



# VIETNAM DAILY NEWS



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## Market Analysis

### 1. VN-Index hits 2-week low

Vietnam's benchmark VN-Index plunges 2.31 percent to 1,329.26 points Friday, the lowest in two weeks, as global markets dipped due to investors' anticipation of more U.S. interest rate rises.

The index stayed in the red throughout the day and closed 31 points lower after rising 12 points Friday.

The U.S. dollar hit 20-year highs and world stocks fell towards their lowest in over a year on Friday as markets anticipated more U.S. interest rate rises, while Asian stocks fell on worries about the hit to growth from China's zero-Covid policy, Reuters reported.

The VN30 basket, comprising the 30 largest capped stocks, saw 28 tickers in the red, with SSI of leading brokerage SSI Securities Corporation hitting the floor with a 6.9 percent drop.

It is now at the lowest in over 11 months, having lost 52 percent since the previous peak in the end of November last year.

STB of Ho Chi Minh City-based lender Sacombank fell 5.2 percent to a six-month low.

GVR of Vietnam Rubber Group fell 5 percent to an 11-month low.

GAS of state-owned Petrovietnam Gas was the sole blue chip gainer this session with a 0.4 percent rise.

Foreign investors were net sellers to the tune of VND67 billion, mainly selling VCB of state-owned lender Vietcombank and KBC of industrial real estate developer Kinh Bac City.

The HNX-Index for stocks on the Hanoi Stock Exchange, home to mid and small caps, dropped 4.26 percent, while the UPCoM-Index for the Unlisted Public Companies Market fell 1.87 percent.

## Macro & Policies

### 2. Banks plan to increase charter capital to US\$2.8 billion in 2022

The capitalisation of Việt Nam's banking sector is expected to increase by nearly US\$2.8 billion this year.

During the season of bank annual general meetings (AGM) this year, along with ambitious business plans set for 2022, 17 out of 27 listed banks have approved plans to increase capital in the year, totalling nearly \$2.8 billion.

The capital increase will mainly come from issuing shares to pay dividends, offering private placement or issuing shares to foreign strategic investors.

If the approved capital increase plans succeed, the order of capital size of banks in the market will be changed, with private bank Vietnam Prosperity Joint Stock Commercial Bank (VPBank) surpassing State-owned banks to top the list.

At the recent AGM, VPBank was given the go-ahead by its shareholders to issue its shares to staff under the employee stock ownership plan (ESOP) scheme and, at the same time carry out the plan to further strengthen its capital via the share issuance from equity and the private placement with a strategic investor to eventually bolster the bank's charter capital to VNĐ79.33 trillion.

Before the expected capital rise, Fitch Ratings said the average capital adequacy ratios (CARs) of Basel II compliant State-owned and private sector banks in Việt Nam stood at 9.2 per cent and 11.4 per cent, respectively.

According to Fitch, low capitalisation levels are likely to remain a credit weakness for rated

Vietnamese banks as rapid loan growth will make it challenging to raise capital adequacy ratios (CARs) in the next two to three years.

The rating agency said the capitalisation of Việt Nam's banking sector had improved gradually in recent years amid rising profitability and banks' capital raising efforts.

Fitch estimates that the banks that are still to become Basel II compliant need only about US\$0.6 billion of new capital to meet the local Basel II minimum CAR requirement of 8 per cent before the implementation deadline in January 2023.

"However, we calculate that the banking system's additional capital needs would rise to as much as \$10.7 billion (2.9 per cent of GDP) if banks raised their loan-loss reserves to cover potential losses from all problem loans while simultaneously maintaining average CARs at 10 per cent. State banks drive much of the shortfall due to their lower capital positions," it said.

Fitch forecasts Việt Nam's capitalisation levels will remain thin, partly reflecting rapid credit growth. Given their heightened risk appetites, the rating agency expected most Vietnamese banks to pursue in the medium term. Sustained high loan growth could eventually exacerbate asset-quality problems, especially in a severe economic downturn.

According to Fitch, the capital accumulation has been low, despite the strong profitability many domestic banks have reported in recent years. This is because most of the rise in retained earnings was consumed by rapid loan growth.

### 3. Agriculture sector witnesses large trade surplus in Q1

Việt Nam enjoyed the largest trade surplus ever, about US\$4 billion, in the first four months of this year, 3.2 times higher than the previous year, according to the Ministry of Agriculture and Rural Development (MARD).

Total trade value in agricultural, forestry and seafood products hit \$31.8 billion in the first four months, an increase of seven per cent year-on-year, the ministry reported.

Of this, exports were worth \$17.9 billion, up 15.6 per cent year-on-year, while imports totalled \$13.9 billion, down 2.3 per cent.

Aquatic exports saw the highest growth during the period at 43.7 per cent to reach \$3.6 billion. Shipments of key agricultural and forestry products exceeded \$7.4 billion and \$5.9 billion, up 10.5 per cent and 4.9 per cent, respectively. Meanwhile, those of husbandry products plummeted 19 per cent year-on-year to \$105.4 million.

Five export items with revenue exceeding \$1 billion included coffee, rice, fruits and vegetables, shrimp and timber products.

Notably, exports of coffee and shrimp stood at \$1.7 billion and \$1.3 billion, a year-on-year surge of 59.4 per cent and 38.6 per cent respectively. Export value of tra fish went up 89.6 per cent to \$894 million.

The US remained the largest export market for Việt Nam’s agricultural, forestry and seafood products with nearly \$4.9 billion, accounting for 27.3 per cent of the total exports. Around 68.2 per cent of Việt Nam’s exports to the US were timber and wood products.

China came second with over \$3.2 billion, representing 18.1 per cent of total shipments.

The third was Japan with a turnover of nearly \$1.3 billion, accounting for 7.1 per cent of the total exports. The fourth-largest export market was South Korea with a value of \$822 million.

To expand markets and boost exports, MARD would promote bilateral and multilateral cooperation

#### 4. Strategy needed for air freight to take off

Việt Nam needs to have an appropriate strategy to promote the development of air logistics and tap its large potential, experts have said.

Lê Vương Quốc, director of Gemix Việt Nam Joint Stock Company, which exports fresh fruits, said that shipping fresh farm produce to Switzerland was not easy because this country did not have seaports. As there were no direct flights from Việt Nam to Switzerland, his company must ship through a third country.

activities. The ministry is preparing to organise a trade delegation for promoting the supply of fruits and seafood in China.

At the same time, MARD will focus on negotiating and completing procedures for risk assessment and inspection to promote the export of mango and chicken meat to South Korea, pomelos and lemongrass to New Zealand; feathers, bird’s nests and products made from bird’s nest, and milk and dairy products to China; and honey to the EU.

The ministry will also visit pomelo growing areas and irradiation plants to discuss with partners plans to export pomelos to the US.

MARD has also required the departments of agriculture and rural development to monitor and report on prices, production and supply of agricultural products in localities to strengthen support in processing, domestic consumption and export, especially at border gates. Especially, the ministry will provide information about market regulations, and import and export control between Việt Nam and China.

Nguyễn Quốc Toàn, director of the Department of Agricultural Product Processing and Market Development under MARD, said that in April, the department worked with the Enterprise Development Department under the Ministry of Planning and Investment to implement digital transformation in small businesses, and the wider agricultural sector. That would help this sector and enterprises gain more efficiency in production and business, including export of farming, forestry and seafood products in the future.

Quốc said this pushed up transportation costs, and his company could only export in a small volume.

In addition, air freight rates in Thailand were always around 30 per cent lower than in Việt Nam, plus there is a direct route from Thailand to Switzerland, which makes it difficult for Vietnamese firms to compete with Thailand.

Nguyễn Đình Tùng, general director of Vina T&T Group Import – Export Company, said transporting

agricultural products by air would ensure quality and shorten the time compared to by railway or by sea. However, high air logistics charges remained a limitation.

Tùng pointed out that many Vietnamese airlines had not yet built routes to countries like Switzerland, Canada and the US, and shipping largely depended on foreign airlines.

In a recent workshop, Wackerbauer Lars, senior advisor of IPP Air Cargo, the first cargo airline in Việt Nam, said that more than 80 per cent of Việt Nam's logistics market was in the hands of foreign companies. Meanwhile, the freight demand kept increasing, fuelled by the boom of e-commerce.

What made Việt Nam's air logistics less competitive was that the freight rates remained high, he said, adding that airlines had not paid adequate attention to and poured adequate investment in air cargo transportation while the infrastructure system was limited.

Statistics of the Ministry of Industry and Trade showed that the market share of international airfreight of three domestic carriers, Vietnam Airlines, Vietjet Air and Jetstar Pacific, was around 12-15 per cent, while the rest was foreign airlines.

Meanwhile, the air logistics of Việt Nam had significant room for growth, driven by the enforcement of free trade agreements which would boost the goods circulation volume.

According to the International Air Transport Association, air logistics of Việt Nam could expand at an average of 6.7 per cent per year in 2015-35, higher than the world average at 3.9 per cent and 4.6 per cent of the Asia-Pacific region.

In 2021 when the COVID-19 pandemic was complex, international passenger transportation dropped by

93 per cent to 500,000, but cargo transportation increased by 21.3 per cent to 1.1 million tonnes over 2020.

Among five major airlines in operation in Việt Nam, none had professionally and separately invested in cargo transportation. IPP Air Cargo which specialises in cargo transportation is waiting for approval.

Airlines should cooperate with enterprises in the logistics industry to establish an air logistics chain to make transportation more convenient and efficient at more reasonable costs.

According to Trần Thanh Hải, Deputy Director of the Import-Export Department under the Ministry of Industry and Trade, Việt Nam has huge potential for developing air logistics.

However, ground infrastructure was one of the major challenges.

Airport infrastructure had not invested adequately for cargo freight. There are currently 10 international airports in Việt Nam, but only two of them, Nội Bài and Tân Sơn Nhất, have centres for air logistics.

Little attention was being paid to developing specialised centres for air logistics, which required large scale development and the integration of services and connectivity to reduce logistics costs.

It was necessary to have a strategy and cooperation with enterprises and organisations in the logistics industry to promote air logistics development, Hải said.

“An appropriate development strategy is important for air cargo transportation to take off,” Hải said.

## 5. Vietnamese logistics enterprises neglect information security

A recent survey by the Việt Nam Logistics Research and Development Institute (VLI) shows that Vietnamese businesses do not pay much attention to the information security of online platforms.

Only 5.26 per cent of businesses believe that security neglect hinders the digital transformation process of enterprises.

The survey also shows that 38.24 per cent of logistics enterprises believe that COVID-19 has

formed a need for digital transformation, while 42.65 per cent of enterprises believe that the impact of COVID-19 is changing the needs of customers, such as using more electronic transactions and e-commerce delivery services.

In addition, other trends have been formed, such as changing the concept of logistics business operation and the ability to work remotely.

Enterprises participating in the survey showed an interest in the important role of digital transformation. However, the process generates many difficulties and barriers, such as technical compatibility between their businesses and partners in the logistics service chain (44.74 per cent), limited funding and human resources (42.11 per cent).

Nearly 40 per cent said that they had not yet found the right conversion technology, and 28.95 per cent wondered how to spend appropriate investment and how to start the process.

Moreover, converting a huge amount of existing information to a digital platform was also an obstacle for 15.97 per cent of businesses.

Meanwhile, logistics businesses do not pay attention to the information security of online platforms, and only 5.26 per cent of businesses think that this is an obstacle to the transformation process of enterprises.

The survey results show that to promote a strong digital transformation, it is necessary to closely cooperate with logistics enterprises in the whole service chain network to make the right decisions in choosing the right application or platform.

Digital transformation depends a lot on the mindset of business leaders and must be seen as a strategy for businesses including small and medium enterprises, said VLI.

Logistics businesses have the characteristics of operating with a large amount of data (big data), the number of orders can be from a few hundred thousand to a million orders per day, and the need for digital transformation becomes a matter of urgency and a prerequisite for the performance of the activity.

It is worth noting that although there are many difficulties affecting the application of information technology and the digital transformation of Vietnamese logistics enterprises, businesses have made great efforts to invest in and apply the information technology needed.

Specifically, 75 per cent of businesses are using FMS (forwarding management software); 63.89 per cent of enterprises are using OMS (order management software) and WMS (warehouse management software); and 61.11 per cent of businesses are using TMS (transportation management software).

Applications that can optimise operations such as VRP (vehicle routing system); or AS/RS (automatic picking and storage system); and automatic guided vehicles are used by few enterprises, 19.4 per cent, 16.67 per cent and 11.11 per cent, respectively.

The application of drone technology has not been used at all, but 11.11 per cent of Vietnamese logistics enterprises plan to use it in the future.

## 6. Petroleum demand forecast 5.2 million m3 in Q2

Demand for gasoline in the second quarter is forecast at about 5.2 million cubic metres (m3).

The Ministry of Industry and Trade has informed the situation of the petroleum market in the second quarter, after supply uncertainties in the first quarter.

Total petroleum demand for the domestic market is about 20.6 million m3 this year. Meanwhile, the Ministry of Industry and Trade said that the supply would reach about 6.7 million m3 this quarter.

The Ministry of Industry and Trade affirmed that the above supply would meet the consumption demand in the second quarter. The inventory will be about 1.5 million m3 in the third quarter.



To ensure the domestic petroleum supply, the Ministry of Industry and Trade said it would continue to direct petroleum dealers in allocating total sources and additional minimum import quotas, which the Ministry of Industry and Trade assigned in the second quarter.

The ministry also asked dealers to report on specific plans for petroleum production and supply from domestic production sources in balance with domestic consumption demand and adjust the allocation of petrol and oil import quotas to traders in the last six months.

At the same time, the ministry requested coordination with the Ministry of Finance to manage gasoline prices in close contact with world gasoline price movements, in line with domestic petroleum

supply and demand to ensure harmonisation of interests among petroleum market participants.

The ministry also directed the market management force nationwide to continue strengthening the inspection and control of the market.

In particular, it requested the Committee for State Capital Management at Enterprises to direct Việt Nam Oil and Gas Group to urgently work and negotiate with relevant parties to quickly resolve the internal problems in the joint venture at the Nghi Sơn refinery.

The petrochemical plant aims to ensure the stable production and supply of petroleum for the domestic market.

## 7. Pangasius exports to US fetch record prices

The average price of Việt Nam's tra fish (pangasius) exported to the US increased sharply in the first quarter of this year to the highest ever level of US\$4.5 per kilogramme, according to the Việt Nam Association of Seafood Exporters and Producers.

Exports to the market grew by 123 per cent year-on-year to \$160 million since demand was high and supply was modest. Increased transportation costs due to the impact of COVID-19 was a contributing factor to the increase in prices, not only to the US but to all markets.

Exports to the EU market fetched \$2.9-\$3.45 per kilogramme.

Total exports topped \$646 million, year-on-year growth of 88 per cent, according to VASEP.

The high global demand drove up the average export price of frozen pangasius fillet to \$3.4, \$0.25 higher than in January this year.

In the Chinese market too, prices are much higher than last year, ranging from \$2.4 to \$3.25 per kilogramme compared to \$1.9 - 2.7 a year earlier.

After falling for many exports to the EU jumped by 86.2 per cent in the first quarter of 2022 to \$46.7 million, with huge increases seen in shipments to all the major markets in the bloc like the Netherlands (86 per cent), Germany (97 per cent), Belgium (120 per cent), and Spain (67 per cent).

It is forecast that the demand for essential goods, including food and seafood, will increase sharply in the EU providing a good opportunity for Vietnamese companies to export frozen pangasius, VASEP said.

In the second quarter too exports to these major markets are likely to rise sharply due to a shortage of cod and pollock supply from Russia.

Dương Nghĩa Quốc, chairman of the Việt Nam Pangasius Association, said China has large demand for Vietnamese pangasius, and, along with the promotion of trade relations between the two countries, it is also essential to provide information about China's zero-COVID policy and food safety and hygiene regulations to local businesses.

The price of commercial pangasius in the domestic market rose by 40 per cent this year to VNĐ30,000 per kilogramme.

## Corporate News

### 8. PLX: Petrolimex's profit falls 40% despite soaring oil prices in Q1

↓ -3.78%

Soaring crude oil prices in the international market helped many oil and gas enterprises achieve great business results in the first quarter, but Petrolimex witnessed a different story after posting a sharp fall in profit during the period.

In its first-quarter consolidated financial statement, Petrolimex (HoSE: PLX) reported net revenue of over VNĐ67 trillion (US\$2.9 billion), up 75.2 per cent on-year.

However, gains in the cost of goods sold, which rose 84.3 per cent, caused a drop of 21.1 per cent in gross profit in the first quarter to nearly VNĐ2.8 trillion. Thereby gross margin also halved from 8.8 per cent to 4.1 per cent.

Moreover, during the period, Petrolimex's financial expenses jumped nearly 61 per cent year-on-year, while selling and administrative expenses were unchanged.

Therefore although financial revenue and profit from joint ventures and associates inched higher, the company's profit after tax still decreased by nearly 40 per cent to VNĐ442.4 billion.

Of which, profit after tax belonging to shareholders of the parent company slipped by 63 per cent to only VNĐ243.3 billion. Earning per share ratio also dropped from VNĐ602 to VNĐ208 in the first quarter of 2022.

Petrolimex, holding more than 50 per cent of the domestic gasoline retail market share, said that the result was due to rising local demand post-pandemic, while supplies were tightened and international oil prices have surpassed and hovered above \$100 per barrel since Russia's military operations in Ukraine.

“In the first quarter, solutions to prevent COVID-19 in many countries have been effective, bringing production, business and trade activities in domestic and global markets gradually back to

normal. And then boosted gasoline consumption,” the company said.

“On the other hand, the conflict between Russia-Ukraine raised concerns about energy supplies, pushing US West Texas Intermediate (WTI) crude higher, from \$75.88 a barrel to \$102.07 after the first three months of the year.

“However, during the period, Nghi Son Refinery and Petrochemical LLC reduced oil output, while some technical issues also forced it to halt production sometimes.”

As it was unable to fulfil signed contracts, the company had to change its importing plan, seeking supplies with higher prices, Petrolimex explained.

As of March 31, its inventories rose more than 84.2 per cent on-year to VNĐ24.2 trillion, accounting for nearly 30 per cent of its assets.

On the contrary, PV Oil (UPCoM: OIL) - Việt Nam's second-biggest gasoline retailer, saw an extraordinary quarter. Its business results showed that in the first quarter of 2022, its net revenue doubled that of the same period of last year to nearly VNĐ23.3 trillion, with profit after tax climbing 1.5 times to VNĐ283 billion.

PV Oil said that it was also affected by rising oil prices and tightening supplies. But in its asset structure, the inventories were nearly VNĐ5.2 billion, accounting for only around 14.3 per cent of its total assets which was half of Petrolimex's inventories.

PV Gas (HoSE: GAS) also witnessed a great result in the first quarter. The firm said that higher liquified petroleum gas (LPG) consumption, that increased by 19 per cent over last year, and higher oil prices helped its net revenue reach nearly VNĐ26.7 trillion, up 53 per cent. Deducting expenses, PV Gas posted a gain of 69 per cent in net profit to VNĐ3.4 trillion.



This is the highest quarterly result since 2018.

At the 2022 Annual General Meeting of Shareholders held in April, its executive board estimated that if oil prices increase/decrease by \$5 a barrel, revenue can increase/decrease by VNĐ1.5 trillion, resulting in an increase/decrease of about VNĐ500 billion in profit before tax.

Vietnam Oil and Gas Group (Petrovietnam) said that in the first quarter, higher international oil

prices favourably supported companies providing exploration and drilling services of the group.

PetroVietnam Technical Services Corporation (HNX: PVS) reported a net revenue of VNĐ2.8 trillion in the first quarter with profit after tax of VNĐ250.3 billion, up 44.2 per cent and 52.9 per cent year-on-year. Of which, gross profit margin fell from 6.8 per cent to 5.1 per cent.

## 9. PAN: PAN Group reports surge in revenue and profit growth

↓ -4.6%

The PAN Group JSC reported net revenues and profit after tax of nearly VNĐ 2.95 trillion (US\$128.68 million) and VNĐ168 billion (\$7.34 million) in the first quarter, a year-on-year increase of 75 per cent and 234 per cent.

According to its consolidated business results, most member companies saw revenues rise sharply compared to a year earlier.

They were up 38 per cent at the Vietnam Fumigation Joint Stock Company (VFG), the Vietnam National Seeds Group (NSC) and Long An Food Processing Export JSC (LAF), by 114 per cent at the Bến Tre Aquaproduct Import and Export JSC (ABT) and 37 per cent at the Sao Ta Foods JSC (FMC) and Khang An Foods (KAF).

Companies with significant profit growth were FMC, KAF (both up 36 per cent), VFG (61 per cent), and NSC (10 per cent).

ABT achieved profit after tax of VNĐ7 billion this year from VNĐ700 million last year.

Profit after tax attributable to shareholders of the parent company reached VNĐ77 billion, up 245 per cent from the same period last year. The growth

came mainly from seeds and rice, shrimp exports, fumigation, and agro-chemicals.

This year is expected to be one of outstanding growth for the company since the demand for food is increasing after the pandemic and uncertainties caused by the war in Ukraine.

Another subsidiary, the Vietnam Fumigation Company, recently signed a deal to distribute two key products of global giant Syngenta, which is expected to help increase revenues by thousands of billions of đồng.

A number of new factories put into use by Sao Ta Foods JSC, Khang An Foods and 584 Nha Trang are also considerable growth drivers for the company.

At its annual general meeting on April 26, shareholders approved the business plan for 2022 with revenues of VNĐ14.3 trillion and profit after tax of VNĐ755 billion, up 54.6 per cent and 47.8 per cent from last year.

The company decided to not pay dividends for 2021 and 2022 and instead use resources to fund growth.

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