



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. VN-Index posts 6-session high gain

Vietnam's benchmark VN-Index rose 2.84 percent to 1268.43 points Wednesday, the biggest gain in six sessions.

The index closed 35.05 points higher after gaining 14.57 points on Tuesday.

Trading on the Ho Chi Minh Stock Exchange increased by nearly 24 percent to VND16.57 trillion (\$714 million), the highest of eight sessions.

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

PNJ of Phu Nhuan Jewelry and FPT of IT giant FPT Corporation hit ceiling prices with a gain of 7 percent and 6.9 percent, respectively.

It was followed by GVR of Vietnam Rubber Group and VPB of private lender VPBank, both up 5 percent.

Two blue chips fell, with HPG of steelmaker Hoa Phat Group losing 1.3 percent and PDR of Phat Dat Real Estate Development falling 0.8 percent.

Foreign investors were net buyers to the tune of VND3.16 billion, focusing on DCM of Petro Vietnam Ca Mau Fertilizer and DPM of Petrovietnam Fertilizer & Chemicals Corporation.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was up 2.93 percent while the UPCoM-Index at the Unlisted Public Companies Market was up by 1.78 percent.

## Macro & Policies

### 2. EU-Việt Nam relations to deepen with Indo-Pacific strategy

Việt Nam attaches importance to and wants to deepen relations with the EU, Minister of Foreign Affairs Bùi Thanh Sơn affirmed during his phone call with the Vice President of the European Commission (EC) and EU High Representative for Foreign Affairs and Security Policy Josep Borrell late Tuesday.

In the talks, Borrell noted his belief that the EU-Việt Nam relations will be consolidated as the EU is rolling out a range of policies and initiatives towards the region, such as the cooperation strategy with Indo-Pacific and the Global Gateway, with Việt Nam among the prioritised cooperation partners.

The two sides expressed their delight at the achievements following the nearly two-year implementation of the EU-Việt Nam Free Trade Agreement (EVFTA) despite difficulties caused by the COVID-19 pandemic. The EU remains Việt Nam's third-largest export market and fifth biggest import market.

They agreed to advance the bilateral cooperation on par with their potential and better meet the interests of both sides by increasing high-level delegation exchanges, effectively carrying out the existing cooperation mechanisms, closely coordinating at multilateral forums, promoting the ASEAN-EU cooperation, expanding collaboration in energy, climate change response, green transition, digital economy and infrastructure.

Borrell took note of Việt Nam's proposal to lift the "yellow card" warning soon on illegal, unreported and unregulated (IUU) fishing against the Southeast Asian nation and urged EU member countries to ratify the EU-Việt Nam Investment Protection Agreement (EVIPA) soon.

The Vietnamese diplomat thanked the EU and its member countries for their supply of vaccines and medical equipment to Việt Nam in the COVID-19 fight, thus helping to facilitate trade, tourism and economic recovery of both sides in the post-pandemic period.

The officials also exchanged views on regional and international issues of shared concern.

With respect to the Ukraine issue, Sơn reiterated Việt Nam's consistent policy of supporting the settlement of disputes and differences via peaceful measures in line with the UN Charter and basic principles of international law; ensuring the security and safety of civilians, and protecting essential civilian infrastructure; and supporting and standing ready to contribute to humanitarian aid activities, diplomatic processes, dialogues and negotiations, as well as reconstruction and restoration in Ukraine.

The Vietnamese foreign minister again invited Borrell to visit Việt Nam, and the latter accepted with pleasure.

The same day, Sơn held phone talks with Hungarian Minister of Foreign Affairs and Trade Péter Szijjártó, during which the two sides affirmed the importance they attach to the Việt Nam-Hungary comprehensive partnership.

They also highly valued progress in bilateral cooperation, with the regular exchange of delegations at all levels.

The ministers rejoiced at achievements in economic cooperation as two-way trade surpassed US\$1 billion in 2021 and agreed to make use of their strength and potential to further step up collaboration.

Both sides will prepare for the 10th meeting of the Việt Nam-Hungary Joint Committee for Economic Cooperation.

Sơn thanked Hungary for prioritising Việt Nam in providing official development assistance and spoke highly of efforts made by the two sides in pushing cooperation projects using ODA from the Hungarian government, including Cần Thơ Oncology Hospital.

Szjijártó invited Sơn to visit Hungary at an appropriate time.

### 3. Vietnamese economy to do well in 2022: experts

The Vietnamese economy recovered more slowly than the world economy last year, but the reverse is likely to be true this year.

BIDV Chief Economist Cấn Văn Lực made the forecast at the conference “Vietnam financial market 2021 and outlook 2022” yesterday.

Lực had three possible scenarios for the Vietnamese economy in 2022. In the best-case scenario, the economy is expected to rebound strongly with an annual growth rate of 6-6.5 per cent.

The figure is adjusted down to 5.5-6 per cent in the base-case scenario, and to 4.5-5 per cent if things do not turn out well. Meanwhile, inflation is believed to rise steadily due to global inflationary pressures.

“I’m quite sure that Vietnamese inflation will rise to around 3.8-4.2 per cent this year. It’s inevitable amid rapid-rising global inflation,” he added.

Additionally, Lực was optimistic that the securities market is likely to become more sound and stable after several corrections. The VN-Index is forecast to rise slightly by 7.7 per cent to reach 1,614 points in the best-case scenario.

Regarding the banking system, credit growth is expected to hit 14-15 per cent while the non-performing loan ratio would be kept at around 2 per cent. Pre-tax profits of credit institutions are estimated to grow by 20-25 per cent against 2021.

The insurance market is also expected to do well in 2022 profit-wise with a growth of 18-20 per cent. However, profits from investment activities are likely to stay lower than in 2020 and 2021.

Economic expert Lê Xuân Nghĩa believed that the corporate bond market is a capital-raising channel more important than medium- and long-term bank loans. It is the case because corporate bonds are more flexible than bank loans.

“When bonds mature, firms can issue new bonds to service the due bonds. They can not do the same for bank loans,” he explained.

The expert feared that the currently-stagnated bond market would hold back ongoing bond-financed projects and stifle new projects, putting firms at risk of defaults.

He was also concerned that the stagnation would freeze the realty market and drive many banks to a critical situation. He called for transparency and accountability in the bond market to solve the problem.

Phạm Xuân Hòa, Secretary-General of Vietnam Financial Leasing Association, estimated total financial assets in the economy at over 300 per cent of GDP. The ratio was so high that it signalled a structurally-problematic real economy.

“Such a high ratio is the main cause for turbulence in Vietnamese financial markets in recent years,” he said.

The secretary-general also highlighted asset leasing as an effective financial channel for firms, notably small- and medium-sized businesses. However, legal frameworks for the channel have been outdated and need to be replaced to unlock its potential.

Phạm Thị Hoàng Anh, Director of Research Institute for Banking, Banking Academy of Vietnam, opined that the State Bank of Vietnam had managed central exchange rates with much success. Notably, foreign reserves reached US\$114 billion by late 2021.

“The abundant reserves will give SBV ample room to safeguard financial security,” she said.

The director also revealed that total credit to commercial real estate hit VNĐ783 trillion by late March 2022, higher than the same period in previous years but still in the safe zone.

Vũ Nhữ Thăng, Vice Chairman of the National Financial Supervisory Commission, was concerned that risks in the realty market might spill over into the banking system and securities market, putting firms on the line.

“The size of the contagion effects depends on the volume of the privately-placed bonds issued by

realty firms and the volume of those held by banks,” he stressed.

He also underlined Circular 16 issued by the SBV in 2021 as a timely regulation that constrained banks’ privately-placed bond ownership, effectively curbing the spillover.

#### 4. Budget deficit sees 34-pct surge

Vietnam’s budget deficit widened by 34 percent in 2020 but remained within the limit set by the National Assembly, Minister of Finance Ho Duc Phoc has said.

Revenues were VND2.28 quadrillion and spending was VND2.53 trillion, resulting in a VND216.4 trillion (\$9.3 billion) deficit, or around 3.44 percent of GDP.

The deficit was sharply up from VND161.5 trillion the previous year, but was below the cap of VND368.3 trillion set by lawmakers.

State Auditor General Tran Sy Thanh said revenues fell short of estimates, especially accruals from land use fees, which were only 72 percent of the target, and income from state-owned companies, which was a mere 37 percent of the target, he added.

Public debts rose by 6 percent to VND3.52 quadrillion (55.94 percent of GDP), or around VND35 million per capita.

The National Assembly’s cap for public debt is 65 percent of GDP.

#### 5. Reaching growth target a challenge for this year: NA chair

National Assembly Chairman Vương Đình Huệ yesterday expressed his concern that this year’s growth target will be hard to reach.

He was speaking during the third working day of the third session of the 15th-tenure National Assembly (NA) in Hà Nội.

NA deputies reviewed the socio-economic development results in 2021, and discussed plans for further development and budget allocation this year.

Discussing the economic growth targets that the 13th Party Congress set for the next five years, NA chair Huệ expressed his worries that the country must try much harder to achieve the gross domestic product (GDP) growth target of 8-8.5 per cent this year.

The congress set a GDP growth target of 6.5-7 per cent each year from 2021 to 2025, but it was only 2.58 per cent in 2021. This puts more pressure on this year to achieve the targets for the whole five-year period.

“It’s a very big challenge,” Huệ said.

He also pointed out that State’s budget spending is difficult since there is limited capital, and the economy’s ability to absorb capital is very low.

Public investment in 2021 reached more than 70 per cent but official development aid (ODA) was only 32.85 per cent, he said. The VNĐ340 trillion (US\$15.42 billion) economic recovery package has not been allocated, while it’s only valid for this year and next year.

The NA chair asked legislators to identify the problems, and stressed that the situations in which “money is available but can’t be spent” must be put to an end, especially in the health and education sectors, and especially when the country is in the process of economic recovery.

“We need to recalculate and make it crystal clear. We need new solutions to the old problems – they are the prolonged, serious illnesses,” he said.

Speaking about the COVID-19 pandemic and its effects on society and the economy, NA deputies said

2021 was a turbulent year with unprecedented challenges. The pandemic spread wide and fast, leaving major consequences on production activities and all aspects of people's lives.

However, with the right guidance from the Party, NA and Government and the people's support, the country was able to switch from solely fighting the pandemic to responding to it in a safe, flexible and effective manner, which resulted in positive economic outcomes.

The country's GDP still increased by 5.22 per cent in the fourth quarter of 2021, and 2.58 per cent the whole year. The pandemic was controlled, and seven out of 12 socio-economic targets of the year were achieved.

The macro-economy was stable, the average consumer price index (CPI) for the whole year only increased by 1.84 per cent. Interest rates decreased while credit increased, and social security policies were provided to support citizens, employees and employers.

The first five months of this year have also seen positive signs of economic growth, State budget

collection, agricultural production, and import-export activities.

Việt Nam's vaccination rate against COVID-19 is among the world's highest, and the success of the 31st SEA Games has left good impression on international friends.

Addressing the meeting, President Nguyễn Xuân Phúc expressed his delight at the achievements but also pointed out they were just the beginning of a long-term process of striving for social stability.

People and businesses are still struggling due to COVID-19. Their savings and capital, as well as the State's funds, are running out, he said.

He highlighted the challenges that the economy will face in the near future, including inflation, global energy price rise, production input increase, and the downward spiral of the stock market.

The State President suggested that the economic stimulus package and public investment must be practical and better promoted to support people and businesses. Other social issues also need special attention, especially education, child abuse, child drowning, and school violence.

## 6. Pharmaceutical industry sees promising prospects

The pharmaceutical industry is growing steadily because input costs are stable compared to other industries and businesses are less affected in a high inflation environment.

In the first quarter of 2022, according to the business results of the listed pharmaceutical companies, SSI Research Co estimated that the total pharmaceutical revenue of the country increased by 7 per cent over the same period last year, in which the revenue from the pharmacy channel increased by 23 per cent over year-on-year and the hospital channel decreased by 5 per cent year-on-year.

SSI Research assesses that the pharmaceutical industry will grow strongly in the future. Pharmaceutical demand will continue to increase until the end of 2022 when revenue from the hospital channel recovers strongly, especially in southern provinces, helping to increase the revenue

reach of 13 per cent of the figure in the second half of 2022 and 11 per cent of the whole of 2022, recovering close to pre-COVID-19 revenue levels.

The mass opening of new pharmacy chains is set to boost the pharmaceutical industry's revenue in the next few years. The three largest drugstore chains, Long Châu, An Khang and Pharmacity, are rapidly expanding across the country.

According to a survey by IQVIA, the total number of drug stores in the country in 2016 was 55,300, with only 186 stores belonging to the pharmacy chain, approximately 1 per cent of market share. In 2021, after a long period of tightening regulations for the over the counter (OTC) channel and raising standards for each pharmacy, the total number of operating drug stores reached 44,600 units, of which 1,600 stores belong to the drugstore chain, accounting for nearly 4 per cent of market share.



Although the proportion of drugstore chains is still quite small, the ambitious plan of the top three drugstore chains is to bring the total number of drug stores in the pharmacy chain to 7,300 in 2025, equivalent to 16 per cent market share and thus helping the pharmaceutical industry's revenue to increase more than the actual demand of the people in the next 2 - 5 years.

However, these drugstore chains still deal in the majority of supplements and imported drugs, so the sudden growth in the number of stores of these chains does not imply a rise in the revenue of domestic pharmaceutical manufacturing enterprises.

Imported drugs continue to be a concern for domestic enterprises. The total value of Việt Nam's drug imports increased by 21 per cent year-on-year in 2021 and continued to increase by 25 per cent in the first quarter of 2022, while imported raw materials for domestic drug production increased only 3 per cent over the same period in 2021 and down 11 per cent year-on-year in the first quarter of 2022.

### High profits

As assessed by SSI Research, the pharmaceutical business is less affected in a high inflation environment, with stable input costs compared to other industries.

According to the financial statements of the pharmaceutical companies listed in Việt Nam, the average input costs of most pharmaceutical companies have quite similar proportions: 60 per cent of raw material costs, 20 per cent of labour costs, 10 per cent for advertising or marketing costs, 4 per cent depreciation, 3 per cent R&D costs and 3 per cent for logistics and other costs.

Although the cost of raw materials accounts for the largest proportion, it is broken down into many

different types of active ingredients and pharmaceuticals. For example, paracetamol, which is the most common and simplest formulation, is made up of three active ingredients, five excipients, capsules and packaging, and can be further broken down into 20 different basic materials such as petroleum, plastic granules, gelatin and corn starch.

As a result, the cost composition of the final tablet will be very fragmented and the pharmaceutical business will be less affected by inflation, unless there is a significant disruption in the supply chain of raw materials such as a COVID-19 outbreak or changes in environmental protection policy and closure of contaminated pharmaceutical factories as in China in 2016.

China's implementation of the "zero COVID" policy in 2022, although it lasts beyond 2020, has not yet recorded any significant impact on the supply chain of pharmaceutical ingredients because the main pharmaceutical producing provinces such as Hubei, Shandong, and Jiangsu currently do not have any strict lockdown policy.

India, the second largest producer of medicinal ingredients, is currently accelerating capacity expansion with capital incentives of up to US\$200 million and other significant tax incentives to replace the dominant position of China in the market for supplying raw materials for drug production.

According to PwC, 2022 could be a year of recovery for global M&A activities after two years of the COVID-19 pandemic, with the value of global pharmaceutical M&A deals expected to increase by 32 per cent over the same period last year.

Pharmaceutical companies are also searching for M&A deals as they have kept an abundant amount of cash accumulated during the pandemic.

## 7. Apple could get AirPods Pro 2 made in Vietnam: report

Apple could make its wireless earphone, AirPods Pro 2, in Vietnam this year as it seeks to expand production outside China amid strict Covid-19 policies there, according to reports.

Supply chain analyst Ming-Chi Kuo tweeted Tuesday that the new AirPods would be mass produced in Vietnam from the second half of this year.

"The shift in AirPods Pro 2 production can be attributed to the relatively uncomplicated supply chain and Vietnam's better production environment (such as infrastructure and workforce) vs. most countries outside China."

But he said that since the product introduction process of the device is still on in China, it is not easy to establish a complete non-China production site.

Apple has told some of its contract manufacturers that it wants to boost production outside China, citing Beijing's strict anti-Covid policy among other reasons, the Wall Street Journal reported last week.

India and Vietnam, already sites for a small portion of Apple's global production, are among the countries getting a closer look from the company as alternatives to China, it said, citing people involved in the discussions.

Apple had been seeking to diversify away from China before Covid-19 broke out in early 2020, but the plans were complicated by the pandemic, the report said.

Current lockdowns in Shanghai and other cities as part of China's anti-Covid policy have caused supply-chain bottlenecks for many western companies, it added.



## Corporate News

### 8. PLX: Petrolimex targets 10% revenue growth in 2022

↑ 3.50%

The group also set a target of VND3.06 trillion for consolidated profit before tax, down 19 per cent.

Petrolimex also said that its production and business activities were forecast to continue to face difficulties and challenges this year amid the complicated developments of the COVID-19 pandemic.

In the first months of the year, the world witnessed "shocks" in oil prices and a shortage of gasoline supply due to the outbreak of the Russia-Ukraine war.

Domestically, the supply of petroleum from refineries has not been stable, which has greatly affected the group's plan to create sources and organise production and business of key and core products.

To achieve the set targets, Petrolimex continues to focus on developing and expanding its store

system; actively researching to gradually expand, transform and diversify products to adapt to the current trend of energy transformation.

The group also continues to further improve the quality of management, focusing on inventory risk management in order to improve the efficiency of petroleum source generation and business organisation.

At the same time, it will increase the application of information technology, strongly implement digital transformation in management and administration activities, and accelerate the application of non-cash payment in combination with the Petrolimex ID database throughout the system.

In addition, Petrolimex will focus on upgrading and automating the system of warehouses and stores, ensuring synchronisation, consistency, connection and sharing, contributing to enhance competitiveness in petroleum business.

### 9. NKG: Stock issuance to pay dividend

↑ 4.94%

On May 23, 2022, Nam Kim Steel Joint Stock Company announces the stock issuance to pay dividend to existing shareholders with details as follows:

- Stock name: Nam Kim Steel Joint Stock Company
- Stock type: common share
- Par value: 10,000 dong
- Number of shares issued: 219,398,568 shares
- Number of outstanding shares: 219,398,568 shares
- Number of treasury shares: 0 share

- Number of shares expected to be issued: 43,879,713 shares

- Total value (based on par value): 438,797,130,000 dong

- Exercise ratio: 100:20 (Shareholder who owns 100 shares will receive 20 new shares).

- Plan to deal with fractional shares: The distributed shares will be rounded down to units, the fractional shares will be cancelled.

- For example: at the record date, shareholder A owns 101 shares. With 100:20 exercise ratio, the shareholder A will receive:  $101 \times 20 / 100 = 20.2$  shares. According to rounding policy, the

shareholder A will receive 20 new shares and the fractional shares of 0.2 share will be cancelled.

- Record date: June 06, 2022.

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