



VIETNAM DAILY NEWS

June 28th, 2022



Table of content

Table of content

1. Blue chip stocks hit weekly high
2. Vietnam's economy expects strong recovery
3. HCM City hi-tech park to speed up investment procedures
4. US biggest buyer of Vietnamese seafood
5. Can Tho posts three-year high economic growth
6. Local enterprises lack materials due to China's 'Zero COVID' policy
7. Vietnam considered promising destination for world's big names
8. HSG: Hoa Sen Holdings divests from steel subsidiary
9. PET: PET's AGM: Profit plan of 336 billion VND, issue 45 million shares at 15,000 VND

Market Analysis

1. Blue chip stocks hit weekly high

Vietnam's benchmark VN-Index rose 1.46 percent to 1,202.82 points Monday with most blue chip ending in the green.

The index closed 17.34 points higher after losing 3.4 points Friday.

Trading on the Ho Chi Minh Stock Exchange increased by nearly 21 percent to VND12.32 trillion (\$529.7 million).

The VN-30 basket, comprising the 30 largest capped stocks, surged to the highest in a week with 26 tickers gaining.

SSI of leading brokerage SSI Securities rose 6.7 percent, extending its gaining streak to the fourth session in a row.

NVL of real estate developer Novaland closed 6.5 percent higher, with trading value highest since last December.

Other winners included PNJ of Phu Nhuan Jewelry, up 6.1 percent, and HPG of steelmaker Hoa Phat, up 5 percent.

Four bucked the trend, led by VIC of Vietnam's biggest conglomerate Vingroup JSC with a 1.1 percent drop. The ticker is now at a 27-month low, having fallen 42 percent from its peak last April.

VNM of dairy giant Vinamilk, and MWG of electronics retailer Mobile World both lost 0.6 percent.

VCB of the largest state-owned lender Vietcombank closed 0.1 percent lower.

Foreign investors were net buyers to the tune of VND250.6 billion, focusing on VND of brokerage VNDirect Securities, CTG of VietinBank and GEX of Gelex Group.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was up 1.63 percent while the UPCoM-Index at the Unlisted Public Companies Market was up by 1.15 percent.

Macro & Policies

2. Vietnam's economy expects strong recovery

In 2020-2021, despite being heavily affected by the COVID-19 epidemic, Vietnam's GDP still maintained positive growth, mainly thanks to the growth of import-export and investment, especially foreign direct investment.

In fact, a number of industries recovered strongly after the epidemic such as retail, personal goods, and pharmaceuticals, due to a good recovery in domestic demand.

Construction industry pins hope in public investment, FDI and real estate to bounce back.

Some industries showed good recovery reaching close to the pre-pandemic period, including transportation, warehousing, and forestry, while logistics sector is expected to be a bright spot in the coming years.

The Asian Development Bank has forecasted that Vietnam's economic growth will recover to 6.5% in 2022 and reach 6.7% in 2023.

The International Monetary Fund, meanwhile believes that the figures will be 6% in 2022 and 7.2% in 2023.

3. HCM City hi-tech park to speed up investment procedures

HCM City will focus on helping businesses invest in the Saigon Hi-tech Park in Thủ Đức City by addressing slow administrative procedures, a conference on facilitating investment heard on June 27.

Võ Sỹ Nhân, general director of office space provider Onehub Saigon Bund, said though the park has been making efforts to help, his company's project there has been slow to make a start.

It was approved in 2014, but has been stymied by administrative bottlenecks, he said.

For instance, approval for its land planning adjustment has been slow, and since the park itself is also going through a similar process, it could take long, he said.

It is also having difficulty extending its land lease contract, which requires the city's approval, he said.

Nhân has asked relevant authorities to quickly approve both so that work on the project could begin soon.

Other businesses at the conference also complained about slow administrative procedures.

Phạm Tấn Đạt, founder of e-commerce platform FADO, said he is looking at investment in the hi-tech

park, but needs assurance about administrative deadlines.

Phan Văn Mãi, chairman of the HCM City People's Committee, admitted there have been numerous cases of tardy processing, hindering investment activities.

He said the city would focus on assisting investors, such as quickly approving land planning faster, and urged businesses to work with authorities to resolve administrative problems.

Nguyễn Anh Thi, head of the park management, also promised it would strive to reduce the time and expenses taken to complete administrative procedures.

It is soliciting investments in business incubation and training, high-technology manufacturing, hi-tech services, and smart factories.

A 10 percentage point cut in corporate income tax is offered to hi-tech investors for the first 15 years of a new project.

Large investors are also offered tax breaks.

Depending on new projects' scale and industry, they are also exempt from paying land rent for 18 to 22

years or the entire duration of a project, or get rent waivers of up to 75 per cent.

Also at the conference, the management board of the Saigon Hi-Tech Park (SHTP) in HCM City granted certificates to three projects to increase their investment by more than US\$848.74 million in total.

The lion's share of the financial comes from \$841 million at Samsung Electronics HCMC CE Complex

Co., Ltd. The new funding increases the total investment in the factory to over \$2.84 billion.

The other two projects are Hòa Bình innovation centre and a Vietnamese pharmaceuticals factory, which saw their capital rising by VNĐ130 billion (\$5.59 million) and VNĐ30 billion, respectively.

Founded in 2002, the 913ha Saigon Hi-tech Park has issued licences to 163 domestic and foreign projects worth over \$12 billion.

4. US biggest buyer of Vietnamese seafood

The U.S. was Vietnam's biggest buyer of fisheries products in the first five months this year, accounting for 23 percent of exports.

The U.S. bought nearly 1.1 billion worth of seafood in Jan-May, up 65 percent year-on-year, according to the Vietnam Association of Seafood Exporters and Producers (VASEP).

It was the biggest buyer of Vietnamese shrimp and second biggest buyer (behind China) of pangasius fish.

Shrimp exports to the U.S. rose 32 percent year-on-year to \$390 million.

Pangasius fish exports to the U.S. has surged 131 percent year-on-year on the back of a drop in home production and an increase in the number of Vietnamese exporters allowed to sell to the U.S., VASEP said.

Exports of tuna to the U.S. doubled year-on-year to \$251 million.

Vietnam's seafood exports to the U.S. is set to reach \$2.4-2.5 billion this year, up 25 percent from last year, VASEP estimates.

5. Can Tho posts three-year high economic growth

The Mekong Delta city of Can Tho recorded an 8.04% growth in GDRP in the first six months of 2022, the highest for the recent three years, heard a recent review conference of the city's Party Committee.

Le Thanh Tam, Director of the municipal Department of Planning and Investment, said the growth rate is the second highest among the five centrally-run cities in the country.

Specifically, the agro-forestry-fishery sector expanded by 3.28%, industry-construction 11.8% and services 7.62%, contributing 0.4%, 3.56% and 3.95% to the overall growth rate, respectively.

The Index of Industrial Production picked up 12.86% year-on-year, while the export turnover of goods and services top 1.1 billion USD, up 15.16%. Total revenues from retails and services were estimated at 55.5 trillion VND (2.39 billion USD), an increase of 21.09%.

However, the low disbursement of public investment has affected the growth of some sectors, such as construction with a growth rate of 4.88%.

The director said the planning and investment sector will work closely with other sectors to implement tasks to promote economic recovery and development in the remaining months of the year.

He said if set plans and measures are implemented well, the city is likely to achieve a GRDP growth of over 9%, exceeding the target.

6. Local enterprises lack materials due to China's 'Zero COVID' policy

While many exporters and producers had orders for 2022, they are worried about a possible shortage of production materials because of supply disruptions from China.

The worst sufferers were the electronics, wood, textiles, and footwear industries. According to the Ministry of Industry and Trade (MoIT), China was an important market for the export and import activities of Việt Nam as it provides the majority of input materials for Việt Nam's production, especially electronic components, machinery parts, fabrics and chemicals.

MoIT said from 50 to 55 per cent of raw materials and accessories for the textile, garment, and footwear industries originated from China.

The country was currently implementing the "Zero COVID" strategy, which forced many factories there temporarily stop production to fight the pandemic. The import-export activities in the neighbouring country were affected a lot by the shortage of containers at ports.

Phan Thị Thanh Xuân, deputy chairwoman and general secretary of the Việt Nam Leather, Footwear and Handbag Association, said businesses in the industry had to slow down export deliveries because their Chinese partners lacked empty containers for transporting raw materials and accessories.

She added the supply of raw materials from China also decreased because many factories had to suspend operations.

Nguyễn Đức Minh, director of Đức Minh Rubber Company and chairman of the HCM City Rubber Plastics Association, said: "The Việt Nam's rubber industry depends on up to 70 per cent of raw materials, especially chemicals.

"However, the supply from this market is being blocked due to the Chinese side's implementation of

Zero COVID. If the supply from this market continues to be interrupted, enterprises are forced to import from the Japanese and Korean markets at 15-20 per cent higher prices. With this input material price, enterprises are at risk of not being profitable, making their products difficult to compete in the world market."

Phan Anh Tuấn, general director of Tân Phú Plastic Company, said besides the Zero COVID, the escalating fuel prices forced the plastic materials prices to go up, influencing his firm's input source.

Tuấn said though operation costs were also put higher due to higher logistic prices, the Tân Phú company still kept prices of all products stable to support consumers.

Tuấn said: "We keep modernising the production process to improve products and cut costs the most."

The company also aimed to use safe and high-technology materials so that the consumers could reuse them to protect the environment and avoid more consumption of plastic.

Tuấn said they organised a campaign called "Live green, live Japanese style" to encourage customers to exchange the old products for the new ones instead of buying new products.

While the plastic company seemed to find a way to fix its problem, the textile and garment, an industry with a lot of imported materials, was still struggling.

Local media reported that Đáp Cầu Garment Corporation, specialising in garment processing for major markets and imports up to 80 per cent of raw materials from China, got orders until September, but it also had to postpone the delivery of many orders due to the lack of raw materials.

The company's leader said: "For orders that do not have enough materials, we have to renegotiate the

delivery time. However, the delivery time cannot be too slow because that makes businesses face many payment risks."

In this case, the MoIT asked local enterprises to adapt to an appropriate strategy.

"The most important task of enterprises at this time is to restructure production soon, find alternative sources of supply to offset the shortage of the current raw materials and outdated equipment. Enterprises also need to promote linkages, support and use made-in-Việt Nam products in production and business activities to reduce dependence on external resources," the MoIT said.

The ministry asked them to find new sources of supply outside of China besides negotiating with partners to share risks and extend the delivery time, but Nguyễn Đức Thắng, head of Đáp Cầu Garment Company, said: "It's not an overnight issue because China is the world's factory, supplying many raw

materials and accessories at reasonable prices. In addition, most of the raw materials Đáp Cầu company imports are pre-assigned by partners."

Vũ Đức Giang, chairman of the Vietnam Textile and Apparel Association, said that it was necessary to effectively promote the role of foreign trade counsellors to strengthen the search for markets to supply raw materials along with supporting them to access to a reliable source with good prices.

He said: "This not only increases competitiveness for local enterprises but also minimises the risks of dependence on a supply market."

A representative of the MoIT's Department of Industry emphasised that in the long term, there must be solutions to develop supporting industries and several important primary material industries in order to minimise dependence on imported raw materials, components and input accessories.

7. Vietnam considered promising destination for world's big names

Vietnam is said to be a destination for many major companies in the world, as the disruption of production activities due to the COVID-19 pandemic in China has forced them to find ways to move part of their production lines out of this country.

Consultant Henrik Bork of Asia Waypoint said that more and more Chinese consumer electronics manufacturers such as Luxshare Precision Industry, Goertek and Pegatron have recently set up new factories in Vietnam.

In its article in early June, Nikkei Asia wrote that for the first time ever Apple is moving some iPad production out of China and shifting it to Vietnam.

German English-language news site DW reported that companies, especially those operating in the electronics industry, are investing much in Vietnam. In February, the Republic of Korea's leading electronics group Samsung announced that it would invest an additional 920 million USD in the Southeast Asian country.

According to assessments, global companies like Apple are moving production to Vietnam mainly due to high wages in China and intense US-China trade competition. The administration of US President Joe Biden is looking to diversify the global supply chain, and Vietnam is considered to have an important role in this policy.

In addition, Vietnam currently has a young labour force and a competitive manufacturing industry, and also boasts a sea route easy for exports, which has made many European Union (EU) and Asian countries sign free trade agreements with it.

DW quoted Daniel Müller, manager at the German Asia-Pacific Business Association, as saying: "It currently looks as if, in particular, medium-sized companies are increasingly striving to enter the Vietnam market."

Vietnam has become a more attractive destination for investors, Raphael Mok, head of Asia Country Risk at Fitch Solutions, told the news site.

Corporate News

8. HSG: Hoa Sen Holdings divests from steel subsidiary

↑ 6.92%

Hoa Sen Holdings has sold its 3.6 percent stake in subsidiary Hoa Sen Group, one of Vietnam's largest steelmakers.

At VND14,100 a share, the sale Friday afternoon fetched VND250 billion (US\$10.76 million).

Hoa Sen Holdings is founded and owned by Le Phuoc Vu, who is also chairman of Hoa Sen Group.

The transaction is not a sign of Vu's withdrawal from the company, and he remains the largest shareholder with a 17.09 percent stake, a spokesperson said.

Hoa Sen shares have fallen from a peak of VND50,000 last October to a 20-month low of under VND14,000.

At the annual general meeting three months ago, Vu had said the then share price (of around VND37,000) was "low" compared to the company's growth potential.

Hoa Sen was already the dominant player in the corrugated iron, steel and plastic markets, and so there was little room for further growth, he had said, and called for a change in its focus from manufacturing to distribution to take advantage of its network.

He considered revenues of US\$5-10 billion feasible for the distribution network, and thus a share price of above VND100,000.

For the six-month period ending March, Hoa Sen posted VND30 trillion in revenues, up 48 percent year-on-year, but profits fell by over 47 percent to VND873 billion.

9. PET: PET's AGM: Profit plan of 336 billion VND, issue 45 million shares at 15,000 VND

↑ 3.78%

"With the recent growth in sales and profits, if the capital remains the same, Petrosetco will face a difficult problem in borrowing capital to promote growth and satisfy suppliers," Chairman Phung Tuan said. Ha said at the 2022 Annual General Meeting of Shareholders of PetroVietnam General Services Corporation (Petrosetco, HOSE : PET) held on the morning of June 28.

Looking back at 2021, the context of the Covid-19 epidemic caused many difficulties, but also created a rare business opportunity for Petrosetco, when people rushed to buy laptops, smartphones, computers to work and study at home. This is also the main driving force that helped this electronic equipment distributor to record impressive business results with profit

after tax 2.2 times higher than the same period last year.

It is also worth noting that in 2021, Petrosetco completed legal procedures, officially terminating cooperation with partner SSG in the implementation of the Cape Pearl Thanh Da project. Currently, the Company is intending to implement it by itself or will look for other partners to speed up the project.

However, Petrosetco is currently facing a difficult capital problem. "In recent years, especially in 2021, Petrosetco has faced many difficulties in capital. With the recent growth in sales and profits, if the capital is kept unchanged, Petrosetco will face a difficult problem in borrowing capital to promote

growth and satisfy suppliers," Chairman Phung Tuan Ha said.

Besides, when entering 2022, the world and Vietnam were heavily affected by the Russia-Ukraine war, the Fed raised interest rates as well as inflation.

"In the second half of 2022, interest rates and bank loan limits both fluctuate quite a lot. The increase of capital and payment of stock dividends to create conditions for the company to have strong enough finance to realize its business ambitions. No. An increase in bank borrowing rates will affect Petrosetco's profit," said Chairman Ha.

Therefore, Petrosetco will pay dividends in shares and issue shares to increase capital in 2022.

Offering 45 million shares to existing shareholders and paying 10% stock dividend

This year, Petrosetco will launch a plan to offer 45 million shares to existing shareholders. Specifically, the Company will offer to sell at a ratio

of 2:1, shareholders owning 2 shares will have the right to buy 1 new share. The selling price proposed by Petrosetco is 15,000 VND/share.

Considering this price, Petrosetco can collect VND 675 billion to supplement capital for business activities.

In addition, this company specializing in distribution services will also pay a 10% stock dividend, shareholders who own 10 shares will receive 1 new share.

After-tax profit plan 336 billion VND

In the context of instability in 2022, Petrosetco sets out a somewhat more cautious plan, with a profit after tax of VND 336 billion, an increase of 8% compared to 2021. In which, in the first quarter of 2022, the company's profit after tax is nearly VND 89 billion, or more than 26% of the annual profit plan.

Regarding the profit distribution plan, the Company expects a payout ratio of 10% for 2022.

Research Team:**Tsugami Shoji**

Researcher

jsi@japan-sec.vn**Disclaimer:**

Copyright 2015 Japan Securities Co., Ltd (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

Japan Securities Co., Ltd – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn