



VIETNAM DAILY NEWS

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Table of content

Table of content

1. Shares reclaim losses on bargain-hunting
2. Government to complete programme on socio-economic recovery, development
3. Central bank to keep watch on bancassurance activities
4. Export opportunities abound for Viet Nam
5. Steel producers make provisions for devaluation in inventory as prices cool down
6. Bank deposit growth of individual customers slowed in 2021
7. SSC cancels listing of 7 million ASA shares due to fraud
8. REE: Board resolution on holding Annual General Meeting
9. FPT: FPT profits grow 20.4 pct in 2021

Market Analysis

1. Shares reclaim losses on bargain-hunting

Vietnamese shares on Tuesday reclaimed ground lost in the previous day's sharp sell-off as large-caps were picked up by bargain-hunters.

The VN-Index on the Ho Chi Minh Stock Exchange (HoSE) rose 2.77 per cent to close at 1,479.58 points.

The index had lost 2.25 per cent, to close Monday at 1,439.71 points.

The market's breadth was positive with the number of gainers doubled the number of losers by 304 to 105.

On HoSE, investors poured over VND22.2 trillion (US\$980 million) into the market, equivalent to a trading volume of nearly 751 million shares.

The VN30-Index, tracking the 30 biggest stocks on HoSE, gained 3.05 per cent, to 1,516.16 points.

Of the VN30 basket, 28 stocks rose to cushion the market, while one declined and another closed flat.

The rally continued on the Vietnamese stock market as purchase power increased in the afternoon session to offset market-wide selling pressure in the previous session.

The uptrend of the indices continued to be consolidated as the buying demand was seen in a series of large stocks. In the VN-30 basket, the best performers were Masan Group (MSN), Lien Viet Post Bank (LPB), Vincom Retail (VRE) and Becamex (BCM), all hitting the ceiling prices. Besides, Hoa Phat Group (HPG) increased by 6.3

per cent, Vinhomes (VHM) rose by 6.3 per cent, Phat Dat Real Estate (PDR) gained by 5.4 per cent, Tien Phong Bank (TPB) climbed by 5.3 per cent and Bank for Investment and Development of Vietnam (BID) increased by 4.5 per cent.

A series of stocks in industry groups such as banking, securities, steel, oil and gas increased strongly, helping the VN-Index to end the session at the highest level in the entire trading time.

The financial banking group outperformed and supported the gains of the market with notable gainers including Vietinbank (CTG), Techcombank (TCB), Tien Phong Bank (TPB), VPBank (VPB), Vietcombank (VCB), Military Bank (MBB), Sacombank (STB), Eximbank (EIB) and Bank for Investment and Development of Vietnam (BID).

The steel industry experienced a positive trading day with notable industry-representative stocks such as Hoa Phat Group (HPG), Hoa Sen Group (HSG) and Nam Kim Group (NKG) all climbing.

Notable gainers in the securities group included SSI Securities Inc (SSI), VNDirect Securities Co (VND), Viet Capital Inc (VCI) and Saigon-Hanoi Securities Co (SHS).

On the Ha Noi Stock Exchange (HNX), the HNX-Index gained 2.36 per cent, to close Tuesday at 410.23 points.

It had lost 4.09 per cent, to close Monday at 400.76 points.

Macro & Policies

2. Government to complete programme on socio-economic recovery, development

Deputy Prime Minister Lê Minh Khái instructed ministries to complete the draft Resolution of the Government on the socio-economic recovery and development programme during a conference on Tuesday in Hà Nội.

Chairing the conference, Deputy PM Khái said that the Government had carefully prepared the socio-economic recovery and development programme. The Politburo also issued Conclusion No 24 on December 30 last year on the programme.

At the last extraordinary session, the 15th National Assembly (NA) discussed and voted to approve the programme. NA Chairman Vương Đình Huệ signed and promulgated Resolution No 43/2022/QH15 on financial policies to support the programme.

The Government needs a resolution to officially decide on contents, tasks and solutions to implement Resolution 43. The conference thus is to give opinions on completing the draft resolution and submit it to the Government for approval. It will strive to issue the resolution before the Lunar New Year holiday.

The Ministry of Planning and Investment (MPI) said that based on the conclusions of the Politburo and the NA's Resolution, following Prime Minister Phạm Minh Chính's guidance, the ministry has proactively and urgently developed a draft resolution on the programme.

The draft resolution consists of four parts, identifying specific and detailed tasks and solutions of each ministry, agency and locality in an appropriate roadmap. It ensures fast implementation and minimises change. In case it is necessary to promulgate, the MPI will follow a simplified procedure to promptly submit it to

competent authorities for consideration and decision in the first quarter of this year.

Regarding opinions of concerned ministries and agencies, the MPI has researched and acquired as much of the comments as possible to complete the draft resolution.

The MPI has also proposed the Ministry of Labour, Invalids and Social Affairs to summarise, evaluate and report to competent authorities for support policies for people and employees affected by the COVID-19 pandemic.

The draft resolution assigns the Ministry of Finance to be the lead agency and coordinate with the Ministry of Education and Training (MoET) to submit to PM Chính for a decision on lending to students to buy computers and equipment for online learning.

The State Bank of Vietnam will work with the MoET to propose the PM for decision on lending policies for students and private preschool and primary schools in the first quarter of this year.

Concluding the conference, Deputy PM Khái asked the MPI to collect opinions from ministries to finalise the draft resolution.

The Deputy PM noted that the solutions must be feasible and realistic and closely follow the Politburo's conclusions and the NA's Resolution.

Deputy PM Khái confirmed it was a large programme with total budget of nearly VNĐ350 trillion (US\$15.3 billion) and its tasks must be flexibly coordinated with the medium-term public investment plan.

3. Central bank to keep watch on bancassurance activities

Bancassurance activities will have to strictly comply with the provisions of the Law on Insurance Business, according to the State Bank of Vietnam (SBV).

Under a newly-issued directive, the SBV has required banks, which provide bancassurance products, to strengthen their inspection and supervision on bancassurance activities to strictly handle violations.

The move was made after it was reported that despite unwillingness, some customers were forced to buy insurance products introduced by bank staff to get bank loans as the purchase was allegedly made mandatory in a few banks as part of the conditions of their loans.

The SBV's direction, therefore, is aimed to stop the insurance cross-selling mechanisms.

According to the SBV, it will strengthen the management and supervision of insurance sale activities of banks' agents to ensure compliance with the law.

The SBV required banks not to forcefully sell insurance to their customers. Any actions related to compulsory insurance in order to get loans will be strictly handled.

Earlier, the SBV also issued a document, requiring bankers to thoroughly explain the terms and conditions of insurance products to customers, and help customers fully understand their rights and benefits. It also asked banks to disseminate the prevailing regulations on insurance business to their employees to avoid violations.

Among many activities that became popular service income sources for banks, bancassurance - an arrangement between a bank and an insurance

company allowing the insurance company to sell its products to the bank's client base - has become a crucial growth driver.

In the context of closer control on credit growth and more limited room to expand net income margins, many banks have been trying to boost service income from bancassurance activities. Bancassurance has become a strategic focus of many banks, especially under the retail banking strategy. This is not only to serve individual customers' comprehensive financial needs but also to diversify banks' service income sources.

Bancassurance activities in Viet Nam have increased significantly, with both local and foreign insurers proactively expanding their bancassurance network by initiating tie-ups with lenders. Some typical bancassurance deals included VietinBank and Manulife, ACB and Sun Life, and Vietcombank with FWD.

According to the Vietnam Insurance Association, new insurance premium revenues through the bancassurance channel in 2019 accounted for 29 per cent of total new premium revenues, increasing from 10 per cent in 2016. In 2020, premium revenue from this channel continued to grow and accounted for more than 30 per cent of the total new premium revenue.

4. Export opportunities abound for Viet Nam

Erkut Duranoglu, chief representative of Vestel Electronics Vietnam, said he never expected the global pandemic would teach his company a practical lesson in risk management.

But teach it did.

His company had been considering an alternative supply chain in Asia to utilise cost-reduction opportunities arising from the constantly developing supply chain amid the pandemic.

Turkey-based Vestel Electronics, Europe's biggest consumer electronics plant, which supplies to more than 500 brands world-wide, wanted to explore Viet Nam and its neighbouring markets to "mitigate the geographical risk of China-centric procurement."

"We had been considering and analysing various countries such as Viet Nam, India, Indonesia, Malaysia, and Thailand.

"We chose Viet Nam for good reasons. It was becoming the most suitable country as an alternative production hub for the world, next to China," Duranoglu told Viet Nam News in a telephone interview.

"All in all, that is how we decided on establishing our representative office in HCM City in February 2021 in addition to our existing offices in (mainland) China and Taiwan."

Experts said the US-China trade war and the pandemic have pushed companies to diversify supply chains outside of China, which has given rise

to the ‘China plus one’ strategy in which multinational firms are moving to other countries.

Sam Hui, general manager of Global Sources, an international B2B sourcing platform company based in Hong Kong, told Viet Nam News: “Viet Nam has become the most popular destination under the strategy, due to its low costs, proximity to China and multiple trade agreements.

“Under the policy, as demand for Vietnamese products increases, we expect an overall improvement in the manufacturing capability, product design, quality control, and export volumes.”

Nguyen Van Than, chairman of the Viet Nam Small and Medium-sized Enterprises Association, said: “Viet Nam with a population of 100 million has a strategic location, an affordable yet well trained workforce and a friendly environment for foreign investment.

The country has achieved impressive results in its COVID-19 vaccination campaign, having among the highest immunisation rates in the world, he said.

The free trade agreements it has signed with India, the EU and other Southeast Asian countries have enabled Viet Nam to surpass other countries in terms of attracting FDI, he added.

A 2030 master plan for transport infrastructure includes construction of 5,000km of expressways, a deep-water port, high-speed rail routes, and completion of the Long Thanh international airport in Dong Nai Province near HCM City.

These have added to the attraction it holds for foreign investment, according to Than.

Recently Danish toy production company Lego signed an MoU with the Vietnam–Singapore Industrial Park Joint Stock Company to build a new factory worth US\$1 billion in the southern province of Binh Duong.

LG Electronics has decided to expand its production facilities in the north.

According to the European Business Review, Viet Nam will be one of the leaders in 2022 for companies to source, manufacture and export from.

Most sought-after sourcing destination

Hui, general manager of Global Sources, said, “Viet Nam has the potential to be one of the most sought-after sourcing destinations for buyers world-wide.”

A 2021 survey by the company said, “Viet Nam has consistently ranked the number one destination from where buyers plan to source from Asia, outside China, over the next 12 months, followed by India, Cambodia and Bangladesh.”

Buyers said their top three pain points in sourcing from Viet Nam are product quality, choice of suppliers and delivery time.

Electronic products, apparel, fashion accessories, tableware and kitchenware, home appliances, and hardware products are key products buyers look for.

At a recent conference for connecting supply and demand organised by Global Sources in co-operation with Binh Duong Province authorities, major international buyers like Target Australia Sourcing Group (Australia), AEON TopValu (Hong Kong), W.H. Smith (the UK), Metro Sourcing (Hong Kong), and Walgreens (the US) said Viet Nam is their preferred sourcing destination.

“This shows there is strong demand for sourcing from Viet Nam among buyers around the world,” Hui said.

“With such strong demand, Vietnamese suppliers should act fast to grab the opportunity and promote their companies and products to buyers world-wide.”

The company surveyed more than 1,200 respondents in all regions, including in the US, India, mainland China, Australia, the UK, Hong Kong, and South Africa.

‘Sourcing from home’

Nguyen Van Than, chairman of the Viet Nam Small and Medium-sized Enterprise Association, said: “Businesses should be aware that buyers have shifted from their traditional sourcing channels like trade shows to a new online model, ‘sourcing from home.’

“The model has proven convenient, safe and effective during the pandemic.”

Buyers want to source directly from manufacturers and are looking for Vietnamese suppliers who are digitally ready to match their sourcing needs, he said.

“As the sourcing process becomes digitised, it is inevitable that Vietnamese suppliers will adopt digital transformation.”

In 2020 the association began a programme to promote 40 export-oriented suppliers of products ranging from garments and furniture to handicrafts on a B2B platform and connect them with global buyers, he said.

The survey showed 90 per cent of the respondents who want to source directly from Viet Nam do not have an office in the country.

Due to the pandemic, 60 per cent plan to use the online marketplace and 35 per cent will appoint sourcing agents in Viet Nam.

While international tradeshows are still very popular among buyers, the online marketplace remains the preferred option, the survey found.

Quach Kien Lan, CEO and founder of GreenYarn Bao Lan Company, which makes environment-friendly fabrics for export, said the pandemic has put businesses in a difficult situation, which requires them to constantly search for solutions to survive.

The fashion and textile industry is under pressure due to the pandemic, he said.

“The good news is global buyers are now looking closely at Viet Nam to see how well the country is rebounding from the pandemic.”

They see the need to move their production to Viet Nam.

However, the uncertainty and lack of information about local suppliers often leaves buyers disappointed when searching for the right producers in Viet Nam since they do not know where to look.

Meanwhile, most suppliers in the textile industry still use traditional methods such as face-to-face meetings and trade shows to find buyers, but the pandemic has made this unfeasible, Lan said.

“To find new clients and diversify markets during the pandemic we have shifted from traditional platforms such as trade shows to online tools.

“Shifting to online channels may require businesses to adjust, but it is the management and mindset that makes the process successful.”

Supply chain crisis

The pandemic has caused a supply chain crisis not only in Viet Nam but globally.

Experts said the country’s output would not normalise until the middle of this year.

Duranoglu said his office did not start operations until last November because of the latest COVID outbreak that began in April last year.

Though global supply chain disruptions have caused uncertainty for businesses, Viet Nam has been adapting rapidly by amending laws to improve its business climate, he said.

“Viet Nam’s notable strength is its stable economy, which has been growing despite the impact of the current outbreak. Although I am quite new to the country, I have personal experience that Vietnamese people are likely to honour promises.

“I believe Viet Nam has a concrete foundation to bounce back much stronger in 2022.”

Experts said to meet the requirements of global buyers, manufacturers should study prices, consumer tastes and trends in those markets, and have labels and packaging in English as well as the local language.

In choosy markets like the US, the EU, Japan, and South Korea, exporters should be prepared to face technical barriers that could change without warning, they said.

Duranoglu said: “We export to 157 countries with our main market being Europe. But now we are looking for alternative regions to grow. Viet Nam is one of them. It is not only a strategic location for us to develop an alternative supply chain but also an attractive market to be in with our products.

“The pandemic has taught all of us a lesson about the importance of not putting all your eggs in one basket.”

5. Steel producers make provisions for devaluation in inventory as prices cool down

After increasing inventories at the beginning of 2021 to take advantage of price differences to maximise profits, the strategy has now hit steel producers hard as global steel prices plunged at the end of the year.

The first two steel companies have announced their financial statements for the fourth quarter of 2021, showing less-than-positive results.

SMC Trading Investment JSC (SMC) said that in the last quarter of 2021, the company recorded a net revenue increase of 37.3 per cent on-year to VNĐ6.1 trillion (US\$271.5 million), but profit after tax fell 78.7 per cent to VNĐ34.07 billion. Notably, the gross profit margin decreased from 7.6 per cent to only 2.1 per cent.

In 2021, the company's net revenue edged up 35.4 per cent to VNĐ21.3 trillion, with profit after tax up by 184.9 per cent to VNĐ903.06 billion.

In the first six months of 2021, when steel prices rose sharply, SMC reported a gross profit margin of 10.2 per cent, much higher than in the fourth quarter of 2021.

Meanwhile, in its fourth-quarter results of 2021, Thái Nguyên Iron and Steel JSC (TIS) showed that its net revenue rose 34.1 per cent year-on-year to VNĐ3.2 trillion with profits after tax at VNĐ9.63 billion, after posting a loss of VNĐ6.74 in the same period of 2020.

However, its gross profit margin dropped sharply from 6.1 per cent to negative 0.4 per cent, causing the company to do business below cost in the fourth quarter of 2021. The company only escaped losses thanks to a significant decrease in financial expenses.

In 2021, TIS recorded an increase of 26.1 per cent in net revenue to VNĐ12.1 trillion, with profit after tax up over 16.5 times to VNĐ122.67 billion.

In the first half of 2021, TIS's gross profit margin increased to 9.4 per cent thanks to higher global steel prices.

Both companies had increased their inventories in 2021, the financial reports showed, but they started to make provision for devaluation in inventory in the fourth quarter as steel prices cooled down.

Accordingly, in 2021, SMC has made provision for devaluation in inventory of VNĐ112.93 billion compared to only VNĐ1.1 billion at the beginning of the year. Of which, the company noted to make provision of VNĐ47.16 billion for raw materials; VNĐ42.8 billion for finished products inventory; and VNĐ23 billion for goods.

At TIS, the company just made provision of VNĐ7.68 billion for inventory compared to zero đồng at the beginning of the year. The company did not explain in detail the provision for these items. However, it is most likely because of raw materials and finished products related to the inventory at the beginning of the year.

In the international market, steel prices have reversed the uptrend since May. From May 7, 2021 to January 21, global steel prices decreased by 20.6 per cent from 5,740 yuan per tonne to 4,560 yuan per tonne. If steel prices continue to remain at the current level or fall lower, this will negatively affect businesses in the steel sector that have carried out rising inventory strategies, especially commercial enterprises.

Steel companies all increased inventories in the first nine months of 2021. In terms of value, Hoa Sen Group (HSG)'s inventory increased by VNĐ6.8

trillion, Nam Kim Group (NKG) rose by VNĐ4,8 trillion in inventory and SMC increased VNĐ1.7 billion in inventory.

Stocking inventory amid the volatility of raw material prices is a double-edged sword. If the price of raw materials and goods increases, enterprises' profit margins improve, leading to higher profits for the company. However, if the rally cycle is over, prices of raw materials and goods reverse then

businesses must raise the provision for devaluation in inventory, lowering companies' profit margins.

During 2016-2017, steel companies benefited from higher steel prices, resulting in a sharp rise in profits. However, as prices plummeted in 2018-2019, a series of steel producers announced sharp drops in business results and entered a prolonged restructuring period.

6. Bank deposit growth of individual customers slowed in 2021

The deposit growth rate of individual customers at banks slowed last year due to the impacts of the pandemic.

According to the latest data from the State Bank of Vietnam (SBV), deposits of individual customers at banks by the end of November last year increased by just 2.63 per cent, the lowest growth rate in many years.

Deposits totalled nearly VNĐ5.28 quadrillion (US\$226 billion) by the end of November, down more than VNĐ23.4 trillion against the end of October.

Experts attributed the drop in individual deposits to the strong outbreak of the COVID-19 pandemic last year which caused incomes of many individuals to reduce. At the same time, many people could not go to banks to deposit their money as many provinces and cities had to implement social distancing measures.

According to the experts, many depositors withdrew their savings to pour into more attractive investment channels amid declining deposit interest rates last year.

To lure depositors, many banks have recently increased savings interest rates.

Saigon Commercial Joint Stock Bank (SCB) has recently applied a new interest rate since January 10 this year with increases of 0.1-0.3 percentage points per year. Notably, the highest interest rate at SCB has reached 7.6 per cent per year, but only

applicable to customers depositing more than VNĐ500 billion on the term of 13 months.

For small amounts of deposits, the savings interest rates offered by SCB are also among the highest in the banking system, at 7 and 7.35 per cent per year for 12-month or more and 18-month or more deposits, respectively.

Nam A Commercial Joint Stock Bank (NamABank) is offering the second highest savings interest rate in the banking system. The bank's rate is 7.4 per cent per year, applicable to customers depositing from 16 months or more. For terms of 12 to 15 months, the rate is also high at 7.2 per cent per year.

Not only small-sized banks, many large-sized banks such as Vietnam Prosperity Commercial Joint Stock Bank (VPBank), Asia Commercial Joint Stock Bank (ACB), Sài Gòn Hà Nội Commercial Joint Stock Bank (SHB), Sài Gòn Thương Tín Commercial Joint Stock Bank (Sacombank) and Export Import Commercial Joint Stock Bank (Eximbank) have also adjusted up their savings interest rates since this month.

VPBank, for example, has introduced a new savings interest rate list for individual customers with increases on many terms, particularly for large savings amounts. The highest rate at the bank is currently 6.5 per cent per year, 0.3 percentage points higher than the previous time, applicable to customers depositing online from VNĐ50 billion on 36-month deposits.

7. SSC cancels listing of 7 million ASA shares due to fraud

The State Securities Commission of Viet Nam (SSC) said it had issued a decision on January 23 to cancel the listing of 7 million shares of ASA Consumer Product JSC from a private placement to increase capital from VND30 billion (US\$1.3 million) to VND100 billion.

The decision is based on the inspection results of SSC and the investigation and verification by the Investigation Police Agency of the Ministry of Public Security.

Accordingly, Nguyen Van Nam, former Chairman of the Board of Directors of ASA, counterfeited records and documents to raise VND70 billion from a private offering of 7 million ASA shares.

Moreover, the Investigation Police Agency of the Ministry of Public Security also issued a decision on January 23 to prosecute the criminal case of

“obtaining property by fraud at ASA and related units”.

ASA Consumer Product was listed on the Ha Noi Stock Exchange (HNX) in 2012, but the stock ticker ASA was delisted by the exchange on June 13, 2019 due to serious violations in the obligation to disclose information.

The stocks, then, were transferred to UpCoM exchange on June 21, 2019 with trading restrictions, meaning they could only be traded on Friday, as the registered organisation’s shares were delisted.

The Investigation Police Agency of the Ministry of Public Security is investigating the case. SSC said it will continue to work closely with the Investigative Police Agency and relevant agencies and organisations to strictly handle violations of the law, protect investors’ legitimate rights and interests.

Corporate News

8. REE: Board resolution on holding Annual General Meeting

↑ 2.06%

The Board of Directors of Refrigeration Electrical Engineering Corporation approved to hold Annual General Meeting 2022 as follows:

- Meeting date: 08:00am, March 31, 2022

- Meeting venue: Meeting hall of e.town building, 364 Cong Hoa street, ward 13, Tan Binh district, HCM city.

- Record date: March 01, 2022.

9. FPT: FPT profits grow 20.4 pct in 2021

↑ 1.41%

Sales rose 19.5 percent by VND35.68 trillion (US\$1.55 billion) and profits to VND6.33 trillion, with technology services accounting for 58 percent and 44 percent.

Thanks to the surge in global demand for digital transformation, revenues from this segment soared 72 percent to VND5.52 trillion, mainly from cloud computing, AI and low-code.

IT services brought in over VND20.7 trillion in revenues and nearly VND2.8 trillion in profits, up 23.4 percent and 24.3 percent.

Overseas revenues rose by 21 percent to VND14.5 trillion, and profits to VND2.4 trillion. Sales increased in every region, with revenues in the U.S. market rising by 52 percent to VND4.369 trillion.

There were 19 foreign projects worth over \$5 million each.

In the domestic market, IT services revenues and profits grew by 29 percent and 34 percent, with the company attributing the outstanding performance to a focus on developing its own solutions and platforms and its improved capacity to provide digital transformation services.

The telecom segment reported revenues of VND12.08 trillion, up 11.2 percent, and pre-tax profits of VND2.12 trillion, up 16.5 percent.

The firm said technology and telecommunications would continue to be its main business fields, and it targets entry into the world's top 50 digital transformation services providers.

Research Team: Tsugami Shoji *Researcher* jsi@japan-sec.vn

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Japan Securities Co., Ltd – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn