



# VIETNAM DAILY NEWS



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## Table of content

### Table of content

1. VN-Index bounces back on growth of bank stocks
2. ADB: VN set for a strong economic rebound
3. Ho Chi Minh City surprises with early economic recovery
4. Việt Nam's manufacturing sector hit by wave of COVID-19 infections
5. Businesses continue to struggle with petrol prices
6. Ministry to continue tightening bond market after Tân Hoàng Minh scandal
7. Leading restaurant company in the red for first time
8. STB: Sacombank plans to increase profits by 20%, continues to ask permission of the State Bank to pay dividends
9. BCM: Becamex sets a profit target of 2022 to increase 98%

## Market Analysis

### 1. VN-Index bounces back on growth of bank stocks

Shares bounced back slightly on Wednesday after a brief fall in the previous session, driven by growth of banks, while realty stocks continued to slide following negative news of big property firms.

On the Hồ Chí Minh Stock Exchange, the VN-Index edged up 0.19 per cent to close at 1,522.90 points. It decreased 0.3 per cent on Tuesday after a three-day rally.

Banks were the main driving force as this sector contributed nearly seven points to the VN-Index's growth while the property sector took 4.7 points.

Sixteen out of 17 listed lenders on the southern bourse gained value, of which Vietnam Prosperity Bank (VPB) was the biggest gainer, up 4.3 per cent. Big banks such as Vietcombank (VCB), BIDV (BID), Vietinbank (CTG), Techcombank (TCB) and Military Bank (MBB) increased between 0.5-2.1 per cent.

The market capitalisation of the banking industry accounted for a large part of the VN-Index basket so this index still concluded the session in the green despite the number of declining stocks outnumbering gaining ones by 285-174.

Other blue chips performed well as 20 of the top 30 largest shares by market value and liquidity increased. On the dark side, half of losers were realty firms including Vingroup (VIC), Vinhomes (VHM), No Va Land Investment Group (NVL), Vincom Retail (VRE) and Khang Điền House Trading and Investment (KDH).

Bad news is clinging to this industry group. On Tuesday evening, the Police Investigation Agency arrested another sister of former FLC Group CEO Trịnh Văn Quyết. Shares of FLC continued to slide on Wednesday, down 7 per cent to VNĐ10,600 a share. FLC's value fell more than 27 per cent since its CEO was arrested in late March.

However, bargain hunters also pushed up the market liquidity. More than 944 million shares worth VNĐ30 trillion (US\$1.3 billion) were traded, up 34 per cent in volume and 38 per cent in value compared to the previous session.

According to analysts at MB Securities Co, the market may still approach or even surpass the historical peak of 1,530 points for the VN-Index. Cash flow will differ when companies release their first quarter business result and investors should focus on basic stocks that have accumulated in recent times.

On the Hà Nội Stock Exchange, the HNX-Index slipped for a second day, losing 2.03 per cent to end at 446.83 points. The northern bourse's index decreased 0.6 per cent on Tuesday.

Liquidity also climbed here with 117 million shares worth VNĐ3.8 trillion being traded, up 25 per cent in volume and 31 per cent in value against Tuesday's levels.

Foreign traders were net buyers on HCM City's exchange for a value of VNĐ109 billion but continued to be net sellers on Hà Nội's bourse for a net value of VNĐ29 billion.

## Macro & Policies

### 2. ADB: VN set for a strong economic rebound

Việt Nam's economy is expected to make a strong come back this year with a 6.5 per cent growth forecast, said economists from the Asian Development Bank (ADB) during a press conference yesterday in Hà Nội.

ADB said the forecast is based on the country's high vaccination coverage (more than 90 per cent according to a government source and one of the world's highest), trade expansion, and continued accommodative monetary and fiscal policies.

The Southeast Asian economy reported a 2.6 per cent growth last year as renewed COVID-19 outbreaks severely hampered its economic recovery, tightened the labour market, and disrupted manufacturing and supply chains. Inflation decelerated to 1.8 per cent in 2021 from 3.2 per cent in 2020 on weak domestic demand; last year's inflation rate was the lowest since 2016.

The labour market suffered severe shocks from both the supply and demand sides as the economy weakened and workers left the labour force, which fell by 2 million workers aged 15 and over in Q3 from the previous quarter, said a report by ADB.

"High vaccination rates enabled the government to abandon harsh containment measures. This timely shift of the pandemic containment strategy helped restore economic activity and reduce bottlenecks in the business environment," said ADB Country Director for Việt Nam Andrew Jeffries.

A recovering labour market and other stimulus measures will spur industrial growth by a forecast 9.5 per cent in 2022, contributing 3.6 percentage points to GDP growth. The sector got off to a strong

start this year. The manufacturing purchasing managers' index rose to 53.7 in January (over 50 indicating expansion) and to 54.3 in February from 52.5 in December, the fourth straight month of growth.

The Government's tourism-reopening policy implemented in March and the lifting of pandemic controls are expected to boost services, with the sector forecast to grow by 5.5 per cent and contribute 2.3 percentage points to GDP growth this year. Accelerated disbursements will drive construction and related economic activities.

Improved coordination between the central and local governments and restored labour mobility will continue to build domestic and foreign investor confidence. The Regional Comprehensive Economic Partnership, which came into effect on January 1, 2022, is expected to accelerate trade recovery once the COVID-19 pandemic subsides, forming stable and reliable export markets.

On the other hand, ADB voiced concern over the high number of COVID-19 infections recorded since March, saying it may obstruct economic recovery should the country fail to bring the virus under control. Uncertainties regarding global oil prices may give spur inflation, which has been said to accelerate to 3.8 per cent in 2022 and 4 per cent in 2023.

ADB also urged the country to quickly move to reform its complex and rigid public investment procedures, saying it may hinder Việt Nam's timely implementation of the infrastructure programmes, which are crucial to long-term economic development.

### 3. Ho Chi Minh City surprises with early economic recovery

The Ho Chi Minh City economy beat experts' predictions with 1.88 percent growth in the first quarter after shrinking by 11.6 and 25 percent in the last two quarters.

"We forecast its GDP to marginally decline, and the positive result was unexpected," Tran Hoang Ngan,

head of the HCMC Institute for Development Studies, said at a meeting Tuesday.

Pointing out tax revenues increased by 9.4 percent year-on-year and industrial growth was 1 percent, he said these are signs the city's economic revival programs have been effective.

Echoing Ngan, director of the city Department of Planning and Investment, Le Thi Huynh Mai, said the city is recovering faster than expected thanks to a 2.87 percent rally by the services sector.

The services sector accounted for 96.8 percent of growth, while around 98 percent of factories have resumed operations, she added.

Trade expanded by 3.5 percent to US\$11.9 billion despite the impacts of Covid-19 and the conflict between Russia and Ukraine.

City party committee secretary Nguyen Van Nen expressed surprise at the performance, but warned against complacency saying there are growing challenges.

The country's economy, due to its great degree of openness, is vulnerable to external shocks like the conflict, risk of Covid reemerging and China's zero-Covid policy.

China is the second largest market for Vietnam and its largest source of goods.

Nen said some key metrics have yet to recover as expected, pointing out that sales of consumer goods and services declined by 4.8 percent and FDI fell by 40 percent.

People's committee chairman Phan Van Mai called on related agencies to analyze and address key limitations to keep the city on the growth path.

He warned that surging raw materials costs threaten to cause inflation.

#### 4. Việt Nam's manufacturing sector hit by wave of COVID-19 infections

The Việt Nam Manufacturing Purchasing Managers' Index (PMI) dropped to 51.7 in March from 54.3 in February, as the latest wave of the COVID-19 pandemic led to widespread labour shortages in the manufacturing sector during March, according to S&P Global.

In a report released last week, S&P Global said that although the situation still pointed to an overall strengthening of business conditions, the latest improvement was the least marked in the current six-month sequence of growth.

Central to the slowdown in the rate of improvement overall was the current wave of the COVID-19 pandemic in Việt Nam. One of the main impacts on firms came in the form of widespread infections among workers, resulting in a first decline in employment in four months, according to the report.

Staff shortages meant that firms were unable to maintain production volumes, with output falling for the first time in six months. Inflationary pressures also contributed to the drop in production, which was nonetheless only modest as some firms expanded output in line with higher new orders.

Difficulties raising production due to labour shortages led to a further accumulation of backlogs

of work, with the latest increase the most marked since September last year.

The report said the issues around the pandemic and price rises also impacted new orders at the end of the first quarter. That said, both total new business and new export orders increased for the sixth month running.

Efforts to keep up with order requirements were helped by the use of inventories given difficulties with production. As a result, stocks of finished goods decreased for the first time in three months.

The aforementioned inflationary pressures were highlighted by both of the survey's price indices in March.

The rate of input cost inflation surged higher, reaching the fastest in close to 11 years. More than half of all respondents signalled that their input prices had risen over the month, with higher costs for oil and gas mentioned in particular. Rising shipping and raw material prices were also cited.

In turn, manufacturers raised their selling prices at an accelerated pace. The increase was the fastest since last November's ten-and-a-half year high.

Although purchasing activity rose slightly in March, the rate of growth slowed sharply and was the weakest in the current six-month sequence of expansion. Stocks of purchases were also up modestly. With current production requirements falling, any inventory building largely reflected efforts to accumulate reserves.

A range of factors led to longer suppliers' delivery times in March, including the effects of the COVID-19 pandemic such as labour shortages and restrictions at the border with China. The war in Ukraine also acted to delay deliveries, with lead times lengthening to the greatest extent since last October overall.

According to the report, the severity of the latest wave of the COVID-19 pandemic and worries about inflationary pressures acted to dampen expectations for the future. Business confidence dropped to the lowest in six months. However, firms remain optimistic that output will rise over the

coming year, based on hopes that the pandemic will fade and new orders expand.

Andrew Harker, Economics Director at S&P Global, said: "The surge in COVID-19 cases in Việt Nam during March took its toll on the manufacturing sector, pushing output back into contraction territory. This was primarily due to labour shortages, as so many workers were off with infections that factories were unable to maintain production volumes.

"While firms will be hoping that infection levels start to ease soon, providing some alleviation on that front, the war in Ukraine provides a further headwind. The most noticeable impact for Vietnamese firms in March was on prices. Input costs increased at the sharpest pace in almost 11 years on the back of higher costs for oil and gas following the outbreak of war. This has dashed any hopes that inflationary pressures might be set to ease over the months ahead."

## 5. Businesses continue to struggle with petrol prices

While the reduced environmental protection tax lowered petrol prices from April 1, most transport enterprises are struggling.

Retail petrol prices fell by more than VNĐ1,000 per litre following the latest adjustment by the Ministry of Industry and Trade and the Ministry of Finance. Accordingly, the retail price of RON95 bio-fuel dropped by VNĐ1,039 to a maximum of VNĐ28,153 (US\$1.23) per litre, while E5RON92 was adjusted down by VNĐ1,021 to no more than VNĐ27,309 per litre.

Meanwhile, diesel 0.05S went up from VNĐ1,447 per litre to VNĐ25,080, and kerosene increased by VNĐ1,519 per litre.

According to the ministry, this was the second decline following seven consecutive hikes in petrol prices in 2022 that caused price increases of over VNĐ6,500 per litre.

"If the environmental protection tax stayed the same, the domestic gasoline price in this operating period would have increase," a ministry representative said.

Vũ Tuyết Hạnh, a representative of Cường Thắng Transport Company, specialising in transporting goods on the North-South route, said: "Transport enterprises expect gasoline prices to drop more as the adjustment in petrol and oil prices does not help reduce the burden on enterprises. The transport business continues to face difficulties. Many vehicles have had to stop working."

Nguyễn Ngọc Thành, director of Kim Phát Transport Company, said: "Fuel for container trucks usually accounts for about 40 per cent of the cost of transportation. But from mid-2021, the oil price has increased by about 50 per cent, and businesses cannot increase freight rates by that level."

Other transport enterprises said if freight rates increased sharply, they would undoubtedly lose customers, but if they didn't they would continue to lose money.

Nguyễn Hồng Đông, a driver on the Hà Nội - Nội Bài route, told Việt Nam News: "Currently, the price of gasoline is high, and my income is less. I will lose customers if I raise the price. Some of my colleagues have had to give up driving their cars and stay at



home because their income is not enough to cover expenses.”

Bùi Danh Liên, an expert at the Hà Nội Transport Association, said the association’s businesses were worried gasoline prices were still too high.

“More cars are in the parking lot, and companies are forced to reduce routes and trips. If gasoline prices continue to stay high, transport enterprises will not be able to hold out,” he said.

“The impact from the COVID-19 pandemic has brought businesses to a standstill, with no revenue, while the cost of driving tests and petrol increased sharply recently, leaving them struggling to survive.”

Liên said many businesses would be forced to sell cars or even go bankrupt.

The aviation industry is also in a bind because of soaring fuel prices. Vietnam Airlines calculates that if the price of jet fuel remains at US\$130 per barrel for the whole of 2022, the airline’s cost could increase by VNĐ5.7 trillion. If a barrel goes up to \$160 as forecast, costs will rise to VNĐ9.12 trillion, exacerbating the expected loss in 2022.

Experts said sea freight rates to the US and European routes, which increased again from the beginning of the year, were expected to go up again, causing Vietnamese import-export businesses to struggle.

Dương Ngọc Trung, deputy general director of SDS - MP Logistics, said the price of petrol had increased by 30 per cent from last year, raising transportation charges another 5-10 per cent.

Economists said petroleum products were currently subject to many taxes simultaneously. While petrol is not a luxury good, it still has to bear excise tax.

Economist Ngô Trí Long said it was advisable to reduce the special consumption tax on petrol again to ease inflationary pressure and avoid impacting people and businesses further.

Expert Đinh Trọng Thịnh said the special consumption tax should be levied on harmful goods and services and luxury goods, not on petrol, an essential commodity. Moreover, petrol was already subject to an environmental protection tax.

Director of the MoIT’s Domestic Market Department Trần Duy Đông said that if petrol prices continued to rise, it would consider reducing the special consumption tax.

“We still need to calculate longer and have more scenarios,” Đông said. “The ministry will propose a scenario to continue to reduce taxes on petrol, such as the environmental tax, special consumption, VAT and diversification of supply.

## 6. Ministry to continue tightening bond market after Tân Hoàng Minh scandal

After the cancellation of nine bond issuances of Tân Hoàng Minh Group, the Ministry of Finance (MoF) is drafting, amending and supplementing Decree 153 on offering and trading corporate bonds, which proposes stricter condition for bond issuers, especially in private placement.

According to current regulations, enterprises mobilise capital through private offerings following the principle of self-borrowing, self-paying, self-responsibility, while State management agencies do not issue issuance permits.

However, MoF said that there are still small-scale enterprises that mobilise capital in large volumes,

with high interest rates and without collateral or with poor quality of collateral.

“There are risks in case these enterprises issue bonds, because if their production and business activities struggle, they cannot repay the principal debt and interest to investors,” said the Department of Banking and Financial Institutions.

“Due to their higher risk nature, private placements are only suitable for professional investors who are able to analyse and assess risks and have financial ability.”

The ministry said that it has assigned the Department of Banking and Financial Institutions to draft documents and report to the Ministry of Justice for assessment of the draft amendment and supplement to the Decree 153 on offering and trading corporate bonds.

The draft decree proposes stricter conditions for bond issuers, especially in private placement.

Of which, for businesses with high debt ratios, depending on the extent, there will be requirements for collateral in order to improve safety conditions. In addition, there will be a bond trading exchange for businesses to register and trade on the exchange, meaning there is no longer an agreement transaction.

According to a representative of MoF, businesses offer bonds to every investor, regardless of who they are. Many investors, who are not professionals or know nothing about stocks and bonds, see high returns, so they invest. Therefore, the key is that investors need to be professional to avoid risks.

"Currently, regulations on professional investors are still loose, so bond sales advisors still have ways to turn amateur investors into professionals. Imposing stricter conditions is also a way to protect investors. MoF is working urgently to enact the draft in the second quarter of this year," said a representative of the ministry.

The representative also said the ministry has issued many documents directing and reminding businesses and advising investors when participating in the corporate bond market. However, there have been many violations.

MoF also said that enterprises that issue bonds must comply with and respect the law while participating in the market. Those violating laws to take advantage to manipulate the stock market will be strictly fined, creating an open and transparent stock market – a channel to raise capital for socio-economic development.

Previously, on April 4, the State Securities Commission (SSC) announced the cancellation of nine bond issuances from July 2021 to March 2022 by companies under Tân Hoàng Minh Group, with a total value of over VNĐ10 trillion (nearly US\$439 million) for disclosing false information and concealing information in private offerings.

All three companies, Viet Star Real Estate Investment Company Limited, Winter Palace Joint Stock Company, and Soleil Hotel Service and Investment Joint Stock Company are not public companies.

According to information published by the Hà Nội Stock Exchange (HNX), buyers of these nine bond issuances were all institutional investors.

Specifically, in the three bond offerings of Winter Palace Company, the company did not publicise information of investors of one offering, while the other two are owned by KIS Vietnam Securities Corporation.

Regarding two bond issuances of Viet Star Real Estate, investors are Agribank Securities JSC and Tân Hoàng Minh Hotel Service Trading Co., Ltd (Tân Hoàng Minh Group).

Soleil Company issued bonds three times, with one belonging to An Binh Securities JSC while the other two are owned by Agribank Securities JSC.

## 7. Leading restaurant company in the red for first time

Golden Gate, owner of popular restaurant chains like Kichi Kichi and Gogi House, made its first ever losses last year and attributed it to the impacts of Covid-19.

It reported a loss of VNĐ430 billion (US\$18.8 million) on revenues of VNĐ3.32 trillion, down 27 percent from 2020.

The gross profit margin declined by 1.5 percentage points to 58 percent.

The company said it cut fixed costs but not enough to offset the revenue slump, while financial expenses more than doubled due to interest.

It borrowed VND370 billion from VietinBank last year, and issued VND488 billion worth of bonds.

Golden Gate chairman Dao The Vinh said the F&B sector was badly hit by the fall in demand due to Covid.

But the situation has been gradually improving since the fourth quarter of 2021, he said, adding the

number of customers in December was up eight times from three months earlier to one million.

Founded in 2005, Golden Gate was one of the first players in Vietnam to launch restaurant chains.

It currently owns over 20 brands and nearly 400 outlets across the country, and serves 18 million customers annually.



## Corporate News

### 8. STB: Sacombank plans to increase profits by 20%, continues to ask permission of the State Bank to pay dividends

↑ 1.73%

According to the recently released AGM document, Saigon Thuong Tin Commercial Joint Stock Bank ( Sacombank , HOSE : STB ) sets a pre-tax profit target of VND 5,280 billion in 2022, an increase of 20% compared to 2021. The bank will continue to present The State Bank (SBV) plans to distribute dividends to shareholders.

In 2022, Sacombank will try to complete the project of restructuring and comprehensive digitizing the Bank's activities as soon as possible.

Sacombank sets a target that by the end of 2022, total assets will reach VND 573,500 billion, an increase of 10% compared to the beginning of the year. Total mobilized capital and credit balance are expected to increase by 10% and 12% respectively, equivalent to VND 512,700 billion and VND 435,000 billion. NPL ratio is controlled below 2%.

Pre-tax profit is expected to reach VND 5,280 billion, up 20% compared to 2021 results.

#### Cumulatively recovered VND 58,306 billion under the restructuring project

Regarding the results of the implementation of the restructuring plan to 2025, Sacombank said that it has recovered and handled backlogged assets in 2021, reaching VND 14,087 billion. In which, the Bank recovered VND 11,759 billion of the items under the Scheme, exceeding the target assigned by the General Meeting of Shareholders (VND 10,000 billion). Thereby, increasing the cumulative recovery since the implementation of the Scheme to VND 58,306 billion, reaching 67.9% of the overall plan by 2025, exceeding 7.9% of the progress.

The scale has grown continuously over the years, while the business performance has also recovered positively compared to the new period of implementing the Scheme: Deposits and loans increased by 9% and 14.4%/year on average; total income increased by 23%/year, of which service

revenue increased by 30%/year. The average monthly core profit increased from VND 50 billion in 2016 to VND 900-950 billion.

The Bank has deducted VND 8,260 billion for risk provision expenses and handling outstanding assets under the Scheme, increasing the accumulated provision since the implementation of the Scheme to VND 20,287 billion, reaching 87.5% of the overall plan of the Scheme to 2025.

Backlog assets under the scheme decreased by 57% compared to the end of 2016, only accounted for 8% of total assets.

#### Continue to ask the State Bank for permission to pay dividends to shareholders

In the period of 2022-2026, Sacombank said it will accelerate the settlement of bad debts and remaining outstanding assets through drastic implementation of debt recovery solutions, combined with risk management. It is expected that by 2023, Sacombank will complete all outstanding issues under the Scheme, thereby officially completing it before the deadline approved by the State Bank. On that basis, Sacombank will carry out procedures for obtaining permission from the State Bank to pay dividends to shareholders.

Regarding dividends to shareholders, the accumulated retained consolidated profit as of December 31, 2021 is nearly VND 8,982 billion, equivalent to nearly 50% of the Bank's charter capital, this is the amount that can be used to divide dividends to shareholders. However, at present, Sacombank is restructuring according to the project approved by the Government and the State Bank, so the dividend payment to shareholders must be approved by the State Bank. From 2019 to now, Sacombank has continuously submitted a plan to use retained earnings to pay dividends to shareholders and is currently waiting for the approval of the State Bank for implementation.

It is expected that in the period of 2022-2026, Sacombank will issue shares under the Employee Options Program (ESOP).

Sacombank 's 2022 Annual General Meeting is scheduled to be held on April 22 in both face-to-face and online formats.

## 9. BCM: Becamex sets a profit target of 2022 to increase 98%

↑ 0.27%

Industrial Development and Investment Corporation - Joint Stock Company (Becamex IDC, HOSE : BCM ) has a consolidated business plan in 2022 with total revenue of 9,680 billion VND and profit after tax reaching 2,888 billion VND, up 19% and up 98% respectively compared to the implementation of 2021.

BCM has just published documents to prepare to hold the 2022 Annual General Meeting of Shareholders on April 28.

In 2022, BCM aims to develop industry associated with science and technology; digital transformation and industrial development 4.0. Notably, BCM will continue to build and implement projects such as the World Trade Center in Binh Duong New City ( WTC ) and the Construction of a Test Area for Cross-border E-commerce.

From the above goals, Becamex sets a consolidated business plan in 2022 with total revenue of VND 9,680 billion, revenue and profit after tax of VND 2,888 billion, up 19% and 98% respectively compared to 2021.

In terms of business results, in 2021, BCM achieved VND 6,990 billion in net revenue, up 7% compared to the previous year. However, net profit decreased by 33% to VND 1,404 billion.

The main reason is due to the negative impact of the 4th epidemic wave, disrupting the supply chain, reducing investment attraction, especially in the key business of real estate (including industrial parks and industrial parks) .

With this result, BCM will submit the 2021 dividend payment at the rate of 7% in cash.

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