



VIETNAM DAILY NEWS



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Market Analysis

1. Shares plunge on increased profit-taking pressure

Shares plunged on Tuesday, pressured by the slump of securities stocks that were hit strongly during the last minutes of the session by increased profit-taking.

On the Ho Chi Minh Stock Exchange (HoSE), the market benchmark dropped 0.76 per cent, to 1,492.31 points.

The market's breadth was negative with only 122 gainers and 346 losers.

During the session, over 1.25 billion shares were traded on the southern bourse, worth nearly VND36 trillion (US\$1.59 billion).

The benchmark's downtrend was due to losses of many large-cap stocks, especially in the securities sector.

The VN30-Index, which tracks the 30 biggest stocks on HoSE, fell 0.99 per cent, to 1,499.74 points.

Of the VN30 basket, 22 stocks slid, while only six inched higher and two ended flat.

In the VN-30 basket, Vingroup (VIC) lost 1.3 per cent, Vinhomes (VHM) declined 2.1 per cent, Vincom Retail dropped 2.3 per cent, Viet Nam National Petroleum Group (PLX) lost 1.6 per cent and Phat Dat Real Estate (PDR) dropped 1 per cent.

Securities stocks fell and put great pressure on the overall market, with losers including VNDirect Securities Co (VND), falling 5.4 per cent, Viet Capital Inc (VCI) dropping 5.3 per cent and Ho Chi Minh City Securities Corporation (HCM) losing 4 per cent, and SSI Securities Inc (SSI) declining 2.9 per cent.

On the Ha Noi Stock Exchange (HNX), meanwhile, the HNX-Index lost 0.27 per cent to end at 481.61 points.

During the trading session, investors poured nearly VND3.9 trillion into the bourse, equivalent to a trading volume of more than 138 million shares.

Monday glitch

The Finance Ministry has demanded clarification over a 20-minute glitch on the Ho Chi Minh Stock Exchange (HoSE) on Monday when the price list was “frozen” but orders were still being matched.

The glitch, which happened at around 2pm Monday, had many investors trading blind. The ministry said the Viet Nam Stock Exchange should submit a clarification for the glitch within the day.

Some securities companies sent information to investors, saying there was an error in linking price data with the HoSE.

The ministry asked HoSE to work urgently with information technology companies and apply technical measures and prepare contingency plans so that the system remains stable in the coming sessions.

In July 2021, HoSE's new system was running smoother and faster than before, but investors at several brokerages still had trouble placing orders. The new system was developed in 100 days by FPT Information System staff in order to resolve frequent overloading on HoSE's outdated system that had remained mostly unchanged for 20 years.

Macro & Policies

2. National Assembly passes \$15b economic recovery package for 2022-23

On the final working day of an extraordinary session, the National Assembly of Việt Nam on Tuesday voted to adopt a Government-proposed socio-economic recovery programme worth nearly VNĐ350 trillion (approximately US\$15 billion) over the next two years.

Of 426 lawmakers present, 424 voted in favour of the highly anticipated resolution that is in response to a tumultuous year in which Việt Nam was hard hit by the fourth wave of COVID, necessitating stringent lockdowns that hurt the country's economy and livelihoods. As a result, the country achieved 2.58 per cent GDP growth in 2021, the lowest in a decade.

The five major tasks stated in the resolution are: reopening the economy in tandem with enhancing healthcare capacity and pandemic preparedness (VNĐ60 trillion), ensuring social welfare and job creation (VNĐ 53.15 trillion), support for businesses and cooperatives (VNĐ 110 trillion), developing infrastructure (VNĐ 113.85 trillion), and institutional and administrative reforms and betterment of investment environment.

VAT for applicable goods and services will be cut down to 8 per cent in 2022 (down two per cent from the current rate), excluding goods and services in the following areas – telecommunications, information technology, finance and banking, insurance, stock, real estate business, metal production and mining industries (except coal), coke production, petroleum, chemicals, and commodities and services that are subject to special consumption tax.

Business expenditures that are donations to COVID-19 prevention and control efforts in Việt Nam are eligible for deductions in 2022.

A maximum of VNĐ 14trillion (\$616.6 million) will be spent on building new or upgrading local-level medical facilities and regional-level centres for disease control, enhancing the pandemic preparedness of central-level medical institutes and hospitals in tandem with enhancing human resources in the healthcare sector, and boosting domestic production of COVID-19 vaccines and medicines.

Up to VNĐ46 trillion from other legal financial sources can be used to import COVID-19 vaccines, therapeutic drugs and medical equipment and supplies for COVID-19 prevention and control when necessary.

The Bank for Social Policies will be injected with VNĐ5 trillion to implement the preferential lending policy.

Investment in building, renovating, upgrading, expanding and modernising establishments/centres for social assistance, training, vocational training and job creation could reach up to VNĐ3.15 trillion.

Regarding financial support for businesses, cooperatives and business households, the Resolution states support to enable interest rate reduction (2 per cent a year) – VNĐ40 trillion maximum – will be available for loans made through commercial banks for a number of industries and fields.

This item was heavily debated during the session since its opening last week, with deputies wanting more clarity on the beneficiaries, the criteria, and oversight measures to prevent abuse and mismanagement.

The NA agreed to add up to VNĐ113.55 trillion in investment capital from the state budget for infrastructure development: transport, information technology, digital transformation, and prevention of riverbank and coastal erosion, ensuring the safety of water reservoirs, adaptation to climate change, and overcoming the consequences of natural disasters.

The resolution requires prioritising capital allocation for projects of national importance and projects on the list of medium-term public investment plans for the 2021-25 period that are being carried out. This could be completed soon but not enough capital has been allocated.

Workers with rent in industrial/manufacturing zones could receive financial support from the

VNĐ6.6 trillion package (drawn from the central budget's savings in 2021).

Around VNĐ5 trillion is reserved to enhance the country's internet infrastructure, with one fifth to be spent to equip disadvantaged and poor students with internet connections and computers.

Another VNĐ5 trillion is to be used for technology innovation, technology incubation, commercialisation of science and technology research and development results.

Regarding monetary policy, the monetary policy tools will be synchronously and flexibly managed to contribute to the maintenance of macroeconomic stability, good control of inflation, ensuring the safety of the credit institution system and positive conditions for socio-economic recovery and development.

3. Banks' charter capital surged in 2021

Banks increased their charter capital by more than VND110 quadrillion in 2021 - the highest annual growth to date - to enhance financial strength and meet the central bank's regulations.

More than 20 banks, such as Vietcombank, VietinBank, BIDV, SHB, VPBank, TPBank and OCB increased their charter capital last year. Only Techcombank and Sacombank didn't follow suit.

The bank with the strongest capital increase last year was VPBank. It raised charter capital from VND25.3 trillion to more than VND44.4 trillion through paying dividends in shares and issuing bonus shares for existing shareholders at a total rate of 80 per cent. The surge helped VPBank surpass Techcombank to rank fourth instead of seventh position in terms of charter capital in the country's banking system.

Three other banks, which also issued more than one billion shares each to increase their charter capital by more than VND10 trillion in 2021, were BIDV, VietinBank and Vietcombank. Last year was the first time the three State-owned banks had been allowed to pay dividends in shares to increase capital, after a long time proposing the plan to the Government and the State Bank of Viet Nam (SBV).

Credit institutions are told to continue to reduce operating costs to strive to reduce lending interest rates by about 0.5-1 per cent in 2022 and 2023, especially for priority sectors.

To fund this massive programme, NA agreed to increase the State budget deficit over the next two years by an average of 1-1.2 per cent of the year's GDP, up to VNĐ240 trillion (\$10 billion) in total.

Specifically, overspending in 2022 will increase by about 1.1 per cent of the year's GDP, an estimated maximum of VNĐ102.8 trillion, compared to the estimates decided by the NA.

The Government will later propose an appropriate level of deficit in 2023 to submit to the NA for approval, according to Vũ Hồng Thanh, Chairman of the NA's Economic Affairs Committee.

By the end of last year, BIDV was the bank with the largest charter capital in the country's banking system. After issuing more than 1 billion shares to pay dividends at the rate of nearly 25.8 per cent, BIDV's charter capital increased to VND50.5 trillion, up more than VND10.3 billion in early 2021.

It was followed by VietinBank with more than VND48 trillion after the bank completed the issuance of nearly 1.1 billion shares to pay dividends at the rate of more than 29 per cent.

Industry insiders said banks had to increase charter capital strongly last year as they have to prepare to meet the central bank's regulation. Banks must have their capital adequacy ratio (CAR) to meet Basel II standards as prescribed in the SBV's Circular 41/2016/TT-NHNN by January 1, 2023. Up to now, 16 out of 35 banks have met the requirement.

Besides meeting the central bank's regulation, the capital increase will also contribute to improving banks' financial strength and helping them increase medium and long-term capital sources to expand business activities. Therefore, the race to increase charter capital among banks is forecast to continue strongly in 2022.

4. VN to boost domestic 'supporting industries'

Viet Nam is looking to work closely with foreign firms such as Samsung and Toyota to boost the supply of parts within the country, according to the Ministry of Industry and Trade.

The ministry said major industries including car manufacturing, electronics, textiles and footwear were high on the priority list this year.

The objective is to seek and connect domestic firms that can produce parts for industrial production to reduce the country's reliance on foreign supply. In order for Viet Nam to realise its 6-6.5 per cent GDP target this year, industrial sectors must boost industrial production by 7-8 per cent.

The ministry is to provide domestic firms with the necessary support, especially for those in key industries, to join the supply chain and speed up global integration.

"Meanwhile, the ministry encourages large international corporations in Viet Nam such as Samsung and Toyota to actively look for suppliers among domestic firms for both short and long term production plans," said Deputy Minister of Industry and Trade Tran Quoc Khanh.

In a recent report by the ministry, industrial production during 2021 experienced a downturn but was largely able to maintain momentum, including a 4.82 per cent increase compared to the previous year, higher than the overall growth of the economy.

Among the 63 cities and provinces nationwide, Ninh Thuan saw the highest growth at 24.6 per cent. It was followed by Dak Lak (23.8 per cent), Gia Lai (20.5 per cent), Hai Phong (18.2 per cent) and Binh Phuoc (17.8 per cent).

HCM City was among the worst affected by COVID-19, with industrial production plunging 14.3 per cent year-on-year after COVID-19 outbreaks hit factories and export processing zones causing production disruption.

"The slow development of supporting industries within Viet Nam has resulted in a lower-than-

expected localisation rate and lower value-added among industrial products," said Khanh.

In addition, Vietnamese firms, especially small-to-medium sized firms, face great challenges in coping with the pandemic due to limited resources and management skills, rising logistics costs and virus control related expenses.

He said the country must address a number of key issues such as overreliance on imported machinery, raw materials, slow technological transfer and the weak link between foreign and domestic firms in the near future.

Three factors helping Viet Nam secure FDI inflows

Low labour cost, favourable geographic location and the expansion of investment abroad are three key factors helping Viet Nam secure its foreign direct investment (FDI) attraction, according to chief economist at VinaCapital Michael Kokalari.

The expert explained that factory wages in Viet Nam are about two-thirds below those in China, but the quality of the workforce is comparable.

Secondly, Viet Nam has close geographic proximity to Asia's supply chains – especially in the high tech industry. Also, Japan and the Republic of Korea (RoK) face structural issues that compel both countries to invest abroad – and Viet Nam is the most attractive destination in the region.

Further, the two countries are currently burdened by "secular stagnation", which is primarily caused by poor/declining demographics, and other factors, including heavy debt. Japan's demographics started seriously deteriorating around 1990, and the Japanese responded to the country's deteriorating economic prospects at that time by aggressively investing in Southeast Asia, the expert added.

The RoK's demographics are even worse, ensuring that investment from there will also continue to flow into Viet Nam for years to come.

In addition to the three factors highlighted above, an increasing number of multinational corporations are seeking to diversify their manufacturing outside China.

While all of the factors above help explain why FDI inflows into Viet Nam have remained resilient over the last two years, the same factors will also help propel those in 2022. That said, there were three developments in 2021 that will also help support inflows next year.

Firstly, the US Treasury Department and the State Bank of Viet Nam reached an agreement in July that essentially removes the risk of Viet Nam being labelled a currency manipulator in the future, which

will give multinational companies more confidence to invest in Viet Nam.

Next, the impressive speed of Viet Nam's vaccination campaign once the Delta variant emerged gives foreign companies confidence that the government is committed to achieving a prudent balance between public health and economic health concerns in the "living with COVID-19" strategy.

Finally, the most recent development that should encourage future FDI inflows to Viet Nam was the announcement that Denmark's LEGO will invest US\$1 billion to build one of its biggest factories in southern Viet Nam, Kokalari concluded.

5. NA agrees to extend eastern wing of North-South Expressway

The National Assembly on Tuesday ratified a resolution on building the eastern section of the North-South Expressway during its extraordinary meeting in Hà Nội.

This was the result of 469 out of 474 deputies, or 93.9 per cent, voting in favour of the resolution.

Accordingly, 729 kilometres will be built on the eastern wing of the expressway from now until 2025. It will be divided into 12 sections, running through the central provinces of Hà Tĩnh, Quảng Trị, Quảng Ngãi, the south-central city of Nha Trang, the southern city of Cần Thơ, and the southernmost province of Cà Mau.

The total investment for the project is VNĐ146.9 trillion (US\$6.49 billion), which will be taken from the State budget. The fee collection rights will be franchised to recover the investment after the section is completed.

Of this, about VNĐ119.7 trillion will be spent on the project during the 2021-25 period, which will be taken from two sources. One is the State's budget allocation for mid-term public investments for the period. The other is the State's budget for infrastructure development, which is regulated in the resolution on fiscal and monetary policies in support of the socio-economic recovery and development programme.

Another VNĐ27.3 trillion will be disbursed to the project in the 2025-30 period.

A total of 5,481ha of land is needed for the project, including 1,532ha of agricultural land, 110ha of protection forest, and 1,431ha of production forest.

The resolution specifies that preparation should be done in 2021, the section should be completed in 2025 and open for public use in 2026.

Apart from this section, a further 27 kilometres of the North-South Expressway will be built in a separate project, together with the Cần Thơ 2 Bridge, after 2025.

The NA Standing Committee asked the Government to examine all factors that affect the project and come up with detailed design solutions, which will serve as a foundation for setting bid packages to select contractors.

It also asked for close collaboration from the inspection and auditing agencies to manage the budget and prevent misuse.

Some deputies said it is inappropriate to take VNĐ72 trillion from the 2021-25 socio-economic recovery and development programme for the project in the 2024-25 period, since it does not correlate with the programme's goals.

To solve this issue, chairman of the NA's Economic Vũ Hồng Thành proposed the Government divide the disbursement into different stages. Items that are approved for investment in the 2021-25 period can be prioritised to receive money in 2022 and 2023 from the programme.

Vice versa, the money set out for those items in the mid-term investment plan for the period can be saved for other important infrastructure projects in 2024 and 2025, he said.

6. Seven countries and territories agree to reopen flights with Việt Nam

Seven countries and territories, including the United States, Japan, Singapore, Cambodia, South Korea and China's Taiwan, have agreed to resume air routes to Việt Nam, according to the Civil Aviation Authority of Việt Nam (CAAV).

Most have basically agreed with Việt Nam's proposal on the frequency of four regular international passenger flights per week per direction.

The South Korean aviation authority said there were limits on the number of incoming international passenger flights to South Korea due to COVID-19 pandemic prevention regulations. There were only two flights per week for the Việt Nam and South Korea air route. South Korean airlines are currently only allowed to operate 21 flights per week.

CAAV said it was negotiating with the aviation authorities of South Korea to increase flights.

A representative of Vietnam Airlines said that the airline was trying to resume regular international flights.

Currently, the airline has reopened regular commercial routes carrying passengers to Việt Nam in seven markets: the US (four flights per week), Japan (three flights per week), South Korea (two flights per week), Taiwan (one flight per week), Singapore (two flights per week), Thailand (two flights per week) and Cambodia (four flights per week).

Tickets for these flights were available to all passengers who meet the requirements of immigration and medical regulations of the Vietnamese Government.

Regular flights have been safely operated and received a positive response from passengers,

especially overseas Vietnamese returning home for Tết.

The airline expects to reopen flights to Australia soon as it would serve travel demand of both international visitors and those who returned home to celebrate Tết.

CEO of Vietjet Air Đinh Việt Phương said that Vietjet Air had resumed regular flights to Japan with a frequency of one flight per week and would increase the number of flights in the near future.

Deputy Minister of Transport Lê Anh Tuấn said the ministry had received much feedback from domestic and foreign airlines, which proposed removing the regulation on rapid testing for COVID-19 before and after boarding.

According to airlines, some foreign airports did not provide rapid testing services before the flight and the costs of rapid testing at some airports was very costly. In Japan, the test cost up to US\$270 per passenger.

A shortage of specific instructions on rapid COVID-19 testing such as regulations on time for testing before boarding, authorities to organise testing and approve testing results or forms of payment have led to difficulties for airlines.

The compulsory rapid testing for passengers after landing at airports during the peak time of regular international flights could lead to congestion at airports and increase the infection risk, he said.

The ministry has asked the Government to approve the regulations on pre-flight RT-PCR testing for SARS-CoV-2 for passengers according to international practices instead of rapid testing before boarding or after landing.

In case the regulation on rapid testing is still maintained, the ministry has suggested that rapid testing be implemented only once after landing. It has also said that the Ministry of Health could be assigned to implement the procedures of rapid testing as well as payment for passengers on entry on international flights.

The ministry has requested the Government to assign the Ministry of Public Security to issue the guideline on immigration procedures for foreigners, which considers cases of those whose relatives are Vietnamese to enter the country for Tết.

The ministry needs to work with the Ministry of Health and the Ministry of Foreign Affairs to build

websites in English so that international airlines and foreigners can get information about Việt Nam's regulations on international arrivals, including RT-PCR tests, health declarations and vaccine passports.

Previously, Vietnam Airlines had sent a request to the Ministry of Public Security and the Ministry of Foreign Affairs to consider regulations on visa application procedures and entry approval papers for foreigners, and to consider exemptions on such procedures for overseas Vietnamese.

7. Supermarkets prepare for Lunar New Year

The shelves of many supermarkets are full of products with special packaging and designs for the upcoming Lunar New Year (Tet).

While preparing a large amount of goods for Tet, supermarkets have also simultaneously reduced prices to stimulate demand as people have tightened their spending during the pandemic.

Retail businesses said that the Lunar New Year market would be greatly affected by COVID-19.

Consumers are tending to save and tighten spending, and activities with large gatherings, meetings and festivals will be limited. Therefore, it is forecast that purchasing power will not increase compared to last year, and is likely to be lower.

Nguyen Thi Kim Dung, director of supermarket chain Co.opmart Ha Noi, said that the supermarket was currently using many promotions and discounts of up to 50 per cent on thousands of products.

In the 10 days before Tet, it could continue to lower prices further, she added.

Dung said that due to the increasingly complicated pandemic in Ha Noi, many people were afraid to go to crowded places, so they bought goods online.

Consumption of goods was at an average level, and purchasing only increased at weekends, she added.

The main selected items were rice, instant noodles, health care products, detergents, soap, fresh produce, and daily food.

Co.opmart Ha Noi has stocked up on essential goods on the occasion of the Lunar New Year with a total value of nearly VND6 trillion (nearly US\$261 million) to ensure good service before, during and after the Lunar New Year, an increase of nearly 20 per cent compared to the previous year.

A representative of Big C supermarket said that the stock of goods to serve the needs of the Lunar New Year focuses mainly on domestic goods, paying special attention to traditional products.

Nguyen Thi Bich Van, communications director of Central Retail Viet Nam, said, GO! and Big C were preparing for a 20 per cent higher supply of pork and 25 per cent more chicken compared to last year.

The whole system also prepares all kinds of fresh vegetables and fruits that can be served throughout and after Tet, added Van.

In addition to ensuring the supply, GO! and Big C are also confidently committed to ensuring good prices for products during Tet this year, with many attractive promotions for seasonal and traditional Tet products, both for in-store and online purchases.

The Ha Noi Department of Industry and Trade said that there have been 44 production, business and co-operative units registered to participate in the market stabilisation programme, with the total

amount of registered goods at VND18 trillion, bringing stable goods to more than 20,000 selling points.

Corporate News

8. VIC: VinFast’s vehicle sales up over 21 per cent in 2021

↓ -1.27%

VinFast Trading and Service Ltd Co, a subsidiary automaker of conglomerate Vingroup, sold 35,723 vehicles in 2021, posting a year-on-year surge of 21.2 per cent despite the COVID-19 pandemic.

The number of vehicles delivered to customers in December 2021 was 3,047.

This was also the first month VinFast officially handed over the VF e34 electric car model to its customers.

One of the breakthrough activities of VinFast in 2021 was the launch of a comprehensive online business model, which helped customers minimise contact during the pandemic. The model has proven effective as 40 per cent of orders for the company's electric cars were made online.

At the CES 2022 Consumer Electronics Show in Las Vegas, the US, VinFast announced its switch to all-electric vehicle production from the end of 2022, and officially received pre-orders for two electric car models VF 8 and VF 9.

9. CTG: VietinBank’s earnings exceed target in 2021

↓ -0.90%

At a recent conference to review its performance, Dung said the pre-tax profits of VietinBank in 2021 had come out higher than the target of VND16.8 trillion (US\$740 million) and was up more than 10 per cent compared to the 2020 figures.

By December 31, 2021, the bank’s outstanding loan rose by 12.3 per cent against the previous year’s figure.

In regard to credit risk, the bank’s bad debt ratio was kept at 1.3 per cent and bad debt coverage stood at 171 per cent during the period.

It is also worth noting that VietinBank has put aside more than VND7 trillion (\$308.5 million) of its

profits to help its clients in hardship during the pandemic. The support package has come in form of debt restructuring, interest cuts, fee reductions and preferential loans.

The bank also allocated over VND500 billion to social security in 2021, of which VND166 billion went to COVID-19 prevention efforts.

In 2022, VietinBank expects its pre-tax profits to continue to grow by 10-20 per cent, total assets by 5-10 per cent and total credit by 10-14 per cent. The bad debt ratio is expected to stay under 2 per cent.

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