



VIETNAM DAILY NEWS



April 18th, 2022

Table of content

Table of content

1. Market driven down by banking stocks
2. Fertiliser companies expect higher earnings ahead
3. Property market to have strong recovery this year: Vietnam Report
4. Việt Nam business costs among the lowest in region: study
5. NA agrees to extend pilot resolution on bad debt settlement until end 2023
6. Seafood firms see Q1 revenue growth as global demand recovers
7. Wood exporters suffer as shipping fees eat profits
8. DGC: Plan for stock issuance to pay dividend for 2021
9. VNS: VNS to be put under supervision

Market Analysis

1. Market driven down by banking stocks

Markets plunged on Friday, reversing the morning course as rising selling force weigh on the general sentiment.

On the Hồ Chí Minh Stock Exchange (HoSE), the VN-Index fell by 13.56 points, or 0.92 per cent, to close the session at 1,458.56 points.

Market breadth was skewed in favour of bears with 674 falling stocks against 348 climbing. Meanwhile, market liquidity was higher than the previous session.

More than 361.9 million shares were traded on the southern bourse, worth around VNĐ11.8 trillion (US\$515.3 million).

The Hà Nội Stock Exchange (HNX) also saw lots of red on the screens. Its benchmark HNX-Index lost 6.97 points (1.65 per cent) to conclude the session at 416.71 points.

Large-cap and banking stocks were the driving force behind the overall downturn of the market.

Notably, Bank for Investment and Development (BID) led the market slump with a fall of 2.96 per cent. Others included Techcombank (TCB), VietinBank (CTG), Military Bank (MBB), VPBank (VPB) and Vietcombank (VCB).

The manufacturing sector experienced mixed fortunes with two-fifths of stocks holding steady.

While big names like Hòa Phát Group (HPG), Masan Group (MSN) and GELEX Group (GEX) lost value, Vietnam Rubber Group (GVR), Vietnam Dairy Products (VNM) and Saigon Beer (SAB) inched higher thanks to bullish sentiment.

Moving in line with the market trend, the VN30-Index which tracked the market's 30 largest companies by capitalisation plummeted by 24.27 points (1.6 per cent) to end at 1,493.74 points. Notably, 22 stocks stumbled, seven climbed and one stayed flat.

It was also worth noting that realty stocks were weighed down by selling pressure. About 191 stocks in the sector fell whereas the number of gainers was just 85. Notably, Vinhomes (VHM) lost 1.66 per cent and Vingroup (VIC) 1.22 per cent.

According to the Saigon-Hanoi Securities Corp., the world's macro and geopolitical situations have made investors cautious and unwilling to pour more money into the market.

The securities firm hoped that uplifts to investors' sentiment would come soon to help the VN-Index recover to its resistance levels.

Foreign investors dumped nearly VNĐ53.14 billion of shares. They net sold VNĐ157.97 billion on HNX while net bought VNĐ104.83 billion on the southern bourse.

Macro & Policies

2. Fertiliser companies expect higher earnings ahead

Fertiliser companies reported profit up by 5-10 times in the first quarter of this year compared to the same period in 2021, mainly thanks to the strong increase in average selling prices.

Đức Giang Chemicals Group (DGC) achieved profit of VNĐ1.5 trillion (US\$65.5 million) in Q1 this year, 7.1 per cent higher than the figure of VNĐ1.4 trillion recorded in the fourth quarter of 2021 and more than 5 times higher than the same period last year, at VNĐ292 billion.

According to estimates by SSI Research, this year, DGC's revenue will increase by 22 per cent and profit by 25 per cent. Last year, DGC's profit spiked by 352 per cent. On the market, DGC shares have increased 53 per cent since early this year.

Petro Việt Nam Cà Mau Fertiliser JSC (DCM) and Phú Mỹ Fertiliser (DPM) have not announced business results for the first quarter of 2022, but according to SSI Research's estimates, in the first quarter of this year, DCM's pre-tax profit will reach VNĐ1 trillion, up 6.6 per cent and Phú Mỹ Fertiliser's profit will reach VNĐ1.8 trillion, up 10 times over the same period last year, mainly thanks to the strong increase in average fertiliser selling prices.

In 2021, world commodity prices and fertilisers increased sharply. Since the beginning of this year, the conflict between Russia and Ukraine has pushed up fertiliser prices because Russia - one of the major fertiliser exporting powers - has been subject to economic sanctions. Therefore, domestic fertiliser enterprises continue to benefit.

This year, DCM sets a revenue target of VNĐ9.05 trillion, consolidated profit after tax of VNĐ513 billion, down 10 per cent and 72 per cent respectively compared to 2021. This prudent plan was due to DCM's concern that the Russia-Ukraine

tension will continue to negatively affect the global financial market, making oil and freight prices increase, thus supply may become scarce.

However, according to SSI's forecast, this year, DCM's revenue will increase by 31 per cent, profit will rise by 40 per cent. Last year DCM's revenue and profit increased by 31 per cent and 190 per cent.

This year, DCM will complete transition projects including conversion and supply of raw CO₂, research and development centre and a project to produce complex fertiliser from molten urea. In order to ensure the production expansion and product diversification for long-term development, Cà Mau Fertiliser also plans to invest in a Long An wholesale warehouse, a micro-organic fertiliser factory, a coal gasification plant and communications station headquarters in HCM City this year.

With DPM, SSI Research also forecasts that DPM's revenue and profit this year will increase by 22 per cent and 25 per cent, respectively, up 65 per cent and 352 per cent last year. Previously, Rồng Việt Securities Company also forecast that DPM will have positive business results in the first quarter of 2022 and may last until the second quarter of 2022 thanks to the short-term shortage of urea supply due to tensions between Russia and Ukraine, leading to higher fertiliser prices.

Although the outlook for the fertiliser industry is very bright, analysts recommend that investors buying fertiliser stocks keep a close eye on fertiliser price movements in relation to geopolitical fluctuations amid the Russia-Ukraine war. If there is a positive change in Russia's export activities, world fertiliser prices may reverse sharply. Besides, restricting exports to ensure domestic fertiliser supply is also a potential risk to fertiliser companies' business activities.

3. Property market to have strong recovery this year: Vietnam Report

Việt Nam's real estate market is forecast to have a better year compared to 2021 and gradually return to the normal performance as before the COVID-19

pandemic, according to the Vietnam Report Joint Stock Company.

The growth of this market in the near future is mainly thanks to companies' restructuring of their operations and their recovery from the negative impacts of the pandemic, along with the support of stimulus packages.

Under the Government's economic incentives, interest rates remain low and the disbursement of public investment is accelerated. Foreign direct investment continues to flow into Việt Nam and remittances stay stable (except for those from Russia and Ukraine).

In the short term, the Government's economic stimulus package, no matter which area would benefit, will bring positive effects to the real estate market, thanks to the improvement of people's purchasing power in general as well as their future income expectations.

The Vietnam Report said that the VNĐ350 trillion (US\$15.3 billion) economic support package, which is about to be implemented with nearly VNĐ114 trillion for infrastructure, will not only have a direct impact on the real estate market in the short term but also work as a driving force for the development of the market in the coming years.

The growth engine for the real estate market is not just in the post-pandemic period, but also due to the trend of urbanisation and the rise of the middle class. The increase in the number of privately-owned cars also greatly impacts the demand for some segments of high-end apartments, resorts and land plots.

Vietnam Report quoted Knight Frank's latest Prosperity report as saying that in the next five years, the growth of the super-rich in Việt Nam is forecast to reach 26 per cent, on par with China's Hong Kong and Taiwan. This is the basis for many investors to continue pursuing the high-end and luxury segment.

According to Vietnam Report, 2022 is the beginning of a new growth cycle for the domestic real estate market. Therefore, real estate companies need to grasp new trends in the market and make appropriate plans to minimise risks, improve business efficiency and meet customer needs.

A recent survey for the real estate businesses conducted by Vietnam Report has recorded some key trends of the real estate market in the future.

Vũ Đăng Vinh, Vietnam Report general director, said that the COVID-19 pandemic has accelerated the digitisation in many fields, including the real estate sector. Digitisation is implemented in activities relating to real estate transactions, asset management and provision virtual tours for real estate products.

Only a few real estate enterprises have applied digital solutions such as artificial intelligence (AI) tools, cloud computing and automation using robots, according to the survey.

However, in 2022 and the coming years, virtual tours and digital transactions will become more popular for the real estate market. Along with that, innovations related to artificial intelligence and virtual reality will bring customers better experience.

Smart facilities

According to Vietnam Report, in 2021, 22.96 per cent of customers used real estate brokerage applications and they planned to continue to use this method. By February 2022, the rate increased to 27.4 per cent.

In addition, more than 85 per cent of customers in the Vietnam Report survey said that they are willing to live in smart homes. Therefore, the enterprises developing future projects need to consider requirements on smart facilities such as car charging stations, smart security systems, smart cleaning, smart lighting and smart energy management.

Demand for smart facilities is growing not only in the housing sector but also in other segments of the real estate market such as offices for lease. Accordingly, customers tend to prefer newer buildings with better ventilation systems and modern facilities such as touch systems. All changes aim at ensuring safety in the pandemic period, improving office management and enhancing efficiency of office operation.

Therefore, besides adapting spaces to suit the trend of flexible working at home and office as well as health and safety requirements, real estate companies need to invest in tools and technology to promote the mental health of employees after the pandemic.

Modern and multi-purpose industrial park models with synchronous utility systems will also become a trend in the future, according to the Vietnam Report.

In sustainable development strategies, the enterprises prioritise choosing green and clean offices and eco-industrial parks and reduce natural resource exploitation to limit impacts on the environment but do not affect business performance.

Property developers are implementing many initiatives and applying green building methods such as solid waste management, water recycling, rainwater harvesting and use of renewable energy sources. They also have efficient design for optimising natural ventilation and ensuring green infrastructure in the buildings.

Those solutions have existed in the property market for many years but this year is expected to see more eco-friendly property projects.

However, the real estate market this year also faces many challenges and obstacles due to outstanding problems in pandemic control work of countries around the world and Việt Nam, as well as in economic recovery, such as increasing cases of COVID-19, the inflationary pressure and geopolitical instability.

4. Việt Nam business costs among the lowest in region: study

Việt Nam has among the lowest costs of doing business in its neighbourhood, with only Cambodia and Myanmar being cheaper, business transformation consultancy TMX has said in a report.

‘The Great Supply Chain Migration – Breaking down the Cost of Doing Business in Asia’ says Việt Nam has average operating costs of US\$79,280-209,087 a month.

Its average warehouse rental is the fourth lowest at \$5/sq.m/month behind only after Thailand, Myanmar and Cambodia.

This trend is expected to continue since the country is seeing a lot of warehouse construction.

In the report, experts also assess Việt Nam as having the "highest potential" in the region due to the Government's strong commitment to reducing tariffs and tax regulations, and the country's free trade agreements designed to support investors.

The country has a sizeable and affordable labour pool, and is the fourth most affordable labour market in the region with an average cost of \$108,196 a month. Only Cambodia, Myanmar and the Philippines are cheaper.

But Việt Nam has a skilled and educated workforce, which is expected to improve further in the coming years as the Government continues to push for vocational education.

A series of existing and proposed industrial parks also makes Việt Nam a promising market for future relocation of foreign enterprises, according to experts.

Manufacturing and processing continue to be its key FDI magnets, accounting for almost 60 per cent of the investment in 2020.

Consequently, the Government is building industrial parks (IPs). As of May 2021 the country had 394 IPs with a total area of 121,900 hectares.

In 2021 HCM City allocated more than 300ha of land for tech IPs.

They are oriented to serve the needs of specialised industries, thereby shortening the relocation process when foreign investors decide to come to Việt Nam.

High adoption of automation, digitisation

TMX's recent annual supply chain report, 'Building Back Better from the Pandemic: A Look into Supply Chains in the New Normal' said 60 per cent of Việt Nam's top business decision-makers are confident that there will be more application of digital tools and technologies in future, and 58 per cent agree on immediately adopting the latest digital solutions in their businesses.

These figures already reflect in the actual situation as even small and medium-sized enterprises are taking steps to invest in cloud technology (18 per cent), cyber-security (12.7 per cent) and upgrades to

software and hardware for digital transformation (10.7 per cent), it said.

In general, the market is already taking major steps towards automation, it said.

Andrew Maher, head of TMX Vietnam, said: "As Việt Nam moves to adapting to the 'new normal' of business and bouncing back from the pandemic, we see a ripe opportunity for the market to really own the China+1 strategy owing to its strategic location, highly competent workforce, and reception to automation."

5. NA agrees to extend pilot resolution on bad debt settlement until end 2023

The National Assembly (NA)'s Standing Committee has agreed to extend a pilot resolution on bad debt settlement until the end of 2023 instead of this year.

At a meeting on Thursday to consider a Government report on the implementation of NA's Resolution 42/2017/QH14 on piloting bad debt settlement of credit institutions, the committee agreed to extend the application of the resolution to December 31, 2023.

The NA approved Resolution 42 in 2017 which was set to expire on August 15 this year. Therefore, the Government had proposed the NA to extend the pilot resolution until August 15, 2024 before a new law on the issue is completed and ratified.

At the meeting, NA Chairman Vương Đình Huệ agreed with the extension, but said the extension should be only until December 31, 2023, when NA's Resolution 43/2022/QH15 on economic stimulus package ends.

Huê noted when extending the application of Resolution 42, the Government must pay attention to goals and solutions as well as streamlining guidance to ensure the adequate and consistent implementation of the resolution.

In addition, he said, it was necessary to strengthen coordination between competent agencies and ensure them to take responsibilities in the implementation of the resolution.

NA Deputy Chairman Nguyễn Khắc Định suggested that the Government make specific proposals and orientations for streamlining a legal system on bad debt and collateral settlement.

However, Định noted, the Government must consider carefully whether a special policy, such as a law or a resolution on bad debt settlement, is indispensable or just an urgent and temporary solution when the economy faced difficulties with excessive bad debts.

"Does it really need a separate law on bad debt and collateral settlement or should the Government study to amend the Law on Credit Institutions and include it in the law," he asked.

At the meeting, as being authorised by the Prime Minister, Governor of the State Bank of Việt Nam Nguyễn Thị Hồng reported that after five years of implementing the resolution, the bad debt settlement of credit institutions has achieved positive results.

Accordingly, the bad debt ratio of credit institutions was controlled at below 2 per cent. Compared with August 15, 2017 when the resolution started, total bad debts declined by 17.21 per cent at the end of last year. From August 15, 2017 to November 30, 2021, VNĐ373.3 trillion of bad debt was recovered according to Resolution 42. On average, some VNĐ5.67 trillion of bad debts were handled monthly during the application of Resolution 42, against about VNĐ2.14 trillion previously.

The Government, therefore, proposed to legislate the policies specified in Resolution 42 into a new law to continually enable the banking industry to settle bad debts of credit institutions. The issuance of a

new law on bad debt handling will help credit institutions maintain and accelerate the handling of bad debts to avoid potential risks for the economy, Hồng said.

6. Seafood firms see Q1 revenue growth as global demand recovers

Two major seafood firms have reported a surge in revenue in the first quarter thanks to surging prices and recovering demand.

Vinh Hoan Corporation, the largest listed seafood company, posted revenues of VND3.2 trillion (\$139.4 million) in the first three months of this year, up 80 percent year-on-year.

Pangasius has become its main export earner, with sales of this fish surging 160 percent year-on-year in February.

Sao Ta Foods JSC, another seafood firm, saw its revenue surge by 39 percent year on year in the first quarter to \$58.7 million.

The shares of these two seafood companies have witnessed strong gains over the past time.

Ticker VHC of Vinh Hoan traded at around VND102,600 on Thursday, up 53 percent since January while FMC of Sao Ta climbed to a record VND72,500, up 37 percent

A recent report by the Rong Viet Securities Corporation said that pangasius exports will record a strong recovery this year due to increased global demand and supply shortage from Russia. The high

selling price will last until the end of the second quarter due to increase in raw material prices.

Another report by Mirae Asset Securities said Vietnamese pangasius will directly benefit from the Russia-Ukraine conflict.

It said Russian pollock always competes directly with Vietnamese pangasius in the world market and economic sanctions imposed by the U.S. and Western countries against Russia are expected to create opportunities for the Vietnamese fish.

Vietnam's seafood exports grew by 40 percent year-on-year to US\$2.4 billion in Q1 despite direct impacts of the ongoing Russia-Ukraine crisis.

The growth was led by Pangasius catfish, whose exports increased by 88 percent to \$646 million and accounted for 27 percent of overall exports, according to the Vietnam Association of Seafood Exporters and Producers.

Shrimp remained the top seafood export item, accounting for 37.5 percent of the total at over \$900 million, up 37 percent.

7. Wood exporters suffer as shipping fees eat profits

Vietnamese wood exporters are struggling with high container shipping fees to the U.S., with many saying they are eating into their profits and slowing post-Covid recovery.

The average price of shipping a container from Vietnam to the U.S. East Coast has surged 3.4 times to \$16,333 since January last year, according to the Vietnam Logistics Association (VLA).

A VLA report also said prices to the West Coast have surged by the same ratio to \$13,667.

Worse still, there are times when prices are above \$20,000, nearly equal the value of the container's contents.

"There have been times when a container of wood is valued at \$25,000, but transportation prices to the East Coast was almost that much," Vo Thi Phuong

Lan, head of transport and delivery at VLA, said at a forum Thursday.

The U.S. is Vietnam's biggest export market for wood and wooden products, accounting for nearly 60

percent of Vietnam's total wood exports value of \$14.8 billion last year.

Exports to the U.S. alone rose 22 percent to \$8.78 billion last year.

Corporate News

8. DGC: Plan for stock issuance to pay dividend for 2021

↑ 0.32%

The Board resolution dated April 13, 2022, the BOD of Duc Giang Chemicals Group Joint Stock Company approved the plan to issue shares for 2021 dividend payment with details as follows:

- Stock name: Duc Giang Chemicals Group Joint Stock Company
- Stock type: common share
- Par value: VND10,000/share
- Stock code: ACB
- Number of shares issued: 171,080,556 shares
- Number of outstanding shares: 171,079,683 shares
- Number of treasury shares: 873 shares

- Number of shares expected to be issued: 200,163,229 shares

- Total value of issue (at par value): VND2,001,632,290,000

- Issue rate: 117% (Those who own 100 shares will receive 117 new shares)

- Plan to deal with fractional shares: The distributed shares will be rounded down to units and the fractional shares will be cancelled.

- For example: at the record date, shareholder A owned 101 shares. With 117% performing ratio, the shareholder A will receive: $101 \times 117 / 100 = 118.17$ shares. According to rounding policy, the shareholder A will receive 118 new shares and fractional shares of 0.17 share will be cancelled.

Time of implementation: expected in April 2022 or May 2022.

9. VNS: VNS to be put under supervision

↑ 3.70%

According to Announcement No.711/TB-SGDHCM and Decision No.196/QD-SGDHCM dated April 08, 2022 by the Hochiminh Stock Exchange, the stock VNS of Vietnam Sun Corporation will be put under supervision status as from April 18, 2022.

Reason: The after-tax profit of shareholders of parent company in 2020 was -207.02 billion dong and the after-tax profit of shareholders of parent company in 2021 was -273.17 billion dong.

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

Disclaimer:

Copyright 2015 Japan Securities Co., Ltd (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

Japan Securities Co., Ltd – JSI

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

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn