh Mausoleum with 36.66 per cent, Tien Giang Province with 33.85 per cent and Phu Tho Province with 32.99 per cent.

However, there are still 47 ministries and agencies, and 27 provinces and cities with disbursement rate below 15 per cent of the set plans. Thirty-two ministries and agencies, and a province even disbursed less than 5 per cent of the set plans. For example, the Ministry of Culture, Sports and Tourism; the Ministry of Education and Training and Ministry of Science and Technology disbursed only 0.25 per cent, 1.1 per cent and 3.45 per cent, respectively. The Committee for Ethnic Minority Affairs and the State Audit even had a disbursement rate of zero.

According to the Ministry of Finance, the Government's leaders last month organised inspection teams to urge and remove difficulties and obstacles with an aim to accelerate disbursement of public investment capital in 2023 at ministries and agencies. The inspection found a number of existing problems and difficulties that have affected the disbursement.

First, some projects need to prepare for investment in 2023 but cannot allocate capital because the project's approved medium-term plan for the 2021-25 period does not separate investment preparation capital and implementation capital. As a result, the project does not have the capital to carry out the investment preparation, which affects the approval progress of the project.

Besides, some investment preparation tasks are still slow due to problems in land procedures, adjustment of detailed planning of construction land, and site clearance.

In addition, there are problems caused by rising prices of construction materials, regulations on fire safety, environmental protection and design.

To boost the public investment capital flow, with the responsibility for capital management and payment, the Ministry of Finance is proposing the Prime Minister assign the Ministry of Planning and Investment in having specific instructions on conditions for allocating capital for investment preparation in the medium-term and annual public investment plans so that ministries and agencies can have a basis for unifying implementation.

At the same time, the Ministry of Finance has also proposed the Prime Minister direct ministries, agencies and localities to strictly implement the reporting regime as prescribed.

The Ministry of Finance has also requested the Ministry of Planning and Investment to soon complete the dossier to submit and report to the Government on the extension of time for implementation and payment of public investment capital from the State budget from 2022 to 2023 for ministries and agencies according to the Government's direction.

Besides, the Ministry of Planning and Investment must coordinate with the Ministry of Transport to report to the competent authorities about the allocation of capital plans from sources of revenue increase thanks to the reduction and savings in central budget expenditure in 2021 for component projects for implementation.

For ministries and agencies, the Ministry of Finance has proposed to implement Directive No. 08/CT-TTg dated March 23, 2023 of the Prime Minister on key tasks and solutions to promote allocation and disbursement of public investment capital, as well as three national target programmes in 2023 to urge the allocation and disbursement of public investment plans of the State budget in 2023.

Corporate News

8. DCM: Ca Mau Gas-Power-Fertiliser Complex hits targets at full capacity

↑ 1.73 %

The information was released by General Director of the Vietnam Oil and Gas Group (Petrovietnam) Le Manh Hung at a recent working session with representatives of units having plants in the complex.

Hung urged the units to continue focusing on safe production operation; and investment, business and market development in the coming time to fulfill the goals in 2023.

The units should closely coordinate in production, business, and periodic maintenance and repair, and share information to find long-term development solutions, he said.

Representatives from the units suggested that Petrovietnam should have proposals to solve problems related to gas supply and prices, and value-added tax policy for fertiliser products.

Hung assigned Petrovietnam's Economic and Investment Department to coordinate with relevant departments and PV Power, PV GAS, and PVCFC to focus on building a database, thus setting out an overall and long-term strategy for the complex as soon as possible.

He asked the units to strengthen digital transformation, deploy value chain linkage models, keep close watch on market developments, and strive to complete the set management objectives to ensure the project growth goal for Petrovietnam.

9. HVN: HVN changed from warning status to supervision

↓ -3.54 %

The Hochiminh Stock Exchange has issued a decision and an announcement to change the shares of Viet Nam Airlines JSC (stock code: HVN) from warning status to supervision status as of May 12, 2023.

Reason: The company was late in submitting the audited financial statements in 2022 by more than 30 days compared to the specified time. This is the case of securities being warned under Point g, Clause 1, Article 38 of the Rules of listing and trading of listed securities promulgated with Decision No.17/QD-HDTV dated 03/31/2022 by the Members' Council of the Vietnam Stock Exchange.

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