



# VIETNAM DAILY NEWS



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## Market Analysis

### 1. VN-Index hits 4-week low

Vietnam's benchmark VN-Index dropped 1.33 percent to 1213.93 points Wednesday, lowest in over four weeks.

The index closed over 16 points lower after gaining three points on Tuesday.

Trading on the Ho Chi Minh Stock Exchange (HoSE) increased by 13 percent to VND16.47 trillion (\$709.09 million).

The VN-30 basket, comprising the 30 largest capped stocks, saw 22 tickers dropped.

SSI of leading brokerage SSI Securities Corporation hit the floor with a 7 percent plunge.

GVR of Vietnam Rubber Group dropped 6.9 percent.

PLX of fuel distributor Petrolimex and POW of electricity producer Petrovietnam Power Corporation both fell 4.9 percent.

Six blue chips bucked the trend, with MWG of electronics retail chain Mobile World rising 2.9 percent.

Other gainers included PNJ of Phu Nhuan Jewelry, up 1.7 percent, and FPT of IT giant FPT Corporation, up 1.6 percent.

Foreign investors were net sellers to the tune of VND182.17 billion, mainly selling DGC of Duc Giang Chemicals Group and VNM of dairy giant Vinamilk.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was down 2.35 percent while the UPCoM-Index at the Unlisted Public Companies Market fell by 2.17 percent.

## Macro & Policies

### 2. Renewable energy businesses prosper in Q1

Leading companies in the renewable energy industry all recorded strong profit growth.

Despite the large divergence in business results, companies still recorded impressive growth in the first quarter of this year. Electricity consumption is forecast to grow this year, helping to increase power generation from renewable energy units.

In the first quarter, Vietnam Electricity (EVN)'s power output fuelled by renewable sources was about 10.01 billion kWh, ranking third among power sources, accounting for 15.9 per cent of the total electricity production of the whole system.

Refrigeration Electrical Engineering Corporation's (REE) consolidated revenue in the quarter reached VNĐ2.05 trillion, up 72.9 per cent over the same period.

Its profit after tax reached nearly VNĐ1 trillion, double that of the first quarter of last year.

The largest contribution to REE's revenue and profit comes from the energy segment.

Total revenue from the energy segment of this enterprise in the first quarter this year reached VNĐ1.44 billion, up 287 per cent over the same period, thanks to output generated by its three wind power plants including Trà Vinh V1-3, Phú Lạc 2 and Lợi Hải 2.

REE sets a target with revenue of VNĐ9.28 trillion and profit after tax of VNĐ2.06 trillion for this year.

REE has achieved 22 per cent of the year's revenue target and 46.2 per cent of the profit plan by the end of the first quarter.

Gia Lai Electricity Joint Stock Company (GEC) also saw growth in both revenue and profit. Revenue of the enterprise reached VNĐ570 billion in the period, up 87 per cent over the same period last year.

Thanks to the large gross profit, after deducting expenses, Gia Lai Electricity recorded a profit after

tax of VNĐ174 billion, up 127 per cent over the same period last year.

According to the explanation from company, electricity sales increased by VNĐ270 billion in the first quarter of this year, equivalent to 89 per cent. At the same time, cost increased by VNĐ96 billion because wind power plants went into commercial operation from the fourth quarter of last year.

Similarly, PC1 Group Joint Stock Company recorded a revenue decrease of 9 per cent, at VNĐ1.48 trillion, but profit after tax increased 2.2 times over the same period, reaching VNĐ179 billion.

In the revenue structure of PC1, revenue from electricity sales accounted for the largest with VNĐ456 billion, four times higher than the same period last year.

In contrast, Power Engineering Consulting Joint Stock Company 2 and Hà Đô Group had dismal results with profits decreasing by 54 per cent and 26 per cent, respectively.

The main reason was due to the sharp drop in revenue, 22 per cent and 50 per cent, respectively.

Great prospects in the medium and long term

Experts said that electricity consumption would rise again this year. Accordingly, it was very important to develop a suitable power system to meet the surging demand.

Currently, the potentials for hydro-electricity has gradually exhausted, while coal power faces financial difficulties due to its negative impact on the environment.

Therefore, renewable energy received great attention thanks to its clean nature and large growth potential, said experts.

The new Draft Power Plan 8 is focusing on a strong clean energy transition to meet the country's "net zero" commitment. In which, the proportion of

renewable energy power capacity has been increased remarkably, especially wind power.

Statistics show that solar power plants have recorded an improved capacity in the past three months, while wind power plants have shown instability due to weather.

The FIT price race has ended, and renewable energy investors are waiting for a new mechanism to restart a new phase of development.

Experts believe that solar power development capacity will slow down until 2030 while wind power is expected to be the spearhead for renewable energy development in the 2022-45 period.

### 3. Vietnam's credit growth expands by over 17 percent

Vietnam's credit growth as of June 9 expanded by 17.09 percent against the same period last year, Deputy Governor of the State Bank of Vietnam (SBV) Dao Minh Tu said on June 15.

He revealed the figure at a press conference held by the central bank to review the performance of the banking sector in the first six months of this year, adding that it is in line with the more positive developments of the economy.

According to the SBV Deputy Governor, during the period, credit and monetary policies have gradually been harmonised with the new normal, focusing on increasing investment in various fields of the economy. Since the beginning of this year, the SBV has directed institutions to concentrate credit on business and production, and prioritised fields as well as strictly controlling credit for potential risk areas.

In the coming time, positive credit growth along with the impact of the economic stimulus package will support the nation's economic recovery, he said.

By the end of April, credit institutions have extended the payment deadline and reduced interest rates for debts worth over 695 trillion VND (29.8 billion USD) for 1.1 million customers. Banks have also frozen and waived interest rates for about 490,000 clients with combined outstanding loans of nearly 91 trillion VND.

Vietnam is likely to face the risk of inflation in the future, he said, adding that the global monetary and financial situation has many fluctuations that will affect the country because its economy is open.

He said that the SBV will monitor market developments at home and abroad as well as the pandemic situation to synchronously and flexibly manage monetary policies to control inflation, stabilise the macro-economy and support economic recovery.

### 4. Vietnam's hassles in developing offshore wind power industry

Unclear regulations, low prices and an insufficient grid are hampering efforts to develop offshore wind power, experts and industry insiders have said.

By 2030 offshore wind power capacity would be 7,000 megawatts (MW), envisages the Power Development Master Plan VIII for 2021-30.

But Nguyen Thi Thanh Binh, deputy director of conglomerate T&T Group, said at a conference last

week that ambiguous regulations are the biggest hurdle to achieving the government's goal.

"A policy framework, construction roadmap or pricing mechanism for offshore wind power plants has yet to be drawn up, and there is also a lack of specific, clear instructions."

Offshore wind farms usually take six to nine months before commercially operating, and so it is a huge

risk for investors if the mechanism is unclear, she added.

Bui Van Thanh, chairman of the Binh Thuan Wind and Solar Energy Association, spoke about another problem: Vietnam's power grid.

"The country's grid for renewable sources is already overloaded, and so it cannot benefit from more supply."

Upgrading the power system to cope with the targeted load requires a huge investment, and national utility EVN has no incentive to do it as it buys renewable energy at a loss.

Meanwhile, the newly amended Law on Electricity allows private investors to fund power grids, but lacks specific instructions for implementation.

### Pricing issues

Last October the Ministry of Industry and Trade stopped the feed-in-tariff (FIT) incentive price for wind power projects.

It is now seeking feedback on bidding mechanisms for renewable energy prices.

But Binh warned against doing that now, saying both investors and the market would be hurt.

"Offshore wind power is a relatively new sector in Vietnam, and some investors are considering them test runs.

"Bidding in this case will disrupt the market, and investors may decide to forfeit them after winning bids."

Mark Hutchinson of the Global Wind Energy Council pointed to the fact that no country has been able to

install 3,000 MW of offshore wind power through bidding in early stages.

Citing the experiences of the UK, the Netherlands and Taiwan, he said investors need to have a buffer time before bidding starts.

FIT prices could be offered for the first 4,000 MW, and the next 3,000 MW could be priced through bidding, he said.

He also suggested qualification-based selection to fast-track planning and construction.

Doan Ngoc Duong, vice chairman of the Institute of Energy (IEVN) agreed, saying many countries have adopted similar policies to incentivize investors in early phases.

"We need a pioneering project as a pilot for choosing investors and mechanisms."

### Too many investors

Nguyen Thanh Huyen of the Vietnam Administration of Seas and Islands said the number of companies seeking to invest in offshore wind farms has skyrocketed.

"Over the last year and a half 35 firms have asked to explore 41 locations to build wind farms, up from the previous three."

Nguyen Manh Cuong of the IEVN said 22 projects have registered in the north and 74 in the south with a total designed capacity of over 156,000 MW.

This is much higher than the government's target of 7,000 MW.

In the northern province of Nam Dinh, for instance, only one project is registered, but with a capacity of 12,000 MW.

## 5. RoK firms expand investment in research and development in Vietnam

Leading enterprises from the Republic of Korea (RoK) including Samsung Electronics, Naver and Revu Corporation have further promoted investment in research and development (R&D)

centres in Vietnam to fully tap high-quality and low-cost human resources.

A report released recently by the Korea Trade-Investment Promotion Agency (KOTRA) said with stable economic growth, Vietnam has continuously trained young R&D staff to a high level.

Vietnam ranked second in the world in terms of software outsourcing for information technology development in 2020.

Meanwhile, the Vietnam IT Market Report 2021 conducted by TopDev, a Vietnamese market research company, shows that the average salary of programmers with less than two years of experience in Vietnam is at least 430,000 won (332.6 USD) per month, and the salary for those with more than 10 years of experience is 3.27 million won (over 2,500 USD). Meanwhile, the average salary of a new employee working at a mid-range IT firm in the RoK is about 3.5 million won (over 2,700 USD) per month.

Samsung Electronics has started construction of the largest R&D centre in Southeast Asia in Hanoi, which is expected to be completed in 2022.

LG Electronics opened the LG Vehicle Component Solutions Development Centre Vietnam in the central city of Da Nang in 2020.

Naver and NCsoft have also established R&D organisations in Vietnam. In 2021, Naver collaborated with Vietnam's information technology research institutes, the Posts and Telecommunications Institute of Technology (PTIT) and the Hanoi University of Science and Technology to set up an artificial intelligence research centre. Meanwhile, NCsoft is operating NC Vietnam Visual Studio - an R&D agency focusing on graphics technology in HCM City.

## 6. Reference exchange rate up 4 VND on June 15

The State Bank of Vietnam set the daily reference exchange rate for the US dollar at 23,093 VND/USD on June 15, up 4 VND from the previous day.

With the current trading band of +/-3 percent, the ceiling rate applicable to commercial banks during the day is 23,785 VND/USD and the floor rate 22,400 VND/USD.

The opening-hour rates at some commercial banks saw fluctuations.

At 8:30 am, Vietcombank listed the buying rate at 23,050 VND/USD, and the selling rate at 23,360 VND/USD, both down 10 VND from the rates at the end of June 14.

Meanwhile, BIDV kept both rates unchanged from the rates at the end of the previous day, listing the buying rate at 23,080 VND/USD and the selling rate at 23,360 VND/USD.

## 7. HCM City's number of firms grows over 26 percent from 2016

The number of businesses in Ho Chi Minh City amounted to 216,170 in 2021, up 26.2 percent from 2016, according to the city's economic census for last year.

Of the total figure, there were 270 State-owned enterprises, down 22.9 percent from 2016.

By contrast, the numbers of non-state and FDI enterprises were at 208,609 and 7,291, up 25.1 and 75.2 percent, respectively.

The decrease of state-owned firms during this period reflected the policy of the Party and State in arranging, transforming, and equitising the group in order to improve their role and business production efficiency.

Among localities, Thu Duc city posted the highest number of operating companies, at 30,729, followed by District 1 (18,184 firms), Tan Binh district (16,745), and Binh Tan district (15,333).

According to the municipal Statistics Office, recent years saw an increase in the number of enterprises and an increasing trend of shifting business density

from the central to the suburban areas. These mean that the city's proper policies have created favourable conditions for business development.

## Corporate News

### 8. VSC: VSC is about to issue 11 million shares to pay dividends

↓ -3.98%

Vietnam Container Joint Stock Company ( HOSE : VSC ) announced the issuance of 11 million shares to pay dividends in 2021, ratio 10:1.

Shareholders owning 10 shares will receive 1 new share. Accordingly, VSC 's charter capital will be raised to VND 1,213 billion.

Last date for registration is June 30. The ex-rights date is June 29.

Previously, VSC paid the first dividend of 2021 in cash at the rate of 5%, the total payment value was VND 27.5 billion.

According to the Resolution of the 2022 Annual General Meeting of Shareholders, the dividend payment rate in 2022 is expected to be 20% of the charter capital.

Regarding the business plan, VSC sets a target of VND 1,900 billion in revenue and VND 500 billion in pre-tax profit.

### 9. NTL: NTL is about to pay 10% dividend

↓ -0.2%

Tu Liem Urban Development Joint Stock Company ( HOSE : NTL ) announced that June 22 is the last registration date to close the list of receiving cash dividends for the second period of 2021.

The ex-dividend date is June 21 and payment is expected on July 8.

Execution rate is 10% (1,000 VND/share). With 61 million shares in circulation, businesses need to spend VND 61 billion to pay.

Together with the dividend rate of 15% in the first phase of 2021, NTL 's total dividend payment rate in 2021 will reach 25%.

In the 2022 plan, NTL expects revenue to reach VND 700 billion and profit after tax of VND 240 billion, up 19% and 1% respectively compared to 2021. The dividend payout ratio strives for 25% in cash.

On HOSE , NTL 's share price decreased 30% over the past 1 quarter, trading around VND 24,900 /share on the afternoon of June 14.



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