



VIETNAM DAILY NEWS



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Table of content

Table of content

- 1. Stocks plunge in week's last session**
- 2. Global uncertainties loom over textile-garment industry growth**
- 3. Consumption demand on recovery path: ministry**
- 4. US adds Taiwan, Vietnam to currency monitoring list**
- 5. Vietnam jumps nine places in Open Budget Survey 2021**
- 6. Việt Nam plans to reduce number of credit institutions**
- 7. E-wallet MoMo buys stake in securities firm**
- 8. HPG: Hòa Phát Group approved for Yên Mỹ II Industrial Park expansion**
- 9. YEG: Another Yeah1 shareholder sells out**

Market Analysis

1. Stocks plunge in week's last session

Vietnam's benchmark VN-Index plunged 1.81 percent to 1284.08 points Friday with most blue chips in the red.

The index closed nearly 24 points lower after losing 0.11 points on Thursday.

Trading on the Ho Chi Minh Stock Exchange increased by 33 percent to VND16.96 trillion (\$720 million).

The VN-30 basket, comprising the 30 largest capped stocks, saw 25 tickers drop.

GAS of state-owned Petrovietnam Gas fell by 7 percent in its third losing session in a row.

PNJ of Phu Nhuan Jewelry lost 6.1 percent. POW of electricity producer Petrovietnam Power Corporation dropped 5.7 percent.

Four tickers gained, with TCB of the largest private lender Techcombank rising 1.5 percent and NVL of real estate developer Novaland Group increasing by 0.7 percent.

Foreign investors were net buyers for the fifth straight session to the tune of VND86.18 billion, mainly buying STB of Ho Chi Minh City-based lender Sacombank and HDB of HDBank.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was down 2.01 percent while the UPCoM-Index at the Unlisted Public Companies Market fell by 1.23 percent.

Macro & Policies

2. Global uncertainties loom over textile-garment industry growth

Vietnam reported a year-on-year surge of 23.5 percent in exports of textile and garment to earn 18.7 billion USD in the first five months of this year in the midst of lingering market uncertainties coupled with rising prices of inputs.

A majority of textile-garment companies have orders to fulfill by the end of September, many are in the negotiation process to gain more for the rest of the year.

Nam Dinh Textile Garment JSC (Natexco), a major producer located in the northern province of Nam Dinh, has generated over 1.02 trillion VND (44 million USD) in revenue as of the end of May, up 23 percent from the same period last year, according to trade union president Doan Van Dung.

It shows the corporation's great efforts to address adverse impacts of the COVID-19 pandemic, he said. Natexco had suffered severe labour shortage throughout February and March since there were times when up to half of its workers had to take sick leaves because of COVID-19 infection.

Viet Thang Corporation has been struggling to keep production going during the first quarter of the year, given that the Russia-Ukraine crisis has caused supply chain disruptions and a spike in input and fuel prices and logistics costs, according to Deputy Director-General Dau Phi Quyet.

Those expenditures have climbed three- to four-fold, so all units were having hard time figuring out possible ways to get out of the situation, Quyet said.

Though the company has managed to find stable supplies of inputs, it is having a shortage of imported replacements for equipment components to deal with. It took six to eight weeks to receive deliveries of the replacements, which normally came from the Europe. Now the shipments may take up to 12 weeks to arrive.

To cut costs from logistics services, the corporation is prioritising major orders instead of the small ones.

Vietnam National Textile and Garment Group (Vinatex), one of the leading textile-garment manufacturers in the country, had impressive business performance since the start of this year with a 50-percent surge in revenue. But similar challenges could potentially put the brake on its growth over the remaining months.

Record inflation in decades are ravaging major economies, including the US, the EU and the UK, triggering rising inventories and declining purchasing power. This may have substantial effects on Vinatex's performance, CEO Cao Huu Hieu said.

To weather the crisis, Hieu has advised domestic manufacturers to prepare themselves with more flexible plans in order to promptly address any market changes.

He attributed the company's Q1 positive business results to its ability to secure stable and sufficient supplies of inputs. Vinatex has invested on several yarn production projects using modern technology between 2015 and 2020, two of which were put into operation last year.

3. Consumption demand on recovery path: ministry

The Ministry of Industry and Trade (MoIT) has forecast that domestic consumption demand will recover and grow thanks to high vaccination coverage and the reopening of the tourism sector.

However, the ministry said the Government's economic stimulus packages may put more inflation pressure on the domestic market.

Given this, the MoIT said it will continue to keep a close watch on supply and demand as well as prices

of essential goods, while closely coordinating with other ministries and agencies to control prices and prevent market manipulation.

The ministry will also partner with press agencies to provide consumers with information about the supply of essential goods.

Although the increasing demand for goods and complex developments of global fuel and material prices have pushed up prices, the market is still under control, according to the ministry.

Total retail sales of goods and services in May reached 477.3 trillion VND (20.58 billion USD), up

4.2 percent month-on-month, and 22.6 percent year-on-year, it explained.

In the first five months of this year, the value was 2.25 quadrillion VND, a rise of 9.7 percent from the same period last year.

The sales of goods alone increased 9.8 percent during the five-month period, with food and foodstuff up 13.1 percent.

Notably, sales of lodging and catering services rose 15.7 percent, and tourism expanded 34.7 percent as the demand increased during the National Reunification Day (April 30) and May Day holidays.

4. US adds Taiwan, Vietnam to currency monitoring list

No major US trading partners such as China have been labeled as manipulating their currencies, but Taiwan and Vietnam were added to a “monitoring list” of foreign exchange policies, the Treasury Department said Friday.

Washington also will continue “closely monitoring” China’s actions and again raised concerns about Beijing’s “lack of transparency” in its moves to influence currency markets, Treasury said in its semi-annual US report to Congress

The report looks at countries with large trade surpluses and which actively intervene in foreign exchange markets to keep their currencies from appreciating, which makes their exports more competitive.

Treasury put 12 economies on the monitoring list: China, Japan, Korea, Germany, Italy, India, Malaysia, Singapore, Thailand, Taiwan, Vietnam and Mexico.

Two countries — Ireland and Switzerland — were removed from the list since the December report. Switzerland had been declared a currency manipulator in December 2020, and continues to be subject to “enhanced” discussions.

Beijing has long been a target of scrutiny, and Washington has frequently accused the government of keeping the exchange rate artificially low via its massive stockpile of US dollars, undermining US manufacturers and workers.

“China’s failure to publish foreign exchange intervention and broader lack of transparency around key features of its exchange rate mechanism make it an outlier among major economies, and the activities of China’s state-owned banks in particular warrant Treasury’s close monitoring,” Treasury said in the report.

China’s renminbi appreciated 4.4 percent against the US dollar in real terms, and continued to strengthen early this year until April, when it weakened rapidly due to the “darkening growth outlook,” the report said.

A Treasury official noted that the country “faces some unique challenges” such as inflows of cash seeking a safe haven, including “when Russia’s war against Ukraine started.”

“We continue to discuss these issues,” the official told reporters.

With Switzerland, “we also have a new standing macroeconomic and financial dialogue” to deal with the issues, the official said.

Treasury reviewed 20 major US trading partners with bilateral goods trade with the United States of at least \$40 billion annually.

The criteria are a large trade surplus with the United States, a significant current account surplus and

evidence of "persistent, one-sided intervention" in foreign exchange markets.

5. Vietnam jumps nine places in Open Budget Survey 2021

Vietnam was placed 68th out of the 120 countries in the Open Budget Survey (OBS) 2021 recently released by the International Budget Partnership (IBP), up nine spots against 2019 and 23 against 2017, the Ministry of Finance announced on June 9.

The country gained six points in all the three components – Transparency, Public Participation and Budget Oversight – compared to 2019.

It scored 44 out of the maximum of 100 in Transparency and 80 in Budget Oversight last year. Its score in Public Participation reached 17, higher than the global average of 14.

According to the ministry, the OBS2021 results show Vietnam's efforts in improving budget transparency over years. The country has been striving to adopt good international practices as it has released 3-year national financial and budget plans and make citizens budget reports more comprehensible to the public.

The country has also provided its citizens with easier access to financial and budget information to better grab their attention and encourage public participation in building and monitoring budget plans.

The OBS is the world's independent, comparative and fact-based research instrument that uses internationally accepted criteria to assess public access to central government budget information; formal opportunities for the public to participate in the national budget process; and the role of budget oversight institutions, such as legislatures and national audit offices, in the budget process.

The survey helps local civil society assess and confer with their government on the reporting and use of public funds. This 8th edition of the OBS covers 120 countries.

Vietnam has participated in the biannual survey for four consecutive times, in 2015, 2017, 2019 and 2021.

6. Việt Nam plans to reduce number of credit institutions

The country will reduce the number of credit institutions and basically finish the settlement of poor-performing banks by 2025 to make the banking system develop healthily and sustainably.

The plans are part of Decision No689/QĐ-TTg signed this week by Deputy Prime Minister Lê Minh Khái, which approved a project on restructuring the system of credit institutions associated with bad debt settlement in 2021-25. The project aims to create a clear and substantive change in the restructuring of the banking system.

The project encourages investors to participate in the purchase, sale, consolidation and merger of credit institutions voluntarily to increase the size and competitiveness of the institutions to make the

country's banking system among the top four in ASEAN by 2025.

Under the project, Việt Nam also targets at least two to three commercial banks in the top 100 strongest banks in Asia by 2025.

The project stipulates that commercial banks' capital adequacy ratio will reach at least 10-11 per cent by 2023 and at least 11-12 per cent by 2025.

Large-sized banks, excluding weak ones, must have a minimum charter capital of VNĐ15 trillion, and the number for small- and medium-sized banks will be VNĐ5 trillion by 2025. The minimum charter capital required for financial companies and financial

leasing companies is VNĐ750 billion and VNĐ450 billion, respectively.

For weak banks under the central bank's special control, the capital increase will be implemented according to plans approved by the competent authority.

According to the project, in 2022-23, State-owned commercial banks will increase their charter capital from after-tax profit sources, but they will have to study and propose other measures to increase capital in accordance with the law to ensure safety for the banking system.

For State-owned Agribank, the project requires the bank to develop a plan to comprehensively

restructure to improve the efficiency and quality of its operations and play a leading role in providing agricultural and rural credit. The bank will also have to take steps to implement equitisation and list shares on the domestic stock market.

The project also directs the Việt Nam Asset Management Company to submit to competent authorities for consideration a plan to increase its capital to VNĐ10 trillion in 2022-25 to improve the financial capacity and operational efficiency of the agency in dealing with bad debts.

According to the project, the bad debt ratio on the balance sheet of credit institutions, excluding those of weak commercial banks, will be less than 3 per cent by the end of 2025.

7. E-wallet MoMo buys stake in securities firm

The owner of e-wallet MoMo has purchased more than 4.4 million shares, or a 49 stake, in Hanoi-based CV Securities JSC (CVS).

The deal was struck Thursday and Online Mobile Services JSC, or M Service, has received more than 4.4 shares from two shareholders of CVS – its vice chairman Jiang Wen and general director Nguyen Kim Hau – the securities firm said in a statement sent to the State Securities Commission of Vietnam (SCC).

Established in 2009, CVS was first known as Hong Bang Securities JSC and renamed Hung Think Securities in 2015. The company also moved its headquarters from Ho Chi Minh City to Hanoi.

Its annual revenue was VNĐ4.4 billion (\$190,000) and VNĐ4.8 billion in 2020 and 2021 respectively. As of the first quarter of 2022, CVS had recorded a cumulative loss of more than VNĐ80 billion.

The new deal makes M_Service the second fintech firm to invest in a securities company after Finhay,

who bought shares in Vina Securities early this week.

Both Momo and Finhay are invested in by Thien Viet Securities (TVS). As of March 31, TVS recorded the original cost of investment in M_Service at VNĐ27.8 billion and nearly VNĐ62.5 billion at Finhay.

Momo had 31 million users and 140,000 payment acceptance points last year. The wallet is now a partner of more than 50 banks, and financial and insurance companies.

The e-wallet has completed a \$200-million Series E funding round funded by a consortium of investors led by Japan's Mizuho Bank. Investment funds Ward Ferry, Goodwater Capital and Kora Management make up the rest of the consortium.

A media representative said he could not announce a specific figure, but MoMo's valuation exceeds \$2 billion, making it a startup unicorn.

Corporate News

8. HPG: Hòa Phát Group approved for Yên Mỹ II Industrial Park expansion

↓ -0.59%

Hòa Phát Group has been given approval to invest in a project to build and trade infrastructure of Yên Mỹ II Industrial Park expansion in the northern province of Hưng Yên.

The project has a scale of 216 ha with a total estimated investment of more than VNĐ2.68 trillion (US\$116.5 million).

According to Decision No 650/QĐ-TTg, Yên Mỹ II Industrial Park expansion project will be implemented in Trung Hưng commune, Trung Hòa commune and Yên Mỹ town, Yên Mỹ district, Hưng Yên province by Hòa Phát Hưng Yên Industrial Park Infrastructure Development Company Limited.

Yên Mỹ II Industrial Park is planned to attract investment in clean production sectors and industries with little impact on the environment such as electrical, electronic and refrigeration equipment manufacturing, products from new

technology; mechanical engineering, machinery and equipment, production of consumer goods (excluding projects in the textile and garment industry, leather shoes, agricultural products and food processing).

Currently, the group's real estate sector includes construction and trading of technical infrastructure of industrial parks and housing and urban projects.

The revenue from its industrial real estate segment reached nearly VNĐ980 billion, an increase of 83 per cent compared to 2020.

The group is expected to reach over VNĐ1.6 trillion in revenue from the real estate sector, of which VNĐ1.5 trillion from leasing industrial infrastructure.

9. YEG: Another Yeah1 shareholder sells out

↑ 0.00%

A shareholder has sold 1.55 million shares of online entertainment company Yeah1, five days after buying 500,000 shares more as its price surged.

Nguyen Huu Thanh reduced his stake in the company by 5 percentage points to 0.79 percent on June 6, according to a company filing.

He had bought 508,900 shares on June 1.

In the first five sessions in June, the price rose by 15.4 percent to VNĐ22,850 (\$0.99).

Yeah1 came under scrutiny when its chairman and founder Nguyen Anh Nhung Tong sold his entire 12.89 percent stake on June 1.

Several other major shareholders have also been pulling out since February, including DFJ VinaCapital Venture Investment.

Yeah1 has postponed its annual general meeting twice this year saying more time was needed to prepare important documents.

It reported post-tax profits of nearly VNĐ28 billion last year after two years of losses.

Its contract with YouTube was terminated in March 2020 due to a violation of policies and what began as an operational error has "turned into a real crisis for the company," Nguyen Anh Nhung Tong once said.

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