



VIETNAM DAILY NEWS



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Market Analysis

1. VN-Index posts eight-session high loss

Vietnam's benchmark VN-Index dropped 0.84 percent to 1,288.62 points Thursday, the biggest loss in eight sessions.

The index stayed mostly in the red throughout the day and closed 10.9 points lower after gaining 6.8 points Wednesday.

Trading on the Ho Chi Minh Stock Exchange rose marginally to VND16.46 trillion (\$709.6 million), marking the fifth straight session the index closed with trading value above the 16-trillion mark.

The VN-30 basket, comprising the 30 largest capped stocks, saw 22 tickers fall, led by HPG of steelmaker Hoa Phat with a 3.5 percent drop.

The ticker is now at the lowest since last February, having fallen over 35 percent since its peak in March.

STB of HCMC-based lender Sacombank lost 3.1 percent, and POW of Petrovietnam Gas ended its four-session gain streak with a 2.9 percent plunge.

Other losers included KDH of real estate developer Kinh Bac, down 2.4 percent, and PLX of fuel distributor Petrolimex, down 2.2 percent.

Eight blue chips bucked the downward trend, with PNJ of Phu Nhuan Jewelry gaining 5 percent to a seven-week high.

It was followed by GVR of Vietnam Rubber Group and BVH of insurance company Bao Viet, rising 2.6 and 2.3 percent, respectively.

Foreign investors were net sellers for the first time in five sessions to the tune of VND535.34 billion. They focused on selling HPG, GAS, and VIC of Vietnam's largest private conglomerate Vingroup.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was down 1.14 percent while the UPCoM-Index at the Unlisted Public Companies Market fell by 0.88 percent.

Macro & Policies

2. VNĐ22 trillion disbursed for socio-economic recovery, development: Deputy PM Khái

Deputy Prime Minister Lê Minh Khái on Thursday morning told National Assembly (NA) deputies about the disbursement of support packages worth a total of VNĐ347 trillion under the socio-economic recovery and development programme.

The programme is part of the key content the Politburo previously approved.

At the first Extraordinary Session of the 15th NA, Resolution 43/2022/QH15 was issued on monetary and fiscal policies to support the implementation of the programme.

Only 19 days after the NA issued the resolution, the Government issued Resolution No 11/NQ-CP on the socio-economic Recovery and Development Programme.

Khái said that the NA, the Government and its agencies worked together, organising seminars to consult experts and researchers on the programme, which then received a high consensus.

Referring to the implementation results, Khái said that in terms of policies and mechanisms, the Government and the Prime Minister, as well as the ministers, have issued 11 out of 14 planning documents.

"Developing programmes and policies are very complicated, requiring coordination between ministries and agencies. During the implementation of previous policies, there are policies that we did not do well. Many obstacles and limitations remained. In the process of policy development, the Government and ministries are also very careful because the programme offers huge financial support," he said.

Khái also said that the socio-economic recovery and development programme was a new task, not included in the long-term plan, which led to a lot of work that ministries and branches have to do.

"Up to now, we have confirmed that all documents on mechanisms and policies have been fully

promulgated by the Government by the end of May," said the Deputy Prime Minister.

Regarding the implementation of support packages, Khái clarified that the total support package was VNĐ347 trillion. Of that, VNĐ46 trillion was used as the financial reserve fund to buy vaccines and medical equipment.

A package worth VNĐ64 trillion is for tax exemption and reduction. The Government has issued Decree 15 to reduce VAT from February 2022, with interest rates cut from 10 to 8 per cent.

The other VNĐ38.4 trillion is for credit policy. There are five policy programmes that have been built and up to now have disbursed VNĐ4.586 trillion, out of VNĐ19 trillion, for this year.

A package of VNĐ6 trillion is to reduce the opportunity cost of tax payment reductions of VNĐ135 trillion in the programme. The Government introduced two decrees in May on reducing special consumption tax on cars and reducing some taxes.

In addition, about VNĐ6.6 trillion of the money is to support workers in rental housing. However, the allocation of capital and disbursement in localities is not clear, so the implementation is slow. In the coming time, the Ministry of Finance and the Ministry of Labour, Invalids and Social Affairs will continue to coordinate with localities to disburse this package as soon as possible, Khái said.

About VNĐ176 trillion is for public investment, of which commercial banks' interest rate support is VNĐ40 trillion.

The final package is VNĐ134 trillion for infrastructure investment, of which investment for transportation is VNĐ103 trillion, Khái said, adding that due to following requirements of the Law on Public Investment, this package was implemented slowly.

"Up to now, it can be said that we have basically completed the policies. We have disbursed VNĐ22

trillion out of VNĐ347 trillion, which is also very important proof for us to believe that the support packages will be implemented well in the coming time," Khái told the NA.

Suggestions

NA deputies on Thursday continued to discuss the implementation of socio-economic development plans for last year and the first five months of this year, proposing specific solutions for further development.

Deputy Lê Minh Trí from HCM City, said that despite positive results in COVID-19 pandemic control and recovery, its impact along with the uncertainties of the world situation and geopolitical conflicts affected the domestic situation.

"People and businesses are currently facing many difficulties. Prices increased, but workers' wages did not increase, even decreased, or increased but not significantly. Enterprises have to bear high input costs to restore production and business," he said.

"Tax exemption and reduction policy are correct and timely to help curb prices and inflation as well as directly support people and businesses," he said.

"The National Assembly and the Government need to study, evaluate and supplement the tax exemption and reduction deeper than 2 per cent and extend the application period not only in the year but in two years or longer," he suggested.

Trí said that after some violations in the health sector were detected and prosecuted, the organisation of auctions, procurement of drugs, biological products and medical equipment was

stalled. The cooperation and investment in new generation medical equipment between private and public sectors were also halted.

"We have the right policies but there are loopholes and mistakes during the implementation. If something is wrong, it should be corrected to ensure the quality of medical examination and treatment services," he said.

Deputy Nguyễn Văn Thi from Bắc Giang Province said that agriculture played an important role in Việt Nam's economy but the investment of the state budget and social resources in agriculture in recent years has not been commensurate with its contribution.

Moreover, farmers are currently facing many difficulties including high prices of fertiliser and animal feed while the price of agricultural products has not increased, which has greatly affected the income and life of farmers.

Thi called for policies to support agricultural and rural economic development.

Thi said that the current restructuring of the agricultural economy needs to start converting production methods from household scale, small production to cooperatives, in association with promoting attraction of businesses to invest in agriculture to form better links between farmers, cooperatives and businesses.

The Government should have more appropriate mechanisms and policies to promote collective economic development in agriculture, particularly those relate to land use, taxes, capital and technologies.

3. Banks diversify income sources to reduce dependence on credit

Banks have been promoting a target of diversifying income sources to reduce dependence on credit.

The financial statements in Q1 2022 of many banks published recently showed that besides the rapid growth of credit, revenue from services contributed significantly to the banks' positive business results in the period.

Typically, in Q1 2022, the Commercial Joint Stock Bank for Foreign Trade of Vietnam (Vietcombank) gained VNĐ2.58 trillion of net profit from services and VNĐ1.52 trillion of net profit from foreign exchange trading.

For Vietnam Technological and Commercial Joint Stock Bank (Techcombank) and Saigon Thuong Tin Commercial Joint Stock Bank (Sacombank), the

service revenue in Q1 2022 reached VNĐ1.79 trillion and VNĐ1.53 trillion, up 35 per cent and 83 per cent compared to the same period of last year, respectively.

Many other private joint-stock banks such as Vietnam Prosperity Commercial Joint Stock Bank (VPBank), HCM City Development Commercial Joint Stock Bank (HDBank), Military Commercial Joint Stock Bank (MB), Asia Commercial Joint Stock Bank (ACB), Vietnam International Commercial Joint Stock Bank (VIB), Maritime Commercial Joint Stock Bank (MSB) and Saigon Hanoi Commercial Joint Stock Bank (SHB) also recorded many positive results from service activities in Q1 2022.

MB, for example, saw an increase of 4.8 per cent to nearly VNĐ1.12 trillion in the profit from services thanks to a large contribution from bancassurance channel. The bank's profit from foreign exchange trading grew by 98 per cent to VNĐ467 billion.

Meanwhile, MSB also achieved more than VNĐ335 billion of net profit from service activities in Q1 2022, up nearly 175 per cent over the same period of 2021, mainly thanks to the segments of credit cards, insurance services and payment activities.

For VIB, the non-interest income was VNĐ650 billion, contributing 16 per cent to the bank's total operating income.

4. Banks boost up ESOP to retain good employees, increase capital

Many banks have recently announced they will issue a large number of shares under the employee stock ownership plans (ESOP) to retain good employees and increase capital.

On May 30, 2022, the Vietnam International Commercial Joint Stock Bank (VIB) was the latest bank to release a plan to issue more than 10.9 million ESOP shares at the price of VNĐ10,000 per share. The shares are limited to transfer for only one year. VIB closed at VNĐ26,500 per share on Wednesday on the HCM City Stock Exchange (HoSE).

The Board of Directors of Vietnam Prosperity Commercial Joint Stock Bank (VPBank) have recently approved a plan to sell ESOP shares to the bank's employees. Specifically, the bank will offer 30

million treasury shares to employees at an expected price of VNĐ10,000 per share, against the listed price of VNĐ30,850 on the HoSE on Wednesday. The maximum number of shares to be issued to foreign employees is 10 million shares, accounting for 33.33 per cent of the total number of shares in this issuance.

Among the service activities of banks, bancassurance channels accounted for a fairly large proportion in Q1 2022 and contributed considerably to the service revenue structure of many banks. The income is expected to further increase next time.

Vice-chairman of Lien Viet Post Commercial Joint Stock Bank (LienVietPostBank) Phạm Doãn Sơn said the bank is negotiating with its partners about bancassurance as the insurance contract between the bank and Dai-ichi Life expires in May 2022.

Banking expert Nguyễn Trí Hiếu told Việt Nam News that diversifying revenue sources is one of the targets that many banks have focused on for the past few years, especially in the past two years when the traditional source of revenue from credit activities has slowed and posed higher risks due to the pandemic.

“Increasing revenue from services has helped banks operate more healthily and sustainable, and minimise risks. The change will also contribute to gradually realising targets set out in the development strategy of the banking industry,” Hiếu said.

The shares are restricted to transfer up to three years from the end of the issuance and will be released gradually at the respective ratios of 30, 35 and 35 per cent.

If the offering is successful, VPBank will have an addition of VNĐ300 billion to supplement its working capital.

In 2021, VPBank sold 15 million shares from the treasury share source to nearly 300 employees under the ESOP at the price of VNĐ10,000 per share. In 2020 and 2019, VPBank also distributed 17 million and 31 million ESOP shares at the price of VNĐ10,000 per share, respectively.

Similar to VPBank, Vietnam Technological and Commercial Joint Stock Bank (Techcombank) is also preparing to issue more than 6.3 million ESOP shares, equivalent to more than 0.18 per cent of the bank's outstanding shares at the price of VNĐ10,000 per share. In which, 5.3 million shares will be issued to Vietnamese employees and 967,367 shares will be issued to foreign employees.

Previously, Techcombank issued six million ESOP shares to 237 employees in September 2021. In 2020, 2019 and 2018, the bank offered 4.76 million shares, 3.5 million shares and 17 million shares, respectively, to its employees at the price of VNĐ10,000 per share under ESOP plans.

At the 2022 annual general meeting of shareholders recently, An Binh Commercial Joint Stock Bank (ABBank) approved the plan to issue 5 million ESOP shares at the price of VNĐ10,000 per share. Previously, by the end of 2021, the bank issued more than 11 million ESOP shares to its employees at the price of VNĐ13,000 per share.

Many other banks such as Tien Phong Commercial Joint Stock Bank (TPBank), Maritime Commercial Joint Stock Bank (MSB) and Saigon Hanoi Commercial Joint Stock Bank (SHB) also expect to

issue 5.2 million, 12.25 million and 45.1 million ESOP shares in 2022, respectively.

Industry insiders said the issuance of ESOP shares is a strategy to retain good employees as those receiving ESOP shares are generally long-time employees who have contributed to the development of the business.

Notably, the ESOP share issuance is also aimed to help banks increase capital to meet the Government's capital adequacy ratio (CAR) regulations.

Đào Mạnh Khang, chairman of ABBank, ESOP shares are not only a reward for the hard work of employees but also help banks mobilise a large sum of money to increase capital, meet business needs, and ensure compliance with the CAR.

However, according to experts, ESOP shares also have a downside, such as management profiting at the expense of shareholders.

Banking expert Nguyễn Trí Hiếu told Việt Nam News that any ESOP issuance needs to be approved by shareholders as the issuance will cause a dilution of shares and shareholders are the first to be affected by the dilution.

"The increase in the number of outstanding shares at a price that is much cheaper than the market price will cause the share price being negatively affected when the transfer restriction period of the ESOP shares expires," he explained.

5. Cut gasoline taxes further to hold price surge: lawmakers

Further tax cuts are needed to contain the surging gasoline prices, which will push the prices of all other goods up, lawmakers have said.

The environment tax on gasoline was halved in early April, but it has proved inadequate to contain the mounting prices, Tran Hoang Ngan, a Ho Chi Minh City representative, said at the ongoing National Assembly session Wednesday.

Gasoline prices have risen by 33 percent this year to a record VND31,570 (\$1.36) per liter.

Further rises would badly impact people's lives since the two pandemic years have taken away their savings, while businesses are being burdened by the high transportation costs, Ngan said.

Several other lawmakers voiced similar concerns and demanded a further reduction in environment, special consumption and value-added taxes on gasoline and diesel.

The special consumption tax and value-added tax together account for 20 percent of the price; taxes and fees account for around 40 percent.

Lawmaker Hoang Van Cuong said tax cuts might reduce the government's revenues but Vietnam should take this opportunity to increase its crude exports.

Ngan said the short-term reduction in revenues would create long-term benefits, and pointed out that if public spending is hit by inflation, the government's revenues would decline anyway.

But Minister of Industry and Trade Nguyen Hong Dien told reporters Wednesday that fuel prices in Vietnam are still lower than global rates.

Its gasoline price was \$1.39 per liter as of May 30, 4.3 percent lower than the global average of \$1.41

and that of Thailand (\$1.51), Laos (\$1.65), and Singapore (\$2.26).

Nevertheless, he said, the ministry would use the tools at its disposal, including taxes, to reduce gasoline prices and succor vulnerable people should prices go too high.

Tran Van Lam, a standing member of the National Assembly's Economic Committee, said the long-term solution is to increase gasoline national reserves so that domestic prices are not "too sensitive" to global fluctuations.

Current reserves equates to only a few weeks of consumption, and further increases are needed for energy security.

6. Apple to produce iPad in Vietnam for the first time

Apple will make its iPads for the first time in Vietnam as part of efforts to diversify its supply chain and reduce dependence on China, its main manufacturer.

The company is moving some iPad production out of China and to Vietnam after strict Covid-19 lockdowns in and around Shanghai led to months of supply chain disruptions, Nikkei Asia reported.

China's BYD, one of the leading iPad assemblers, has helped Apple build production lines in Vietnam and could soon start to produce a small number of the iconic tablets there, it added.

The iPad will become the second major line of Apple products made in Vietnam after the AirPods earbud series.

"The move highlights not only Apple's continuous efforts to diversify its supply chain but also the growing importance of Vietnam to the company," the report said.

Last year Apple shipped 58 million iPads globally, the majority of them made in China.

There were reports last month about the possibility of Apple producing its wireless earbud AirPods Pro 2 in Vietnam starting from the second half of this year.

"The shift in AirPods Pro 2 production can be attributed to the relatively uncomplicated supply chain and Vietnam's better production environment (such as infrastructure and workforce) vs. most countries outside China," supply chain analyst Ming-Chi Kuo said.

7. Vietnam's export to EU benefiting from free trade agreement

Vietnam's export value to the European Union (EU) grew further in the first five months of this year, with a trade surplus of 13.4 billion USD, up nearly 47 percent, thanks to their bilateral free trade agreement.

Despite lingering impacts of the COVID-19 pandemic and the Russia-Ukraine conflict which have pushed material and fuel prices as well as transportation costs, Vietnam's export still expanded, contributing to its macro-economic stability and socio-economic development, according to statistics.

The General Statistics Office (GSO) said the export picked up on cashew nut, coffee, vegetables, fruit, fishery products, rice and timber products.

Notably, the country shipped up to 48,680 tonnes of cashew nut worth 290.23 million USD in the first four months, marking increases of 21.8 percent in volume and 21.4 percent in value.

Dang Hoang Giang, General Secretary of the Vietnam Cashew Association (Vinacas), said the EU was Vietnam's biggest cashew nut buyer, making up 23 percent of the combined volume and 22 percent of the total value.

Vietnamese cashew nut will climb to No. 1 position in the market as tariff on the staple is lowered to zero percent under the Vietnam-EU Free Trade Agreement (EVFTA), he said.

Fishery exports to the EU also sped up, hitting 422 million USD in the first four months, up 47.3 percent, according to the Vietnam Association of Seafood Exporters and Producers (VASEP).

Last year, the value was 1.07 billion USD, up 12.3 percent against 2020, making the EU Vietnam's third biggest importer, after the US and Japan.

The export of garments-textiles and footwear also made progress, up 34.6 percent and 19 percent in the January-April period, respectively.

Statistics by the General Department of Vietnam Customs show that trade between Vietnam and the EU exceeded 57 billion USD last year, an increase of 14.5 percent year-on-year as businesses have known how to maximise the deal.

According to the Vietnam Chamber of Commerce and Industry, the level of understanding and expectation of Vietnamese firms on the EVFTA is 30.19 percent, compared to only 22.95 percent on others.

Vietnam is now the EU's biggest trade partner in the Association of Southeast Asian Nations and among the top 10 largest goods suppliers of the market.

Corporate News

8. HVN: Vietnam Airlines earns \$35 million after divesting from Cambodia Angkor Air

↓ -3.23%

After the transfer, K6 is no longer an affiliated company of the flag carrier.

According to a 2021 audited consolidated financial statement, on January 3 and March 29 2022, the airline received US\$30 million and US4 million respectively from investors to buy back the contributed capital of the company at K6.

It had also received a deposit of \$1 million in 2019. The total \$35 million corresponds to 35 per cent of K6 shares.

Although the money was only paid until 2022, due to the transfer of stock ownership in 2021, Vietnam Airlines' report has no longer recorded K6 as an associate, and revenue from financial activities posted a gain of more than VND647.7 billion from the profit of the transfer of contributed capital.

The income has helped the carrier reduce its loss in 2021 and its equity is still greater than zero, escaping a delisting sentence.

Cambodia Angkor Air was established in 2009 under the cooperation of Vietnam Airlines and the Royal Government of Cambodia.

Under the joint venture contract, Vietnam Airlines contributed 49 per cent of the capital to Cambodia

Angkor Air with the historical price of VND868.5 billion.

At the end of 2021, after divesting 35 per cent of shares, the remaining 14 per cent of K6 shares were transferred to the investment portfolio to contribute capital to other entities with the historical price of VND248 billion.

Last year, K6 business activities were heavily affected by the COVID-19 pandemic, like other airlines in the region and the world.

To minimise losses, K6 has implemented solutions to restructure, reduce the scale of operations, maintaining only a few main routes with minimal frequency to cut costs, negotiating to delay payments, and taking advantage of every opportunity to increase the exploitation of charter and cargo flights to supplement cash flow to maintain operations.

However, it had lost \$17.7 million last year, an increase of 37.2 per cent compared to 2020's losses.

On the stock market, HVN fell 1.04 per cent to trade at VND18,950 per share at 10:55 (local time) after gaining for four straight sessions.

9. CII: CII increases charter capital

↓ -3.14%

On May 20, the State Securities Commission confirmed the receipt of enough documents on the share issue for bond conversion. Accordingly, Ho Chi Minh City Infrastructure Investment Joint Stock Company (CII) issued 707,598 shares to convert 18,116 CII42013 bonds in the third phase.

The Board of Directors of Ho Chi Minh City Infrastructure Investment Joint Stock Company allowed the Company to increase its charter capital from VND2,833,047,710,000 to VND2,840,123,690,000.

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