



VIETNAM DAILY NEWS



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Table of content

Table of content

1. Shares extend gains on improved liquidity
2. Soaring energy prices put burden on businesses
3. Foreign retailers reinforce investment
4. Transparency, increased supply are needed in real estate market
5. Retailers make efforts to control prices
6. US investors pour more funds into Vietnam
7. Ministries given specific tasks to implement socio-economic recovery programme
8. POW: Divestment at EVNI
9. FRT: FPT Retail looks to open 300 more Long Chau pharmacies

Market Analysis

1. Shares extend gains on improved liquidity

Viet Nam's benchmark VN-Index remained in positive territory on Thursday but divergence widened among blue chips while some investors sought to seek profits in small- and mid-cap shares.

On the Ho Chi Minh Stock Exchange, the VN-Index inched up 0.14 per cent to close at 1,461.34 points. The southern market's index gained more than 1 per cent in the last three sessions.

The market breadth was positive with 240 shares rising, 189 falling and 81 closing flat.

However, blue chips were mixed. Of the top 30 largest shares by market value and liquidity, 12 advanced while 13 declined. The other five remained unchanged.

Banks were still the market drivers. Half of the 10 biggest contributors to the VN-Index were banking shares, of which BIDV (BID) was the biggest gainer with growth of 4.6 per cent, followed by Vietinbank (CTG), up 2.2 per cent. Vietcombank (VCB) sustained its uptrend but slowed growth to just 0.6 per cent on Thursday. The other two big gainers included Sai Gon-Ha Noi Bank (SHB) and Ho Chi Minh Development Bank (HDB) increasing 1.6 per cent and 1.3 per cent, respectively.

On the other end of the spectrum, Techcombank (TCB), Tien Phong Bank (TPB), VPBank (VPB) and Sacombank (STB) declined by less than 1 per cent each.

The dark side also included the biggest stocks such as PV Gas (GAS), Vinhomes (VHM), Hoa Phat Group (HPG), Vinamilk (VNM) and Masan Group.

Liquidity improved slightly, however, with 717.4 million shares worth VND21.4 trillion (US\$931 million) being traded, up around 15 per cent in both volume and value over Wednesday's levels.

According to analysts at Viet Dragon Securities JSC (VDSC), despite the VN-Index rising, the demand was not stronger as it could only help VN-Index move around the preference threshold.

"Perhaps the expiration of the derivative contract (VN30F2203) on March 17 has affected the trading sentiment of investors. It is expected that the VN-Index may continue to regain but need to be cautious of the pressure of the resistance zone of 1,470 points," said Phuong Pham, VDSC's analyst wrote in a note.

Meanwhile, many mid and small caps attracted investors, pushing share prices to the ceiling such as FLC Group (FLC), Hoang Quan Consulting-Trading-Service Real Estate (HQC), Ocean Group (OGC), Digiworld (DGW) and Yeah1 Group (YEG).

On the Ha Noi Stock Exchange, the HNX-Index closed unchanged compared to the previous day at 446.16 points. Liquidity also increased here with over 108 million shares worth VND2.7 trillion being exchanged, up 30 per cent in volume and 14 per cent in value over Wednesday.

Foreign traders stopped their 8-session net selling streak, picking up shares worth a buy value of VND134 billion.

Macro & Policies

2. Soaring energy prices put burden on businesses

Along with the price of oil, the price of gas in the global market is increasing rapidly. For the first time in history, the price of European gas has reached US\$3,600 per 1,000cu.m, according to data from the ICE Commodity Exchange in London, UK, on March 7, 2022. The price of gas futures for April delivery at the TTF hub in the Netherlands also increased to \$3,639.1 per 1,000cu.m.

According to SSI Research, for companies using oil and gas as input materials, an increase in oil and gas prices will increase product costs. Gas-fired power plants are less competitive and the current situation also negatively affects the share of output offered in the power generation market.

The profit margin of enterprises may narrow if the cost of gas does not decrease. For example, at Nhon Trach 2 Petroleum Power Joint Stock Company (NT2), although in 2021, net revenue reached VND5.47 trillion (\$239 million), a slight increase compared to the previous year, but this growth rate was slower than the increase in cost price (gas price), so gross profit margin decreased by 24 per cent in the period. As a result, the company reported profit after tax of VND534 billion, down about 15 per cent compared to 2020.

Not only oil prices, gas and coal prices on the world market also increased sharply due to the influence of the conflict between Russia and Ukraine. Russia is an important coal exporter in the world, thus when the supply of coal and oil from Russia is blocked by sanctions from the US and EU, while demand increases, pressure rises on oil and coal prices.

On March 3, 2022, the FOB Newcastle price for 5,500 kcal/kg NAR thermalcoal with 20-per cent ash, according to FOB Newcastle, reached \$205.25 per tonne, up \$25.65 per tonne compared to the previous session.

Indonesia's coal 5,900 GAR was quoted by S&P Global at \$200 per tonne in the same session, up \$45.1 per tonne, while thermal coal 5,750 NAR in

Northeast Asia increased by \$28.23 per tonne to \$248.63 per tonne.

Viet Nam's imported coal output accounts for about 20-25 per cent of coal supplied to coal power plants annually. Therefore, coal price fluctuations will greatly affect domestic coal power plants.

Power Generation Corporation 1 (EVNGENCO1) said that coal supply in the first two months of the year encountered some difficulties, mainly due to the high prices of coal. The corporation has worked with major coal suppliers to find solutions to supplement coal sources to ensure enough coal for operation and closely follow the actual situation to develop an appropriate operating plan.

At the conference to review the work in 2021 and implement the 2022 plan of Power Generation Corporation 3 (EVNGENCO3) under Vietnam Electricity (EVN), Chairman of the Board of Directors of EVN Duong Quang Thanh asked the business to proactively take measures to ensure coal sources for power production in the current situation.

In 2021, coal prices saw continuous surges, causing the gross profits of coal-fired power enterprises to drop sharply. The gross profit margin of Hai Phong Thermal Power Joint Stock Company (HND) was only 7.1 per cent, down sharply from 17.5 per cent in 2020. Meanwhile, Pha Lai Thermal Power Joint Stock Company (PPC) suffered a gross loss of VND112.3 billion.

The sharp increase in input costs can be seen as a double difficulty for coal power enterprises when international organisations no longer support loans to develop coal power projects due to concerns about environmental pollution. This will hinder businesses that are planning to invest in new power plant projects.

Difficult transport

Crude oil price remains at nearly \$110 per barrel and is forecast to stay at a high level as the energy

demand of the global economy continues to increase.

In the domestic market, the inter-Ministry of Finance-Industry and Trade has adjusted petrol prices from March 11, 2022 with an increase of nearly VND3,000 per litre of petrol and nearly VND4,000 per litre for kerosene and oil diesel. Accordingly, the price of RON 95 petrol has approached VND30,000 per litre, while the price of 0.05S diesel oil is VND25,268 per litre.

According to HCM City Goods Transport Association, the price of petrol has soared to the highest level in the past seven years and may increase further, causing transportation enterprises to face many difficulties. Fuel costs are accounting for about 35-40 per cent for container trucks and heavy trucks; and other vehicles account for about 25 per cent on average. Businesses also have to pay many other costs such as wharf, road maintenance and BOT fees.

Many businesses have overcome the damage caused by COVID-19 that has lasted for the past two years, and the whole industry now continued to face difficulties from the increase in petrol prices.

Hoang Ha Joint Stock Company (HHG) said that the COVID-19 pandemic has severely affected the business's operations. From August to October 2021, all intercity vehicles of the company must stop working.

Last year, HHG recorded net revenue of VND94.3 billion, down 16 per cent compared to the previous year; and a post-tax loss of VND68.6 billion. HHG has suffered continuous losses since the third quarter of 2019.

Anh Duong Group Joint Stock Company-Vinasun Taxi (VNS) recorded net revenue in 2021 down 52 per cent compared to 2020, to VND485 billion and a net loss of nearly VND277.6 billion, in 2020 the loss was VND210.6 billion.

According to Ta Long Hy, Deputy General Director of VNS, from the beginning of 2022, the price of petrol has increased sharply, causing taxi businesses to choose between increasing fares or accepting losses. Vinasun had to increase freight rates to solve the problem.

3. Foreign retailers reinforce investment

Japan's UNIQLO last month announced that it will open a large-scale store in Ho Chi Minh City's Saigon Center in the next few months. With an area of more than 3,000 square metres, it will be one of the largest stores in Vietnam, playing an important role in the brand's expansion strategy two years after entering the Vietnamese market.

Osamu Ikezoe, COO at UNIQLO Vietnam, said, "We expect that once the store in the Saigon Center is launched, customer volume will double, even triple, compared to other stores."

Entering Vietnam in late 2019, UNIQLO is currently operating nine stores in large shopping malls. At the meeting with Prime Minister Pham Minh Chinh in November 2021, chairman Tadashi Yanai – who is also CEO of Fast Retailing, the owner of UNIQLO – said that the group has the ambition to open over 100 stores in Vietnam. By 2030, 30 of these stores will be operational.

Meanwhile, Vietnam's largest and fastest-growing mother and baby retail network, Con Cung, is looking for prime locations for its expansion after launching its 2,000sq.m super centre in Ho Chi Minh City's District 1 in January, following two more stores opened in District 5 and Phu Nhuan district.

The motivation for Con Cung's was an investment worth \$90 million from Quadria Capital, Asia's leading healthcare investor, in late January.

The fund will be used to support Con Cung's ambition to launch 2,000 local stores by 2025, expand its product portfolio, and launch a super app that provides personalised products and services for over the targeted five million Vietnamese mothers.

Robert Willett, operating partner at Quadria Capital said, "The retail industry is constantly evolving. It's exciting to be a part of this sector and provide care and education to its customers through a personalised omnichannel experience that is

powered by nimble online-offline expansion strategies and underpinned by AI.”

Willet expressed that he looks forward to supporting Con Cung and providing Vietnamese people with world-class products.

Tien Luu, CEO and co-founder of Con Cung, said, “We plan to open one supercentre per month with the goal of reaching 200-300 such stores across Vietnam. Transforming our store concept will better serve the ever-changing demands of young Vietnamese parents.”

Founded in 2011, the company currently operates over 600 stores across 45 cities and provinces in the country.

As Vietnam is a market of potential for retailers in healthcare, baby care, fashion, sports, and food and beverages, the expansion of many domestic and overseas retailers has been spurred. According to the 2021 Review and 2022 Outlook Highlighting Key Trends in Ho Chi Minh City, published in late January by CBRE, large corporations continued to expand last year. Both foreign and local brands were among

these, including Decathlon, UNIQLO, Central Group, and AEON Group.

Retail lease manager at Savills Ho Chi Minh City Tran Pham Phuong Quyen said that numerous large retail groups are quietly bringing new international brands of fashion, lifestyle, accessories, and outdoor sportswear into Vietnam.

“International brands in cosmetics, accessories, and consumer goods have had ambitions to launch their brands in Vietnam since 2019, but many of their projects have been stalled. They are resuming their investment plans after international flights begin to operate again in the country this year,” Quyen said.

According to Savills’ forecast, multi-brand stores with an area of 350-1,000sq.m are expected to further expand thanks to diverse goods and prices, providing an integrated destination for local customers.

The trend of opening large stores will become stronger this year. This strategy is further promoted by Vietnam’s growing domestic consumption.

4. Transparency, increased supply are needed in real estate market

The Ministry of Finance (MOF) has collected opinions for its idea on imposing property tax on real estate which aims to prevent speculation and reduce prices, thus allowing people to have more opportunities to own accommodations.

However, contrary to predictions, experts and the public don’t applaud the idea. They believe that the taxation won’t help obtain the goals that MOF wants, but will worsen the situation, while the opportunities to buy houses will become smaller.

What does the market need?

Experts believe that keeping transparent information about real estate, from development and planning to laws, will help avoid price inflation and market disturbances. However, publication of the real estate projects needs to be done in many localities.

Nguyen Van Dinh, Chair of the Vietnam Realtors Association (VRA), said after local authorities gave

warnings about the artificial land fever and publicized the information about the land use plans, the land price cooled down.

“In some localities such as Hoa Binh, land prices were inflated because prices there were still considered reasonable, but were expected to increase in the future,” Dinh said.

“The abnormal real estate price increases recently are blamed on many parties, including unclear information, which makes it difficult to assess the real value of real estate,” he commented.

Dang Hung Vo, former Deputy Minister of Natural Resources and the Environment , said that transparency and control of information play an important role in stabilizing real estate prices. However, he recommended that, in order to make information transparent, the State needs to have a database with updated information about the real estate market from the local to central levels.

Supply

According to the Ministry of Construction (MOC), the prices of houses and land increased continuously last year. As of the end of 2021, the apartment price had risen by 5-7 percent on average. Meanwhile, the prices of separate houses in projects increased by 15-20 percent and land prices by 20-30 percent compared with late 2020.

The major reason behind the price increases was the short supply. Other reasons included higher input costs, including labor force and building material price increases.

Nguyen Quoc Anh, a respected real estate expert, commented that in order to stabilize the prices, it's necessary to improve the supply. To improve supply, it's necessary to remove legal bottlenecks.

Stressing the need to improve the supply, Anh said that if imposing property tax on real estate, this would force prices down, but just in the short term.

"The prices would go down for a short time because people would have to listen to the news. Meanwhile, the prices would go up in the medium and long term," he said, adding that this could be seen in some markets such as Singapore and Malaysia.

He said that plentiful supply would create healthy competition. In a market with healthy competition, the prices would be reasonable, thus giving more opportunities to people to own accommodations.

According to Le Hoang Chau, chair of the HCM City Real Estate Association (HOREA), the housing supply in HCM City has dropped sharply because of legal problems. The current laws say that only realtors developing projects on 100 percent of residential land will be recognized as project investors.

"The regulation has made it impossible to implement hundreds of commercial housing projects throughout the country over the last five years," Chau said.

He warned that it would be a problem if Vietnam imposes property tax on real estate while still maintaining collection of land use fees, which means new taxes will be heaped on existing taxes.

HOREA has proposed a standard process for the development of commercial housing projects to define the time for each procedure and shorten the time for administrative procedures.

The association has also proposed that the Government soon amend and supplement Decree 100 to perfect the mechanism and policy on social housing development, and attract more enterprises and use the land banks reserved for social housing development.

In order to have more affordable apartments, Chau said it's necessary to apply comprehensive measures, including reductions of bank loan interest rates, and VAT (value added tax) and CIT (corporate income tax) to attract more investors.

5. Retailers make efforts to control prices

A representative of WinCommerce, which manages and operates the WinMart/WinMart+ supermarket chain, said that the consumption market was tending to enter a new price level when many suppliers and traders adjusted prices due to the impact of rising gasoline prices.

"We have also received offers to adjust prices from many suppliers. However, WinCommerce actively negotiates with partners to delay the price increase, especially for the group of necessities," the representative said.

At the same time, WinCommerce is also implementing many solutions to stabilise prices and stimulate consumer demand such as applying promotions and discounting hundreds of items to share difficulties with consumers.

A representative of LOTTE Mart also said that the continuous increase in petrol prices has put a lot of pressure on suppliers, especially fresh food suppliers. And it was difficult to predict how the price would change in the near term.

However, in order to support consumers during this time, LOTTE Mart continuously negotiates daily with partners to propose the best price for customers, ensuring adequate and abundant goods. In parallel, there are a series of promotions for essential products, and fresh food.

The LOTTE Mart representative added that the market had seen an increase in the prices of some items such as rice and cooking oil, but up to this point, the supermarket system was still trying to extend the time to raise the price, and the old price was still applied, at the same time, ensuring a stable supply of goods to serve consumers.

Tran Lam Hong, deputy general director of the Saigon Union of Trade Cooperatives (Saigon Co.op), said since before Tet (Lunar New Year) – at the end of January – some suppliers of consumer products and foodstuffs have been seeking an increase in prices, but Saigon Co.op's supermarket chains negotiated with them to keep prices unchanged.

But with petrol prices increasing to their highest ever levels, leading to a sharp increase in production and transport costs, manufacturers and distributors would suffer heavy losses if they do not increase prices, he said.

The prices of fresh foods, vegetables and fruits at traditional markets in the city have tended to rise in recent days due to the increased transport costs.

The prices of essential items will remain stable until the end of March, the HCM City Department of Industry and Trade has assured.

Due to the impact of the prices of packaging, raw materials and petroleum all increasing simultaneously, production costs have risen, leading to an increase in goods prices, but city leaders have been working with retailers to keep prices stable, Nguyen Nguyen Phuong, Deputy Director of HCM City Department of Industry and Trade said.

6. US investors pour more funds into Vietnam

At the Vietnam - US Business Summit 2022 last week, many American experts and the US business community affirmed that they attach special importance to the Vietnamese market.

Marisa Lago, US Deputy Secretary of Commerce in charge of international trade, said that in 2021 the two countries achieved positive economic growth and recovery. The US has become Vietnam's second largest trading partner and largest export market, while Vietnam has become America's ninth largest trading partner.

Ms. Marisa Lago said more than 100 US experts are currently ready to support businesses of the two countries in investing and promoting two-way trade.

"We are working on a plan to bring American businesses in the medical field to Vietnam. We are also ready to introduce leading US corporations in the energy industry," she said.

The US has nearly 1,150 operating projects in Vietnam, with a total registered capital of more than

US\$10.3 billion, ranking 11th out of 141 economies investing in Vietnam.

In 2021, despite the pandemic, many leading US corporations such as Apple, Amazon, Google, Intel announced new investments in Vietnam. For example, Intel Corporation with additional \$475 million.

Vietnam also welcomed First Solar - one of the three largest energy corporations in the US - with a project to produce solar panels with thin film technology, with a total investment of over \$1 billion. Hayward Quartz Technology INC from Silicon Valley invested \$110 million in a high-tech park in Da Nang.

The survey on business investment in 2021 by the American Chamber of Commerce in Vietnam (AmCham) shows that nearly 80% of AmCham members rated very positively or positively about the medium and long-term prospects in the Vietnamese market.

"The growth in trade and investment between the two countries will be maintained and accelerated in the coming time. The fact that the Vietnamese

government is constantly improving the business environment and removing difficulties for investors is a prerequisite for American businesses to bring capital to Vietnam," said Adam Sitkoff, AmCham Executive Director.

At the meeting between officials of the Vietnamese Ministry of Industry and Trade and a number of US corporations and businesses investing in Vietnam last week, a representative of Ford Vietnam Co., Ltd. said the firm plans to increase production capacity and recruit more workers this year.

Looking to the future, the business communities of the two countries recognize that the Vietnam-US trade and investment relationship still has great room for development. For the US, Vietnam is considered an important link in the global goods supply chain.

At the Vietnam-US Business Summit 2022, Prime Minister Pham Minh Chinh emphasized that in the new FDI attraction strategy, Vietnam places greater priority on attracting high-tech projects, digital transformation, and especially clean energy projects.

"Vietnam wishes to build a substantive, effective, focused digital transformation ecosystem, focusing

on the fields and industries that Vietnam has favorable conditions to develop and is the strength of the US, to build Vietnam into a logistics center, and improve the capacity of the health system," the Prime Minister said.

Affirming that Vietnam is an important market, a representative of ExxonMobil Group in the Asia-Pacific region said the company is implementing several gas-electricity projects in Vietnam. ExxonMobil is also developing and applying advanced technologies and solutions to support the clean energy transition in Vietnam.

Earlier, at the Vietnam-US Trade Forum, the US Embassy's Interim Representative in Vietnam, Ms. Marie Damour, said that Vietnamese - US businesses are maintaining a strong momentum of development in the fields of health care, energy, and education.

"Vietnam has committed to ambitious climate change targets at COP26, and the US is committed to supporting Vietnam in achieving these goals. Although this is not an easy goal, it is these challenges that will be an opportunity for businesses of both sides to develop sustainably, with feasible projects on renewable energy investment," said Ms. Marie Damour.

7. Ministries given specific tasks to implement socio-economic recovery programme

Prime Minister Pham Minh Chinh on March 16 signed Dispatch No. 252/CD-TTg asking for more drastic measures to implement the socio-economic recovery and development programme.

The dispatch, the second issued by the PM to direct the implementation of the programme, clarified the specific responsibilities of ministries, sectors and localities in realising tasks and solutions set in Resolution No.11 of the Government, the National Assembly's Resolution 43/2022/QH15 on fiscal and monetary policies supporting the programme and the PM's Dispatch No. 126/CD-TTg.

Accordingly, within March, the Ministry of Planning and Investment must submit to the Government and the PM the list of investment projects and capital allocation plans for them in 2022-2023 period and each year until 2023, while promptly building a plan to flexibly adjust the middle-term public investment

plan for the 2022-2025 period and the public investment capital for the programme in the 2022-2023 period. It is requested to give guidance to ministries and agencies on bidding activities for major projects.

The Ministry of Transport is requested to coordinate with relevant agencies to effectively conduct measures to speed up the eastern part of the North-South Expressway in the 2021-2025 period.

Meanwhile, the Ministry of Health will work with ministries, agencies and localities to propose the estimated capital for health care activities and projects within the programme for the 2022-2023 period and each year. The proposal must be submitted to the Ministry of Planning and Investment before March 20.

At the same time, the State Bank of Vietnam is asked to submit to the Government a draft decree guiding the implementation of policies on interest support for businesses, cooperatives and business households, along with a decree on preferential credit policies for the national target programme for socio-economic development in ethnic minority-inhabited and mountainous areas.

The Ministry of Finance is assigned to propose a decree on the rescheduling of deadlines for payment of corporate income, personal income, added value, special consumption, and land-use taxes in 2022.

The Ministry of Construction must give advice to the Government and the PM on solutions to remove

obstacles related to the management of cost and quality of the eastern section of the North-South Expressway project in the 2021-2025 period.

The Ministry of Natural Resources and Environment is requested to issue guidelines on the special mechanism for mining activities to exploit construction materials for major transport projects under the programme.

The Ministry of Labour, Invalids and Social Affairs will submit a draft decision on support to labourers in housing, while the Ministry of Education and Training is asked to propose a decision on necessary procedures for private education facilities to access soft loans.

Corporate News

8. POW: Divestment at EVNI

↑ 0.00%

On March 16, 2022, the BOD of PetroVietnam Power Corporation (PV Power) approved the plan to transfer shares in EVN International Joint Stock Company (EVNI). Details are as follows:

- Stock name: EVN International Joint Stock Company
- Stock code: EIC

- Par value: VND10,000/share
- Owning volume: 2,880,000 shares (accounting for 7.85% number of shares issued)
- Transfer volume: 2,880,000 shares
- Trading method: order matching

9. FRT: FPT Retail looks to open 300 more Long Chau pharmacies

↑ 6.89%

The meeting is scheduled to take place in HCMC on April 15.

FPT Retail said in the announcement that it is set to obtain VND27 trillion in revenues and VND720 billion in pre-tax profit in 2022, up 20% and 30% year-on-year, respectively.

Besides, the retailer will expand its business scale. By the end of 2022, it will raise the total number of FPT Shops to 717 units and Long Chau pharmacies to 700 units, in addition to launching more services and products.

Regarding its Long Chau pharmacy chain, the company will step up efforts to increase the pharmaceutical brand exposure across all of the 63

provinces and cities in the country and elevate its position in the local pharmaceutical market.

In addition, Long Chau will continue to develop around 50 exclusive products and own brand products to offer customers more quality products at reasonable prices.

Last year, FPT Retail signed a strategic deal on digital transformation with FPT Software. This year, FRT pledged to heavily invest in digital transformation projects and constantly improve its digital retailing platforms to offer better customer experience, reported *Dau tu Chung khoan* newspaper.

FRT hit its ceiling price of VND136,400, or soaring 6.98% today, March 16.

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