VIETNAM DAILY NEWS

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Market Analysis

1. Share plunge as Omicron worries rattle investors

Vietnamese shares plunged on Friday as the spread of the Omicron coronavirus variant dampened investor sentiment, triggering worries about hits to a nascent economic recovery.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) lost 2.61 per cent to end at 1,443.32 points.

It had lost 0.21 per cent to end Thursday at 1,482.05 points.

The market's breadth was negative with 61 stocks rising, while 415 slid.

Market liquidity declined compared to the previous session as investors poured over VND33 trillion (US$1.4 billion) into the southern exchange, equivalent to a trading volume of 1.1 billion shares.

The 30 biggest stocks tracker VN30-Index lost 2.39 per cent, to end at 1,503.98 points. Twenty-eight in the VN30 basket decreased, while one increased.

Strong selling pressure appeared, causing a series of large stocks to plunge, some stocks were even dragged down to the floor prices. Becamex (BCM) fell to the floor price at VND49,300 per share, The Viet Nam Rubber Group (GVR) fell 5.6 per cent to VND36,500 per share, Bank for Investment and Development of Vietnam (BID) dropped 5 per cent to VND42,000 per share, Bao Viet Holdings (BVH) slid 4.6 per cent to VND57,800 per share.

Banking stocks also fell and put great pressure on the overall market, with losers including Sai Gon Thuong Tin Commercial Joint Stock Bank (STB), Sai Gon-Ha Noi Bank (SHB), Asia Commercial Bank (ACB), Military Bank (MBB) and Vietinbank (CTG), VPBank (VPB), Techcombank (TCB), Tien Phong Bank (TPB) and Lien Viet Post Bank (LPB).

The securities group were the worst performers with 18 stocks falling, six stocks hitting the floor prices and only one gainer. Viet Nam Bank For Industry & Trade Securities JSC (CTS), Bank for Investment & Development of Vietnam Securities Company (BSI), VIX Securities Joint Stock Company (VIX), Viet Dragon Securities Corporation (VDS) and Agribank Securities Corporation (AGR) all plummeted to the floor prices. Industry-leading codes such as SSI Securities (SSI), Ho Chi Minh City Securities Corporation (HCM) or VNDirect (VND) also plunged from 6-6.7 per cent.

On the Ha Noi Stock Exchange (HNX), the HNX-Index lost 1.96 per cent to end Friday at 449.27 points.

During the trading session, nearly 153.8 million shares were traded on HNX, worth nearly VND4 trillion.

Macro & Policies

2. Stock market continues to grow, trading around 1,700 - 1,760 points next year

Despite uncertainty over coronavirus variants, the Vietnamese stock market is expected to inch higher next year and hit 1,700 - 1,760 points.

The benchmark VN-Index ended last week with a loss of 38.73 points or 2.61 per cent, dragging the index back to around 1,443 points.

The correction erased all gaining efforts of the market last month after breaching the historical high of 1,500 points on November 25, causing doubts over the market's outlook.

However, experts believe the market still has more room to grow sustainably.

At the "Looking for growth momentum in 2022" conference launched by VNDirect Securities Corporation last Friday, Tran Khanh Hien, Research Director at VNDirect, said that because the country's market is still relatively new, investors have been through a lot of ups and downs, so they feel unsure of whether the market is capable of growing steadily over many years.

"If we look at the US market, even though the US economy struggles sometimes, over the long term, most indices like the Dow Jones or SP500 record stable annual increases," Hien said.

"I believe when the country's market reaches a level of maturity and investors accumulate enough experience, our stock market will also increase steadily."

A recent report from VNDirect showed that the stock market's valuation is at a reasonable level, which is cheaper than others in the region. In addition, the growth of listed businesses' profit will continue to support the VN-Index, therefore, the Vietnamese stock market can grow higher next year.

The report also forecast that the market's benchmark may hit new peaks at around 1,700 - 1,760 points in 2022, on the basis that price-per-earning (P/E) valuation is at 16-16.5 times and the profit growth of all enterprise is 21 per cent.

Logically, the market may rise, said Cao Minh Hoang, Investment Director of IPA Asset Management.

"Even though the 2022 stock market is still a riddle due to the unclear impacts of coronavirus variants on the economy, the stock market still may edge higher backed by listed enterprises' potential profit growth of 21 per cent and the country's GDP may reach US$400 billion," Hoang said.

The market also may receive support from positive macro-economic factors as the economy recovers after the "nightmare third quarter".

At the conference, economist Nguyen Xuan Thanh said that given good credit growth with some banks receiving credit room extensions, businesses will have funds for recovery.

Nevertheless, the economy's biggest challenge is that during social distancing, a series of new administrative procedures for businesses have been applied, and recently to adapt to the 'new normal', companies also have to create plans and pay for extra costs.

Promising and risky stocks in 2022

Next year, besides industries that benefit from public investment, energy and banking sectors are expected to be bullish, Hoang said.

Although banks' profit may fall in 2022 and it will be difficult to report growth of 30 per cent in profit like this year, Hien said it is reasonable that banks are sharing a part of their profits to support businesses and also need to balance profit growth and asset quality.

Some food and beverage, and retail stocks may rebound next year if demand recovers.

Meanwhile, groups with less room for growth are commodities due to strong fluctuations in prices, Hien added.

"Unlike last year, when most commodities prices rose sharply, there definitely will be division next year," Hien said.

Accordingly, steel, fertiliser and coal stock groups maybe at risk of declining.

3. Car registration fee reduced to boost market

A 50 per cent reduction in registration fees for domestically-assembled cars is forming part of a push to help the auto market grow in the next six months.

Deputy Prime Minister Le Minh Khai signed Decree No 103/2021/ND-CP of the Government stipulating the registration fee for cars, trailers, or semi-trailers pulled by cars and similar vehicles manufactured and assembled domestically.

The decree clearly states that the registration fee rate for domestically manufactured and assembled cars will be 50 per cent compared to the previous one, applicable from December 1 to the end of May 31 next year.

Experts said that the Government's agreement to reduce the registration fee tax by 50 per cent for a period of six months for domestically-assembled cars would be a great motivation to promote domestic automobile production and assembly.

The fee reduction will also restrict imported cars and stimulate consumer shopping needs, which are impacted negatively by the COVID-19 pandemic.

Not only that, the policy is also expected to increase budget revenue from this important industry.

As proof of this, when the Government reduced the registration fee by 50 per cent in the second half of last year, the out-the-door price decreased from VND14.95 million (US$650) to VND298 million, helping to double the number of newly registered cars.

Therefore, although the registration fee revenue decreased by VND7.3 trillion, the total state budget revenue nearly doubled to VND14.1 trillion.

Economic expert Ngo Tri Long said that authorities who want to have a source of income must nurture and generate revenue because in the context of the COVID-19 pandemic, as if prices and fees were high, people would not have money to buy.

Therefore, the 50 per cent reduction in car registration fees will stimulate consumer demand, thereby promoting production and circulation of goods, restoring growth momentum and earning a return.

An expert in the automobile industry said that the reduction was a good opportunity for consumers to shop after the pandemic and an opportunity for businesses to release inventory vehicles.

At the same time, it also allows businesses to produce again after being affected by the pandemic, which caused many factories to close because of social distancing.

However, some experts said that the reduction value was only significant for customers who buy luxury cars that cost billions of dong.

Meanwhile, the majority of Vietnamese consumers buy cars priced around VND500 million, so the reduction is only VND30 million or less, equivalent to promotions that have been applied by companies previously. When the reduction was applied last year, many car manufacturers and dealers immediately cut promotions applied to customers to offset business costs.

In the face of negative impacts from the pandemic, people are tightening their spending, and being supported with 50 per cent of registration fees will have a great impact on purchasing power in the auto market.

It is forecast that the auto market in the last two months of this year and the first four months of next year will grow strongly, focusing on domestically produced and assembled vehicles.

The Viet Nam Automobile Manufacturers Association (VAMA) said that sales of the entire market of VAMA members reached 29,797 vehicles of all types in October, a month-on-month increase of 120 per cent.

In terms of vehicle origin, while the sales of domestically-assembled cars reached 15,344, up 110 per cent, sales of CBU cars were 14,453, up 132 per cent over the previous month.

In general, VAMA sales reached 218,734 vehicles of all kinds in the first 10 months of this year, up 3 per cent over the same period last year.

In terms of vehicle origin, while sales of domestically-assembled cars declined by 9 per cent, imported CBU cars grew by 24 per cent over the same period as last year.

4. Ha Noi announces plan to promote key industrial products in 2022

Ha Noi has launched a plan to foster the development of key industrial products (KIP) in 2022, expecting 30-35 products to earn the recognition next year.

The city is also working to ensure 100 per cent of the firms manufacturing KIPs will benefit from its support policies, and such firms will push their production value up by 10-12 per cent against 2021 and contribute 35-40 per cent of the city's total industrial production and 15 per cent of total exports.

To this end, the city is taking six measures, namely improving the business environment for KIP firms, supporting KIP firms in technological development, developing human resource, selecting and honouring KIP, promoting trade and investment, and formulating supportive policies.

Previously, Ha Noi honoured 26 products as KIP in 2020 and 46 products this year. So far, the city has recognised 163 products from 107 firms after four years, from 2018 to 2021. For the 2021-2025 period, the municipal authority aims to have 150-180 products recognised as KIP.

The city hopes that KIP recognition would add value to brand names, allowing them to fare better amid the pandemic, and create favourable conditions for development.

Meanwhile, Ha Noi's index of industrial production in November went up 4.8 per cent month-on-month and 7.1 per cent compared to the same period last year.

5. Remittances to Viet Nam to grow despite pandemic

The World Bank and the Global Knowledge Partnership on Migration and Development (KNOMAD) forecast that remittances to Viet Nam are estimated at US$18.1 billion in 2021.

As such, the country will be the eighth largest remittance recipient in the world and the third largest in the Asia-Pacific region this year.

This will the fifth consecutive year that Viet Nam remains in the top ten in terms of remittances, with $13.8 billion in 2017, $15.9 billion in 2018 and $17.2 billion in 2019.

According to Nguyen Hoang Minh, deputy director of the State Bank of Vietnam (SBV) in HCM City, remittances to HCM City – the country's largest remittance recipient – were estimated to reach US$6.2 billion in the first eleven months of this year, against $6.1 billion for the whole of 2020. This year the city is expected to get around $6.5-6.6 billion worth of remittances, mainly from the US, Australia, Canada and the EU.

Minh attributed the rise to HCM City implementing social distancing to prevent the COVID-19 pandemic, so overseas Vietnamese transferred more greenbacks to support their relatives in the city.

Though there aren't complete statistics on the remittance's destination, the amount of remittance poured into social security support was higher than previous years. The remaining remittance source was invested in production and business.

Minh noted the strong remittance inflow into Viet Nam amid the pandemic has had positive impacts on the foreign exchange market.

A stable US dollar and Vietnamese dong exchange rate would continue to facilitate the Government's policies favoring businesses and people affected by the pandemic, he said.

Around two million people hailing from HCM City live abroad, and last year they sent home US$6.1 billion, up 15 per cent from 2019, before the pandemic struck.

Banks have been making investments to improve remittance services and launching promotional programmes to attract more of them.

Viet Nam received US$17.2 billion worth of remittances last year, the third highest in the East Asia and Pacific.

The remittances to the country have grown at an average of 6 per cent annually.

According to estimates from the World Bank's Migration and Development Brief released recently, remittances to low- and middle-income countries are projected to have grown a strong 7.3 per cent to reach $589 billion in 2021. This return to growth is more robust than earlier estimates and follows the resilience of flows in 2020 when remittances declined by only 1.7 per cent despite a severe global recession due to COVID-19.

6. Trade revenue expected to hit new record high in 2021: MoIT

Despite the lingering effects of the pandemic, the Ministry of Industry and Trade forecasts that Việt Nam's total trade value this year may reach a new record of between US$640 - 645 billion, with a slight trade surplus.

The ministry attributed the results to the great efforts of the business community in overcoming the difficulties of the COVID-19 pandemic to maintain and restore production. In particular, major industries such as textiles, garments, leather and footwear are on track to achieve their business targets earlier than expected, despite the pandemic.

From now until the end of the year, all industries have an opportunity to try and regain a growth rate close to before the pandemic broke out. Industries with high exports, such as phones, electronics, machinery and components, are likely to post export growth rates of between 15 per cent and 25 per cent this year, it said.

According to the ministry, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Việt Nam-EU Trade Agreement (EVFTA) have had positive effects on the national export activities, especially in markets that did not have free trade agreements with Việt Nam before.

Thanks to the CPTPP, which came into effect three years ago, the exports of goods to Canada, Mexico and Peru have all grown by between 25 – 30 per cent per year.

The EVFTA, which went into effect one year ago, is a bilateral commitment with incentives and long-lasting value.

At present, 20 per cent of local enterprises have taken export tax incentives from the EVFTA with EUR.1 certificates of origin (C/O). For shipments to the EU worth less than 6,000 euros, local enterprises are allowed to self-certify origin. This helps ensure smaller businesses do not have to spend time applying C/O, while still being able to enjoy tax incentives.

Right now, the biggest difficulty facing local enterprises is a shortage of labour. Southern-based enterprises are facing many difficulties in facilitating a return for workers who have left the region, without which they can not restore 100 per cent of their production capacity.

Due to the impact of the COVID-19 pandemic, the cost of raw materials and logistical services is increasing across the globe. These factors will put pressure on production costs for domestic businesses.

In addition, if localities do not fully comply with the Government's Resolution 128/NQ-CP, which provides temporary guidance on the "Safe adaptation, flexibility and effective control of the COVID-19 pandemic", or must facilitate pandemic prevention measures beyond what is necessary, it could cause further instability and affect the psychology of the local businesses and the confidence of investors.

The ministry hopes that the pandemic prevention measures strike the right balance between ensuring people's safety and not affecting the production and trade activities of businesses.

Việt Nam's trade value surged 22.3 per cent year-on-year in the first 11 months of this year to exceed $599.1 billion, according to the General Statistics Office.

The country exported commodities worth nearly $299.7 billion in the past 11 months, up 17.5 per cent from a year earlier. In the period, there were 34 commodities with export turnover of over $1 billion, accounting for 93.5 per cent of the total export value.

In its latest report on November 30, Standard Chartered projected Việt Nam's export turnover to record an annual average growth of 7 per cent per year, hitting $535 billion by 2030.

The "Future of Trade 2030: Trends and markets to watch" also forecasts that the global exports will almost double from $17.4 trillion to $29.7 trillion over the next decade.

Việt Nam is considered an important market contributing to the growth of the global trade, it said.

It also found that 41 per cent of global businesses currently operate or plan to invest in Việt Nam within the next five to 10 years. This shows that Việt Nam will be one of the important motivations of global trade growth in the next 10 years.

The US and China will continue to be Việt Nam's largest export markets, respectively accounting for 26 per cent and 19 per cent of the Southeast Asian country's total export turnover by 2030.

According to the study, Việt Nam is an emerging manufacturing powerhouse with expanding international trading relationships.

7. Aviation authority proposes banning flights, denying entries from 10 African countries over Omicron fears

The Civil Aviation Authority of Việt Nam has proposed halting all flights, including repatriation flights, to and from 10 African countries, amid fears over the Omicron coronavirus variant.

The aviation authority has requested the transport ministry to report to the Prime Minister and seek permission to halt flights from Botswana, Eswatini, Lesotho, Mozambique, Namibia, South Africa, Zimbabwe, Malawi, Angola and Zambia, as well as deny entries for any passengers with a travel history through these 10 nations within 30 days prior to arrival in Việt Nam.

The aviation authority also wants the transport ministry to consult with the health ministry for specific instructions on medical control measures for passengers coming from some countries where cases of Omicron variant have appeared such as South Korea or Japan; proposes the health ministry to strengthen medical isolation procedures; and ensure that all foreign arrivals from countries with reports of Omicron undergo medical isolation upon entry into Việt Nam.

The transport ministry is also urged to work with the public security ministry on the stringent management of all entries into Việt Nam, especially people who have entered Việt Nam through air borders from countries with the Omicron variant.

Việt Nam so far has not detected any COVID-19 case with the new variant that has caused global concerns in recent days.

The country is still keeping its border mostly sealed against most foreign arrivals in response to the COVID-19 pandemic, but has allowed in a limited number of flights carrying business executives, diplomats, highly skilled workers, or repatriated Vietnamese citizens from overseas.

In November, Việt Nam has started to receive international tourists on a pilot basis to select popular destinations like Phú Quốc (Kiên Giang) or Đà Nẵng, and Khánh Hoà under the 'Live Fully in Việt Nam' campaign.

Corporate News

8. HPG: Hoa Phat enjoys strong export growth in first 11 months

↓ -1.85%

Steelmaker Hoa Phat Group exported 914,000 tonnes of construction steel in the first 11 months of this year, a year-on-year surge of 90 percent.

The figure is expected to surpass 1 million tonnes in 2021, doubling the amount recorded last year and making up nearly 30 percent of the steelmaker's sales.

In November alone, Hoa Phat shipped more than 100,000 tonnes of construction steel abroad, seeing a 2.3-fold increase year on year.

The product was exported to 20 markets across the globe, primarily to Canada, Australia, Japan, the Republic of Korea and Cambodia.

With a total capacity of 8 million tonnes a year, Hoa Phat Group is the largest steel producer in Vietnam as well as in Southeast Asia. The group is in the top 15 steel producers with the largest capitalisation in the world.

In remaining months of this year, the steelmaker receives big orders from the markets of Japan, Singapore, Hong Kong (China) and Canada, signalling a positive sign for its exports in the coming year./.

9. POW: PV Power partners with Russia company to develop LNG projects

↓ -4.24%

The PetroVietnam Power Corporation (PV Power) has signed a cooperation agreement with gas industry company Novatek of Russia, on the development of liquefied natural gas (LNG) and energy projects in Vietnam.

PV Power, a subsidiary of the Vietnam Oil and Gas Group (PetroVietnam), is the second largest electricity supplier of Vietnam after the Vietnam Electricity (EVN).

It has taken the lead in LNG projects, owning seven plants with a combined capacity of 4,208 MW, contributing about 21 billion kWh of electricity to the national grid.

A representative of PV Power said it is focusing on the development of LNG projects for its 'green' and sustainable growth, and seeking foreign partners with enormous potential and experience in the field so as to realise its strategy.

In late 2020, a consortium comprising PV Power, COLAVI, Tokyo Gas and Marubeni reached a memorandum of understanding on LNG project development. The construction of the LNG Quang Ninh power plant, part of the cooperation, started this October.

PV Power is channelling investment into the Nhon Trach 3 and Nhon Trach 4 power plants, which will be the first LNG-to-power projects in Vietnam./.

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