



VIETNAM DAILY NEWS



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Market Analysis

1. VN-Index plunges with rising trade

Vietnam's benchmark VN-Index dropped 1.56 percent to 1217.30 points Friday with trading value rising double-digit.

The index closed 19 points lower after gaining nearly 23 points on Thursday. It has lost 67 points this week as global markets plunged due to concerns of inflation and disrupted supply chains.

Trading on the Ho Chi Minh Stock Exchange (HoSE) increased by 17.5 percent to VND17.33 trillion, highest in four sessions.

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

SSI dropped 7 percent to the lowest since March last year in its seventh losing session in a row.

It was followed by eight banking stocks, losing between 6.4 percent and 3.6 percent, including MBB of lender MB, TPB of private TPBank and CTG of state-owned lender VietinBank.

Five blue chips rose, with MSN of conglomerate Masan Group rising 5.7 percent and GAS of state-owned Petrovietnam Gas gaining 4.7 percent.

Foreign investors were net buyers to the tune of VND309.68 billion, mainly picking up HPG of steelmaker Hoa Phat Group and VND of brokerage VNDirect.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was down 2.68 percent while the UPCoM-Index at the Unlisted Public Companies Market was down by 2.41 percent.

Macro & Policies

2. Two thirds of Vietnamese have bank accounts: central bank

The number of people having bank accounts has doubled since 2017 to 68 percent, according to the State Bank of Vietnam.

It signaled a milestone in achieving a cashless society, and was close to the 70-percent rate in many countries in the neighborhood, Le Anh Dung, vice head of the Payment Department under the State Bank of Vietnam, said at a conference on Friday.

Most of people having bank accounts are those in the age of 25-34.

Over 90 percent of banking transactions were done online, and mobile banking transactions had risen by 90 percent.

The banking industry was mulling digitization of all services, including small loans.

The cost-to-income ratio for Vietnamese banks was 30 percent on average, among the highest in the region.

The central bank had collaborated with the Ministries of Public Security and Information and Communication to set up a quick reaction force to respond to security breaches.

Commercial banks were required to spend 15 percent of their investment on IT, and this was periodically inspected by the SBV.

3. FDI lifts Việt Nam up global value chain

Việt Nam, like many other East and Southeast Asian countries, is further climbing up the global value chain (GVC) thanks to the positive effect of the utilisation of foreign direct investment (FDI), according to the latest report by Hinrich Foundation.

The opportunities are plentiful for countries to move up the global value chain, said Riccardo Crescenzi, Professor of Economic Geography at London School of Economics, at a press conference announcing the report “Climbing up global value chains: Leveraging FDI for economic development” this week.

Amidst current challenges, Asian countries can analyse the link between global economic integration and sustainable development, on the basis of which they will be able to adopt support policies encouraging participation in the GVC to promote sustainable development.

Việt Nam’s increasing openness leads to a rise in FDI stock as a percentage of GDP, the report said.

“Compared to regional peers, the country changed from one of the most restricted to FDI, to one of the most open.

“One useful change was the revision of the Law on Investment Policy, which restricted the ability of the central and subnational government to issue regulations on investment. This change removed uncertainty and overlapping or contradictory legislation.

“Việt Nam’s economic model remaining led by FDI but focused on final-stage assembly tasks that depend on imports,” it added.

Crescenzi stressed it is important that the Government and enterprises understand exportation activities, from goods to sources of investment to build domestic capacity and create domestic value-added.

Some 68 per cent of global FDI flows landed in Asia-Pacific Economic Cooperation (APEC) economies in 2020, compared to less than 50 per cent 10 years ago, said Akhmad Bayhaqi, Senior Analyst at APEC Policy Support Unit.

East and Southeast Asian countries, which make up half of the APEC economies, play a critical role in GVC, he noted, adding that the regions have

attracted 18.4 per cent of the global FDI and served as the “world’s factory” for more than two decades.

Countries holding central positions in the FDI network are also hubs in the global trade network, he said, and it seems that participating in the GVC helps many emerging economies lure investment.

4. VN to increase national fuel reserves

The Ministry of Industry and Trade has put forward a proposal to increase the country's fuel reserve by as much as four times, said Lê Việt Nga, deputy head of the ministry's domestic market department, during a conference last week in Hà Nội.

Currently, the country's entire reserve can only meet domestic demand for 5-7 days.

The ministry said it has been working closely with the Ministry of Finance and the Ministry of Planning and Investment to iron out all the details.

Despite rising global prices and stronger demand in the domestic market since the beginning of the year, Việt Nam has not yet been forced to tap into its national reserve. The country's reserves consisted of trader reserves, refineries and national reserves.

"In the event of a shortage, we prioritise the use of reserves by traders and refineries first before the national reserve. We understand that 5-7 days' worth of reserve is not a lot, and we must seek ways to improve that," said Nguyễn Thuý Hiền, deputy head of the ministry's Information and Communication Department.

Answering questions regarding Việt Nam's recent initiative to ramp up petrol import from Malaysia, a country with lower-than-average fuel prices compared to other countries in the region, Deputy Minister of Industry and Trade Đỗ Thắng Hải said it was unlikely to help bring down domestic prices.

"Malaysia isn't that much different. We are paying the same prices for Malaysian fuel, just like any other Asian suppliers," he said.

Without creativeness, Việt Nam will not be able to improve productivity and struggle to compete, he continued, adding the formula for victory in a global competition is being creative.

The ministry said supply was sufficient during the first half of the year for industrial and residential demand despite production disruptions at the Nghi Sơn Refinery, the country's largest supplier, and challenges in finding imports.

"We give priority to domestic suppliers, but they must show commitment and fully disclose operational information. The rest will be filled by imports," he said.

Nga said the ministry had instructed domestic suppliers to take measures to ensure supply is ample in all cities and provinces.

Asked if the ministry supported further tax cuts on petrol products, she said there was still room to manoeuvre.

"Recent environmental tax cuts have been a big help in stabilising domestic fuel price, especially when global prices were spiking," she said.

She said her ministry and other governmental agencies have been working with traders and suppliers to produce a tax cut scheme, which is to be presented to the government for approval.

A litre of RON95-III gasoline, the most commonly used fuel, costs VNĐ32,375 as of today compared to VNĐ23,870 at the beginning of the year, a VNĐ8,505 or a 35.6 per cent increase. Rising fuel prices were said to have put major pressure on the country's ability to rein in inflation and speed up economic recovery, with economists and industry leaders increasingly vocal about abolishing several current fuel taxes and fees.

5. Domestic shopping demand predicted to strongly rebound

The domestic shopping demand is forecast to recover and gradually increase as Vietnam has recorded a relatively high vaccine coverage which helps ensure safety for consumers in shopping activities.

According to the Ministry of Industry and Trade, the resumption of tourism will stimulate the demand for shopping and consumption, while the outlook for domestic consumption will be brighter thanks to the recovery of production, the return to work of workers, and increased income.

The ministry said it will continue to closely monitor the supply and demand, the prices of essential commodities to take timely regulatory measures; closely coordinate with ministries and sectors in price management to control prices and prevent

hoarding, speculation and price manipulation activities.

It will coordinate with the industry and trade departments of localities in the work, making reasonable recommendations and proposals to stabilise the market.

The nation's total revenue from retail sales of goods and services in May reached 477.3 trillion VND (20.5 billion USD), up 4.2 percent month-on-month, and 22.6 percent higher than that of the same period last year.

The figure increased 9.7 percent year-on-year to 2,257 trillion VND in the first five months of the year.

Experts attributed the positive results to the abundance of goods and rising purchase power.

6. Banks start capital hike race in 2022

The charter capital increase of the banking industry this year is starting to heat up with many banks simultaneously implementing related plans.

SeABank announced it would close the list of shareholders on June 17 this year to pay dividends in shares and issue shares to increase capital from the bank's equity in Q2 and Q3 2022. Specifically, the bank will issue 211.4 million shares to pay 2021 dividend and issue 109.7 million shares from the equity source to increase capital.

At the same time, SeABank will also issue 59.4 million shares under the employee stock ownership plan (ESOP) in 2022.

After the issue, SeABank's charter capital will increase from nearly VNĐ16.6 trillion (US\$715.6 million) to more than VNĐ20.4 trillion in the second and third quarters of this year.

Many other banks, such as Viet Capital Bank (BVB), Orient Commercial Bank (OCB) and Asia Commercial Bank (ACB), have recently got a nod

from the State Bank of Vietnam (SBV) to increase capital.

Under the SBV's approval, BVB was allowed to increase its charter capital by VNĐ1.61 trillion to nearly VNĐ5.29 trillion. The capital will serve the bank's development requirements in the medium and long-term such as technology and material base improvement and network expansion.

Similarly, OCB was approved to raise its charter capital by an additional VNĐ59 trillion, of which VNĐ50 billion would be raised through selling stocks to the bank's staff under the ESOP, and VNĐ8.82 billion to be sourced through private placement to Japan's Aozora Bank.

After the move, OCB's charter capital would increase to nearly VNĐ13.76 trillion. At its annual general meeting of shareholders (AGM) in 2022, OCB's shareholders also approved the distribution of 413 million bonus shares to existing shareholders at a 30 per cent ratio this year.

For ACB, after receiving the SBV's approval for the capital hike plan, on June 6, the bank closed the shareholder list for stock dividend payments to its existing shareholders. Accordingly, ACB would distribute nearly 675.5 million stocks for dividend payments at a ratio of 25 per cent, meaning a shareholder owning 100 stocks will receive 25 new shares.

After finalising stock issuance, ACB's charter capital will increase from VNĐ27 trillion to VNĐ33.77 trillion.

During the AGM season this year, along with ambitious business plans set for 2022, 17 out of 27 listed banks have approved plans to increase capital in the year, totalling nearly US\$2.8 billion.

The capital increase will mainly come from issuing shares to pay dividends, offering private placement or issuing shares to foreign strategic investors.

If the approved capital increase plans succeed, the order of capital size of banks in the market will change, with private bank Vietnam Prosperity Joint Stock Commercial Bank (VPBank) surpassing State-owned banks to top the list.

At the recent AGM, VPBank was given the go-ahead by its shareholders to issue its shares to staff under the ESOP and, at the same time, carry out the plan to

further strengthen its capital via share issuance from the equity and the private placement with a strategic investor to eventually bolster the bank's charter capital to VNĐ79.33 trillion.

Banking expert Cấn Văn Lực told Việt Nam News that regulations on the safety of banking operations in the world are being further tightened and Việt Nam is not an exception to the trend. After Basel III, which are international standards for bank capital requirements, the world is developing Basel IV. Vietnamese banks, therefore, will continue to be under pressure to increase capital.

"Besides, yearly credit growth of the country's banking system, excluding loans under the Government's socio-economic development and recovery programme after the pandemic in 2022-23, will remain at 13-14%. Accordingly, the issue of raising capital will continue to be raised for many banks in the medium and long term," Lực noted.

According to Fitch Ratings, the average capital adequacy ratios (CARs) of Basel II compliant State-owned and private sector banks in Việt Nam stood at 9.2 per cent and 11.4 per cent, respectively.

Fitch said low capitalisation levels are likely to remain a credit weakness for rated Vietnamese banks as rapid loan growth will make it challenging to raise CARs in the next two to three years.

7. Reference exchange rate up 3 VND at week's beginning

The State Bank of Vietnam set the daily reference exchange rate for the US dollar at 23,092 VND/USD on June 20, up 3 VND from the last working day of the previous week (June 17).

With the current trading band of +/-3 percent, the ceiling rate applicable to commercial banks during the day is 23,784 VND/USD and the floor rate 22,399 VND/USD.

The opening-hour rates at some commercial banks dropped.

At 8:30 am, BIDV listed the buying rate at 23,100 VND/USD and the selling rate at 23,380 VND/USD, both down 10 VND from June 17.

Meanwhile, Vietcombank kept both rates unchanged from June 17, listing the buying rate at 23,070 VND/USD, and the selling rate at 23,380 VND/USD.

Corporate News

8. GVR: Vietnam's largest rubber firm expects profit to go sideways

↓ -3.4%

The Vietnam Rubber Group (GVR) expects revenues to rise by 5 percent year-on-year this year, but estimates profit will stay unchanged due to rising costs.

Its overheads, including wages, fertilizer, logistics and electricity, have been surging, board member Pham Van Thanh said.

Rubber, accounting for half of GVR's profits, were most affected by price surges, he added.

Low rubber prices despite recent input hikes, fierce competition affecting rubberwood sales and legal issues relating to land use would also drag profits down, the group's management said in a document submitted at its annual shareholders meeting Friday.

The group expected huge profits from converting rubber farms into industrial zones, but this has run into legal hassles, Thanh said.

"If (the legal) problems can be solved, our profits will likely surpass plans."

The group also plans to sell stocks in two subsidiaries, VRG of Vietnam Rubber Industrial Zone and Urban Development and SIP of Saigon VRG Investment, but is yet to do so in the current bearish market.

Stock sales usually account for 15 percent of profits, Thanh said.

GVR's pre-tax profits in the first quarter rose 15 percent year on year to VND1.5 trillion (\$64.6 million).

Last year, it posted VND28.35 trillion in revenue, and VND5.34 trillion in profit; and reduced dividend from 6 to 4.1 percent to reinvest in an industrial zone in the southern province of Tay Ninh.

9. VNM: Vinamilk shareholders are about to receive a cash dividend of 24.5%

↓ -1.91%

With 2.1 billion shares outstanding, Vinamilk will have to spend VND 5,120 billion to pay dividends to shareholders.

Recently, Vietnam Dairy Products Joint Stock Company (Vinamilk, HOSE : VNM) announced July 7 as the last registration date to make a list of shareholders to pay the remaining dividend of 2021 (9.5%) and advance the first dividend of 2022 (rate 15%). Thus, the ex-rights date is July 6. The payment period will be August 19.

Previously, Vinamilk had advanced 29% of the 2021 cash dividend to shareholders on September 30, 2021 and February 25, 2022. All in all, Vinamilk pays a dividend of 38.5% for 2021. The expected dividend for 2022 will also be 38.5% in cash.

On the stock market, VNM shares are still in a downtrend, currently at 66,700 VND/share.

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