



VIETNAM DAILY NEWS



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Market Analysis

1. VN-Index starts off week in red

Vietnam's benchmark VN-Index continued to fall Monday with a 1.77 percent decline to 1,218.81 points, with most blue chips in the red.

The index started off in the green but plunged in the afternoon and closed almost 22 points lower after losing nearly one point Friday.

Trading on the Ho Chi Minh Stock Exchange (HoSE) increased by 7 percent to VND13.33 trillion (\$579.56 million).

The VN-30 basket, comprising the 30 largest capped stocks, saw 27 tickers dropped.

SSI dropped 6.85 percent, continuing to fluctuate around its one-year low level.

It was followed by five banks, with STB of Ho Chi Minh City-based lender Sacombank losing 5.8 percent TPB of private TPBank falling 4.5 percent.

Other losers included MSN of conglomerate Masan Group, VNM of dairy giant Vinamilk and HPG of steelmaker Hoa Phat Group.

BVH of insurance company Bao Viet Holdings was the only ticker that bucked the trend by rising 1.2 percent.

Foreign investors were net sellers for the third straight session to the tune of VND439.11 billion, mainly selling SSI and VIC of biggest private conglomerate Vingroup.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was down 2.07 percent while the UPCoM-Index at the Unlisted Public Companies Market was down 0.51 percent.

Macro & Policies

2. 6.5 pct GDP growth target a major challenge: Deputy PM

The 6-6.5 percent gross domestic product (GDP) growth target for this year could be a challenge due to rising inflation and global supply chain disruptions, the government has said.

The rising prices of imports, especially of gasoline and oil, and of transportation, along with the shortage of workers and disruptions in imports from China, will have large impacts on the economy in this and next year, Deputy Prime Minister Le Van Thanh briefed the National Assembly at a meeting Monday.

Vietnam's Consumer Price Index (CPI), which measures inflation, in April rose 2.09 percent from the end of last year, nearly double from the same period between 2018 and 2021.

This has created a huge pressure on stabilizing the macro economy and controlling inflation this year, and mitigated the effectivity of supporting policies to the people and businesses, Thanh said.

The Vietnamese dong is set to be weakened by rising inflation and policy rates in the U.S., the prolonged Russia-Ukraine crisis and surging import prices, he added.

Manufacturing and businesses face many difficulties while exports are heavily dependent on foreign direct investment companies, while the markets of stock, corporate bonds and real estate contains many risks, the Deputy PM said.

Delays in public investment disbursement and implementing recovery programs, along with "passive and negligent" management among authorities also pose development challenges, he added.

"In the face of domestic and international developments, it's a huge challenge to realize 2022 targets, including a target for an economic growth of 6.0 percent to 6.5 percent."

The government earlier this year had identified economic recovery as the key goal after two years of

major disruptions due to the Covid-19 pandemic, with last year's GDP growth hitting 2.58 percent.

The country has achieved initial success in the first four months, with government revenue rising 15.4 percent year-on-year in the first four months to VND657.40 trillion (\$28.38 billion).

Credit growth hit 17 percent year-on-year from January to mid-May, and the country recorded a net surplus of \$2.53 billion in the first four months, up 71 percent year-on-year.

A total 80,500 businesses were registered or resumed operation in the first four months, up nearly 27 percent year-on-year.

But the government needs to ensure growth and control inflation, lawmakers said.

Vu Hong Thanh, head of the National Assembly's Economic Committee, said that the rise in key commodities, especially gasoline and oil, will have negative impacts on inflation.

Although the government has cut environmental tax on gasoline by half from April 1 until the end of the year, it should consider reducing special consumption tax on this commodity to prepare for a large fluctuation in global prices, he said.

"The government needs to pay attention to the risks of importing inflation from other countries as material prices have been surging."

Thanh added that the delays in approving certain plans, like Power Development Plan 8, has led to a delay in many electricity projects and this increases the risks of power shortages during the high-demand season.

Another contributing factor to the power shortage threat is the 1.36-million-ton shortage of coal in the first quarter, he said.

Thanh also expressed concern over delays in public investment as only 16.4 percent of the total target was disbursed in the first four months.

The government has not submitted to the National Assembly details on how it plans to use the economic stimulus package to recover the economy.

"This delay reduces the effectivity of the economic recovery program."

3. Fertiliser industry's gross profit margin may decrease after peaking in Q1

The fertiliser industry's gross profit margin may decrease after peaking in the first quarter of 2022, but the fertiliser sector still sees positive prospects in the near future, thanks to export growth.

from export activities with VNĐ2.19 trillion, 5.5 times higher than the first quarter of 2021.

According to KIS Vietnam Securities Joint Stock Company (KIS), the revenue of the fertiliser industry in the first quarter of 2022 reached VNĐ30.93 trillion (US\$1.3 billion), up 71.2 per cent over the same period last year, while profit after tax reached VNĐ6.8 trillion, 7.9 times higher than the previous year.

For the fertiliser industry, in the first quarter of 2022, the total consumption volume remained unchanged from the same period last year while the export volume reached 510,000 tonnes, up 47 per cent over the same period last year and up 31 per cent against the fourth quarter of 2021.

Leaders in the growth of profit after tax in the first quarter of 2022 are Petrovietnam Fertiliser & Chemicals Corporation (DPM) and PetroVietnam Cà Mau Fertiliser JSC (DCM).

The export volume in the first quarter of 2022 is equivalent to 44 per cent and 40 per cent of the export volume in 2020 and 2021, respectively. KIS Vietnam Securities Joint Stock Company (KIS) said that although the gross profit margin peaked in the first quarter of 2022, it will be difficult to maintain in the next quarters.

Petrovietnam Fertiliser & Chemicals Corporation (DPM) reported a profit after tax of VNĐ2.12 trillion, up 12 times over the same period last year, exceeding 125 per cent of the yearly plan. This is also the highest quarterly profit in the business's history.

Gross profit margin of the fertiliser industry was estimated at 31.7 per cent in the first quarter of 2022. Also in the first quarter, the selling price of urea in the market decreased slightly by 2 per cent compared to the previous quarter, but increased by 99 per cent over the same period last year, while the input gas price increased by 20 per cent compared to the fourth quarter of 2021 and up by 20 per cent against the same period last year.

The company said that the revenue and profit in the first three months of the year increased sharply thanks to the positive movement of the selling prices and trading volume of fertilisers.

Input gas price in April increased by 9 per cent while urea price levelled off compared to March. If fertiliser price tends to decrease in the following months, along with the galloping rate of fuel prices due to global political tensions, the fertiliser industry's gross profit margin in the following quarters may decline after peaking in the first quarter of 2022.

In 2022, DPM plans to achieve revenue of VNĐ11.06 billion and profit after tax of VNĐ945 billion, up 33 per cent and 158 per cent respectively compared to 2021. In just the first quarter, the business achieved nearly 53 per cent of the revenue target and over 125 per cent of the whole year's profit plan.

Although the growth rate slows down, the fertiliser industry still expects to achieve positive results in the second quarter compared to the same period in 2021.

PetroVietnam Cà Mau Fertiliser JSC (DCM) also benefited greatly from the scarcity of supply, leading to higher fertiliser prices in the first quarter of 2022.

Net revenue reached VNĐ4.07 trillion, 2 times higher than the same period last year; in which, urea sales alone reached VNĐ3.77 trillion, accounting for 88 per cent of the total revenue structure. The high growth rate of sales of this product mainly comes

Taking advantage of opportunities from the fact that fertiliser prices stayed at a high level and domestic

demand is falling into a low period, fertiliser manufacturers are rushing to export.

In January alone, fertiliser export volume reached a record high of 370,000 tonnes, bringing the total export volume in the first quarter of 2022 to 510,000 tonnes, equivalent to 44 per cent and 40 per cent of the total export volume in 2020 and 2021, respectively. However, from the second quarter of 2022, our country enters the summer-autumn crop, and domestic fertiliser demand is forecast to increase, so fertiliser companies will find it difficult to boost exports due to the prioritisation of domestic demand.

However, KIS said that companies could recover export volume in the period from the end of the third quarter to the beginning of the fourth quarter of 2022 when the summer-autumn crop enters the harvest phase.

Domestic fertiliser prices are still maintaining high levels. On average, the selling price per kg of urea, potassium, DAP, and NPK in March was VNĐ17,500, VNĐ16,500, VNĐ26,000 and VNĐ16,000, respectively. These prices increased by 84 per cent, 90 per cent, 132 per cent and 62 per cent, respectively over the same period last year.

In April, the domestic price of urea remained unchanged compared to March, while the selling price of potassium, DAP and NPK increased by 3 per cent, 4 per cent, and 6 per cent, respectively.

In order to lower domestic fertiliser prices and stabilise supply, the Ministry of Finance proposes the Government apply a 5 per cent export tax rate on fertilisers, regardless of the percentage of mineral sourced in the country.

KIS Vietnam Securities Joint Stock Company said that the 5 per cent tax rate might not be significant for exporters. The export unit price was high compared to the domestic selling price. In January 2022, the export price reached \$808 per tonne, while the domestic price was only \$717 per tonne.

On the other hand, the increased domestic demand for fertiliser during the summer-autumn crop, which takes place from April to September every year, can make up for the shortfall in revenue due to export restrictions.

In the first quarter of 2022, the total export output of Petrovietnam Fertiliser & Chemicals Corporation (DPM) and PetroVietnam Cà Mau Fertiliser JSC (DCM) reached about 200,000 tonnes.

According to data from the Ministry of Agriculture and Rural Development, the country has more than 800 fertiliser production facilities, the vast majority of which are NPK fertiliser production facilities with a total designed capacity of over 29 million tonnes per year.

Currently, NPK fertilisers are both exported and imported. Specifically, in 2021, nearly 362,000 tonnes are exported and 435,500 tonnes are imported. NPK is applied export tax of 0 per cent. NPK manufacturers exporting their products to countries in the region will be directly affected if the export tax is increased to 5 per cent.

In Việt Nam, according to Mordor Intelligence, the domestic fertiliser industry will grow 4.9 per cent per year in the 2021 - 2026 period. According to a report by the Ministry of Industry and Trade, in the first four months of this year, export turnover of fertilisers of all kinds increased by 46.9 per cent in volume and up 192.6 per cent in value due to increased export prices.

4. Decree on 2% interest rate support package officially issued

The Government has officially issued Decree 31/2022/NĐ-CP on interest rate support from the State budget for loans of enterprises, co-operatives and business households.

This decree provides interest rate support for loans in Vietnamese đồng arising from lending activities of

commercial banks to customers that are enterprises, co-operatives and business households according to Resolution 43/2022/QH15 dated January 11 of the National Assembly and Resolution 11/NQ-CP dated January 30 of the Government.

The State budget shall fully and promptly allocate funds for interest rate support for commercial banks to provide interest rate support to customers. Commercial banks provide interest rate support to ensure compliance with regulations, creating favourable conditions for customers.

The interest rate support applies to interest payment obligations at interest payment terms that arise during the period from the effective date of this decree to December 31 next year.

Commercial banks will stop supporting interest rates after December 31 next year or when the funding source runs out, whichever comes first.

The loan with interest rate support is a loan in Vietnamese đồng, with loan agreement signed and disbursed in the period from January 1 this year to December 31 next year, using the capital for the right purpose under the provisions of Clause 2, Article 2 of this decree and have not yet received interest rate support from the State budget according to other policies.

The interest rate support period is from the date of loan disbursement to the time when the customer pays off the loan principal and/or interest as agreed between the commercial banks and the customers, in line with the funding source for interest support rates announced, but not exceeding December 31 next year.

The support interest rate for customers is 2 per cent per year, calculated on the loan balance.

Nguyễn Phước Hưng, Vice Chairman of HCM City Business Association, said that many businesses in the area were looking forward to the interest rate support package.

The two per cent per year interest rate support programme for a number of businesses, co-operatives and business households was part of the economic recovery master programme in 2022-2023, he said.

It took a long time from discussion to decision. Now that the decision had been issued, businesses were looking forward to deploying it soon so that they could have more financial resources, he added.

5. Tight material supply impedes textile exports

Although the demand for Vietnamese textiles is forecast to rise steadily in the short term, firms are concerned that tight material supply will impede their export plans.

According to the Vietnam Textile and Apparel Association, export prospects for the industry are getting better as major importers have reopened their economies and various free trade agreements have begun to take effect.

Under a likely scenario, Việt Nam's textile export is expected to reach up to US\$43.5 billion in 2022.

However, Garment 10 Corp. is concerned that the Chinese Zero-COVID policy and the Russian military operation in Ukraine will disrupt supply chains, hindering its ability to fulfil new orders.

"The Russian military operations in Ukraine have driven up our input costs. The Chinese Zero-COVID policy will cause material shortages in the short-

term, fueling the situation," said Thân Đức Việt, director of Garment 10.

The director said China remained the leading material exporter to Việt Nam, accounting for half of the supply. His corporation has planned to diversify its suppliers in the next 5-10 years to be less dependent on China, but it has to accept the situation and seek support from its partners in the short term.

The situation is even worse for Đáp Cầu Garment JSC., which imports 80 per cent of its material from China at the request of its partners.

Nguyễn Đức Thăng, director of Đáp Cầu Garment, underlined delayed shipments from Shanghai (China) as the main cause for his company's disrupted production. His company has to re-negotiate with its partners to put back delivery.

"For orders that we cannot fulfil on time due to material shortages, we are re-negotiating their

delivery terms. The delivery can be moved to later dates but not so far that we may face high payment risks," he said.

Trần Như Tùng, chairman of Thành Công Textile Garment Investment Trading JSC., revealed that this company would seek the substitution of Korean and Thai materials or rely on domestic materials to deal with the shortages.

Some other companies also thought of the same idea, but only deep-pocketed ones could make it work due to high costs. Those with limited financial capability normally have no choice but to ask for a delay in delivery.

Trịnh Xuân Lâm, chairman of Tiên Sơn Thanh Hóa JSC., said his company had been sticking to diversification to get through a hard time but with little success. Material from other countries is insufficient to fill the gap left by China.

"We've found new suppliers from other countries and additional domestic suppliers, yet their production still falls short of our demand by around 30 per cent," he said.

For companies feeling the pain of the shortages like Việt Thắng Jean LTD., diversification might go with higher costs due to Chinese price advantages, but they are willing to bear such costs to have more stable production.

"Never be dependent on a single supplier. We are glad to partner with any country that provides a stable supply, even with higher costs. We accept lower profits to secure output stability," said Phạm Văn Việt, chairman of Việt Thắng Jean.

According to the General Department of Customs, textile exports reached \$8.8 billion in Q1/2022, up 23 per cent compared to the same period last year, representing the highest quarterly growth in 10 years.

VITAS said Vietnamese textiles are urging the Government to soon approve the Development Strategy for Textile and Footwear by 2030 to make the industry self-sufficient in material production and compliant with rules of origin as stated in free trade agreements.

6. Petrol price hits record level in latest adjustment

The retail price of oil and petrol continued to rise from May 23 following the latest adjustment by the Ministry of Industry and Trade and Ministry of Finance.

Accordingly, from 3pm, the price of RON95 bio-fuel RON95 was raised by VNĐ670 to VNĐ30,650 (US\$1.32) per litre, making a new record, while E5 RON92 rose by VNĐ680 to VNĐ29,630 (\$1.28) per litre.

Meanwhile, the price of diesel oil was down by VNĐ1,100 to VNĐ25,550 (\$1.1) per litre. A decrease of VNĐ660 per litre was also seen in the price of kerosene to VNĐ24,400 (\$1.05).

Since the beginning of the year, the retail price of petrol has been adjusted up nine times and down only three times.

According to the General Statistics Office, the hike in petrol prices was the major factor pushing up the

Consumer Price Index (CPI) in the first four months of this year. Domestic petrol prices surged 48.84 per cent year on year, which led to a 1.76 percentage point rise in CPI.

The average CPI for the first four months of this year rose 2.1 per cent year on year, higher than the 0.89 per cent recorded in the same period last year but lower than the increases in the January-April period in 2017-20.

Core inflation was also up 0.97 per cent.

7. Government defers auto industry tax

The government has deferred the special consumption tax payable by carmakers.

Payment of the tax for June-September has been put off until November 20 following a proposal made by the Ministry of Finance earlier this month.

The ministry said last year auto manufacturers saw sales plunge due to social distancing restrictions and also struggled with a shortage of semiconductors.

Though the tax delay goes against Vietnam's international commitments, the ministry said it is needed to help businesses overcome difficulties.

This is the third time the tax has been postponed for the auto industry since 2020.

The special consumption tax rates are 45-60 percent for passenger cars (nine seaters or less) and 15-30 percent for buses (10 to 24 seaters).

For electric vehicles it is 1-15 percent..

Corporate News

8. PNJ: PNJ sees profits jump 70 pct

↓ -1.42%

Jewelry giant PNJ' profits surged 70.5 percent year-on-year in April to VND145 billion (\$6.26 million).

Revenues also rose by 50 percent to VND2.28 trillion.

April is the seventh month in a row the company surpassed its pre-Covid results of VND2-trillion in revenues and VND100-billion in profits.

For the first four months this year, it recorded revenues of VND12.9 trillion and profits of VND866 billion, up 40 percent from last year.

Gold bar was PNJ's fastest growing segment with revenues rising by 64 percent, thanks to

geopolitical conflict in Ukraine and the global risk of inflation.

Vietnamese consider gold a safe haven holding in times of market volatility.

But its profit margin was down from 18.4 percent to 17.8 percent, dragged down by the lower margin of gold bars.

As of the end of April, PNJ had 343 independent stores. It opened seven locations in the first four months but closed two.

It eyes opening 35-40 new outlets by the end of this year.

9. VIB: Record date for stock issuance to raise capital

↓ -4.06%

On May 09, 2022, the Hochiminh Stock Exchange issued an Announcement No.925/TB-SGDHCM about the record date of Vietnam International Commercial Joint Stock Bank as follows:

- Ex-right date: May 13, 2022
- Record date: May 16, 2022
- 1. Reason & Purpose: to receive bonus shares from the owner's equity.
- 2. Content:
 - Expected issue volume: 543,600,048 shares
 - Exercise ratio: 35% (Those who own 100 shares will receive 35 new shares.)
 - Plan to deal with fractional shares: The distributed shares will be rounded down to units,

the fractional shares (if any) will be rounded down 0.

- For example: at the record date, shareholder A owns 82 shares. With 35% exercise ratio, the shareholder A will receive: $82 * 0.35 = 28.7$ shares. According to rounding policy, the shareholder A will receive 28 new shares.

- Place of payment:

+ Shareholders whose shares have been deposited: at the securities firms where the shares have been deposited.

+ Shareholders whose shares have not been deposited: at Vietnam International Commercial Joint Stock Bank.

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