



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. VN-Index ends gaining streak

Vietnam's benchmark VN-Index ended its gaining streak with a 0.07 percent drop to 1240.71 points Friday as investors keep treading cautiously.

The index mostly stayed in the green in the morning but started to fall after lunch, closing 0.93 points lower and ending its three-session winning streak.

It surged 6 percent this week thanks to a 56.4-point rise Tuesday, but has dropped over 18 percent since the beginning of 2022.

Trading on the Ho Chi Minh Stock Exchange fell marginally to VND12.46 trillion.

The VN-30 basket, comprising the 30 largest capped stocks, saw 17 tickers lose, led by SAB of brewery Sabeco with a 3.9 percent loss.

MSN of conglomerate Masan Group dropped 2.4 percent and ended its 21-percent gain over the last three sessions.

VNM of dairy giant closed 1.3 percent lower, and GAS of Petrovietnam Gas fell 1.2 percent.

Other losers included three lenders: VCB of largest player Vietcombank, down 0.9 percent, CTG of VietinBank, down 0.8 percent, and STB of Sacombank, down 0.7 percent.

Ten blue chips gained, with PNJ of Phu Nhuan Jewelry rising 3.8 percent and GVR of Vietnam Rubber Group closing 3.3 percent higher.

ACB of lender Asia Commercial Bank surged 1.6 percent, and MBB of MBBank gained 0.9 percent.

Foreign investors were net sellers to the tune of VND423.46 billion, highest in five weeks, focusing on SSI of leading brokerage SSI Securities, HPG of steelmaker Hoa Phat, and STB.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, lost 0.32 percent while the UPCoM-Index at the Unlisted Public Companies Market dropped by 0.64 percent.

## Macro & Policies

### 2. VN manages to control public debt

Việt Nam managed to control public debt within a safe level with gradually slowing year-on-year increases. However, according to the Ministry of Finance, the economy was severely hit by the COVID-19 pandemic in the past three years.

The finance ministry said that the process of raising capital from public debts for the socio-economic recovery programme needed to pay attention to efficient use of capital and safety and the sustainability of the State budget and public debt in the medium and long term.

Statistics of the ministry's Department of Debt Management and External Finance showed that the public debt of Việt Nam dropped from 63.7 per cent of GDP in 2017 to 55.9 per cent in 2020. When the GDP was revised, the public debt stayed at 43.7 per cent.

The department's Deputy Director Võ Hữu Hiến said that the policy of limiting the issuance of Government guarantees for new loans, improving the efficiency of official development assistance (ODA) and foreign concessional loans helped bring the public debt on a decreasing trend.

The percentage of foreign loans in the Government debt also fell from 60 per cent in 2010 to 40 per cent in 2016 and nearly 33 per cent at the end of 2021, which contributed to reducing the foreign exchange rate risk, Hiến said. Government bonds accounted for 86 per cent of the domestic debt, and issuances since 2017 were all of the five-year term or longer.

According to Đinh Trọng Thịnh from the Academy of Finance, the public debt level stayed within the limit approved by the National Assembly, theoretically meaning that Việt Nam could increase borrowing to meet development demand.

However, the ability to absorb capital of the economy must be considered, especially in economies like Việt Nam, which had a medium capacity for capital absorption. Japan and the US had high public debt levels, but they had huge economic potential with good capital absorption capacity and capital use efficiency.

The ministry said that the lessons learned from the previous period were that increasing spending, loosening fiscal and monetary policies and expanding Government-backed loans to prevent an economic decline in 2008-11 caused the public debt level to increase rapidly, averaging 18.1 per cent per year in 2011-15, creating high pressure of debt payment in the short term.

The finance ministry said that it was necessary to ensure the efficient use of capital and State budget safety and sustainability.

Under the recently approved public management programme for 2022-24, the Government planned to borrow a maximum sum of VNĐ646.8 trillion (US\$27.5 billion) to cover overspending and debt repayment.

Hiến said that based on the disbursement of capital, the ministry would be flexible in using appropriate tools to raise domestic and foreign resources to meet the capital demand, including Government bond issuance, ODA and foreign concessional loans.

The focus would be placed on raising capital from domestic sources first. If domestic sources were still significantly short of the demand for covering overspending for development investment and debt repayment, the Government would study the issuance of international bonds when the market conditions are favourable.

### 3. Banks under pressure despite positive credit recovery

Though credit demand is recovering quickly, banks still have to face big challenges related to rising bad debts, provisions and deposit interest rates.

According to Lê Xuân Nghĩa, former deputy chairman of the National Financial Supervisory Commission, the US Federal Reserve (Fed) will

continually increase interest rates this year, which will force Vietnamese banks to raise deposit rates.

Despite the high increase in saving rates, domestic banks will not be able to raise lending rates accordingly to support the economy as directed by the Government. The small gap between deposit and lending rates will cause the banks' net interest margin (NIM) and net profit to reduce, Nghĩa explained.

Besides, for a long time, many banks have gained good profits from real estate credit, and investment in and issuance of corporate bonds. However, the tightening of cash flows into the two channels in the near future may affect the banks' income.

In fact, many banks recorded high credit growth in Q1/2022 thanks to the strong increase in corporate bond investment.

By the end of Q1/2022, the largest corporate bond balance numbers were recorded in Vietnam Technological and Commercial Joint Stock Bank (Techcombank), Military Commercial Joint Stock Bank (MB), Vietnam Prosperity Commercial Joint Stock Bank (VPBank), Tien Phong Commercial Joint Stock Bank (TPBank) and Saigon Hanoi Commercial Joint Stock Bank (SHB), baodautu.vn reported.

According to Nghĩa, banks are also under great pressure in terms of bad debts in the last months of this year as the Government's regulations on debt rescheduling will expire from June this year.

Due to the adverse impacts of the pandemic, the Government has allowed COVID-19-affected customers to delay the loan repayment while allowing banks to maintain the debt classifications. Therefore, a significant amount of debts can become bad debts when the regulation is no longer effective.

Financial statements of banks in Q1 2022 also showed the bad debts at most banks worsened in the quarter.

In the past two years, though banks have sharply raised their provisions for risky loans, the provisions at many banks are under pressure to rise significantly when a large amount of debts are not allowed to be rescheduled.

Analysts of Saigon Securities Incorporation (SSI)'s Research said though the asset quality in Q1/2022 of banks is not a concern, the pressure of provisioning remained high, up by 18 per cent over the same period last year.

According to experts, the biggest prospect for banks in the last months of the year is the acceleration of digitalisation and the rise of current account savings account (CASA) ratio, which will help lower the negative effects of the increasing input costs.

Moreover, the recovery in credit demand is also expected to partly offset the NIM decrease.

In addition, the revenue from insurance and divestment activities are predicted to bring huge profits for banks.

In the recent season of annual general meetings (AGM) of shareholders, most banks set positive pre-tax profit growth targets at 31 per cent on average. Business performance results of banks in Q1/2022, except Orient Commercial Joint Stock Bank (OCB), surpassed the set targets.

However, according to SSI Research, the Q1/2022 business results of banks have not fully reflected the impacts of the recent moves to tighten real estate lending and corporate bond issuance.

The short-term risks for banks remain until the impacts of the corporate bond market become clearer, SSI Research said.

#### 4. More processing plants licensed to export pangasius to US

The National Agro-Forestry-Fisheries Quality Assurance Department (NAFIQAD) has announced that the US has licensed six more Vietnamese

pangasius processing factories to export to the market.

Adding six factories to the list of pangasius processing factories licensed to export to the US will promote the growth of Việt Nam's pangasius export value to this market.

The factories are Hợp Nhất Seafood Joint Stock Company, Atlantic Seafood Frozen Factory (Atlantic Seafood), Basa Mekong Factory (Basa Mekong), a factory for processing and exporting high-grade pangasius products, Cỏ May 2 seafood processing and exporting factory (under Cỏ May Import and Export Co, Ltd) and CK Frozen Food Vietnam Co, Ltd.

So far, the US Food Safety and Inspection Service under the US Department of Agriculture (USDA) has licensed 19 Vietnamese pangasius factories to export to the US.

The Nafiqad said these factories needed to comply with the regulations in import under the US inspection programme for Siluriformes fish. This ensures that chains of pangasius production, processing and export meet US regulations.

The Nafiqad branch four and branch six will appraise and issue certificates for export pangasius batches of these factories shipped to the US market in accordance with the FSIS notice.

The Việt Nam Association of Seafood Exporters and Producers said Việt Nam's pangasius export value to the US from the beginning of this year to April 15 reached US\$195.3 million, up 131.4 per cent on year.

## 5. Vietnam's 7 richest people lose \$2 bln amid stock market plunge

The total net worth of Vietnam's billionaires has fallen by 10 percent since the last Forbes' update in March to \$19.3 billion due to a plunging stock market.

The benchmark VN-Index has lost 17.5 percent since the end of March, with most blue chips hitting year lows.

Tran Dinh Long, chairman of steel giant Hoa Phat, saw his net worth decline by 22 percent to \$2.5 billion, mirroring the turbulence of his company's stock.

In March, the Hoa Phat share peaked at VND51,000 but then began to fall. At the close Thursday, it traded at VND37,900, down 26 percent.

The net worth of three other billionaires, Vietjet CEO Nguyen Thi Phuong Thao, Techcombank chairman

Ho Hung Anh and Masan Group chairman Nguyen Dang Quang, fell by over 10 percent or \$200-400 million.

Prices of their companies' stocks, VJC of Vietjet, TCB of Techcombank and MSN of Masan, have fallen by 10-25 percent since the end of March.

Vietnam's richest person, Pham Nhat Vuong, chairman of the country's largest conglomerate, Vingroup, saw his net worth erode by 200 million, or 3 percent.

Tran Ba Duong, chairman of automaker Thaco, has become \$100 million poorer.

Nova Group chairman Bui Thanh Nhon, who first appeared on the list this year, was relatively unscathed since the price of his company's stock has only fallen marginally.

## 6. Large industrial zones set up to attract FDI

Several large-scale industrial zones were being set up from the beginning of this year to capture the opportunity of attracting both foreign and domestic manufacturers in the wave of post-pandemic production and business recovery.

VSIP Group, at the end of March, started the construction of the VSIP 3 Industrial Zone, which covered more than 1,000 hectares in Hội Nghĩa Commune, Tân Uyên Town and Tân Lập Commune, Bắc Tân Uyên District, Bình Dương Province

To date, the industrial zone attracted more than 30 companies, both domestic and foreign, to study the production opportunity, with an expected total investment of around US\$1.8 billion.

Recently, the Đại An Urban – Industrial Zone Development Corporation Joint Stock Company and Indian partners signed a cooperation agreement for developing a 960-hectare pharmaceutical park project worth around \$10-12 billion in Hải Dương Province.

The park was expected to be where famous pharmaceutical companies in the world gathered for research and production.

Saigon Telecom Technology Joint Stock Company (Saigontel) and VinaCapital signed a memorandum of understanding with Singapore – based Aurous about cooperation in investing in a 700-ha urban-industry complex in Bắc Giang with an estimated investment of around \$2.5 billion.

According to SSI Research, the demand for hiring industrial land will be strong this year, fuelled by a production shift to Việt Nam together with the completion of infrastructure projects such as Biên Hòa – Vũng Tàu, Dầu Giây – Phan Thiết, North-South expressways, Thị Vải – Cái Mép and Gemalink ports.

SSI Research forecast that industrial land rents in Việt Nam would increase by 8-9 per cent in the Southern region and 6-8 per cent in the North this year due to a scarcity of supply amid the rising demand.

Sử Ngọc Khương, senior director of Savills Việt Nam, said that the positive growth prospect of the Vietnamese economy after the pandemic attracted

investors and created conditions for the industrial real estate market to be robust in the first months of this year.

To attract multinational corporations, Việt Nam needed to develop not only large-scale industrial parks but also the transportation and logistics infrastructure systems and hasten administrative reforms to improve the investment climate, Khương said.

Localities and Vietnamese firms need to prepare high-quality human resources, especially for hi-tech industries, to meet the demand of multinational corporations, an important factor to attract them, as the Government prioritises attracting investment in hi-tech industries, not labour-intensive.

According to David Jackson, CEO of Colliers Việt Nam, Việt Nam needed to renew the industrial park development model to build eco-industrial parks.

This model would play an important role in the sustainable development strategy, reducing resource exploitation and limiting the impact on the environment but not affecting the performance of businesses, adding that this model would also contribute to the countries and global effort to combat climate change.

Specific steps to be taken were to improve the technology transfer capacity of enterprises, apply advanced technologies and minimise emissions, he added.

He said that industrial zones should enhance linkage to develop production and logistics chains to improve competitiveness, lower production costs and increase sustainability.

## 7. Top securities regulator dismissed as market probe expands

The Ministry of Finance fired State Securities Commission (SSC) Chairman Tran Van Dung, making him the highest-ranking casualty in the ongoing investigation into the stock market that began in March.

Dung was fired for committing "serious wrongdoings", and will be temporarily replaced by

Deputy Finance Minister Nguyen Duc Chi from May 19, the finance ministry announced on its website.

Dung was dismissed from the Party on Wednesday, a day after general director of the HCMC Stock Exchange (HoSE), Le Hai Tra, has been expelled from the Party.



On Wednesday, other top securities officials also received warnings from the ministry, including Vu Bang, former chairman of the SSC, Nguyen Thanh Long, secretary of the Hanoi Stock Exchange (HNX) Party Committee and Nguyen Son, chairman of the management board of the Vietnam Securities Depository.

Deputy minister Chi said recent violations of certain officials at the SSC are merely "personal", and the finance minister has prepared additional personnel and plans to ensure market safety and stability.

He also pointed out some upcoming solutions to stabilize the market, like upgrading the trading system for the main bourse, which is expected to complete this year.

Dung, 57, was appointed chairman of the SSC in July 2017. Prior to that, he was chairman of the Hanoi Stock Exchange (HNX) and general director of the HoSE.

## Corporate News

### 8. HVN: Vietnam Airlines posts \$113 mln Q1 loss

↑ 0.27%

Vietnam Airlines remained in the red in Q1 despite revenues rising to a two-year high, with net losses of VND2.62 trillion (US\$113.1 million).

Revenues were up 55 percent year-on-year to VND11.6 trillion, the highest since 2020, when Covid-19 started to cripple the aviation industry.

But it reported a ninth consecutive quarterly loss, with a total gross loss from the sales of products and services of around VND1.6 trillion due to higher costs.

Fuel, for example, cost VND465 billion more than budgeted and accounted for 30 percent of transport costs.

The carrier said the results clearly reflected the impact of Covid on the aviation industry despite the relatively quick recovery by the domestic market.

Meanwhile, international services remain in limbo, and the Russia-Ukraine crisis has driven fuel prices up sharply.

As of March 31, Vietnam Airlines' accumulated losses were VND24.5 trillion, some VND2.16 trillion higher than its charter capital.

The management said the airline could "basically maintain its liquidity until this year-end" based on the expected recovery by the industry.

But it also sought the government's support to ensure liquidity and seeks to accelerate the restructuring of subsidiaries and associates.

### 9. PAN: PAN Group buys another 40 pct stake, almost fully owns Bibica

↑ 1.43%

PAN Group has bought a 39.9 percent stake in Bibica for VND524 billion (\$22.6 million) to increase its ownership of the confectionary company to 98.3 percent.

It said it bought 7.4 million shares at VND71,000. PAN Group first invested in Bibica in early 2015.

By March this year it had increased its stake in the company to 58.94 percent through a subsidiary, PAN Food JSC.

It failed to buy out the company in 2019 when it made an offer price of VND68,500 per share, but succeeded after raising its bid by 3.6 percent to VND71,000.

South Korean conglomerate Lotte also showed interest in Bibica, in which it owned a 44.03 percent stake, but sold out in 2020 after years of competing with PAN.

The PAN management considers Bibica as a key part in its food business and important to its feed-farm-food strategy.

In the first quarter of 2022 Bibica reported post-tax profits of VND130 billion, the highest since its listing and a 17-fold rise year-on-year.

PAN has forecast a bright outlook for the confectionery industry this year thanks to recovering demand.



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