



VIETNAM DAILY NEWS



April 25th, 2022

Table of content

Table of content

1. Shares make gains on the back of bank, real estate stocks
2. Việt Nam's daily stock trading value ranks second in ASEAN
3. Bank deposits surge in wake of interest rate hike
4. Foreign capital pours into industrial real estate
5. IMF cautions Vietnam over rising inflation pressure
6. Drug companies see double digit growth in Q1
7. PM requests developing transparent, sustainable capital market
8. TCB: Techcombank achieves US\$1 billion pre-tax profit
9. VHM: Vinhomes to see first profit decline in 4 years

Market Analysis

1. Shares make gains on the back of bank, real estate stocks

Shares gained on Friday, bolstered by the gains of large-cap stocks in the group of banking and real estate.

On the Hồ Chí Minh Stock Exchange (HoSE), the market benchmark rose 0.66 per cent, to 1,379.23 points.

The market's breadth was negative with only 202 gainers, and 256 losers.

During the session, nearly 834.4 million shares were traded on the southern bourse, worth nearly VNĐ24.8 trillion (US\$1.07 billion).

The VN30-Index, which tracks the 30 biggest stocks on HoSE, gained 1.22 per cent, to 1,444.32 points.

Of the VN30 basket, five stocks slid, while 22 inched higher and three ended flat.

Banking stocks performed positively with gainers including Vietcombank (VCB), Sài Gòn-Hà Nội Bank (SHB), Asia Commercial Bank (ACB), Tiên Phong Bank (TPB) and Liên Việt Post Bank (LPB), Bank for Investment and Development of Vietnam (BID), Techcombank (TCB), VPBank (VPB), Sacombank (STB), Vietinbank (CTG), Sài Gòn Thương Tín Commercial Joint Stock Bank (STB) and Military Bank (MBB).

Construction and real estate stocks also gained ground such as Vingroup (VIC), Vinhomes (VHM),

Novaland (NVL), Becamex (BCM), Đất Xanh Group (DXG), Kinh Bắc Corporation (KBC), Licogi 16 Joint Stock Company (LCG), Vincom Retail (VRE) and Phát Đạt Real Estate (PDR).

Fishery and fertiliser stocks continued to decline in the afternoon session when Camimex Group (CMX), Mekong Fisheries (AAM), Cửu Long Fish (ACL), Sao Ta Foods JSC (FMC), Vĩnh Hoàn Corporation (VHC), Nam Việt Corporation (ANV), IDI International Investment & Development (IDI), Lâm Thao Fertilisers and Chemicals JSC (LAS), Phú Mỹ Fertiliser (DPM), Bình Điền Fertiliser Joint Stock Company (BFC) and Petro Việt Nam Cà Mau Fertiliser JSC (DCM) all dropped.

Eighteen out of 25 sector indices on the stock market lost ground, including IT, oil and gas, retail, seafood production, wholesale, rubber production, agriculture, and food and beverage, logistics and construction materials, securities, and insurance.

On the other side, gainers included banking, real estate and healthcare.

On the Hà Nội Stock Exchange (HNX), meanwhile, the HNX-Index lost 2.04 per cent to end at 359.12 points.

During the trading session, investors poured nearly VNĐ2.44 trillion into the bourse, equivalent to a trading volume of more than 113.5 million shares.

Macro & Policies

2. Việt Nam's daily stock trading value ranks second in ASEAN

The average daily trading value on Việt Nam's stock market has reached more than VNĐ30.84 trillion (US\$1.34 billion) per session so far this year, up 15.9 per cent from last year's figure and now the second largest in ASEAN, only after Thailand, according to the Ministry of Finance.

By the end of March, the market size had risen by 3.37 per cent from last year to close to VNĐ1.8 trillion, equivalent to 21.4 per cent of the GDP. There are 768 securities and fund certificates listed on the Hà Nội Stock Exchange (HNX) and the HCM City Stock Exchange (HOSE), while 883 others are listed on the Unlisted Public Company Market (UPCOM).

The number of securities accounts is on the rise, with more than 676,600 newly opened in the first quarter of 2022, almost equal to the 2021 figure. Total accounts have exceeded 4.98 million so far, an increase of 15.7 per cent compared to the end of last year.

However, shares have been suffering decline over the last several weeks because of negative rumours in the real estate and securities sectors coupled with rising political tensions globally. The benchmark VN-Index closed at 1,406.45 points on April 19, 6.1 per cent lower than last year's end. Similar trends have been observed elsewhere worldwide, notably in major markets like the US, Germany, the Republic of Korea, France, and Japan.

The Ministry of Finance has requested the State Securities Commission (SSC) to accelerate the improvement of related regulatory framework and finalise the strategy for the development of the stock market by 2030 to further enhance its transparency and promote stable growth.

The SSC has also been tasked to increase inspection, get tough on violators, and foster restructuring in securities and fund management firms..

3. Bank deposits surge in wake of interest rate hike

Thanks to increases in savings interest rates, deposits at banks increased strongly in the first two months of this year after declining last year.

According to the latest data from the State Bank of Vietnam (SBV), deposits increased by 1.38 per cent to nearly VNĐ11.1 quadrillion in the first two months of 2022.

Among the total, deposits of individual customers reached more than VNĐ5.46 quadrillion, up more than VNĐ56 trillion against January 2022 and VNĐ159.6 trillion against December 2021.

Deposits of corporate customers were more than VNĐ5.63 quadrillion, down VNĐ8.8 trillion against December 2021.

Last year, deposits of individual customers at banks declined as many depositors withdrew their savings to pour into more attractive investment channels amid declining deposit interest rates.

Experts attributed this year's growth to banks' application of deposit interest rate hike programmes to attract depositors. Deposit interest rates at many banks have so far increased by 0.3-0.7 per cent against late last year.

Most recently, VPBank announced the new savings interest rate list for individual customers from April 15. Specifically, the highest savings interest rate at the bank was raised from 6.7 per cent per annum to 6.9 per cent per annum, applicable to online savings of more than VNĐ50 billion on the term of 36 months. For smaller deposits, the new interest rate level at VPBank ranges from 6.1 per cent to 6.7 per cent per annum, up 0.4-0.6 percentage points against previously.

Similarly, the 12-month and 24-month savings rates at VPBank both rose by 0.4 0.6 percentage points after the adjustment.

At MBBank, new savings interest rates have been applied since April with an increase of 0.2

percentage points on short terms from one to three months and the long term of 36 months. The highest rate at the bank is currently 6.6 per cent per annum, against 6.4 per cent per annum as in March.

Many other banks have also raised the savings interest rates for individual customers such as Techcombank, NamABank, OCB, SCB, LienVietPostBank, HDBank and ACB.

Experts said the move to increase deposit interest rates at banks during this period is understandable when credit demand is rising significantly. Credit increased by 5.04 per cent by the end of March 2022, 2.3 times higher than the same period last year. This figure reflects the rapidly increasing demand for capital to serve production and business after a long period of stagnation due to the pandemic.

Saigon Securities Incorporation has recently raised its credit growth forecast in 2022 to 14.5-15 per

cent, 0.5-1 percentage points higher than its previous forecast. This will create significant pressure on savings and lending interest rates in the near future.

In the latest macro report, VNDirect Securities Company also said it would be difficult for savings interest rates to remain low this year due to higher capital mobilisation demand when credit accelerates. In addition, the inflation pressure and fierce competition from investment channels such as real estate and securities will cause interest rates to increase in order to attract idle cash flows.

This year, VNDirect forecast savings interest rates to rise by 0.3-0.5 percentage points and 12-month savings interest rate to reach 5.9-6.1 per cent per annum by the end of the year, higher than the current average rate of 5.6 per cent per annum.

4. Foreign capital pours into industrial real estate

The Vietnamese industrial real estate market continues to record positive signals, attracting a large amount of foreign capital.

The main leverage of foreign capital inflows in the first quarter of this year came from the industrial real estate segment.

VSIP Bắc Ninh Co Ltd increased capital by nearly US\$941 million for the investment project to build urban infrastructure and VSIP Bắc Ninh services, which helped the total registered capital of foreign investment in real estate to leap.

With this capital increase, Singapore continues to maintain its leading position in foreign investment flows into Việt Nam in the first quarter, with a total registered capital of \$2.29 billion, accounting for 25.7 per cent of total investment capital into Việt Nam.

In the southern province of Long An, a significant industrial park real estate from Singapore has also announced a new land fund of 20.9 hectares in Vĩnh Lộc 2 Industrial Park and 22.3 hectares in Xuyên Á Industrial Park for factories to rent.

These are the first two projects of BW in the province and are part of the company's expansion strategy in key industrial areas adjacent to HCM City.

These two projects are expected to be completed in the second and fourth quarters of next year, respectively, providing 433 square metres of two-storey ready-built warehouse.

Nguyễn Thành Thanh, head of the economic zone authority of Long An province, said that thanks to the promotion and investment attraction taking place throughout and without interruption during the pandemic last year, the process of investing in industrial land in the province has prospered from the beginning of this year.

"From the beginning of the year until now, it has attracted \$230 million in foreign direct investment (FDI), including new registration and capital adjustment into industrial parks. Domestic investment has reached over VNĐ7 trillion (\$304 million). There are many big projects, such as Coca-Cola's investment in a factory with a total capital of more than \$136 million in Phú An Thạnh Industrial Park in Bến Lức District," Thanh told *Đầu tư (Investment)* newspaper.

Long An's foreign investment attraction was based on investment procedures and licenses improving, as many businesses received certificates within the same day, he added.

The massive influx of international investors into the industrial real estate market has pushed up industrial land rents.

JLL's industrial real estate market report shows that industrial land prices still maintained strong growth momentum in the first quarter of this year, a year-on-year increase of 8.5 per cent.

This is attributed to the wave of FDI poured into the country after restoring flights and opening international borders. The average rental price of industrial land is US\$120 per metre per lease cycle.

JLL said that the ready-built factory market has moved to a larger scale to meet the needs of tenants, especially international customers who choose to lay foundations or expand production in Việt Nam, but wanted to save time, cost and quickly put businesses into operation.

5. IMF cautions Vietnam over rising inflation pressure

Vietnam's economy is recovering, but the International Monetary Fund (IMF) warns that inflation and financial risks may also be increasing.

In consultations held with top Vietnam officials recently, Era Dabla-Norris, Mission Chief to Vietnam and Division Chief in the IMF's Asia and Pacific Department, said the conflict in Ukraine was likely to have a moderate impact on the pace of recovery and inflation in Vietnam.

Despite the rise in the prices of goods and raw materials, IMF believes that inflation is still under control, which also demonstrates that economic activity is still moderate.

The IMF expects Vietnam's inflation to reach 3.9 percent by the end of the year, which is close to Vietnam's control target. GDP is expected to grow by 6 percent in 2022 and 7.2 percent in 2023.

"The near-term outlook is fraught with significant risks," Dabla-Norris said, adding that many factors can cause growth to slow and inflation to rise.

Immediate risks include an increase in geopolitical tensions and a slowing of China's growth. Risks are also posed by tightening global financial conditions as well as developments in the real estate and corporate bond markets.

Standard Chartered has also warned of rising inflationary pressures in Vietnam, citing commodity supply and geopolitical tensions. The bank believes

that the consumer price index will exceed 4 percent in 2022 and even reach 5.5 percent in 2023.

The IMF representative said that in order to have Vietnam's economy to grow and control inflation at the same time, policy formulation should be quick, and the size and structure of the policy support package should be flexible and adjusted according to the pace of economic recovery.

Fiscal policy will play an important role, especially if growth deceleration risks materialize, because room for further monetary easing is limited as long as inflation risks persist, she added.

"The timely and effective implementation of the Socio-Economic Development and Recovery Program will be critical in fostering growth. The program prioritizes the health and recovery sectors and focuses on medium-term growth prospects," she said.

In the future, fiscal policy must strike a balance between providing temporary assistance on the one hand and promoting economic transition on the other. In 2022, the overall fiscal deficit is expected to rise moderately, she added.

With regard to monetary policy, the IMF advises Vietnam to be wary of rising inflationary pressures. If persistent inflationary pressures emerge, the State Bank of Vietnam should tighten monetary policy and clearly communicate the factors that led to this decision in order to help control inflation.

The IMF also believes that in the future, credit growth policies should strike a reasonable balance between promoting economic recovery and ensuring financial stability.

"The delegation appreciates recent steps to increase exchange rate flexibility and modernize the monetary policy framework," Dabla-Norris said.

It is also critical to strengthen the banking sector's resilience in order to sustainably support growth in the medium term. As its recovery strengthens, Vietnam should stop relaxing regulations on debt classification and provisioning.

Regulations allowing debt restructuring while keeping the debt group unchanged should not be extended beyond the June 2022 deadline, as this would delay and possibly aggravate the recognition of bad assets.

Strengthen banking resilience

According to the IMF, financial sector regulation and supervision should be strengthened in order to

address emerging risks and build a more resilient banking system. It believes that a "macro-prudential framework" can help ensure financial stability. To facilitate bad debt resolution, institutional and bankruptcy frameworks should be strengthened, the IMF advised.

In conclusion, Dabla-Norris said that Vietnam requires more drastic structural reforms as well as improvements to the business environment and labor quality. Policies should take into account the implications for income and wealth inequality, she said, adding that increased inequality has been seen to reduce growth, internationally.

"Simultaneously, as we move toward emerging-economy norms, efforts should be made to strengthen governance and close data gaps," she said.

The State Bank of Vietnam targets inflation of not more than 4 percent this year.

Vietnam's economy grew by 2.6 percent last year, well below its pre-pandemic trend of 7 percent.

6. Drug companies see double digit growth in Q1

Demand for Covid-19 medicines and other items drove pharmaceutical firms' profits up in the first quarter.

The country's largest drugmaker, DHG Pharmaceutical JSC, reported a 25 percent jump in profits to VND255 billion (US\$11.1 million), its highest since 2005.

Traphaco JSC's profits rose by 55 percent to VND83 billion, and Imexpharm JSC's by 26 percent to VND52.6 billion.

Other drug companies also reported double-digit increases in profits.

DHG Pharmaceutical reported huge demand for Covid medicines such as klementin, medlon and bocalex, while the Traphaco management said cough medicines and mouthwashes were among its top sellers.

Domesco Medical Import Export JSC attributed its 32 percent growth in the first quarter to new Covid prevention and long-Covid treatment products.

Leading brokerage SSI Securities said the healthcare market would surpass pre-pandemic levels in terms of size this year.

It expected mild Covid treatment products such as fever drugs and vitamins to be top selling products thanks to Vietnam's high vaccination rate and less severe variants.

Pharmaceutical firms are expected to prosper until mid-2022 at least, it added.

Prices could rise slightly in the near future since China might tighten policies on active pharmaceutical ingredient (API) production to protect the environment, driving raw material prices up.

China accounted for 44 percent of API production in 2019, according to a report by Indian financial institution ICICI.

7. PM requests developing transparent, sustainable capital market

Developing a safe, transparent, effective, and sustainable capital market to ensure macro-economic stability was the focus of a conference chaired by Prime Minister Phạm Minh Chính on Friday.

Việt Nam’s capital market has recorded fast growth in recent years, expanding by 28.5 per cent annually on average from 2016 to 2021. It was equivalent to 134.5 per cent of GDP last year, rising 3.5-fold from 2015. In particular, the stock market was equivalent to 93.8 per cent of GDP while the bond market 39.7 per cent, according to a report delivered at the meeting.

However, the rapid growth of the stock and bond markets has also posed latent risks, it noted, pointing out some cases of market manipulation, bond mobilisation for wrong purposes, and law infringement.

Addressing the meeting, PM Chính underlined the Government’s viewpoint that wrongdoings must be strictly handled to make the market transparent and protect investors and businesses.

The Government stays persistent in the target of stabilising the macro-economy, controlling inflation, and effectively implementing the socio-economic recovery and development programme, he affirmed.

Highlighting the main tasks to achieve that target, he said at first, relevant ministries, sectors, and agencies must keep the investment climate stable, especially the consistency of policies.

The PM also ordered a legal corridor be built protecting investors in the stock and bond markets, ensure balanced development of the capital and monetary markets, and that the stock market develops healthily and sustainably to facilitate the mobilisation of medium- and long-term capital.

He stressed the Party and State’s consistent policy of not criminalising economic relations and issuing support policies to encourage enterprises to comply with laws and operate effectively and transparently, thus contributing to national development..

Corporate News

8. TCB: Techcombank achieves US\$1 billion pre-tax profit

↑ 1.15%

Techcombank became the first non-State-owned commercial bank to join Việt Nam's "billion-dollar profit" club in 2021, with a before-tax profit of VNĐ23.2 trillion, posting 47.1 per cent year-on-year increase.

The information was released at its 2021 Annual General Meeting of Shareholders held in Hà Nội on Saturday.

With this fifth consecutive year of double-digit growth, the compounded average growth rate (CAGR) of Techcombank's profits over the 2016-21 period reached a record level of 50 per cent.

During 2021, Techcombank grew its total assets by 29.4 per cent, to VNĐ568.7 trillion, while delivering an industry-leading return on assets (ROA) of 3.7 per cent. The current account and savings account (CASA) ratio reached 50.5 per cent at the end of 2021, setting another record for Việt Nam's banking sector. Techcombank also reported a capital adequacy ratio (CAR) of 15 per cent, a non-performing loans ratio (NPL) of 0.7 per cent, and a loan loss coverage ratio (LLC) of 162.9 per cent, reflecting the bank's prudent approach to risk-management.

Techcombank's investments in data and digital technology, coupled with its commitment to delivering the best service possible to customers, enabled Techcombank to achieve another year of robust financial performance in 2021, despite the challenging conditions. In 2021, the bank generated VNĐ37.1 trillion in total operating income (TOI), up 35.4 per cent year-on-year (YoY), driven by strong growth in both interest income (NII) and service fee income (NFI).

Shareholders approved the retention of all earnings to fund the investments in digital, data, and talent and support the bank's growth trajectory, as set out in the 2021-25 strategy. The 2022 performance targets confirmed that the bank is well-positioned to capitalise on economic recovery as Việt Nam emerges from the pandemic.

In 2022, before-tax profit is guided to reach VNĐ27.0 trillion, up 16.2 per cent from 2021. The bank's total credit is projected to increase 15 per cent year-on-year to VNĐ446.6 trillion, or higher, in line with the final quota granted by the State Bank of Việt Nam. Deposits growth will be managed in accordance with actual credit growth as the bank pursues optimisation of asset liability management (ALM). Techcombank plans to keep NPL below 1.5 per cent.

The bank reported that it will increase the charter capital to VNĐ35.2 trillion, an increase of 0.18 per cent in conjunction with the planned issuance of 6.3 million ESOP shares.

Responding to a shareholder's question as Techcombank has not paid dividends to shareholders for several years, Chairman of the Board of Directors Hồ Hùng Anh said the bank's steadfast vision is long-term, ensuring shareholders' shareholders and sustainable development. Retaining capital helps Techcombank have the resources to exploit business opportunities in the market with a high yield, which is better than paying dividends in the short term. In the long term, the value that Techcombank collects still belongs to shareholders.

He said it is not necessary to pay dividends by shares at this time. In 2018 Techcombank paid dividends up to 80 per cent.

"The bank's value remains the same, the stock dividend will be diluted. Many people think that the stock price will increase after the dividend, but that is not the case, the share price at that time was decreased three times. Even, shareholders also had to pay 5 per cent of their personal income when they receive stock dividends. I think that's not beneficial for the bank and shareholders," Anh added.

Regarding bond investment and real estate lending, he said that Prime Minister Phạm Minh

Chính has made it clear that the Government aims to develop a healthy capital market. In fact, the regulator is not restricting the capital market but is cleaning up and some of the negative problems that have happened recently are in the minority. Therefore, developing the capital market is the appropriate strategy that Techcombank has chosen.

When investing in bonds, Techcombank must appraise it as a medium and long-term loan, and of course, it will include a business plan, money source, and ability to repay. This is also an

opportunity for the bank to help investors and businesses invest in good bonds.

The bank has not had any problems with real estate loans with almost zero bad debt in the past five years. Its recent dispatch to suspend real estate lending is only temporary.

The chairman added that in recent years Techcombank has lent to real estate projects with reputable investors. The bank also focuses on lending to the group of homebuyers, minimising the lending of land or potentially speculative types that do not bring surplus value.

9. VHM: Vinhomes to see first profit decline in 4 years

↑ 1.09%

Real estate giant Vinhomes has cut its profit target for this year by 23 percent from last year to VND30 trillion (\$1.31 billion).

This would end its four straight years of profit growth, but it did not offer any explanation for its expectation of a profit decline.

The company, a subsidiary of conglomerate Vingroup, eyes revenues of VND75 trillion, down 12 percent, according to a document it circulated among shareholders before the annual general meeting.

It plans to launch major residential projects this year with focus on online sales, and to improve service quality at existing projects.

The company is also set to expand into industrial real estate with its first projects in Hai Phong City and Quang Ninh province in the north.

Its share has been on a downward trend since August as investors took profits after it climbed to a new peak.

It has lost nearly 21 percent this year.

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