

## Commentary about Resolution No.33 & Decision 313 & 314

### Supportive measures have come

- The Government released Resolution No.33 on 11 Mar 2023 to reduce liquidity shortages for the property sector in the near term.
- Following up, the SBV issued two Decisions No. 313 and 314 adjusting down key policy rates.
- We believe the Government needs to take more aggressive support policies to reopen capital market, tackle legal bottleneck to resolve the root of the problem.

#### Resolution No.33 could be a legal backbone for more supportive policies

Key points of Resolution No.33 include:

- Assign the State Bank of Vietnam (SBV) to guide credit institutions to review and apply appropriate measures for debts of property area (rescheduling principal/interest payments or maintaining debt group)
- Encourage commercial banks to lend to high-quality developers through a credit stimulation package of VND120tr.
- Assign the SBV to consider adjusting risk factor of risk-weighted assets which could reduce restrictions to property sector exposures, in our view.
- Encourage commercial banks to lower lending rates for property market and extend short-term bank loans for developers with liquidity issues.

We assess that Resolution No.33 together with Decree 08 which allows developers to reschedule bond payment obligations, will likely ease developers' near-term liquidity pressure markedly and give them more time to manage their debt.

#### SBV follows up with key policy rates cut, backing the economic recovery

In response to Government's guidance, the SBV immediately issued two Decisions on 14 Mar 2023, reducing key policy rates from 0.5% – 1%. Accordingly,

- Decision No. 313 kept the refinancing rate intact at 6.0%, but lowered the rediscount rate by 1% pts to 3.5% p.a.; the overnight lending rate by the SBV to credit institutions was also lowered to 6% p.a. from 7%.
- Decision No. 314 regulated the maximum short-term lending rate in VND of credit institutions for certain economic activities such as: agriculture, exports, high-tech application business, SMEs to reduce by 0.5% pts to 5.0% p.a.

This was the first time the SBV reduced policy rates in two recent years, marking the Government's efforts to stabilize interest rates. Given the uncertainties of the global macro environment, we believe the SBV would closely watch the Fed's next move and domestic business environment to offer suitable monetary policies. In terms of effects on commercial banks' deposit rates, we reckon this is still heavily depend on the upcoming policy rate adjustment from Fed as there is still high pressure on VND exchange rate (After the crash of Silicon Valley Bank, the DXY has only brought the US\$/VND down 0.2% ytd to 23,590). However, we expect the lower policy rates would support credit growth in the upcoming quarters given stagnant growth of 0.77% in the first two months 2023.

#### The Resolution also promotes social housing to rebalance supply and demand

The current market witnesses a mismatch of supply and demand with mid-end condo shrinking of only c.2% portion in HCMC and Hanoi new supply as of end-4Q22. We see the Resolution No.33 making efforts to rebalance supply and demand by 1) expecting to issue "The National Assembly's Resolution piloted a number of policies to promote the development of social housing" while waiting for the amended Law on Housing; 2) proposing to spend a credit package of VND120tr for social and worker housing; 3) committing to build at least one million of social-housing units by 2030.

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**Developers are facing liquidity risks during peak season of bonds maturity**

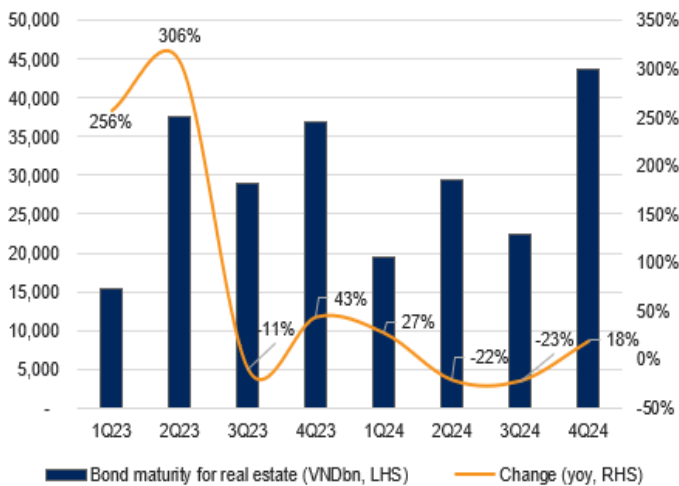
Since early 2023, we observe there has been an increasing trend of unofficial defaults or liquidity problems among developers due to a combination of refinancing difficulties and sharp fall in presales. By mid-Fed, 54 corporate bond issuers had announced late interest payments which raised concerns over liquidity. We estimate about VND38,500bn c-bonds value of these issuers will mature within 2023 (~93% are property developers), which indicates high possibility of default risks. (Figure 1)

**Expecting more aggressive policies soon to boost property sales**

Despite the recent rushing of regulators through Decree 08/2023 or Resolution No.33 to resolve the property market risk, its effectiveness will heavily depend on the implementation timing of these policies, which is still an unknown factor. Meanwhile, we see some developers facing construction delays due to liquidity issues, which could lead homebuyers to refuse to pay mortgage payments and hurt the market sentiment more. Thus, we expect to see more support policies to reopen capital market in the next 3-6 months, ensuring the delivery of projects, which are under construction.

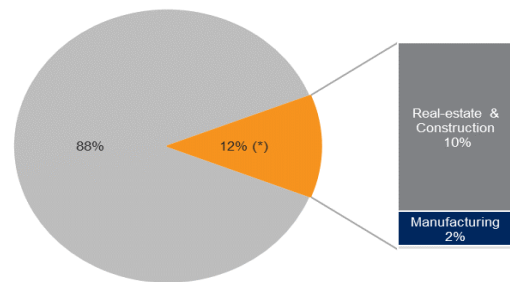
We believe that the on-schedule Land law 2023 likely effective in 2H24F should mark a turning point for the property sector as they tackle the bottlenecks in the approval of new residential projects, leading housing supply to recover gradually in 2024-25.

**Figure 1: Developers are under growing bond maturity pressure into FY23-24F (Unit: VNDbn)**



Source: VNDIRECT RESEARCH, HNX

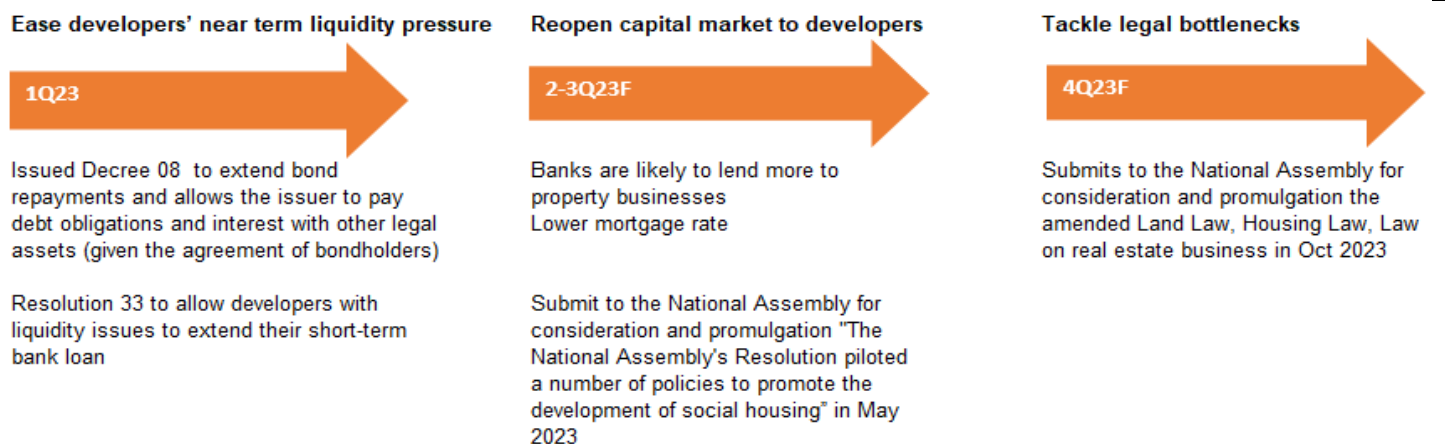
**Figure 2: The proportion of late c-bonds payment currently accounts for approx. 12% of the total current c-bonds outstanding**



(\*) Total outstanding balance of c-bond from 46 enterprises on the list of late payment obligations according to the announcement of HNX, updated to March 5, 2023.

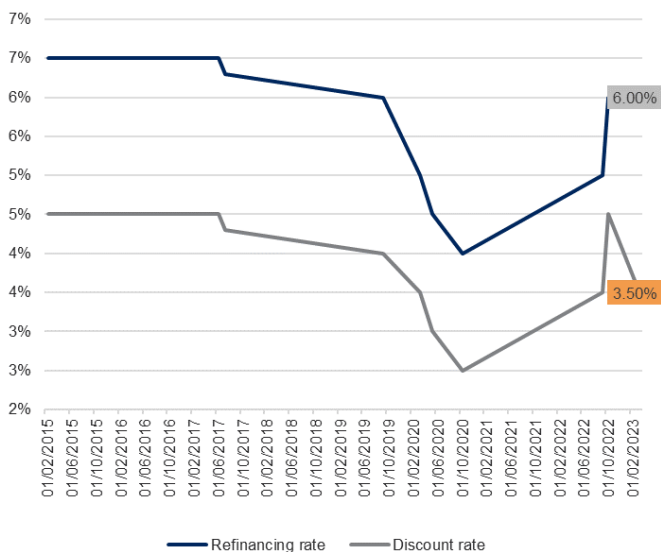
Source: VNDIRECT RESEARCH, HNX

**Figure 3: Summary key housing policies easing in FY23F**



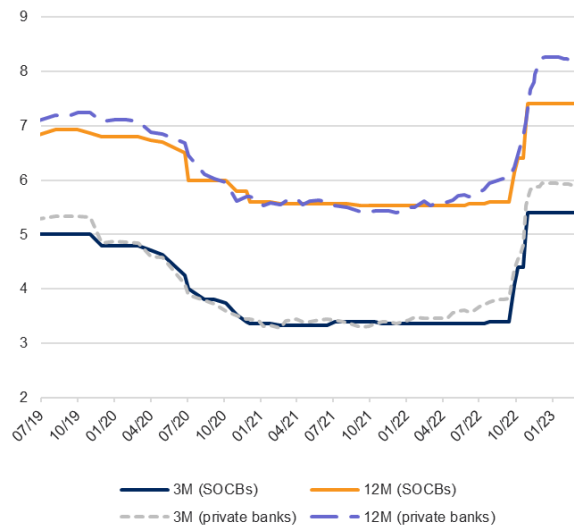
Source: VNDIRECT RESEARCH

**Figure 4: This was the first time the SBV decreased policy rates in two recent years**



Source: VNDIRECT RESEARCH, SBV

**Figure 5: Commercial banks' deposit rates have declined recently but are still anchored at a high level**



Source: VNDIRECT RESEARCH, Commercial banks

**Figure 6: We expect further mortgage rate cuts from commercial banks to support homebuyers facing liquidity issues**

Banks	Preferential loan packages
Agribank	Agribank has announced a maximum lending interest rate reduction of 3% per year for outstanding loans for real estate
VCB	From January 1, 2023 to the end of April 30, 2023, interest rates will be reduced by 0.5% per year for all customers, except risky sectors such as real estate and securities
CTG	VietinBank has launched a VND10tr package with a preferential interest rate of 7% per year to support SMEs in the first half of 2023
BID	Under the VND30trn package, customers will enjoy preferential interest rates from 8% per year for loans of less than 6 months and 9% per year for loans from 6 months to 12 months.
SOCBs	For VND100trn package, the preferential interest rate of 10.3% per year is applied for the first 12 months from the date of disbursement, or 10.9% per year for the first 18 months from the date of loan disbursement.
TCB	Four state-owned commercial banks will implement the VND120trn credit package (each bank shall arrange VND30trn) with lower lending interest rates (1.5 - 2%) than the common market rates.
TCB	Techcombank has launched a VND30trn credit package with a 2% interest rate incentive for manufacturing and trading enterprises involved in import-export activities
MBB	MBBank has decided to lower loan interest rates by 1% for corporate customers with revenue below VND100bn
SSB	SeABank has launched a package of VND3trn aimed at reducing lending interest rates by 1% per year for business purposes
STB	Individual customers can borrow money for short-term business purposes with a minimum interest rate of 8.99% per year. A preferential interest rate of 7.5% per year is also applied to corporates for imported/exported segments; car loans' interest rate of only 8.5% per year
ACB	ACB has launched a VND20trn credit package with a maximum 3% interest rate reduction. Otherwise, ACB also announced a maximum lending interest rate reduction of 2% per year for existing customers' loans.

Source: VNDIRECT RESEARCH

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Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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