



VIETNAM DAILY NEWS



February 23rd, 2022

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Market Analysis

1. VN-Index drops as Ukraine tension jolts global markets

Vietnam's benchmark VN-Index dropped 0.49 percent to 1,503.47 points Tuesday as global markets closed in the red because of rising Ukraine tension.

The index stayed in the red throughout the day and fell by 26 points in the early afternoon before climbing up to close seven points lower.

Global stocks tumbled while gold prices surged on Tuesday as Europe's eastern flank stood on the brink of war after Russian President Vladimir Putin ordered troops into breakaway regions of eastern Ukraine, Reuters reported.

Trading value on the Ho Chi Minh Stock Exchange (HoSE), on which the index is based, surged 21 percent to the highest since January 17 at VND28.24 trillion (\$1.24 billion).

The VN30 basket, comprising the 30 largest capped stocks, saw 19 tickers in the red, with POW of electricity producer Petrovietnam Power Corporation losing 3.3 percent to the lowest in over a week.

SSI of leading brokerage SSI Securities Corporation and VJC of budget airline Vietjet dropped 2.2 percent.

VIC of biggest private conglomerate Vingroup continued to trade around its one-year low bottom with a 1.9 percent fall.

Eleven blue chip tickers gained, with MBB of lender MB rising 5.4 percent to a new peak, and PLX of fuel distributor Petrolimex gaining 3.5 percent to a three-month high thanks to rising oil prices.

Foreign investors were net sellers to the tune of VND108 billion with focus on PLX of fuel distributor Petrolimex and NVL of real estate developer Novaland Group.

The HNX-Index for stocks on the Hanoi Stock Exchange, home to mid and small caps, lost 1.49 percent while the UPCoM-Index for the Unlisted Public Companies Market fell 0.58 percent.

Macro & Policies

2. WB: Viet Nam to get highest trade, income gains among RCEP members

Viet Nam is expected to register the highest trade and income gains among Regional Comprehensive Economic (RCEP) members, according to a World Bank (WB)'s working paper.

To estimate the economic and distributional impacts of RCEP in Viet Nam, WB constructed a baseline and four alternative scenarios. The baseline reflects the business-as-usual conditions, where the tariff schedules of previous agreements, including the most recent CPTPP, have been implemented, in parallel with the US-China trade war.

In the baseline, between 2020 and 2035, the average trade weighted tariff imposed by Viet Nam declines from 0.8 per cent to 0.2 per cent, while the tariffs faced by Viet Nam are reduced from 0.6 per cent to 0.1 per cent. To measure the effects of RCEP, the policy scenario will be compared against this baseline.

The four policy scenarios will measure the RCEP implementation incrementally. The first scenario, the Tariffs scenario, is exclusively the implementation of tariffs according to the RCEP tariffs' reduction schedules.

In the second scenario, the RCEP scenario, WB implemented reductions of tariffs and of non-tariff measures, including the tariff reduction of 35 per cent on agricultural goods; 25 per cent on manufacturing goods; and 25 per cent on services.

Only when tariff reductions are combined with lower non-trade barriers (NTBs), are exporters able to take full advantage of the preferential rates under liberal Rule of Origin (ROO).

WB assumed that with the ROO regime, the third scenario, trade costs among its members are reduced by 1 per cent over the implementation period of 2022-2035. However, in WB's simulations, implementation of ROO policy is costless, resulting in upper bound estimates of potential gains.

For the final shock, the productivity kick scenario, an increase of productivity, as the result of a higher

degree of openness and falling trade costs, is implemented.

Viet Nam's real income and trade expand faster than the baseline in the scenarios with tariffs, non-tariff measure reductions and rules of origin, and in the productivity kick scenario.

"In the productivity kick scenario, where a productivity shock is included, Viet Nam has the highest gains of all RCEP member countries. Real income increases by 4.9 per cent relative to the baseline, higher than the gains for the bloc as a whole, where real income increases by 2.5 per cent," WB reported.

"Trade also increases the most in this scenario, with exports expanding by 11.4 per cent and imports by 9.2 per cent, relative to the baseline."

In the baseline, which incorporates long-term trends and accounts for all the current tariff liberalisation commitments within the region (except RCEP), real income in Viet Nam is expected to grow 112.7 per cent between 2020 and 2035, with exports and imports increasing by 155.5 per cent and 134.8 per cent, respectively.

With implementation of RCEP, when rules of origin and productivity are included on top of tariffs and non-tariff measures reductions, real income grows faster, with an increase of 123.1 per cent between 2020 and 2035.

The benefits of the implementation of these measures are also reflected in trade, with exports and imports growing 182.5 per cent and 155.5 per cent, respectively, and between the same period.

In the scenario where only the tariff reduction is implemented, the impact on Viet Nam's economy is negligible, with real income close to zero. Trade too sees a small reduction relative to the baseline, with both exports and imports declining by 0.3 per cent.

"With the implementation of RCEP, the market for Viet Nam will expand, particularly to China, where Viet Nam does not currently possess any trade agreement. Gains in the productivity kick scenario

are concentrated mostly in the manufacturing sectors, in particular wearing apparel, electrical equipment, and textiles,” WB reported.

“Some sectors will suffer losses with the implementation of the agreement, due to a redistribution of resources to more productive sectors.”

The COVID-19 pandemic has taken a high toll in human and economic terms. RCEP could help

cushion the negative effects of COVID-19 on economic growth by supporting regional trade and value chains, according to this report.

In the medium/long run, RCEP would increase the resilience of its members, it would make them better prepared in the face of future shocks by enhancing regional collaboration, reducing trade costs, and further diversifying their economies. RCEP offers an opportunity to boost growth and support recovery from the COVID-19 pandemic.

3. Viet Nam records \$3.91b trade deficit in first half of February

Viet Nam reported a trade deficit of US\$3.91 billion in the first 15 days of February as exports decreased, the General Department of Customs has announced.

In the first half of February, Viet Nam exported \$8.75 billion worth of goods while its imports hit \$12.66 billion. That brought the country's total trade value since the beginning of the year to \$81.68 billion. During the period, the country also saw a trade deficit of over \$2.5 billion.

However, economists said that the trade deficit was not a worrisome figure as February was the time the Lunar New Year holiday fell. The country's largest holiday lasted up to nine days, so the number of exported goods decreased.

From the beginning of this year to mid-June, two groups of imported goods saw a turnover of billions of dollars. They were computers, electronic products and components; and machinery, equipment and spare parts.

Nguyen Thuong Lang from the National Economics University told Lao Dong (Labour) newspaper that when imported goods were mainly equipment and raw materials to serve production, rather than consumer goods, the trade deficit should not be a cause for concern.

In the first months of the year, enterprises often ramped up their imports of input materials and spare parts to meet their production and export demands for later months, Lang said.

According to the Ministry of Industry and Trade (MoIT), in 2022, Viet Nam's exports would continue

to face many difficulties and challenges with the biggest ones being the prolonged COVID-19 pandemic that might see complicated and unpredictable developments, affecting global production and trade, including in Viet Nam.

Other difficulties would be skyrocketing freight rates and high container rental costs and shortage of containers that would continue to affect export prices and reduce the competitiveness of Vietnamese exported goods.

In addition, the increasing trend of non-tariff trade protection barriers in many major market areas, the volatility of global commodity prices which has become unpredictable, or the risk of inflation, and currency appreciation would also affect exports.

The MoIT said in 2021, Viet Nam's import and export turnover hit a record of nearly \$670 billion, of which exports made a spectacular breakthrough with an increase of over 19 per cent. This was a bright spot for the economy in the context of the pandemic.

Last year, the country had 35 items seeing an export turnover of \$1 billion, an increase of one item compared to 2020. Of these, there were eight items with an export turnover of over \$10 billion.

Although accounting for less than 10 per cent of the export value of the whole economy, agriculture was the sector that brought "new impetus" to export growth in 2021.

The minister attributed the results to good exploitation of foreign markets, which brought

Vietnamese goods deeper into the global production and supply chain.

Vietnamese businesses had taken opportunities from free trade agreements, especially new-generation agreements such as CPTPP, EVFTA and UKVFTA, according to the ministry.

However, it said that there were still problems relating to imports and exports that should be dealt with.

The export scale had increased, but the added value was still low, it said, adding that many industries still exported raw and semi-processed products. In particular, the proportion of enterprises with domestic investment in total exports was still low.

4. Vietnam gold prices climb to new record

Vietnam gold prices rose to a new high Tuesday on the back of global rates soaring because of rising international tensions over the Ukraine situation.

The Saigon Jewelry Company (SJC) was selling its gold at VND63.85 million (\$2,798) per tael at 3 p.m., up 1.03 percent from Monday. A tael equals 37.5 grams or 1.2 ounces. It then fell to VND63.6 million at the time of publishing. DOJI sold its gold at VND63.65 million, up 0.71 percent.

In the global market, gold rose 0.2 percent to a near nine-month high of \$1,909.33 per ounce, as tensions intensified in Eastern Europe intensified after Russia ordered troops into breakaway regions of eastern Ukraine, supporting demand for safe-haven bullion.

"With the situation deteriorating seemingly by the day in Eastern Europe, there is very little reason to be negative on gold at the moment," said Jeffrey Halley, a senior market analyst at OANDA.

5. Cut gasoline taxes to control price hike, experts advise

Reducing gasoline taxes and fees, and reconsidering the use of the price stabilization fund could help "cool down" surging fuel prices amid shortages, experts say.

The government could lower special consumption tax on gasoline for a short period to reduce retail prices as some countries have done, said Can Van Luc, head economist of state-owned lender BIDV.

Thailand, for example, has cut down special consumption tax on diesel by half for three months, he said.

Another economist, Ngo Tri Long, former deputy head of the Market and Price Research Institute under the Ministry of Finance, proposed that the environmental tax be reduced to help cool down gasoline prices.

The proposals are being made as Vietnam on Monday increased the price of the popular RON95

gasoline to a new peak amid a shortage in supply reported by many stations, especially in the south.

Taxes and fees account for around 42 percent of gasoline prices in Vietnam, include the special consumption tax, import tax, environmental tax and value-added tax.

The ratio, however, is lower than average when compared with other countries, where it is 45-60 percent, according to the Ministry of Finance.

Although experts and even the Ministry of Industry and Trade have been calling for a reduction of taxes and fees on gasoline for years, the Ministry of Finance has said no to their proposals as this is a large source of revenue for the government.

Cutting down environmental tax is not appropriate as this is a tool to reduce the negative impact of gasoline users on the environment, the ministry told Hanoi lawmakers recently when they suggested a reduction.

6. Demand picks up for HCM City commercial rental spaces

Thanks to HCM City's success in controlling the COVID-19 pandemic and the sharp fall in rentals in the last two years, its retail rents are showing signs of recovering.

Downtown streets, malls, restaurants, and coffee and tea shops are becoming crowded again, especially during weekends.

After a long period of shuttered doors and 'Available for rent' signs, the Phan Xich Long food street in Phu Nhuan District is bustling again.

Most malls, supermarkets and convenience stores are also recovering.

The shophouse segment is becoming vibrant.

Phan Thanh Binh of Thu Duc City said he had signed a lease contract for a shophouse with six floors at Vinhomes Grand Park to open a cafe, restaurant and rooms for rent.

"I believe the economy and tourism will recover strongly in the near future, and so have invested."

According to property brokers, the demand for space for restaurants and cafes is recovering, and rents, while still low, are starting to rise.

Assessing the rental real estate segment in the city, CBRE Viet Nam said the retail market boom would push rates up in the second half of this year.

7. Wall Street or Disneyland? HCMC mulls financial center themes

Two different main themes have been presented for an international financial center in HCMC: one a traditional Wall-Street-like concept; and the other, a Disneyland.

There are investors who are ready to invest at least \$6 billion in the new financial center and they want a Disneyland there, Jonathan Hanh Nguyen, chairman of the Imex Pan Pacific Group (IPPG) said at a forum last week.

The center should be "non-traditional", which means it should include all the business features of the financial centers like New York and Hong Kong as well as the entertainment services of Singapore's Marina Bay Sands, he added.

HCMC Chairman Nguyen Thanh Phong in August last year proposed that HCMC be turned into a world financial hub, using its infrastructure, economic growth and investment environment.

The government should consider this goal "a critical mission and an important national strategy, to be included in the socio-economic development strategy for 2021-2030, with vision until 2045," he said in a document submitted to the government.

IPPG, the company that has brought popular international brands like Calvin Klein and Domino's Pizza into Vietnam, has also proposed a large casino where sports betting will be allowed. Other features include duty-free shopping areas and entertainment zones.

To fully establish such a center, investors need to commit at least \$10 billion for the project.

IPPG's proposal seems to be in stark contrast with the one that Fulbright University Vietnam submitted to HCMC at the end of last year, two years after authorities had requested its advice.

The university proposal focuses on making the center a hub for all existing financial services under three main groups: banking, securities and insurance.

Mentioning nothing about entertainment services, the proposal says HCMC's financial center needs to focus on developing a digital banking system to integrate with international networks.

This will lead to the trade development of currencies, stocks, bonds and derivatives, as well as the growth of startups.

The university has also proposed that the center be directly developed starting in 2031 so that the city has nearly a decade to research and issue new and unprecedented policies that would deepen international integration.

The IPPG proposal, meanwhile, envisages the center being built from 2023 to 2030, giving the city three

years to formulate special policies and attract investors.

Economist Can Van Luc said people are having several different ideas about what the financial center should be like, and the city should decide quickly on what direction it wants to take to begin development.

In 2019, HCMC announced a plan to build a VND4.9 trillion (\$210 million) financial, banking and trade center in Thu Thiem New Urban Area.

Corporate News

8. HPG: Hoa Phat is about to pour another VND 3,300 billion into the real estate segment

↓ -0.54%

On February 22, the Board of Directors of Hoa Phat Group (HOSE : HPG) approved the decision to add 3,300 billion VND to Hoa Phat Real Estate Development JSC (Hoa Phat Real Estate).

Currently, Hoa Phat Real Estate has a charter capital of VND 2,700 billion. If the upcoming capital contribution goes smoothly, this company will have a charter capital of VND 6,000 billion, of which HPG 's contributed capital will reach VND 5,998 billion, equivalent to 99.97%.

Regarding the time, HPG 's Board of Directors decided that the capital contribution will take place right in February 2022, before February 28.

Regarding steel production, HPG said that the Company is reducing the amount of oxygen used in

the production process to create an oxygen source for the medical industry.

However, during the time when the use of oxygen is reduced, HPG will have to increase the consumption of spray coal and coke to ensure that the steel output meets the plan and the orders. Therefore, the company's production cost in the first quarter of 2022 is expected to increase by about VND 40 billion.

In the market, HPG 's stock price, after 1 week of strong increase at the beginning of February, has started entering the accumulation zone. At the beginning of the morning session on February 23, HPG 's stock price was at 46,700 VND/share, slightly down by 1.37% compared to the peak on February 9.

9. PVD: PVD is about to issue more than 84 million shares to pay dividends

↑ 2.72%

In order to pay dividends in 2019 and 2020, PetroVietnam Drilling and Drilling Services Joint Stock Corporation (HOSE : PVD) plans to issue another 84.2 million shares, equivalent to a rate of 20%.

Thus, shareholders owning 10 shares will receive 2 new shares. The number of issued shares reached 84.2 million shares, equivalent to the total issued value (at par value) of more than VND 842 billion.

The capital for implementation is taken from the accumulated undistributed after-tax profit as of December 31, 2020 on the audited parent company's 2020 financial statements.

The expected time for dividend payment is before June 30, 2022, after being approved by the State Securities Commission. When completed, PVD 's charter capital will increase to over VND 5 trillion.

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