VIETNAM DAILY NEWS

March 21st, 2022

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Market Analysis

1. VN-Index gains for a fourth straight day on blue-chip stocks

Indices rose on Friday, with the market benchmark VN-Index marking a fourth day gain on blue-chip stocks.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index finished higher on the last trading day of the week but still hovered below the resistance level of 1,470 points. The index ended on Friday at 1,469.1 points, up 7.76 points or 0.53 per cent.

The gain was in line with expectations from Saigon-Hanoi Securities JSC (SHS).

As the rate hike of a quarter percentage point of the US Federal Reserve on Wednesday was widely expected and was already priced in, it would have little effect on the Vietnamese stock market in the short term, SHS wrote in a daily report to investors released on Thursday.

"Therefore, on the last trading day, we expect that the VN-Index is likely to continue its current rallies to gradually narrow the gap with the resistance level of 1,470 points," said SHS.

The market's breadth was positive with more stocks gaining points, while liquidity also increased sharply compared to the previous session as foreign exchange-trade funds (ETF) completed their portfolio restructurings.

Accordingly, over VND24.2 trillion (US$1.1 billion) worth of shares, equivalent to a trading volume of more than 795.7 million shares, was traded on the southern market.

The benchmark's rallies were driven by large-cap stocks, mostly in banking, real estate, manufacturing and energy sectors. Thereby, the 30 biggest stocks tracker VN30-Index climbed 7.02 points, or 0.48 per cent, to 1,476.94 points.

Eighteen stocks of the VN30 basket posted positive performance on Friday, while ten slid and two ended flat.

Data compiled by vietstock.vn showed that Vietcombank led the uptrend on Friday after rising 1.45 per cent.

It was followed by PVGas (GAS), up 2.74 per cent, boosted by strong surges of international oil prices. Brent crude and the US crude topped $100 a barrel again on Thursday due to rising concerns over the Russian supply shortage.

Also supporting the index, FPT Corporation (FPT), Vinhomes (VHM) and Hoa Phat Group (HPG), Becamex (BCM), BIDV (BID), Vietjet Aviation JSC (VJC) and Development Investment Construction JSC (DIG) also reported good performance on Friday.

On the Ha Noi Stock Exchange (HNX), the HNX-Index closed Friday at 451.12 points, up 5.05 points, or 1.13 per cent.

During the session, nearly 130.1 million shares were traded on the bourse, worth over VND3.95 trillion.

On the other hand, foreign investors were net sellers on HoSE as they net sold a value of VND229.19 billion. However, they net bought a value of VND40.32 billion on HNX..

Macro & Policies

2. Vietnam to build 3rd oil refinery

Vietnam is finalizing procedures to build an oil refinery, the third of its kind, to ensure domestic supply amid global fluctuations.

The Vietnam Oil and Gas Group (PetroVietnam) has undertaken an oil refinery with a capacity of 10 million tons/year in the southern province of Ba Ria-Vung Tau, Deputy Prime Minister Le Van Thanh said at an interpellation held on March 16 of the National Assembly's Standing Committee.

It will take 10 months to complete the investment procedures, he said, noting that the additional capacity will raise the country's oil refinery capacity to 23 million tons/year, meeting the domestic demand.

Thanh affirmed that building the third plant is a long-term solution for oil security.

In addition, PetroVietnam will increase oil drilling and crude oil extraction to serve the domestic need as well as stop exporting to increase self-sufficiency of raw materials as the domestic production currently meets only 50% of the demand.

In a related move, Prime Minister Pham Minh Chinh on March 16 worked with PetroVietnam to check the national group's operations and its capacity to meet the local demand. He requested PetroVietnam to boost exploitation and flexibly handle problems, contributing to balancing supply and demand.

He asked the group to have scenarios for fluctuations to ensure self-reliance in energy and avoid dependence on outside sources.

Oil refineries help improve the value of domestic oil and gas resources, save foreign currency and contribute to ensuring energy security, promoting industrialization and modernization.

Vietnam currently has two oil refineries ensuring 70% of the local demand. Dung Quat Oil Refinery, Vietnam's first oil refinery located in the Central Province of Quang Ngai and put into operations in 2009, has the capacity of 8.5 million tons/year.

Meanwhile, Nghi Son Oil Refinery and Petrochemical LLC (NSRP) in the Northern Province of Thanh Hoa capacity 10 million tons/year but it's a joint venture in which PetroVietnam holds only 25% of stake, the remaining are owned by Kuwait Petroleum Europe B.V. (KPE) from Kuwait 35.1%, Japan's Idemitsu Kosan Co., Ltd 35.1%, and Japanese Mitsui Chemical Inc. 4.7%.

NSRP continues reporting losses and debts of about a billion dollars since its operations in 2018. It triggers the government's concerns about oil security and consideration of building the third plant.

3. Construction material prices increase

In recent days, steel manufacturers have continued to send notices of higher prices of all types of finished steel to customers.

According to the announcement of Vinausteel Company, from March 5, 2022, it increased the selling price of rebar and coil to VND400,000.

On the same day, Viet Duc Steel Production Joint Stock Company announced the same for its customers in the North and Central markets.

Hoa Phat Hung Yen Steel Company Limited of Hoa Phat Group, Tung Ho Vietnam Steel Co. also announced increases to ensure production and business activities.

According to manufacturers, the price of billet and raw materials has increased, so the enterprises adjusted the selling price of finished steel. The selling price of steel in the market exceeded VND18 million per tonne.

Not only steel, but price of many other construction materials such as sand bricks also increases.

In HCM City's market, most building material stores and interior decoration shops have quoted higher prices for materials.

Levelling sand is more than VND200,000 per cu.m, building sand VND400,000 - 450,000 per cu.m, pipe bricks from VND1,200 to VND1,300 per piece, while cement price was more than VND90,000 per bag.

Previously, the seller of materials always shipped to customers, but now due to the high price of gasoline, the store requires buyers pay shipping fees

Interior decoration items also increased. Ceramic tiles, wood imitation plastic panels for the floor, laminate flooring, and water-based paint reported higher prices.

Hoang Minh Tien, the owner of a building material store on Ly Thuong Kiet Street, District 10, said last year, the price of building materials and interior decoration all increased, with steel increasing by three to four times.

Tien said the steel price has increased to reach VND20 million per tonne and believed their prices could rise in the near future when gasoline prices increase sharply, leading to increased freight rates.

A representative of the Vietnam Association of Building Materials told local media that due to the sharp increase in input costs, especially the skyrocketing price of gasoline, businesses had to increase their selling prices.

Thai Duy Sam, Vice President and General Secretary of Vietnam Building Materials Association, said: "Even with construction bricks, some manufacturers have just announced plans to increase the selling price by at least VND100 per piece compared to the end of 2021."

The Vietnam Steel Association (VSA) believes that construction iron and steel prices tend to increase because the cost of imported materials is relatively high.

Some experts have said that the Russia-Ukraine conflict could cause a supply shortage and increase steel prices because Russia currently accounts for about 10 per cent of the world's steel supply, while Ukraine is about 4 per cent.

In this situation, a construction contractor in Thanh Hoa Province said that the business's activities were strongly affected. He said the price of construction materials increased, labour costs also increased, making the construction of new projects difficult.

As most of the new projects signed were estimated from the end of last year when the input prices had not fluctuated, his company had signed a fixed price package, and he now faced many difficulties.

At the same time, a representative of 207 Construction Joint Stock Company said that due to the general influence of the market, the high price of building materials had a significant impact on contractors' business performance.

"Even for bidding packages implemented under an adjusted price contract, according to the coefficient announced by the local Department of Construction, the prices adjusted have followed the market," said a company representative.

According to the Head of Market Planning Department of Vicem Hoang Thach Cement Company, the company has not adjusted the selling price of cement, but the company was struggling as the input costs for all production and business activities increased.

Currently, coal for cement factories has also increased in price, not to mention transport costs have also risen sharply due to high gasoline prices.

He told local media: "If the situation of production costs continues to escalate beyond the tolerance of businesses, we will certainly have to increase the selling price."

Tu Tuan Thanh, director of Minh Tien Residential Construction and Repair Company (HCM City), said that the price of materials had increased continuously during the past year, coupled with the pandemic situation and a lack of workers.

Thanh said the situation forced him and many other companies in the same industry to increase the raw construction price by about VND1 million per sq.m to VND5-VND6 million each sq.m, making the finished cost increase to VND8-9 million per sq.m.

According to the Indian based research firm Mordor Intelligence, Viet Nam's construction market was valued at around US$60 billion in 2021, and the market was projected to register a growth rate of more than 8.71 per cent during the forecast period (2022-27).

The firm said the country's construction industry was one of the best performing in the Asia-Pacific region, adding despite losing momentum due to COVID-19, it had continued to grow strongly in 2021.

4. Fed rate hike to have limited impacts on Vietnam

As Vietnam's inflation continues to stay under control and the Fed's decision to raise its interest rates for the first time since 2018 is expected to have limited impacts on the former's economy.

The Fed's latest move, however, did not come as a surprise to the market, as many had anticipated a rise in interest rates due to the record inflation in the US during the past months.

Inflation, as gauged by the Fed's preferred core PCE (personal consumption expenditures) measure, rose by 6.1% in January, more than triple the annual target of 2%.

Against the backdrop of high inflationary pressure in the US or Europe, Vietnam's inflation remains under control, so experts suggested impacts from Fed's decision would not be significant to the foreign exchange rate or the average interest rate in the domestic market.

Nguyen Duc Do, Vice Director of the Institute of Economics-Finance (IEF) noted the aggregate demand in Vietnam has not fully recovered, so inflation would not rise soon.

"Even with the current rising prices of goods and commodities on the market, the expansion of the consumer price index (CPI) in 2020 is estimated at around 2%," he said.

In this context, Do said there would be no reason for the State Bank of Vietnam (SBV), the country's central bank, to tighten monetary policy this year.

"There is a chance for the interest rate, however, to go up slightly in 2022 when the credit demand increases," Do continued.

A report from the Viet Dragon Securities Company (VDSC) echoed Do's view by saying the possibility of rising interest rates in Vietnam would not be linked to Fed's decision, but from the resumption of business activities as the Government reopened the economy.

Meanwhile, experts suggested the exchange rate would be under greater pressure compared to last year but remains stable.

This is since Vietnam's foreign reserves have been sizable and the balance of payments is supported by a trade surplus and strong inflows of remittance from abroad.

The average growth of remittance to Vietnam for the past three years stood at 4.4% per year and could be on track to reach $18.9 billion in 2022.

Banking expert Can Van Luc shared the sentiment and said the USD/VND exchange rate may go up by a small margin, thanks to the recovery of the economy.

"In that case, there should be limited impacts on the supply-demand of foreign currency in short-term, rather than from Fed's rising interest rates," Luc added.

Bright economic prospects to keep a hold on investors

With growing uncertainties surrounding the global economy in 2022, many voiced the necessity for Vietnam to keep the interest rates and inflation under control to respond to possible external shocks.

This year, the SBV targets credit growth of 14%, slightly unchanged from the growth recorded in 2021.

Despite the limited impacts from Fed's rate hike, experts noted the Government should be cautious as the US agency may take similar actions from now on until late 2022.

In case Fed raises the rates by a larger margin, the exchange rate in the domestic market would no doubt be affected, with local importers being the first group hit by such a move.

On the other hand, companies exporting goods to international markets would gain advantages, especially those of US-bound.

For the first two months of 2022, Vietnam's exports to the US rose positively to $18.3 billion.

Another concern was the risk of investors withdrawing capital from emerging markets once the Fed continues to raise interest rates.

However, for Vietnam, the bright prospects of a strong rebound in 2022 would be able to keep a hold on investors, said Luc. Foreign direct investment (FDI) commitments to Vietnam during the first two months rose by 7.2% year-on-year to $2.68 billion.

This year, Vietnam's GDP growth may rebound to 6.5-7%, significantly higher than the 2.58% recorded in 2021. In addition, inflation is forecast to stay around 3.4-3.7%, lower than the Government's target of 4%.

5. Tourism revival blows fresh air into Vietnam estate market

The Government's decision to reopen the border for foreign tourists has brought positive signals to the tourism and resort real estate market.

Figures from the General Statistics Office (GSO) revealed the number of international tourists coming to Vietnam in February rose by 170% year-on-year, thanks to the Government's pilot program of resuming international flights.

For the two months, the number of foreign tourists to Vietnam was estimated at 49,200, up 71.7% year-on-year, 88% of them came by air.

This year, Vietnam targets to welcome 65 million tourists, including five million from aboard, for revenue of VND440 trillion ($19.2 billion).

"Covid-19 would only paralyze the tourism sector temporarily, as once the situation is put under control, it is set to boom, as travel is an essential need for the people," said Dinh Ngoc Duc, director-general of the Tourism Marketing Department under Vietnam National Administration of Tourism.

Such a bright forecast is not only good news for the tourism sector, but also for the resort real estate market, which has suffered serious blows from the pandemic for the past two years.

Experts suggested at a time when the stock and gold markets are going through a volatile period, the value of cryptocurrencies going down and the bank interest rate remains at a low level, the real estate market, especially tourism-resort projects, has emerged as an attractive option.

Challenges remain

The sector, however, also faces challenges that need to be addressed for sustainable development, said Dr. Nguyen Quang Tuyen from the Hanoi Law University.

"Many investors into condotel are facing legal issues, including the lack of regulation on the issuance of land rights certificate for tourism-resort properties," Tuyen told The Hanoi Times.

Tuyen called for greater efficiency in state governance in the real estate market, which could be done by revising the Land Law 2013, Housing Law 2014, and the Real Estate Trading Law 2014, focusing on making clear regulations on the trading of resorts and tourism properties.

He also stressed the importance of incorporating the trading and management of resort properties to the issue of environmental protection.

"The Government may consider providing incentive policies for green tourism-resort products, or encourage the adoption of circular economic models by the businesses of tourism real estate," Tuyen said.

As the Government is under the process of revising the Tourism Law 2014, Tuyen expected the law to stay consistent with other sets of regulations to create a transparent and healthy competitive environment in the tourism-resort real estate market.

"This would ensure fair treatment for different actors in this market segment," he said.

"The Government's determination to bring back normality to the economy has brought renewed optimism in the recovery of the real estate market, including the resort-tourism real estate segment, for businesses and investors. This year would be a key period for the market to recover despite existing challenges," Nguyen Van Dinh, chairman of the Vietnam Association of Realtors.

6. Petrol prices pressure inflation

According to the General Statistics Office, the consumer price index (CPI) in February increased by 1 per cent compared to January, and 1.42 per cent over the corresponding period in 2021. Core inflation in February also increased 0.49 per cent compared to January, up 0.68 per cent over the same period in 2021. In February, petrol prices increased by 47.07 per cent.

At the end of last year when preparing the economic recovery plan for 2022, the Ministry of Industry and Trade (MoIT) considered that the domestic petrol supply would meet about 70-80 per cent of the demand, leaving only 20 per cent to be imported, which was hoped to stabilise the macroeconomy, keeping inflation at 4 per cent by the end of the year.

However, the sharp drop in domestic supply ruined all plans. Vietnam's local supply mainly comes from two refineries – Nghi Son, accounting for 35-40 per cent of the market, and Binh Son, making up about 35 per cent.

Domestic supply plummeted

Do Thang Hai, Deputy Minister of Industry and Trade at a press conference on March 3 explained, "Financial difficulties and several internal reasons rendered the Nghi Son inefficient, which led to it only reaching 55 per cent of production capacity, heavily influencing the price of petrol for the end consumer."

Nghi Son's main investment purpose is to ensure energy security for Vietnam, but its operation remains inefficient. Data provided by the deputy minister also showed that Nghi Son has no way of delivering the petrol as planned,

The Nghi Son oil refinery in the north-central province of Thanh Hoa has a design capacity of 10 million tonnes of crude oil per year, but the facility is in a state of financial imbalance and cannot operate as planned. The project's investment capital was around $9 billion. Vietnam Oil and Gas Group holds only 25.1 per cent of the shares, with the rest held by overseas partners from Kuwait and Japan.

Nghi Son's statements for the first nine months of last year showed that revenue remains low, meaning a reduction of Nghi Son's equity and a loss of around $955 million.

Meanwhile, petrol has become somewhat scarce in some southern border provinces and Ho Chi Minh City. Binh Son refinery increased its capacity within the allowable range from 100 to 103 per cent, and since February 7 even to 105 per cent. However, Binh Son's increase is only equivalent to 28,000cu.m of final petrol, not enough to make up for Nghi Son's shortfall.

The MoIT is trying to ensure a stable petrol supply for March, expecting that Nghi Son will recover to full capacity in April. Nevertheless, the ministry organised additional import quotas for 10 petrol wholesalers to compensate for the shortfall from domestic production.

However, inflation control is likely to weaken if this solution remains the only one amid current geopolitical tensions further west. The domestic policies seem to not cover the increased CPI in the first two months of this year from petrol prices.

Tax reduction as stabiliser

On the one hand, the state budget increased revenues from crude oil exports, and the profits of petrol exploitation and trade improved. But on the other hand, the economy suffers from petrol imports. Domestic analysts predicted that global oil prices will continue to fluctuate following the military conflict, which caused the crude oil price to rise to around $130 per barrel.

Assoc. Prof. Dr. Ngo Tri Long, former deputy director of the Institute for Research on Market Prices under the Ministry of Finance (MoF), said that taxes could be reduced to also lower petrol prices. Reducing taxes and fees could achieve two goals at the same time – stimulating production and consumption and reducing inflationary pressure, which has lasted for nearly two years.

"The optimal option is to reduce the environmental protection tax," Long said. He cited that during the two previous years, when the aviation industry was bogged down, the MoF initiated two reductions of the environmental protection tax on jet fuel to help the industry.

However, the MoF does not seem to be interested in reducing petrol tax at the moment, as the state budget last year was less than 4 per cent of GDP. In a written response to the petition to voters in Hanoi at the end of February, the ministry said that the tax proportion in the sales price of petrol is currently lower than the general average in many countries in the world, where taxes can range between 45-60 per cent.

According to the MoF, petrol is not eligible for tax reductions from 10 to 8 per cent. Petrol is subject to several types of tax, such as 10 per cent VAT, 10 per cent import tax (if applicable), and 10 per cent special consumption tax.

However, after the prime minister sent an official letter to the MoF, the ministry on March 3 proposed to reduce the environmental tax for petrol by a mere VND2,000 (9 US cents) per litre.

Nguyen Tien Thoa, former director of the Price Management Department under the MoF, estimated that a 10-per-cent increase in prices could equate to a 0.5-per-cent reduction of GDP and an increase of 06-0.7 per cent in the CPI.

Consumers are not only affected by the increase in petrol prices but also by the increased commodity prices that follows. For example, companies in industries that use a lot of petrol would increase their rates.

"Petrol prices will decrease if the state applies policies to stabilise them, focusing on reducing taxes and even supporting capital loans," Thoa said.

7. Further delay for Russian-invested energy projects in Vietnam

According to VNDIRECT, sanctions including blocking the SWIFT connection of several Russian banks will affect Russian investment projects in Vietnam, mostly in the energy sector.

VNDIRECT also stated that the Long Phu 1 thermal power project with a total capacity of 1,200MW, developed by Power Machines, the Saint Petersburg-headquartered power engineering giant, is two years behind schedule due to an embargo.

The Quang Tri gas-fired power project with a total capacity of 340MW, which Gazprom participates in, is also two years behind schedule compared to the initial commitment.

Meanwhile, The Vinh Phong offshore wind power project with a total capacity of 1,000MW, developed by the joint venture Zarubezhneft JSC (Russia) and DEME Concessions (Belgium) signed an MoU in April.

Apart from the Quang Tri project, the other projects, Long Phu 1 and Vinh Phong, have been included in the draft Power Development Plan VIII.

"While Vinh Phong has not yet started construction, the Long Phu 1 project is falling into a deadlock because its devices have not been installed yet. However, these projects have been delayed for many years, so the new sanctions have little impact on the economy," VNDIRECT wrote.

"In addition, partners Gazprom and Zarubezhneft are also participating in oil and gas exploration projects such as Block 129-132 of the Nam Con Son basin. However, according to our assessment, these projects are all small in scale and at the exploration stage and have not yet been deployed. Therefore, the mining shutdown does not affect the size of the industry much," VNDIRECT said.

In general, the brokerage believed that the Russia-Ukraine crisis has little impact on the investment environment and foreign direct investment flows into Vietnam because direct investment from these two markets only accounts for 0.4 per cent of total foreign direct investment in Vietnam.

Data from the Ministry of Planning and Investment revealed that, as of the end of February, Russia ranked 24th among foreign investors pouring funds into Vietnam, with a total value of $953 million. Russian investment projects in Vietnam mainly focus on the energy sector.

Meanwhile, Ukraine invested $30 million into 26 projects in Vietnam, ranked 69th among countries and territories investing in the country.

Corporate News

8. DCL: Approved the result of share private placement

↓ 1.39%

The Board resolution dated March 17, 2022, the BOD of Cuu Long Pharmaceutical Joint Stock Company approved the result of share private placement as follows:

1. Private placement plan :

- Stock name: Cuu Long Pharmaceutical Joint Stock Company

- Stock type: common stock

- Par value: VND10,000/share

- Registered offering volume: 14,208,206 shares.

- Offering price: VND 25,000/share

- Time for transfer restriction: 01 year from the ending date of the offering.

- Total proceeds from the offering (estimated): VND355,205,150,000

- Ending date: March 16, 2022.

2. Result of private placement:

- Total distributed shares: 14,208,206 shares, accounting for 100% of total shares to be offered; Of which:

+ Domestic investors: 14,208,206 shares

+ Foreign investors: 0 share.

- Selling price: 25,000 dongs/share

- Total proceeds from the offering: VND355,205,150,000.

- Total expenses: VND0

- Total net proceeds from the offering: VND355,205,150,000.

9. PGI: Record date for stock issuance to raise capital

↑ 0.00%

On December 28, 2021, the Hochiminh Stock Exchange issued Announcement No.2221/TB-SGDHCM about the record date of Petrolimex Insurance Corporation as follows:

- Ex-right date: March 24, 2022

- Record date: March 25, 2022

1. Reason & Purpose: to issue shares for increasing capital from the owner's equity.

2. Content:

- Exercise ratio: 100:25 (shareholder who owns 100 shares will receive 25 new shares.)

- Expected issue volume: 22,179,443 shares

- Plan to deal with fractional shares: The distributed shares will be rounded down to dozen, the fractional shares due to rounding down will be cancelled.

- For example: at the record date, shareholder A owned 110 shares. With 100:25 performing ratio, the shareholder A will receive: 110 *25/100 =27.5 shares. According to rounding policy, the shareholder A receives 27 new shares and fractional shares of 0.5 will be cancelled.

- Place of payment:

+ Shareholders whose shares have been deposited: at the securities firms where the shares have been deposited.

+ Shareholders whose shares have not been deposited: at Petrolimex Insurance Corporation.

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