



VIETNAM DAILY NEWS



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Market Analysis

1. Shares end week on a positive note

Vietnamese markets ended the week on a positive note thanks to blue-chips but the at-the-closing (ATC) session witnessed strong volatility during the portfolio restructuring of two ETFs, V.N.M and FTSE.

On the Ho Chi Minh Stock Exchange (HoSE), the market benchmark VN-Index rose 0.22 per cent to end at 1,479.79 points.

The index had risen 0.08 per cent to end Thursday at 1,476.61 points.

The market's breadth was neutral with 217 gainers and 227 losers.

Liquidity increased compared to the previous session with 1.1 million shares traded on the southern bourse, worth nearly VND34.5 trillion (US\$1.5 billion).

The VN30-Index, tracking the 30 biggest stocks on HoSE, gained 0.22 per cent, to end at 1,513.56 points. Fifteen out of 30 stocks in the VN30 basket posted gains, while 13 decreased.

In the VN-30 basket, Khang Dien House (KDH) was the biggest gainer with a rise of 4 per cent. SSI Securities Inc (SSI) bounced up more than 3 per cent. Vingroup (VIC), Vinhomes (VHM) and Vincom Retail (VRE) all surpassed 2 per cent.

On the downside, Vietcombank (VCB) and Phat Dat Real Estate (PDR) fell over 2 per cent.

Securities stocks attracted cash flow with notable gainers including SSI Securities Inc (SSI), VNDirect Securities Co (VND), Viet Capital Inc (VCI), Saigon-Hanoi Securities Co (SHS) and Ho Chi Minh City Securities Corporation (HCM). Everest Securities Joint Stock Company (EVS) and Tan Viet Securities (TVS) both hit the daily limit gain of 7 per cent.

Agri-forestry-fishery stocks were sold strongly, causing this sector's index to plunge. Of which, Hoang Anh Gia Lai Agricultural JSC (HNG) and Hoang Anh Gia Lai Joint Stock Company (HAG) dropped to the floor prices at the end of the session.

Fourteen out of 25 sector indices on the stock market posted gains, including retail, real estate, seafood production, securities, insurance and IT.

On the other side, losers were wholesale, healthcare, oil and gas, banking, rubber production, agriculture, food and beverage, construction, construction materials and logistics.

On the Ha Noi Stock Exchange (HNX), the HNX-Index lost 0.18 per cent to end Friday at 456.20 points.

The index had gained 0.73 per cent, to end Thursday at 457.03 points.

During the session, investors poured over VND3.8 trillion into the market, equivalent to a trading volume of 140.2 million shares.

Macro & Policies

2. WB, HSBC optimistic about Viet Nam's economy

Viet Nam's economy should get back to GDP growth of 6.8 per cent next year, which will be driven by a return of strong foreign direct investment (FDI) into the market, mainly focusing on the manufacturing sector, CEO of HSBC Vietnam Tim Evans has said.

This would benefit Viet Nam's exports, especially as free trade agreements that have been signed over the past two years start to bear fruit, according to the CEO.

The continued expansion of the middle class and in particular the rising affluent sector will lead to changes in consumption as Vietnamese people start spending more and more on leisure and travel.

Infrastructure roll-out will also continue to fuel economic activities especially in the renewable/green arena given the strong ambitions made by the Vietnamese Government following the recent 26th United Nations Climate Change Conference of the Parties (COP26) in Glasgow, the UK.

Meanwhile, the World Bank (WB) said in the December edition of its Viet Nam Macro Monitoring that Viet Nam's economic conditions continued to improve, with both industrial production and retail sales registering a third month of growth.

Merchandise exports hit a record high of US\$31.9 billion, helping maintain a second consecutive month of trade surplus while FDI commitments recovered after a brief dip in October, according to the report.

Inflation ticked up due to fuel price hikes, recovering non-food domestic demand and rising logistics costs while credit growth remained stable, providing ample liquidity to support the economy recovery. After two months of decrease, the Consumer Price Index (CPI) increased by 0.3 per cent month-on-month in November.

Compared to a year ago, the CPI rose by 2.1 per cent year-on-year, slightly higher than in October, but well below the 4 per cent target set by the State Bank of Viet Nam.

The government continued its contractionary fiscal stance as the budget balance posted another month of surplus, driven by strong revenue collection, the report noted.

The policy of "living with COVID-19" will involve continued vigilance and fast action by the authorities, both in vaccination and in social distancing, testing, and quarantining. There is also a clear need for fiscal policy support to boost private demand and help the domestic economy recover. Providing financial assistance to impacted workers and households would be an essential avenue to achieve this objective, according to the report.

Given the available fiscal space, and difficulties registered in implementing the budget in 2021, another policy option for consideration is a reduction in the value-added taxes for 2022 to support private consumption.

3. Việt Nam to develop its own logistics services to Europe and America

Việt Nam has many opportunities to enhance exports to the European and American markets but logistic issues are causing bottlenecks to this potential.

Deputy Minister Ministry of Industry and Trade Đỗ Thăng Hải addressed a conference yesterday,

entitled "Development of Việt Nam's logistics industry with Europe - America region".

He said that the local logistics industry has had strong development in recent years but still faced many challenges such as service costs, bottlenecks in infrastructure, warehousing, equipment and human resources

Hải said that the World Bank's most recent logistics performance index ranked Việt Nam 39th out of 160 countries and third in Southeast Asia. This is Việt Nam's highest position to date.

He added: “Logistics is also one of the fastest-growing and most stable industries of Việt Nam with an average growth rate of 14-16 per cent per year, contributing to GDP from 4-5 per cent.”

He calculated the whole country has about 30,000 enterprises operating in the field of logistics, with about 5,000 professional enterprises so far.

However, while Europe and America are major trade partners of Việt Nam, congestion on container transport routes, especially in transport routes, as well as a large shortage of empty containers continuing from 2020, has seriously affected the export of goods to these markets.

Roger Wu, Business Development Manager of the Port of Long Beach, California (USA) said that the pandemic created an unprecedented situation, adding the current bottlenecks were mostly in the United States.

According to the analysis from 2021, congestion in ports will increase by 6 per cent while cargo shipments have been shifted to ports from air services under the Government's blockade measures in the past.

Bùi Huy Sơn, Vietnamese Trade Counselor in the US, said that the congestion of sea routes had influenced a shift to road and air, while the increase in e-commerce activities for smaller orders has greatly affected normal export activities.

Sơn said: “Congestion in the US has a direct impact on costs and makes businesses passive when accessing the market, especially seasonal products such as apparel, footwear, agricultural products, electronics, and consumer goods.”

He added in the first ten months of 2021, the total export turnover of these commodities to the US reached US\$24.8 billion, accounting for 32.8 per cent of the total export turnover of Việt Nam to the US.

If these businesses continue to face difficulties in logistics in the long run, they will lose their direct

link with the transport chain and have to depend on other businesses.

Seafood was one of Việt Nam's main exports to Europe and America, said Nguyễn Hoài Nam, Deputy General Secretary of the Vietnam Association of Seafood Exporters and Producers (VASEP). Nam expressed concerns about the increased logistics costs and freight rates, causing difficulties for seafood exporters.

Nam said though it was the peak time of the year for the export of seafood, the enterprises faced an increase in all parts of the chain such as fees, shipping time, booking for containers, number of delay days at the port and fees for docking there.

Nam said before November 2020, the highest cost to transport to Europe and the US was \$3,000 per container. Now it is \$17,000 for the East Coast, \$13,000-14,000 for the West Coast and \$12,000-14,000 for European ports.

It was less than \$1,500 per container to the Middle East; now it is \$10,000 - \$11,000, said Nam.

Hans Kerstens, Deputy Head of Transport and Logistics Sub-Committee of Eurocham, said the logistics companies were trying to find solutions to avoid congestion such as having their own ships and empty containers.

“Transporting goods from Việt Nam to Europe also needs to be adjusted, not only depending on sea transport but also diversifying modes of transport, to ensure that the goods arrive at the right place and at the right time,” Hans Kerstens shared.

Around 90 per cent of exports from Việt Nam depend on foreign shipping companies. A participant of the conference suggested that Việt Nam should develop its own logistic routes, adding that a local company like Hòa Phát could produce the empty containers.

As a response, Lê Quang Trung, deputy general director of the Việt Nam Maritime Corporation (VIMC) said VIMC had deployed such a team for a shorter route from Việt Nam to India.

In the future, Trung said VIMC would develop more international routes to serve demand.

At the conference, participants also mentioned the rapid development of e-commerce, and more consumers' habits of e-buying had developed an e-logistics system so that Vietnamese enterprises could promptly seize opportunities for export development through cross-border e-commerce.

According to the conference, the Asia-Pacific region currently dominated the global logistics market with a significant market share thanks to the increased

import and export activities, and growing demand from urbanisation.

With signed free trade agreements and policies and the trend that American and European companies are shifting to Việt Nam, the local logistic industry is of great potential to become “the world's cargo transshipment centre, not only the seaport but for all kinds of logistics.”

4. Lạch Huyện Container Port urged to apply digital technology in management

Prime Minister Phạm Minh Chính asked Lạch Huyện Container Port in Hải Phòng City to apply digital technology in management, modernise administrative models and create an unpolluted environment.

The Government leader inspected the port during his working visit to the northern port city on Sunday and worked with investors.

Lạch Huyện International Container Port is the largest modern deep-water port in the northern region. It is able to receive ships weighing up to 160,000 tonnes capable of travelling to the American and European continents.

Despite the pandemic, in 2021, container output through the port increased by 3.5 per cent compared to the previous year.

Confirming that sea transportation is profitable and is the largest form of transport, PM Chính said he supported investment and expansion in a number of berths at the port.

In the context of Việt Nam's economic growth, deeper international integration and participation in 17 free trade agreements, the demand for freight transport is increasing, he said.

He said the use of large ships was also a new trend, so it is necessary to design ports in accordance with this development trend.

In order to promote the potential of Việt Nam's sea transport, he suggested building a smart port managed by digital technology and a modern administrative model, promoting automation to build a green, clean and pollution-free port.

In a short term, the port should focus on investing in the road connecting wharf No 2 and wharf No 6 to meet the traffic demand of the port and Tân Vũ-Lạch Huyện 2 Bridge.

The PM also requested the Ministry of Transport and relevant agencies to upgrade and build transport infrastructure connecting seaports to create the most favourable conditions and increase the volume of goods through ports, thereby, improving national competitiveness in seaport services.

During a working session with local authorities of Hải Phòng, PM Chính asked the city to continue to realise the dual goals of socio-economic recovery and pandemic prevention and control.

According to Nguyễn Văn Tùng, chairman of the city People's Committee, the city's Gross Regional Domestic Product (GRDP) increased by 12.38 per cent in 2021 compared to the previous year.

The city has attracted more than US\$3.1 billion of foreign direct investment this year, which doubled last year's figure. Total export turnover reached over \$25 billion, an increase of over 23 per cent compared to 2020, exceeding 12 per cent of the yearly plan.

Local authorities proposed to the PM the construction of a coastal highway connecting Thanh Hóa, Ninh Bình, Nam Định provinces with Hải Phòng – Hà Nội Highway and the building of T2 Terminal in the first phase and a cargo terminal at Cát Bi International Airport.

5. Banks' return on earning assets declines

Banks have continued to record a decrease in the ratio of return on earning assets due to the lending interest rate cut to support COVID-19 affected customers.

According to statistics from VNDirect Securities Company (VNDirect), the ratio of listed State-owned banks dropped by 55 basis points in the first three quarters of this year to 5.8 per cent against 6.4 per cent in 2020. The rate for listed private joint-stock banks declined by 47 basis points to 8.3 per cent from 8.7 per cent in 2020.

The State Bank of Việt Nam (SBV) reported banks had cut lending interest rates of more than VNĐ12.2 trillion (US\$539 million) to support customers affected by the pandemic.

To promote the rate cut, the SBV has applied an interest rate subsidy package worth VNĐ3 trillion, which means that banks will lend about VNĐ100 trillion at rates of 3-4 per cent per year for firms which have been severely affected by the pandemic.

The Government has so far planned to enlarge the package's size to VNĐ10-20 trillion, focusing on supporting customers including small- and medium-sized firms; firms participating in national projects; and firms operating in tourism, aviation and transport.

Based on the incentive policies, VNDirect expects the average lending interest rates to decrease by 10-30 basis points in 2021.

Meanwhile, until the beginning of last month, the three-month savings interest rate at commercial banks remained unchanged compared to the end of 2020, while the 12-month rate dropped by 10 percentage points to 5.53 per cent per year compared to the end of 2020. The interbank interest rates have recovered but are still low compared to the time before the pandemic.

VNDirect has forecast lending interest rates will continue to fall but savings interest rates will increase by 30-50 basis points in 2022. It predicted the 12-month savings interest rate in banks will increase to 5.9-6.1 per cent per year in late 2022, but still lower than the 6.8 per cent rate in the period before the pandemic.

According to VNDirect, it will be difficult for savings interest rates to be maintained at the current low levels as the demand for capital mobilisation will increase in the wake of higher credit demand, rising inflation pressure in 2022 and the competition from other attractive investment channels such as real estate and securities.

As for net interest margin (NIM), VNDirect said the improvement of NIM next year may be different among banks, with the best gainers being those having competitive advantages such as high current account savings account (CASA) ratio and low lending to deposit ratio (LDR).

6. Gov't works on stopping coal-fired power development after 2030

Viet Nam will not develop coal-fired power plants after 2030 to meet its international commitments on achieving net-zero carbon emissions by 2050.

Accordingly, the Government has assigned the Ministry of Industry and Trade (MoIT) to study and implement the National Power Development Plan for the 2021-30 period with a vision to 2045 (PDP8) so as to make it include measures to reduce greenhouse gas emissions to achieve net-zero carbon emissions by 2050 as per the Vietnamese

Prime Minister Pham Minh Chinh's commitments at the COP 26 UN Climate Change Conference (COP26).

Under this direction, the MoIT will have to review coal-fired power plants to not further develop them and find alternative fuel sources for the plants after 2030.

Besides, the Government has also required the MoIT to map out incentive policies to encourage the development of offshore wind power sources.

It also needs to research policies and solutions for more efficient and rational use of solar energy sources, the Government noted.

The MoIT must clearly define the criteria of important projects and investment priorities to ensure the implementation of the PDP8 to be open, transparent and feasible.

In addition, it is necessary to propose effective and feasible management mechanisms to ensure the PDP8 succeeds and absolutely avoids a power shortage in the country.

The MoIT is streamlining the PDP8, which provides the roadmap for the country's power sector including an exhaustive list of proposed projects.

Under the latest version of the plan presented by the MoIT at last month's conference, power generation capacity from new imported LNG will be slashed to 22.4 gigawatts (GW) by 2030 from 40.95GW in the draft published in March. The planned power generation capacity from new LNG by 2045 will also fall to 55.75GW, from 83.55GW in the March draft.

However, power generation capacity from domestic natural gas and the conversion of coal-fired plants to LNG will be kept unchanged at 14.78GW by 2030 in the new draft.

Coal-fired power generation will be reduced to 39.7GW by 2030 in the latest draft, down from 46.4GW in the March draft.

Meanwhile, offshore wind power will be raised to 4GW by 2030 from 3GW in the March draft, while electricity storage capacity will be doubled to 2.4GW from 1.2GW in the March draft.

The most significant change in the latest version is the pipeline of new LNG-based power projects being cut by nearly half, dampening expectations that Viet Nam will be the next big market for LNG in Southeast Asia.

At COP26, besides commitments to achieve net zero carbon emissions by 2050, Viet Nam signed the Global Methane Pledge aimed at reducing methane emissions, and committed to phase out and not build or invest in new coal-fired power plants under the Global Coal to Clean Power Transition Statement.

7. Speculative cash flows: an imminent threat to financial stability

Viet Nam's benchmark VN-Index ended Friday at 1,479 points and is marching towards a new record high of 1,500 points. HCM City's index has gained 32 per cent this year and the HNX-Index on the Ha Noi Stock Exchange even soared 120 per cent.

The stock market has been setting new records this year despite strong divestment of foreign traders and growing concerns of an asset bubble that could endanger the stability of the financial market.

An asset bubble occurs when the price of an asset, such as stocks, bonds, real estate, or commodities, rises at a rapid pace without underlying fundamentals, such as equally fast-rising demand, to justify the price spike.

In the bleak background of the economy, what surprised many investors is the huge increase in the

liquidity of the stock market with the trading value reaching VND30 trillion (US\$1.3 billion) per session, a burst from a daily average of VND6 trillion-VND8 trillion in the previous year. This number even surpassed the liquidity of other emerging markets in the region such as Malaysia or Indonesia.

The latest data of the State Bank of Viet Nam showed the credit growth as of November 25 reached 10.1 per cent compared to the end of last year. This number was 8.7 per cent by the end of October. Thus, in November, commercial banks injected about VND126.6 trillion into the market, nearly twice as much as in October and three times higher than in the middle of the year (August and September).

According to experts, rising credit growth is a positive signal showing that the economy is on the

right track for post-pandemic recovery, along with November's improved economic data.

However, the question is, will this credit flow really be disbursed to the right places? And more importantly, is credit capital flowing into financial markets instead of real economic activities?

If a large part of the credit is pumped into the securities market, it can be a big problem for the banking system and the whole economy once the stock market bubble breaks out.

China's stock market grew very quickly in early 2015 and crashed quickly in the latter half of the year, causing huge losses to individual investors. However, investors in China's stock market at that time did not have much to do with capital flows from the banking system.

Imbalance in credit growth structure

Data of S&P Capital IQ, the research arm of S&P Global, showed the cumulative increase in mobilised capital from the banking system of listed companies in the first three quarters was only VND56 trillion (excluding businesses in the financial sector such as banks and securities firms).

It was estimated that loans provided to listed companies only increased by 3.9 per cent, while total credit in the whole system increased by 7.17 per cent in the same period. Listed enterprises are considered a big group of the economy, thus the slow and unbalanced growth of capital inflows in this group showed their pessimism about the outlook of the economy amid the unpredictable development of the pandemic.

During the pandemic, most of the small and medium enterprises (SMEs) with limited financial resources, were greatly affected. According to the General Statistics Office, in the first 11 months of the year, the number of SMEs registering for dissolution reached 106,400, compared to the number of newly-established enterprises of 146,100.

Bank credit is provided to three groups including large enterprises, SMEs and individuals. Statistics from the loan portfolios of the 10 largest commercial banks in Viet Nam showed that the growth of individual customers was about 7.46 per cent ending September. Thus, it can be seen that the

credit growth of SMEs should have been much larger than the average to offset the low growth rate of listed companies as analysed above.

According to Le Hoai An and Tran Viet Lam, experienced financial analysts on thesaigontimes.vn, in the context that economic activities are still sluggish, it does not exclude the possibility that the bank capital to SMEs was disbursed into the stock market.

Besides, short-term financial investment activities of listed companies have also increased significantly in the past five quarters, despite the fact that the business capital flows are facing many difficulties in the last two quarters when the southern region's economy stalled due to social distancing.

The rapid decline in the stock market, if any, can make it difficult for individual investors to repay their loans, and also create potential bad debts on the financial statements of commercial banks. The banking industry accounts for a large proportion of the VN-Index and has been the pillar of the market. If the business took a hit and affected the prices of bank shares, it could have a domino effect on the entire market.

The analysts suggested it is time for the central bank to comprehensively assess the credit balance of the banking system to see if capital is being injected into real economic activities or not, and if necessary it needs to take intervention measures to ensure the safety of the banking system against any imminent bubbles.

Unlikely to explode next year

Experts forecast that the growth rate of the stock market will slow down as the Government may not "inject" new money through the economic stimulus package.

In a dialogue last week on the stock market prospects with the economic stimulus package, Dr. Quach Manh Hao, associate professor at University of Lincoln, UK, said the Government's economic stimulus package will aim to bring the money – which was already "pumped" into the market but not yet used – into infrastructure projects and social security to help promote economic recovery and limit inflation risks.

Hao said this will likely be done in the form of bond issuance to attract redundant and idle money sources available on the market.

"When the support package is officially announced and the economic engine starts to function normally,

the stock market will have to compete with the Government in using society's money," Hao said.

He said investors may not expect the stock market to continue growing rapidly like this year.

Corporate News

8. VGC: Viglacera ranks among top 20 largest ceramic tile companies worldwide

↑ 2.67%

Thanks to the purchase of Bach Ma factory this month, Viglacera has increased its total capacity to 43 million square metres per year, putting it among the top 20 largest ceramic tile companies in the world.

With this new factory, Viglacera now owns eight factories nationwide and has become the largest construction materials company in Viet Nam.

Bach Ma factory is located in My Xuan A Industrial Zone of Ba Ria-Vung Tau Province. The factory was officially handed over to Viglacera on December 6 and had its name changed to Viglacera My Duc 2 shortly after the handover ceremony.

The purchase was part of the company's strategy to improve its capacity, expand its market reach and develop towards the high-end segment.

Viglacera is among the first companies in Asia-Pacific to apply the cutting-edge Italian technology Continua+ of Sacmi to its production line of large porcelain panels at the Viglacera My Duc 2 factory. The production of these panels is expected to kick off in the first half of 2022.

Viglacera said it would continue to invest in advanced technologies and equipment to produce high-class ceramic products that meet the high standards of high-end markets. The factory would create jobs for local people and make substantial contributions to the province's growth and the development of relevant supply chains.

Covering an area of 280,000 square metres, Viglacera My Duc 2 factory has a production capacity of 10 million square metres per year. It was granted the SIRIM certificate by Standard & Industrial Research Institute of Malaysia (SIRIM) for its efforts in environmental protection.

9. IJC: Becamex IJC plans to increase after-tax profit by 10% in 2022

↓ -1.06%

The Board of Directors of Technical Infrastructure Development Joint Stock Company (Becamex IJC, HOSE: IJC) has just approved the business plan for the consolidation and the parent company in 2022.

Specifically, IJC is expected to bring in VND 2,829 billion of total revenue (up 4%) and profit after tax is expected to reach VND 685 billion (up 10% compared to the estimate in 2021).

On the side of parent company IJC, the total revenue expected to bring in 2022 is VND 2,590

billion and profit after tax is VND 679 billion, up 2% and 10% respectively compared to the estimated implementation in 2021. In addition, the Company Parent company IJC is also expected to pay a dividend rate of 10%.

On the market, IJC shares closed on December 17 at VND 32,650/share, up 15% over the past 1 quarter, the average trading volume was nearly 6.8 million shares/session.

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