



VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index inches up after plunge

Vietnam's benchmark VN-Index rose 0.27 percent to 1,230.31 points Tuesday with trading value seeing a double-digit drop.

The index stayed in the red for the morning but regained growth minutes before lunch.

It closed 3.27 points higher after plummeting over 57 points on Monday.

Trading value on the Ho Chi Minh Stock Exchange, on which the index is based, dropped 21.6 percent to VND14.52 trillion (\$625.3 million).

The VN-30 basket, comprising the 30 largest capped stocks, saw 16 tickers in the green, led by GAS of Petrovietnam Gas with a 6.8 percent gain.

FPT of IT giant FPT Corp gained 3.4 percent, while PNJ of Phu Nhuan Jewelry rose 3.3 percent.

Other winners included BVH of insurance company Bao Viet Holdings and PLX of fuel distributor Petrolimex, both up 2.6 percent.

Eleven blue chips fell, with SSI falling 6.2 percent to the lowest since last May.

HPG also hit a 16-month low with a 4.7 percent drop.

TPB of private lender TPBank lost 4.2 percent, and MSN of conglomerate Masan Group closed 2.5 percent lower.

Foreign investors were net buyers to the tune of VND307.40 billion, focusing on GAS and HPG.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was up 0.59 percent while the UPCoM-Index at the Unlisted Public Companies Market rose by 0.07 percent.

Macro & Policies

2. May sales surge indicates continuing auto industry recovery

Auto sales in May hit 43,816 units, the year's highest number and up for a third month in a row, indicating a recovery in demand.

In the first five months, 176,681 vehicles were sold, up 39 percent year-on-year, according to data from the Vietnam Automobile Manufacturers Association (VAMA).

Passenger cars accounted for over 79 percent, and commercial vehicles and special-purpose vehicles for the rest.

Truong Hai Auto Corporation (Thaco) reported a 51-percent rise in sales to 66,414 units, and continued to lead the industry.

Toyota was second with 37,906 units, up 57 percent.

It was followed by Honda, Mitsubishi and Visuco (Suzuki), all of which saw sales rise in double-digits.

Ford came in sixth as sales declined by 24 percent to 7,663 units.

Last year, auto sales had dropped 3 percent to 383,444 units.

3. Finance ministry seeks further gasoline tax cut

The Ministry of Finance is set to propose a further environment tax reduction on gasoline amid surging prices.

It wants to scrap the tax altogether after the National Assembly approved a 50 percent reduction to VND2,000 (\$0.086) per liter starting April.

The finance ministry on April 21 sought official feedback on a proposal to lower gasoline import prices from 20 percent to 12 percent.

Although such a reduction won't bring down gasoline prices, it will help to diversify gasoline import markets and avoid dependence on South Korea and ASEAN, which are offering incentive import taxes.

These proposals show the effort of the Vietnamese government in containing inflation, which has become a topic of concern this year as prices of key commodities surged globally.

The World Bank has recently slashed global growth forecast by nearly a third to 2.9 percent for this year due to concern of elevated inflation.

Vietnam's Consumer Price Index (CPI), which measures inflation, in the first five months rose 2.25 percent year-on-year, compared to 1.29 percent in the first five months of last year.

Standard Chartered Bank expects Vietnam's inflation to be at 4.2 percent this year, slightly higher than the central bank's cap of 4 percent.

4. HSBC lowers Vietnam's inflation forecast to 3.5 percent

HSBC has lowered its forecast on Vietnam's inflation rate in 2022 to 3.5 percent from its earlier prediction of 3.7 percent due to the stable domestic food prices, which is expected to help curb the country's headline inflation, according to a report released by the bank on June 14.

The bank explained that the inflation risk in ASEAN countries has increased since the beginning of 2022, leading to a high rise in both core and headline inflation rates compared to the period before COVID-19 broke out.

However, the impacts are different on each country, and inflation pressure in Singapore, Thailand and

the Philippines has become heavier, while in Vietnam, Malaysia and Indonesia, inflation has been under good control, according to the report.

But headline inflation is likely to increase sharply in the second group soon, especially in the context of rising energy prices, it predicted, adding that although the world oil price has "cooled down" compared to the peak in March, it is still at a high level, while the price of natural gas continues to increase gradually.

In Vietnam, energy price inflation has also persisted for long. Transport prices hit a record high, surpassing food inflation to become the main driver of Vietnam's headline inflation, it said. Despite rising energy prices, food inflation has remained moderate, helping control the overall increase in headline inflation so far, it added.

In the report, HSBC also increased its inflation forecast for Thailand, Singapore, Indonesia and the Philippines.

After considering both inflation and growth, HSBC also revised its forecast for Vietnam's operating interest rates in 2022.

While the current inflation rate remains below the 4 percent target, the bank expects persistent high energy prices will continue to push overall prices up. It is likely that inflation will sometimes surpass the State Bank of Vietnam's ceiling rate of 4 percent in the second half of 2022 but only temporarily, said the report. That situation will likely cause the bank to adjust interest rates by 50 basis points in the third quarter of 2022 before raising the rates three times, 25 basis points each time in 2023, the report underlined.

5. Việt Nam sees growth in garment exports in first five months

Việt Nam achieved high export growth in the first five months of this year as businesses strived to promote investment in production and exports.

In the first five months of the year, Việt Nam's textile and garment export value reached US\$18.7 billion, up 23.5 per cent.

According to Nam Định Textile and Garment Corporation (Natexco), its revenue was more than VNĐ1 trillion in the first five months, 23 per cent higher than the same period last year.

At present, the corporation has orders to produce until the end of September. It is also continuing to negotiate with partners about year-end orders.

Besides that, Natexco will continue to restructure its resources for becoming a textile centre in the northern region, meeting the demands of the domestic market and exports.

Natexco deputy general Nguyễn Thị Khánh said the Textile 1 JSC had completed its factory No 2 meeting European standards, while factory No 1 reached those standards in 2017. The factories would give Textile 1 JSC an opportunity in developing its brand and promoting exports.

Deputy General Director of Việt Thắng Corporation Đậu Phi Quyết said that in the first quarter of 2022, despite many difficulties and challenges, the corporation brought in 25 per cent of the revenue plan and 35 per cent of the profit plan.

However, the conflict between Russia and Ukraine had caused instability in the world supply chain and the risk of supply disruption. Both high input cost and cost of logistics and petrol forced the textile and garment companies to find ways to adapt.

So far, the supply of raw materials and accessories of Việt Thắng had been basically stable. However, importing spare parts, equipment and supplies from Europe would take 12 to 20 weeks, higher than the 6-8 weeks before. If this situation does not improve, it would affect its production and export plans.

Meanwhile, the chairman of Việt Nam National Textile and Garment Group (Vinatex) Lê Tiến Trường, said that Vinatex gained a growth of 50 per cent in revenue during the first quarter of 2022.

However, Vinatex also faced many challenges impacting negatively on the domestic textile industry as well as the group in the first quarter, including the Russia-Ukraine conflict and a

reduction in the economic growth of developed regions like the US and EU.

Vinatex general director Cao Hữu Hiếu said that it gained the results due to previous investment in preparing raw materials. In 2015-2020, Vinatex invested in a number of yarn production projects with modern technology to produce common high quality products.

In 2021, Vinatex also put two yarn production projects into operation to increase Vinatex's yarn production capacity to more than 50,000 spindles.

Most of the group's yarn production companies had enough orders signed by the end of 2021 to produce until the end of 2022.

For the garment industry, after the pandemic was under control, member companies quickly stabilised labour and recovered effective production.

The garment companies have enough orders to produce in the second quarter, and many have

signed contracts to produce until the end of the third quarter or even the end of this year.

To promote the export of textile and garment products, enterprises must continue investment in expanding production facilities and proactively supply materials and auxiliary materials to meet rules of origin and take export opportunities from new-generation free trade agreements, experts say.

In addition, market research should be promoted to develop short- and long-term strategies and goals. Risk management is also a top priority.

For free-on-board (FOB) businesses, it is necessary to carefully study the market and not sign contracts too early to avoid the risk of low prices not keeping up with the increase in input material prices.

FOB service suppliers help their clients in almost every stage of the manufacturing process. They arrange to source materials, carry out inbound logistics, cut the garments, make products, and do packaging and carry out outbound logistics.

6. Ministry reviews anti-dumping measure imposed on Chinese aluminum

The Ministry of Industry and Trade (MoIT) has announced the second review of anti-dumping measures imposed on some aluminium products from China.

Accordingly, it will review the anti-dumping duties imposed on products coded 7604.10.10, 7604.10.90, 7604.21.90, 7604.29.10, and 7604.29.90.

Previously, the ministry issued a decision on April 20, 2021, on the results of its first review.

On September 28, 2020, the MoIT issued a decision to impose anti-dumping duties on some aluminium

products originating from China with rates ranging from 2.49 per cent to 35.58 per cent.

The ministry initiated the investigation into the anti-dumping case in January 2019. The investigation found harms to the domestic aluminium industry.

The major cause was found to be the dumping of aluminium products originating from China at margins of 2.49 per cent to 35.58 per cent.

After the first review, the ministry decided to continue imposing anti-dumping duties on certain aluminium products originating from China with tax rates from 4.39 per cent to 35.58 per cent.

7. Bank interest margins under pressure due to high inflation

Experts forecast that bank net interest margins (NIM) will decline as inflation rises next month.

Việt Nam's consumer price index in the first five months of the year edged up 2.25 per cent year-on-year while core inflation rose by 1.1 per cent, according to the General Statistics Office (GSO).

Experts are concerned it will be difficult for the country to meet the Government's inflation target of 4 per cent this year due to increasing prices of oil and basic commodities in the wake of the war between Russia and Ukraine.

A Viet Dragon Securities Corporation (VDSC) representative told Việt Nam News the oil market was continually overheating after reaching US\$102 per Brent oil on average in the first five months of 2022, up 62 per cent from the same period last year. VDSC's analysts forecast two scenarios for the country's inflation this year.

"In the positive scenario, if the oil price remains at around \$120 per barrel in the remaining months of the year, the product's price will average at \$113 per barrel in the whole of 2022, up more than 60 per cent against 2021. At the oil price level, we forecast Việt Nam's inflation will be 4.5 per cent in 2022 as transportation cost will make up 2 percentage points to the country's inflation rate," the representative said.

"However, in the pessimistic scenario, inflation will reach 5 per cent if the gasoline price hits a record high of \$150 per barrel as in 2008."

According to Nguyễn Thế Minh, analysis director of Yuanta Vietnam Securities Company's individual customer division, rising inflation will directly affect banks as they have to raise deposit interest rates to make them higher than the rising inflation rate to attract depositors and compete against other investment channels such as real estate and securities.

Meanwhile, banks cannot raise the lending interest rate correspondingly or even have to keep the rate unchanged to support the economic recovery as directed by the central bank.

The move will affect banks' NIM and profit growth adversely, Minh said.

Trần Thị Khánh Hiền, analysis director of VNDirect Securities Company, forecast a declining trend in banks' NIM, explaining it would be difficult for banks to cut saving rate despite a stable lending rate as they still have to lure deposits to ensure liquidity and meet the central bank's requirement on capital adequacy ratio.

Industry insiders are also concerned as bank profits currently rely on about 70 per cent of credit. A decrease in NIM, therefore, will affect profits.

Deposit interest rates are under increasing pressure due to rising inflation and stronger-than-expected credit growth.

By the end of April, the Vietnamese đồng interest rates traded between banks on the interbank market declined by 0.5-0.7 percentage points per year but increased again in early May 2022. Specifically, the interbank interest rates in early May 2022 were 0.1-0.4 percentage points per year higher than the rates at the end of April on short terms of less than one month.

Not only small-sized banks, but large-sized banks, which previously always kept deposit interest rates at very low levels, have recently also adjusted their rates up as a move to increase the competition in attracting depositors.

Techcombank, for example, has recently increased its savings rate by 0.3-0.45 percentage points per year, lifting the highest rate at the bank to 6.5 per cent per year. The surge was the bank's strongest interest rate adjustment in more than six months. In previous adjustments, Techcombank's rate usually increased slightly by about 0.1-0.2 percentage points.

Trần Đức Anh, director of the KBSV Securities Company's Macroeconomics and Market Strategy Division, forecasts that interest rates for long-term deposits of large-sized banks will increase by about 0.5 percentage points.

Corporate News

8. VIC: Automaker VinFast to open over 50 stores in Europe

↑ 0.26%

Automaker VinFast announced its plan to open more than 50 stores in Europe at the 35th International Electric Vehicle Symposium and Exhibition (EVS35) in Norway on June 14.

Accordingly, there will be at least 25 VinFast stores in Germany, 20 in France and five in the Netherlands.

The first stores will be built in Frankfurt, Berlin, Cologne, Oberhausen and Hamburg of Germany; Paris, Marseille, Nantes, Rennes, Nice, Montpellier, Aix en Provence and Metz of France; and Amsterdam of the Netherlands.

Le Thi Thu Thuy, Vingroup's Vice Chairwoman and VinFast Global CEO, said: "VinFast is not just here to sell cars. We are here to inspire change and accelerate the transition to electric vehicles for the benefit of the environment."

At the EVS35, which takes place from June 11-15, VinFast has introduced its smart electric vehicles VF 8 and VF 9 that debuted at the 2021 Los Angeles Auto Show and CES 2022. With the elegance of world-renowned Pininfarina Design crafted into all of VinFast's EVs, the two models will impress and

captivate the public. The brand utilised modern design languages to optimise aerodynamics and create comfortable driving experiences while upholding aesthetics that reflect each segment's unique features.

Earlier, Deputy Prime Minister Le Van Thanh asked the Ministry of Industry and Trade to study policies to promote the development of the domestic automobile industry, in line with the growing global trend towards electric cars.

The request was to response to the proposal of the Vietnam Automobile Manufacturers' Association (VAMA).

VAMA said that Vietnam needed to have an automobile industry strategy in line with the growing global trend toward electric cars that contributes to Vietnam's commitment to net-zero carbon emission at the United Nations Climate Change Conference (COP26). It proposed an electric car development programme to be raised together with a roadmap to convert from fossil-fuel cars to electric cars and an action plan to implement COP26 commitments.

9. HVN: Vietnam Airlines expects financial difficulties until 2023-end

↑ 0.00%

Vietnam Airlines expects financial difficulties to last until the end of 2023, amid aftermath of the Covid-19 pandemic.

The flag carrier targets to be profitable and turn around its negative equity this year, it said in a filing to the Ho Chi Minh Stock Exchange, on which its stock HVN is still restricted to trading in the afternoon due to loss reports.

The airline has recorded an accumulated loss of over VND24.5 trillion (\$1.05 billion) as of March,

and it wants to turn this situation around and become profitable by 2024 onward.

It had recently sold a 35 percent stake in Cambodia Angkor Air for \$35 million and will sell the remaining stake (14 percent) this year.

It is set to issue more shares to pump up its capital in 2023 or 2024.

In September last year, it raised nearly VND8 trillion by share issuance. The airline said it has

been benefiting from a strong rebound in domestic travel.

Last month, it operated nearly 12,000 flights and transported two million passengers, exceeding its plan by 42 percent.

International travel, however, has been affected by the Russia-Ukraine crisis and rising fuel prices, the airline said.

The Vietnamese government owns a more than 86 percent stake in Vietnam Airlines through two entities. Japan's ANA Corporation owns a 5.6 percent stake.

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