



VIETNAM DAILY NEWS

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Table of content

Table of content

- 1. Shares mixed on sliding liquidity**
- 2. Shrimp exports surge during five-month period**
- 3. OUB maintains Vietnam's GDP growth forecast at 6.5 percent**
- 4. Vietnam strives to boost energy transition: official**
- 5. Companies hold cash as inflation strikes**
- 6. Local airlines spread wings to reach lucrative markets this summer**
- 7. Competition tightens up for Vietnamese timber sector**
- 8. HPG: Hoa Phat plans to develop two projects worth \$5.2 billion in Phu Yen**
- 9. HAG: HAGL's profit reaches over \$18.5m in first five months**

Market Analysis

1. Shares mixed on sliding liquidity

Shares continued to slide in HCM City but recovered in Ha Noi on Wednesday as liquidity decreased on widening divergence.

On the Ho Chi Minh Stock Exchange, the VN-Index inched down 0.27 per cent to close at 1,169.27 points. The VN-Index has dropped for four consecutive sessions with a total loss of 5.5 per cent.

The market breadth was positive, however, with 300 stocks rising, 196 declining and 68 closing flat. Divergence also widened with 125 stocks hitting the ceiling and 55 dropping to the floor prices.

Industries performing positively recently such as retail, information technology, fisheries and utilities declined sharply. Meanwhile, steel, banking and securities stocks soared.

In the red side, big losers included PV Gas (GAS), PV Power (POW), FPT Corp (FPT), Mobile World Investment (MWG) and top three pangasius exporters – Vinh Hoan Corp (VHC), Nam Viet Corp (ANV) and I.D.I International Development & Investment (IDI) – decreased between 5-7 per cent each.

In the bright side, top 10 biggest contributors to the VN-Index included eight banks, one securities firm and one steelmaker. Techcombank (TCB) topped the list with the growth of 5.5 per cent, others such as VPBank (VPB), Military Bank (MBB), Hoa Phat

Group (HPG), Vietnam International Bank (VIB), Vietinbank (CTG), Sacombank (STB), Asia Commercial Bank (ACB), Maritime Bank (MSB) and VNDirect Securities (VND) grew between 2-7 per cent each.

Liquidity slipped as just 592.5 million shares worth VND13.3 trillion (US\$573.3 million) were traded, down 15 per cent in both volume and value compared to the previous session.

According to Viet Dragon Securities (VDSC), although the market still plummeted, it has turned into a state of tug-of-war as VN-Index has gradually approached the old bottom of around 1,160 points.

“However, liquidity is still modest in general, the cash flow is still hesitant and the will to regain is unclear. Hence, the market will need more time to retest the old trough of 1,150 - 1,160 points for the VN-Index,” said VDSC’s analyst Phuong Nguyen.

She suggested investors observe the support of large caps to capture short-term opportunities but they still need to be cautious and maintain a reasonable proportion because of an unclear bottom-forming signal.

On the Ha Noi Stock Exchange, the HNX-Index regained 1.8 per cent to close at 269.39 points after a three-day loss. However, liquidity continued to slide with just 75.5 million shares worth VND1.4 trillion being exchanged.

Macro & Policies

2. Shrimp exports surge during five-month period

After witnessing a growth rate ranging between 25% and 61% from January to April, 2022 the country's shrimp exports to the United States in May fell by only 2.8% compared to the same period from last year.

Overall, the initial five months of the year saw Vietnam fetch US\$390 million from shrimp exports to the US, up 21% year on year.

According to industry experts, se shrimp exports are anticipated to bounce back this September as demand for shrimp in the US recovers strongly ahead of national holidays such as Thanksgiving and the festive season at the end of the year.

With regard to the Chinese market, Vietnamese shrimp exports have since March recorded three-digit growth, with exports in May alone skyrocketing by 126% to reach US\$88 million, bringing five-month exports to the market to US\$275 million, a year-on-year rise of 101%.

Recent times have seen China's COVID-19 pandemic prevention measures ease, a factor which is anticipated to fuel its import demand for shrimp in the future.

With shipments from Ecuador and India, the two largest shrimp suppliers to China being returned due to the detection of traces of the SAR-CoV-2 virus on product packaging, shrimp imports from these markets decreased by 28% and 30%, respectively.

This move is therefore likely to accelerate China's import demand for shrimp from other sources, including those from Vietnam.

At present, the Chinese Government is planning to launch stimulus packages aimed at encouraging greater consumer spending, an effort which is projected to accelerate Vietnamese shrimp exports to the northern neighbour over the coming months, according to insiders.

3. OUB maintains Vietnam's GDP growth forecast at 6.5 percent

The Singapore-based United Overseas Bank (UOB) has maintained its forecast for Vietnam's GDP growth at 6.5 percent and core inflation rate at 3.7 percent of core inflation rate in 2022, but predicted that inflation may reach 5 percent in 2023 due to multiple risks and challenges.

In a recent report, the UOB noted that Vietnam continued its development trend in the second quarter of 2022. In the first six months of this year, the production sector recorded a 9.24 percent rise year-on-year.

Based on its latest data and analysis of upcoming challenges, the report maintained its prediction for Vietnam's GDP growth this year at 6.5 percent, and 7.6 percent in the third quarter of 2022.

However, UOB experts held that a number of outside risks are challenging the country's economic growth, including the Russia-Ukraine conflict.

The report said that inflation in Vietnam rose to 2.86 percent in May, which was still lower than the target of 4 percent given by the State Bank of Vietnam. In particular, transport costs increased at a double-digit rate over the past 14 months.

Given Vietnam's domestic food supply capacity, upward price pressure has largely been driven by the transport-related components of the consumer price basket, which has accounted for about three quarters of inflation, compared to the average rate of 50 percent in 2021. With the Russia-Ukraine conflict lasting more than 100 days and tensions and sanctions showing no signs of abating, UOB predicted that Vietnam's core inflation will stand at 3.7 percent in 2022 and increase to 5 percent in 2023.

With an uncertain outlook from geopolitics, and the fact that domestic inflation continues to be managed, UOB believed that the State Bank of Vietnam has enough capacity to keep its policy

interest rate stable to support economic recovery efforts.

In the report, UOB also forecast the current refinance rate at 4 percent and the rediscount rate of 2.5 percent to remain at these record lows until at least the end of 2022.

4. Vietnam strives to boost energy transition: official

To develop a green and sustainable economy and adapt to climate change, Vietnam has been stepping up energy transition by capitalising on internal strength and enhancing cooperation with development partners, an official has said.

Addressing a seminar in Hanoi on June 22, Hoang Tien Dung, Director of the Electricity and Renewable Energy Authority at the Ministry of Industry and Trade, said as Vietnam is a dynamic economy with fast growth for many consecutive years, demand for energy, especially electricity, has been on the rise.

With its own efforts and assistance from partners, the country is gradually reducing power sources using fossil fuel and promoting new, clean, and renewable energy, he said, noting that this is also an inevitable trend that helps guarantee a sustainable economy.

So far, Vietnam has obtained certain results in increasing the share of renewable power in its power system. It is planning to develop lower-carbon power generation and accelerate fuel transition in the coming time, Dung said.

However, the official pointed out that the emergence of new electricity sources has also posed the system to sustainability and stability challenges, which requires coordination in terms of both policy and technology to ensure trustworthy power generation.

Sean M. Lawlor, an energy expert from the US Embassy, said as a long-term partner of Vietnam, the US is recommending Vietnam to take creative policy measures to attract foreign investment and step up energy transition so as to help implement the commitments Prime Minister Pham Minh Chinh made at the 26th UN Climate Change Conference of the Parties (COP26).

Narendra Asnani, director for services at GE Gas Power in Asia, said lower-carbon energy sources like gas and such solutions as hydrogen and carbon capture technologies can help Vietnam achieve carbon neutrality.

With its long-term presence in Vietnam and the commitment to help boost local economic growth through the application of the newest energy efficient technologies, GE is providing suitable solutions and global experience for Vietnam to meet current demand and sustain growth, he added.

At the seminar, experts proposed several measures for boosting energy transition in Vietnam.

Coal-fired power is making up one-third of Vietnam's total output. The country looks to reduce the proportion of this type of electricity to about 9.5 percent and raise renewable energy to 32 percent by 2045. It is also encouraging low-carbon power sources to cut down emissions and support renewable energy.

5. Companies hold cash as inflation strikes

The US Federal Reserve last week announced a rate rise by 0.75 percentage points – the strongest increase since 1994. Inflation in May rose to the highest level in 41 years, forcing the Fed to act more aggressively than forecast.

In Viet Nam, although the inflation kept stable at 2.64 per cent in April, risks existed as Viet Nam will

find it tough to stay out of the global rising inflation trend. Several banks started to increase deposit interest rates.

The rate hike created turmoil for the global financial market, including Viet Nam, with the VN-Index dropping by dozens of per cent in just over a month, with many stocks falling by 40-60 per cent.

According to Mirae Asset, many companies saw their capitalisation decrease to close to their assets in cash, which is considered safe.

Updates from Fiinpro showed that Vietnam LPG Trading Joint Stock Company (PVG) had the largest net cash ratio, about VND690 billion, equivalent to more than 218 per cent of the company's capitalisation.

Hoang Huy Financial Services Investment (TCH) had a net cash value of VND7.8 trillion or 97.5 per cent of its capitalisation. Conteccons Construction (CTD) ranked third with a net cash value of nearly VND3 trillion or 94 per cent of its capitalisation.

Many companies operating in the manufacturing industry saw good cash flow in the first quarter of this year, such as Petroleum Technical Services Corporation (PVS), PV Oil (OIL), Petro Viet Nam Ca Mau Fertiliser (DCM) and Dong Phu Rubber (DPR).

Insurance stocks were also expected to benefit from rising rates as these companies mainly invest in

bonds and deposits at banks, with a modest proportion invested in stocks and real estate.

Companies with a high proportion of cash were BIDV Insurance Corporation (BIC), Agriculture Bank Insurance Joint Stock Corporation (ABI) and Bao Viet Insurance (BVH).

Insurance stocks will also benefit from the plans of State capital divestment and increasing foreign ownership as well as the economic recovery in the second half of this year, which will help increase premium revenue.

According to Rong Viet Securities, shares of industrial zone companies will also benefit from the development of e-commerce and the foreign direct investment inflow into Viet Nam.

SSI Research said that companies with available land for lease would have more advantages thanks to the increase in leasing prices of around 8-20 per cent in industrial zones such as Chau Duc, Phu My, Bau Bang and Yen Phong.

6. Local airlines spread wings to reach lucrative markets this summer

India is widely considered to be a potential new market for Vietnamese tourism. Airlines such as Vietjet Air and Vietnam Airlines of Vietnam, and IndiGo of India, have resumed flights between the two countries. In particular, Vietjet Air has been licensed to run more than 20 new routes from Hanoi, Ho Chi Minh City, Da Nang, and Phu Quoc to new Indian destinations such as Bangalore, Hyderabad, Ahmedabad, Chennai, Kolkata, and Gaya. It has also proposed increasing the frequency of flights to Delhi and Mumbai starting from July.

Furthermore, Singapore and Malaysia also represent lucrative markets for Vietnamese airlines. Vietnam Airlines and Vietjet Air have moved to gradually increase the frequency of flights from Hanoi and Ho Chi Minh City to Singapore, whilst also opening new routes from Da Nang and Nha Trang to Singapore in May and June. Vietjet Air is scheduled to launch three new routes from Hanoi, Da Nang, and Nha Trang to Kuala Lumpur in Malaysia from July.

Meanwhile, the Korean market is now preparing to welcome the return of Korean airlines to Da Nang

and Nha Trang. Vietjet Air has been granted air transportation rights to operate the Da Nang - Busan route starting from July.

By the middle of June, roughly 30 foreign airlines and three local airlines (Vietnam Airlines, Vietjet Air, and Bamboo Airways) have been licensed to operate both to and from 22 countries and territories globally.

Compared to the industry in the pre-pandemic period, there are four markets that have yet to reopen regular routes both to and from Vietnam, namely Brunei, Indonesia, Myanmar, and Macao (China), in addition to a number of markets with high demand for charter flights such as Finland, Italy, and Switzerland.

Moreover, budget airline Bamboo Airways has launched a total of 12 new routes to countries throughout Europe and the Asia-Pacific region, as well as Australia, since Vietnam officially opened its entire international flight network from January 1. A representative of Bamboo Airways says the firm will

continue to research and expand its international flight network to countries globally, while also launching more routes to Germany, Australia, and the UK.

The majority of international routes operated by Bamboo Airways have high efficiency and strong occupancy rates, according to a representative of the airline.

According to experts, the global aviation market requires more time to fully recover to reach the level it stood at in the pre-pandemic period, and this is an opportunity for airlines to prepare resources in a

considered manner and be ready to keep up with the competitive pace of the market.

A representative of Vietnam Airlines notes that Southeast Asian markets have already opened and are recovering quickly, while the Republic of Korea, Japan, and Taiwan (China) have introduced further open-door policies, which are expected to contribute to its swift recovery.

In terms of European destinations, the recovery process will be slower due to long flight routes, high fuel prices, large wide-body aircraft costs, as well as problems relating to inflation and spending, says the representative.

7. Competition tightens up for Vietnamese timber sector

Delegations of the United States Department of Commerce (DOC) and the US Trade and Development Agency visited Vietnam last week, working with the Ministry of Industry and Trade (MoIT) on a number of trade issues.

However, no content was announced after the working session between the two sides, except that the MoIT's Deputy Minister Do Thang Hai suggested, "The DOC urgently resumes its dialogue with Vietnam on the issue of the objectivity and fairness in trade remedy investigation cases."

Meanwhile, since June 6, the DOC has already investigated two issues: scope ruling and evasion of trade remedy tax (anti-circumvention) with wooden cabinets imported from Vietnam.

The examination is conducted at a time of high inflation in the US, forcing people to pay more for food, gas, and rent, thus reducing their ability to buy furniture.

The American Kitchen Cabinet Alliance in April filed a petition with the DOC, alleging that Vietnamese exporters importing cabinet parts from China were subject to trade remedies, as these would fully assemble their products in Vietnam before exporting these to the US.

From 2019 to 2021, after the US imposed tariffs on China, imports of products under investigation from

China into the US decreased by 54 per cent, from \$2.5 billion to \$1.6 billion.

Meanwhile, exports from Vietnam to the States increased by more than 130 per cent, from \$1.37 billion to \$2.7 billion. However, the volume of imports from China into Vietnam also increased nearly four times, from \$232 million to \$810 million.

Do Xuan Lap, chairman of the Vietnam Timber and Forest Product Association (Viforest), commented, "This week, we will respond to the US side on the first content related to the review of the product range. Right after that, we will deploy the second content related to trade remedy tax evasion."

According to US law, the DOC will have a final conclusion 300 days after its initiation.

With more than 30 years of experience doing business with the US market, Lap believes that businesses will suffer certain impacts. "But what worries me most is that the US government may impose temporary taxes and this may cause buyers to reduce orders to avoid risks in the future," he said.

The growth rate of wood and timber product exports to the US market slowed down in March, by 5.9 per cent compared to last March, according to calculations by the General Department of Customs.

Many economists find that there are two opposing trends that govern the volatility of global timber

trade chains: Firstly, global supply chains continue to strengthen and even expand as most are controlled by multinational corporations – so maintaining and developing complex chains is inevitable.

On the other hand, trade protection trends and policies of many countries are becoming stronger whenever there are crises in international relations, and are also spurred by many developing countries that want to penetrate deeper into the global supply chains.

The landscape of the global timber trade may soon change, as the US government lifts some punitive tariffs imposed by former President Donald Trump on Chinese imports – a move that economists say was to reduce inflation and prevent the economy from falling into recession.

The US government is likely to also change its trade policy with China to control inflation. Tariffs on imports from China were first imposed by the US in 2018 and gradually increased to about \$350 billion in imports each year, some of which will begin to expire at the beginning of July.

According to official US government sources, there have not been any requests for a further extension from US industries.

Italy's Centre for Industrial Studies forecasts that the international trade outlook for furniture in 2022 and 2023 is favourable, but uncertain, due to supply constraints, energy costs, and other logistics issues. The majority of furniture supply comes from China, Vietnam, Poland, Germany, Italy, the US, France, the United Kingdom, and the Netherlands.

Lap of Viforest said, "The main factors that promote the wood industry to continue to grow positively in the US market in the coming time include that China does not encourage the development of furniture. Meanwhile, Italy, Germany, and other developed markets are reducing production due to recession, rising costs, and limited timber supply."

One point frequently mentioned by policymakers is that Vietnam is becoming an important link in the global timber trade, with the number of exports increasing year by year.

In 2020, these exports reached a value of \$12.37 billion, and one year later the figure rose to \$16.5 billion. But economists usually remain realistic and also warn that Vietnam's wood industry has many potential risks.

Assoc. Prof. Dr. Pham Tat Thang from the Vietnam Institute of Industrial and Trade Policy and Strategy under the MoIT, said that Vietnamese businesses must anticipate that the protectionism for domestic production in the US is very high, especially for agricultural products and food.

"The US' trade and technical barriers are increasingly stricter to protect the environment and workers. When detecting signs of harming domestic production, the US government immediately adds new regulations and laws to deal with it," Thang said.

"Many Vietnamese enterprises plan to sell more wooden furniture to the US market, but forget that the US still maintains a multilateral trade policy with basic principles shaped along with liberal and open policy views," Thang added. "A huge challenge for Vietnamese enterprises also comes from competing with China in order to maintain their market share in the US."

Corporate News

8. HPG: Hoa Phat plans to develop two projects worth \$5.2 billion in Phu Yen

↑ 3.37%

The construction will be implemented within 36 months from the handover of the land. Once these two projects come into operation, they will contribute VND6 trillion (\$280.86 million) per year to the province's budget and generate 120,000 jobs.

The province is investing in the seaport and large-scale projects, which are important motivations to foster the province's socioeconomic growth.

"The province will establish a task force to follow the projects and support the investor during the implementation process. Besides this, the province will assign the departments and relevant authorities to support and create favourable conditions for investors to conduct field surveys," said Tran Huu The, Chairman of Phu Yen People's Committee. "The investor's project will have to be suitable with the planning and ensure the safety for the environment."

9. HAG: HAGL's profit reaches over \$18.5m in first five months

↑ 3.90%

Accordingly, it reported a revenue of VND326 billion (US\$14 million) in the livestock industry, VND866 billion in the fruit sector and VND283 billion in supporting business.

Therefore, the total net revenue by the end of May 31 reached nearly VND1.5 trillion, with profit after tax of VND431 billion.

In the first five months, the livestock industry has completed nine clusters of barns to raise more than 27,000 breeding sows and 600,000 market hogs per year.

Hoang Anh Gia Lai (HAGL) also announced continuing investment in planting fruit trees on a land bank of about 10,000 ha in Viet Nam, Laos and Cambodia. Of which, banana trees are still the main tree with a planting area of 7,000 ha, including 5,000 ha of bananas that have been put into stable operation and 2,000 ha of new investment. The average planned yield is 50 tonnes per ha.

Besides the two main sectors, HAGL also maintains a number of other supporting businesses to maximise the advantage of raw materials in production.

In general, HAGL publishes the monthly business results in accordance with the commitment of the company's Chairman at this year's General Meeting of Shareholders.

After a period of drastic restructuring, HAGL is gradually recovering and becoming profitable again, with two main industries - raising pigs and growing fruit trees.

According to the 2021 audited financial statements, HAGL recorded revenue of nearly VND2.2 trillion. Deducting expenses, its profit after tax was VND127 billion, with the holding company's net profit of more than VND203 billion.

Thereby, in five months, the profit recorded was 3.4 times higher than the figure of the whole of last year.

On the stock market, HAG shares are traded on the Ho Chi Minh Stock Exchange (HoSE) under supervision. On Tuesday morning, it hit the biggest daily gain of 7 per cent to VND7,700 per share.

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