



VIETNAM DAILY NEWS



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Market Analysis

1. Indices steady as market struggles to find momentum

Indices were little changed yesterday as the market struggled to find momentum, while large-cap stocks still faced a sell-off.

On the Hồ Chí Minh Stock Exchange (HoSE), the VN-Index dropped slightly after recovering from the recent losses, up more than 52 points in the last two sessions. It finished yesterday at 1,350.99 points, down 2.78 points, or 0.21 per cent.

The market's breadth was positive with 240 stocks edging higher, while 186 stocks slid. However, liquidity decreased compared to the previous session and stayed at low levels, with over VNĐ13.3 trillion (US\$580 million) worth of shares, equal to more than 485.1 million shares, traded on the southern market.

The index's reversal was mainly due to losses in pillar stocks as the selling force was still lingering. Of which, the 30 biggest stocks tracker VN30-Index slipped by 1.15 points, or 0.08 per cent, to 1,400.88 points.

In the VN30 basket, only seven stocks increased, while 19 declined and four ended flat.

Data compiled by vietstock.vn showed that PV Gas (GAS) posted the biggest loss, down nearly 3 per

cent. In the morning, Vietcombank (VCB) was the one leading the downtrend, but it recovered in the afternoon trade and ended unchanged.

Other big stocks contributing to the losses were Masan Group (MSN), Sabeco (SAB), BIDV (BID) and Vinhomes, down at least 1.34 per cent.

However, the market benchmark's loss was capped by gains in some large-cap stocks, mainly in the banking sector. These stocks were as Becamex (BCM), Hòa Phát Group (HPG), Techcombank (TCB), VPBank (VPB) and FPT Corporation (FPT), up in a range of 1.4-6.14 per cent.

On the contrary, the HNX-Index on the Hà Nội Stock Exchange (HNX) extended gains for the third straight session, up 3.11 points, or 0.87 per cent, to 360.2 points.

During the session, nearly 79.3 million shares were traded on the northern bourse, worth nearly VNĐ1.78 trillion.

Meanwhile, foreign investors continued to escape from the market after net selling a value of VNĐ309.74 billion on both main exchanges. Of which, they net sold VNĐ308.52 billion on HoSE, and a value of VNĐ1.22 billion on HNX.

Macro & Policies

2. Registered foreign investment down, disbursement up in first four months

Foreign investment inflows into Việt Nam during the first four months of the year saw a decline of 11.7 per cent year-on-year to around US\$10.8 billion, a report from the Foreign Investment Department (FIA) has shown.

Although a decrease of 56.3 per cent was seen in the newly-registered capital to nearly \$3.7 billion, a respective surge of 92.5 per cent and 74 per cent was recorded in the investment injected into operating projects to nearly \$5.29 billion, and capital contributions and share purchase deals to \$1.83 billion.

In addition to LEGO's new project worth \$1.32 billion, most large-scale projects were capital-added, baoquocte reported.

Among these projects were Bắc Ninh Province-based Việt Nam-Singapore Industrial Park, which raised its capital by nearly \$941 million, and South Korean Samsung Electro-mechanics Vietnam Co., which added \$920 million to its investment.

The four months also saw an additional \$306 million for Hong Kong's Goertek project and more than \$494.2 million for the Singaporean Fujifilm Business Innovation Việt Nam project.

The online newspaper cited the FIA as saying that the projects contributed to boosting foreign investment capital. That also shows the confidence and expectations of foreign investors toward the Vietnamese market.

The FIA said the opening of international routes from March 15 would positively affect investment capital flows in the near future. Despite the negative effects of the pandemic, foreign investors still put their faith in the economy and investment

environment of Việt Nam and made new investment decisions, and expanded their operating project investments.

According to the report, from January to April, disbursement of foreign direct investment (FDI) also grew positively by 7.6 per cent to \$5.92 billion.

The processing and manufacturing sector lured the largest share of FDI with nearly \$6.2 billion, accounting for 57.2 per cent of the total. The real estate sector came next with \$2.8 billion or 26.1 per cent. The two sectors of wholesale and retail, and science and technology were the runner-ups with \$667.8 million and \$357.5 million, respectively.

Singapore led 72 countries and localities investing in Việt Nam with \$3.1 billion, making up 28.8 per cent of the total FDI. It was followed by South Korea with \$1.82 billion, equivalent to 17 per cent. Thanks to a new factory worth over \$1.3 billion, Denmark ranked third with over \$1.3 billion or 12.2 per cent.

Out of 44 localities receiving FDI, the southern province of Bình Dương took the lead with \$2.35 billion, followed by northern Bắc Ninh Province with \$1.57 billion and HCM City with nearly \$1.28 billion.

According to the MPI, Vietnamese firms invested nearly \$330 million abroad in the four months, down 40 per cent year-on-year. Of the sum, over \$285 million was pumped into 34 new projects, doubling the same period last year.

Currently, there are 1,549 underway Vietnamese-financed projects overseas with a total investment of nearly \$21.55 billion. The majority of their investments came in mining, accounting for 32.3 per cent of the total, and agro-forestry-fisheries sectors, equivalent to 15.8 per cent.

3. HCMC high-end office rents jump in Q1

Grade A office rents in HCMC rose by 5.1 percent quarter-on-quarter to US\$44.9 per square meter per month last quarter.

The average rent was 5.3 percent up from a year earlier, according to real estate consultancy CBRE Vietnam.

Grade B rents averaged \$25.9, up 1.7 percent and 3.1 percent.

Similar surveys by other consultancies Colliers and Savills showed grade A rents increasing by 1-3.8 percent.

Net absorption during the quarter was 16,500 square meters compared to 15,000 in the last quarter of 2021, according to Savills.

Two sectors that achieved growth during the pandemic, information technology and logistics, accounted for nearly 60 percent of all transactions and are likely to lead demand in the next two years.

Office relocation accounted for 55 percent of transactions.

Demand for office space would keep rising, especially in sectors that would see growth such as e-commerce, real estate, electronics, IT, and communications, deputy director of Colliers Vietnam, Nhung Vu, said.

Savills added that HCMC would need around 140,000 square meters of office space for new workers this year, based on an estimate that each needs eight square meters..

4. Central bank sells US dollar forward for first time since 2018

The State Bank of Vietnam (SBV) has recently sold US dollar forward for the first time since 2018 to support the liquidity of the foreign exchange market.

In a newly released market report, Saigon Securities Incorporation (SSI) Research attributed the SBV's move to seasonal factors when FDI companies have repatriated their profits at the end of the fiscal year.

The liquidity of the Vietnamese đồng in the system is still relatively good, it noted.

SSI Research said the đồng had a relatively strong declining correction last week when pressure on the foreign exchange market appeared and the SBV sold the dollars in 3-month forward contracts to support the dollar liquidity for the market.

According to SSI Research's analysts, besides a trade deficit of up to US\$1.6 billion in the first half of April 2022, the pressure on the foreign exchange market was due to seasonal factors when FDI companies transferred their profits from Việt Nam to their parent companies at the end of the fiscal year.

In the interbank market, the USD/VNĐ exchange rate was quoted at around VNĐ22,960 per dollar last week an increase of VNĐ60 compared to the previous week, while the rate listed at commercial banks was VNĐ23,110, up VNĐ60, and at VNĐ23,380 on the free market, up VNĐ25.

The đồng has so far this year depreciated about 0.6 per cent against the dollar - a relatively low level compared to that of other regional currencies. However, SSI Research believed in the long term, the factor maintaining the strength of the đồng is still relatively positive thanks to dollar flows from the country's imports, exports, disbursed FDI and remittances.

Last week, the SBV continued to make net injection of nearly VNĐ500 billion into the banking system through the open operation market (OMO), which helped the đồng interest rates on the interbank market drop sharply in the week with overnight and one-week rates declining by 0.33 and 0.38 percentage points against the previous week to 1.90 per cent and 2.02 per cent.

Although the SBV has not yet released credit growth data for April, the analysts said credit has tended to slow in the context of the Government and the SBV's recent tough moves to restrict the corporate bond and real estate markets.

The liquidity in the stock market also slowed while the deposit interest rate at banks inched up which has helped increase the individual deposits at banks.

According to the latest data from the SBV, thanks to increases in savings interest rates, deposits at banks increased strongly in the first two months of this year after declining last year. Deposit interest rates

at many banks have so far increased by 0.3-0.7 percentage points against late last year.

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.

5. VN businesses struggle to import intermediate goods from China amid COVID lockdown

Manufacturers reliant on raw materials imported from China are struggling now after China enforced strict COVID-19 lockdown policies to curb recent outbreaks.

The spokesperson for a truck manufacturing company in HCM City told Tuổi Trẻ (Youth) newspaper that his company has been waiting for a shipment of components from China for the last three months.

Usually, the wait is for a maximum of two months, he said.

Other businesses relying on imports from China are also having difficulties and even being penalised by unhappy customers.

Logistics businesses are unable to transport goods from China to Việt Nam by sea or land due to the former's stringent safety procedures.

Phan Thị Thanh Xuân, deputy chairman of the Việt Nam Leather, Footwear and Handbag Association, said her industry imports around 70 per cent of its inputs from China, meaning the lockdown is disrupting supply.

Nguyễn Đức Thăng, director of Đáp Cầu Garment JSC, said his too company is unable to import from China.

Many of its materials are transported from ports in Shanghai, which is under a strict lockdown.

"It is impossible to find new raw materials suppliers quickly since China is the workshop of the world, supplying large volumes of materials at reasonable prices."

The company is having to renegotiate delivery dates.

Businesses and trade groups need to be pro-active about adapting to China's strict COVID policies, according to the Ministry of Industry and Trade.

It said it would help businesses access new markets to avoid relying on a single source, and make use of Việt Nam's numerous free trade agreements.

Businesses should look to source raw materials domestically rather than abroad, it said.

Many industries such as textile and garment and leather and footwear export large volumes but rely heavily on imported materials since Việt Nam's supporting industries are under-developed.

COVID outbreaks in supplying countries, including China, have been hindering local production in the last two years.

6. Central bank turns off tap, limits loans for buying property

The HCMC branch of the State Bank of Vietnam has instructed banks to limit loans for buying property as it seeks to prevent speculative bubbles in the market.

It also wants them to reduce lending for buying luxury and resort real estate.

However, they can continue to lend to meet actual demand for housing. Sacombank has already instructed its branches to stop providing real estate loans except to employees until the end of June.

Some other banks have said they would limit lending to speculative real estate in accordance with the central bank's policy.

Le Hoang Chau, chairman of the Ho Chi Minh City Real Estate Association, said that real estate is the most profitable loan category for banks with interest rates going up to 11-12 percent.

It accounts for 20 percent of loans owed to the banking sector. But credit growth dropped from 26 percent in 2018 to 12 percent last year.

Property prices have skyrocketed since 2020 as speculators buy and sell quickly, with experts fearing this will deny people with actual need for housing the chance to buy property.

7. Vietnam unlikely to meet inflation target in 2022: economists

Vietnam's economy will grow by 6-6.5 percent this year, but it will be difficult to keep inflation to the targeted 4 percent rate, a group of academics have warned.

To Trung Thanh of the team from the National Economics University attributed the rise in prices, especially of gasoline, to Russia's attack on Ukraine.

Besides, Vietnam's money supply as a ratio of GDP has been comparatively high among Southeast Asian countries and is likely to be inflationary, he said.

As a result, the team does not expect inflation this year to be contained at 4 percent or less, the target set last October by the government.

Gasoline prices have soared by 45 percent since, resulting in a 0.6 percentage point rise in the consumer price index used for calculating inflation.

Other financial institutions also warn of rising inflationary pressure, with Standard Chartered too expecting consumer prices to rise by more 4 percent in 2022 and even to 5.5 percent in 2023.

Data from the General Statistics Office shows the CPI rose by 1.92 percent in the first quarter against 0.29 percent last year.

But the agency said inflation is under control.

Thanh said growth should be the priority and in the short term the government should seek to stimulate aggregate demand to boost recovery.

In the longer term the group recommended counter-cyclical fiscal policies, close monitoring of public spending, diverting credit flows to the manufacturing sector, and cracking down on speculative markets to mitigate the risk of inflation.

Corporate News

8. CTD: Cotecons forecasts decline in profit this year

↓ -1.36%

Cotecons Construction Corporation (CTD) plans to achieve VNĐ20 billion (US\$870,400) in profit this year, a decrease of 17 per cent year-on-year.

The information was released at the 2022 Annual General Meeting (AGM) held late Monday in the southern province of Quảng Bình.

The company targets revenue of VNĐ15 trillion, an increase of 165 per cent compared to 2021.

Last year, the company achieved revenue of VNĐ9.07 trillion, completing 52 per cent of the yearly plan. Profit after tax reached VNĐ24 billion, completing 7 per cent of the yearly plan. This was the lowest profit recorded since 2006, reflecting a difficult year for Cotecons.

Responding to shareholders about this super-low profit target in 2022, Cotecons chairman Bolat Duisenov said there were a number of reasons for the figure.

The first was financial provision for bad debt, Bolat said, and that the company had to set up a reserve fund. Currently, Cotecons has 16 projects facing bad debt problems and in 2022 it is expected to make provision of up to VNĐ95 billion.

Secondly, the cost of raw materials globally as well as in Việt Nam is increasing, the cost of concrete alone has increased by 20 per cent.

The negative impact of the pandemic was still significant, strongly affecting the production and business situation in 2022.

Cotecons always considers people the most valuable asset of the company, so despite the difficult situation, the company still prioritises the livelihood of employees, not just focusing on profit, Bolat said.

Even in difficult circumstances, Cotecons still adheres to its commitment to quality despite high costs.

According to Bolat, Cotecons' backlog in 2021 reached VNĐ25 trillion. In the first quarter of 2022, the new contract value reached VNĐ10 trillion. Cotecons won nine projects, its subsidiary won 10 projects. However, a project must be built in 2-4 years. Therefore, what Cotecons is trying to achieve may not be completed in 2022.

Cotecons will see results in 2023 and beyond. The company defines a long-term, sustainable development strategy, said Bolat.

Cotecons Chairman said the company aimed to reach \$3 billion in revenue by 2025 and \$1 billion in market capitalisation. To do this, the company has identified five strategic priorities: a differentiated business model, outstanding human resources, diversified product and service lines, innovative marketing and PR, and diversification of areas. The construction industry segments that Cotecons participates in include civil, industrial, commercial, infrastructure - transportation.

At the meeting, shareholders approved a plan of the reduction of charter capital from VNĐ792.5 billion to VNĐ788 billion. Previously in 2021, the Board of Directors implemented a stock buyback of retired employees under the Employee Stock Ownership Plan (ESOP) programme. The capital for the repurchase was VNĐ23.8 trillion. The purchase price was VNĐ56,000 per share.

Shareholders also approved the plan to issue 554,785 treasury shares, accounting for 0.75 per cent of outstanding shares. In 2023, some 792,550 treasury shares will be issued, accounting for 1.07 per cent of outstanding shares.

The condition of the issuance is that the revenue in 2022 according to the audited consolidated financial statements must reach VNĐ15 trillion or more. Issuing price will be VNĐ10,000 per share.

Buyers are members of the board of directors, key managers and other employees. These shares are restricted from being transferred for a year. All proceeds from the sale of treasury shares are used to supplement working capital for the company.

Regarding the implementation time, the General Meeting of Shareholders authorises the Board of Directors to choose a specific time in 2022, after receiving the written approval of the State Securities Commission.

9. PET: Notice of foreign ownership ratio limit

↑ 0.64%

According to the Official Document No.1932/UBCK-PTTT dated April 08, 2022 by the Vietnam Securities Commission of Vietnam (SSC),

SSC approved that the foreign ownership ratio limit of Petrovietnam General Services Corporation (PET) will be 0%.

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