



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. VN-Index records highest fall in eight sessions

Vietnam's benchmark VN-Index dropped 1.68 percent to 1,197.6 points Thursday, the largest fall in eight sessions, with most blue chips ending in the red.

The market moved sideways for most of the morning but strong selling pressure in the afternoon dragged it down by 20.49 points.

Trading on the Ho Chi Minh Stock Exchange (HoSE) fell by over 4 percent to VND11.33 trillion (\$486.9 million).

The VN-30 basket, comprising the 30 largest capped stocks, saw 27 tickers fall.

STB of HCMC-based lender Sacombank dropped 4.9 percent, followed by SSI of leading brokerage SSI Securities, down 4.8 percent.

Other losers included BVH of insurance company Bao Viet Holdings, down 4.5 percent, FPT of IT giant FPT Corp, down 4.2 percent, and BID of second-largest lender BIDV, down 4 percent.

Three blue chips bucked the trend, led by VRE of Vingroup's mall operator arm Vincom Retail and SAB of brewer Sabeco, both gaining 0.4 percent.

VIC of Vietnam's largest conglomerate Vingroup rose 0.1 percent.

Foreign investors were net buyers to the tune of VND3.35 billion, mainly buying VND of brokerage VNDirect Securities, STB and HDB of lender HDBank.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, fell 1.65 percent while the UPCoM-Index at the Unlisted Public Companies Market was down 1.28 percent.

## Macro & Policies

### 2. Rising stock account numbers despite plunging trade causes worry

In the two years he has been investing in stocks Quoc Dung of Hanoi has opened four trading accounts, but only uses one of them.

"I opened the other three accounts because registration is easy and more brokerages mean I get to receive more regular investment advice," the 30-year-old office worker explained.

In the last two years brokerages have hugely simplified the account opening process, he said.

When he opened his first account in 2020, he had to visit the brokerage, but this year he opened a new account online.

People like Dung are partially the reason why the number of new stock accounts has been skyrocketing despite a decline in trading.

Over 476,000 new accounts were registered in May, the highest ever monthly figure in the stock market's two-decade history, according to the Vietnam Securities Depository.

Around 1.4 million new accounts were opened in the first five months of this year, higher than the total number added between 2017 and 2020.

There are now 5.65 million stock accounts, or one each for 5.7 percent of the population.

But the average daily trading in May fell by 32 percent year-on-year to VND17.77 trillion (\$764.14 million), the lowest in 15 months.

Analysts said the number of stock account is rising because brokerages are making it easier than ever to open a new account as they compete for market share.

Le Ngoc Nam, director of analysis and consultancy at Tan Viet Securities, said since many brokerages are now partnering with banks, a new bank customer usually gets a new stock account too.

It takes just minutes to open an account, and investors can sign digitally on smartphone apps to have their contracts approved.

"Many accounts are not even activated, and there is no money in them to trade," Nam said.

Nguyen The Minh, director of analysis at Yuanta Securities Vietnam, said "ghost accounts" make up around 80 percent at his company.

Park Won Sang, CEO of brokerage KIS Vietnam, said while within five months this year the number of new stock accounts exceeded last year's figure, only 10-12 percent of them see transactions.

The main bourse, the Ho Chi Minh Stock Exchange, saw trading plunge to the lowest levels in a year and a half to around VND10 trillion.

The benchmark VN-Index has been struggling to recover from a steep fall in May. An 18.7 percent fall in the benchmark this year has investors running for cover.

Minh said: "The new account figures do not reflect actual investment. This creates a distorted picture of the market."

It also makes it more difficult for authorities to manage the market, he added.

Park said there is a shortage of stock brokers with an estimated 5,000 taking care of 5.6 million accounts, meaning one broker for every 1,000-odd clients.

### 3. HCMC office rents return to pre-Covid levels

A shortage of office space in HCMC is driving rents up to pre-Covid levels and vacancy rates down.

Grade A rents rose by 5.2 percent year-on-year in the second quarter to US\$57.71 per square meter, or 2020 rates, according to property consultancy Knight Frank.

There has been no new supply this year, it said.

The vacancy rate edged down by 0.5 percentage points from the first quarter to 6.6 percent.

"Tenants still prefer the central business district, but they have to consider farther spots in case they need over 1,000 sq.m of space or have limited resources," Leo Nguyen, director of occupier strategy and solutions at Knight Frank, said.

Grade B rents were up 5.9 percent from a year earlier to \$33.79 but fell 0.7 percent quarter-on-quarter as some landlords reduced them to attract customers.

The vacancy rate was 0.7 percentage points higher than in the previous quarter at 8.2 percent.

Many firms are considering moving to non-central business district (CBD) areas or letting their employees work remotely.

"Demand for grade B offices with an area of up to 4,000 sq.m mainly came in non-CBD areas," Nguyen said.

Tu Thi Hong An, director of commercial leasing at consultancy Savills Vietnam, said demand was driven by large enterprises in the finance, education and information technology sectors.

Supply in non-CBD areas rose by 22 percent year-on-year, with new projects mainly coming up in Districts 7 and Binh Thanh.

Grade A rents would continue to rise until 2023-2024 when new supply becomes available, and grade B rents would remain flat before falling in 2024, Knight Frank forecast.

### 4. SCIC has no plans to divest from large enterprises this year

The number of foreign tourists visiting Vietnam in the first two quarters of 2022 increased 6.8 times over the same period of 2021, reaching 602,000, according to the General Statistics Office (GSO).

Visitors coming by air accounted for 87% of the total and 9.4 times that of the same period last year.

In June alone, Vietnam welcomed nearly 237,000 foreign arrivals, up 36.8% compared to the previous month, and 32.9 times that of the same period last year.

Statistics show that the revenue from accommodation and catering services surged by 20.9% in the first six months, and 80% in June, over the same period last year.

Meanwhile, the travel service revenue in the January – June period surged by 94.4% over the same period last year thanks to the strong recovery of tourism activities, especially the boom of domestic tourism in the second quarter. Some localities recording high revenues were Khanh Hoa (up 627.8%); Can Tho (183.9%), Hanoi (129.3%); Da Nang (98.5 percent); and Quang Nam (67.8 percent)

Notably, Hanoi served 8.61 million tourists in the reviewed period, earning 25.2 trillion VND (nearly 1.08 billion USD), up three times in both number and revenue against the same period last year.

The tourism sector of Ho Chi Minh City reported that the city welcomed 11 million domestic holiday-makers and 478,000 foreigners in the periods, up 43.1% and 100% year-on-year, respectively.

## 5. Ho Chi Minh City record strong FDI inflows in H1

In 2022, State Capital Investment Corporation (SCIC) is expected to divest from 101 member companies.

In the list of divestments this year, large enterprises such as Tiền Phong JSC, Bảo Việt Group, Sabeco, Vinatex and FPT Corporation, are not mentioned.

However, it does include many notable companies, including Hải Phòng Thermal Power JSC, Bình Minh Plastic JSC, Vinaplast Corporation, Seaprodex, EVN TPC Quảng Ninh, Viettronics Corporation, CoTraco Quảng Ninh, Vinacontrol, FICO, Thăng Long JSC, VIWASEEN, and Licogi.

Recently, SCIC divested from Vĩnh Long Real Estate JSC, Saigon Machinery Spare Parts JSC, Thăng Long JSC, and Bến Tre Construction Material JSC. Of which, the auction of Thăng Long JSC's shares could not take place due to a lack of investors.

### Promoting auctions of companies

SCIC will auction a lot with a volume of more than 2 million VXB shares of Bến Tre Construction Material with a total value of VNĐ138.1 billion (US\$5.9 million). That is equivalent to about VNĐ68,557 a share, 334 per cent higher than its market price. The auction will be on July 19.

At the end of 2021, the company had four major shareholders, including SCIC owning 49.76 per cent of charter capital, equal to over 2 million VXB shares.

Thereby, SCIC plans to divest all VXB shares in this auction.

Bến Tre Construction Material was established in 1978 and is a state-owned enterprise. In 2014, it changed to a joint stock company model with charter capital of VNĐ15 billion and has officially been listed on the Hà Nội Stock Exchange (HNX) since 2010.

The company operates in fields of manufacturing, trading building materials and interior decoration products; river sand mining, construction and ground filling; freight; and construction of infrastructure for civil and industrial works.

In the first quarter of 2022, Bến Tre Construction Material recorded a cumulative loss of nearly VNĐ26 billion, equal to 64.2 per cent of its charter capital, and total assets of VNĐ165.69 billion.

SCIC will also auction a lot of nearly 1.94 million shares of Vĩnh Long Real Estate, equivalent to a total value of VNĐ75.3 billion, about VNĐ38,851 per share. The auction is scheduled to take place on July 18.

Vĩnh Long Real Estate is located in Vĩnh Long Province with charter capital of VNĐ26.54 billion. Its main activities are in the field of building houses of all kinds and construction of public works.

It is estimated that SCIC will auction 73 per cent of Vĩnh Long Real Estate's charter capital.

Vĩnh Long Real Estate, formerly known as Vĩnh Long House Trading Company, was established in 1993 and is owned by the state. In 2004, the company equitised and changed to its current name.

### Cancelled auction

SCIC plans to sell all 10.5 million TTL shares of Thăng Long JSC with a starting price of VNĐ195 billion, corresponding to the minimum asking price of about VNĐ18,530 a share on HNX.

The auction was due on June 21. However, at the end of the registration period, there were no investors attending the auction, so it was cancelled.

Thăng Long JSC, formerly known as Thăng Long Bridge Complex Company, was established in July 1973, with the first task of building the Thăng Long Bridge (1973-1985) - the largest bridge at that time.

In 2018, the company's shares were traded on HNX.

The company mainly works in the field of construction of traffic infrastructure, industrial park infrastructure; warehouse, office and factory rental services; production of concrete and cement products.

By the end of 2021, the shareholder structure of Thăng Long JSC included one major shareholder, the state, owning 25.1 per cent of its charter capital,

while the remaining 74.9 per cent belongs to other groups of shareholders.

## 6. HCMC economy rebounds 'faster than expected'

The HCMC economy grew by 5.73 percent in the second quarter to take growth in the first six months to 3.82 percent, authorities said.

It had contracted last year.

The economy has "recovered quickly, uniformly and quite comprehensively," city Party secretary Nguyen Van Nen said.

People's Council chairwoman Nguyen Thi Le said the recovery was "faster than expected."

Commercial and service sectors grew the fastest at 4.83 percent, followed by industry and construction at 2.23 percent.

The index of industrial production has been rising since February, and is up 3.1 percent for the first six months.

But electronics production shrank on falling global demand, a chip shortage and high transport costs, director of the city Department of Industry and Trade, Bui Ta Hoang Vu, said.

Eight out of nine service sectors grew with real estate bucking the trend, shrinking by 5.82 percent.

The fastest growth was seen in finance and banking, information and communication and logistics.

Some other key indicators also rose, including import-export (by 13.8 percent), tourism revenues (29.9 percent) and foreign direct investment (60 percent).

But rising costs, driven by the Russia-Ukraine crisis and higher fuel prices, has affected consumption and recovery.

Public spending occurred at the slowest pace ever, with only 17 percent of the targeted amount spent in the first half of the year.

During the rest of this year the city will focus on promoting public spending, mitigating difficulties faced by companies, improving the business environment, and enhancing tourism activities.

Each district should develop a specific tourism product, deputy chairwoman of the People's Committee, Phan Thi Thang, instructed.

The city will also roll out price stabilization programs and closely monitor fuel and gold prices to reduce inflation risks.

## 7. Global manufacturers gradually focus on Việt Nam

Many manufacturers in the global supply chain of major firms are gradually focusing on Việt Nam.

In particular, Apple has moved 11 factories of Taiwanese enterprises in its supply chain to Việt Nam.

Many other firms such as Foxconn, Luxshare, Pegatron, and Wistron are also expanding their production facilities in Việt Nam.

This information was shared at a conference on the situation and proposed tasks and solutions to

remove difficulties and support production and business in the last six months of this year, organised by the Ministry of Planning and Investment this week.

Samsung built its largest research and development centre in Southeast Asia worth US\$220 million in Hà Nội and is also planning to continue to expand factories in the northern provinces of Bắc Ninh and Thái Nguyên.

Earlier this year, Đồng Nai Province granted investment licences for two \$100 million projects of



a component supplier for Samsung, Hansol Electronics Việt Nam (South Korea).

To seize the opportunity, Đỗ Thị Thúy Hương, Vice President of the Việt Nam Association of Supporting Industries (VASI), proposed the Government have large-scale selective policies to attract big foreign groups to Việt Nam.

However, these policies must be accompanied by "clean" production conditions, environmental protection and no discharge into the environment, she noted.

Hương also recommended several issues, such as more supportive policies to improve labour quality and authorities needing to create more favourable conditions for businesses to access credit support policies of the Government.

Previously, Hương said that the root cause of the shifting trends of supply chains to Việt Nam largely came from China's relatively developed electronics and information technology industry.

She explained that they had grown to more than just assembling in the global supply chain.

Việt Nam was a country quite similar to China in electronic manufacturing activities, both in terms of labour and geographical location, infrastructure, and logistics and would be very suitable to receive capital flows, which was also a technological shift.

The VASI Vice President said that, regarding the attraction of large foreign companies, in the early stages, when domestic enterprises were still weak, FDI should be allowed in but must be regulated.

It was necessary to have the hand of the State not only to support foreign businesses but also to have an incubator to support Vietnamese businesses so that they were capable of receiving technology and gradually mastering the technology to have the ability to compete and keep in domestic market, she added.

If enterprises were not strong enough, they could not protect their "soft resources," which was their market, said Hương.

## Corporate News

### 8. HPG: More than 1.34 billion HPG shares are about to be listed on the stock exchange

↓ -1.98%

Nearly 168,000 Hoa Phat shareholders are about to receive 1.34 billion shares on July 20.

Hoa Phat Group ( HOSE : HPG ) announced that it has completed the issuance of shares to pay dividends at the rate of 30%, investors holding 100 HPG shares on the closing date will receive 30 new shares.

Accordingly, 1.34 billion HPG shares were issued, bringing the total outstanding shares to 5.81 billion shares. Hoa Phat plans to transfer these shares to shareholders on July 20.

After the issuance, Hoa Phat also rose to the top of the list in terms of the number of outstanding shares on the Vietnamese stock exchange. Next is BID with 5.1 billion shares, CTG (4.8 billion shares) and VCB (4.7 billion shares).

On the stock market, HPG attracted a lot of attention from investors when the market capitalization fell sharply amid the gloomy steel industry. Shares "king of steel" stopped at 22,750 VND/share in the session of June 29, down nearly 50% compared to the peak in November 2021. From another perspective, Hoa Phat has "evaporated" more than 120,000 billion VND of market capitalization compared to the peak.

### 9. GVR: Rubber groups aim to cut China reliance

↓ -1.53%

At its AGM on June 21, Vietnam Rubber Group (GVR) approved its 2022 business plan. The group aims to generate \$1.29 billion in revenue but only about \$230 million in after-tax profits, almost equal to the level of 2021.

GVR has made efforts to reduce its dependence on the Chinese market for years. However, as of June, China still accounts for 30 per cent of its rubber and latex exports. With over 400,000 hectares of rubber plantations, GVR mainly earns its profits from selling rubber, latex, and timber. It generates about \$108 million from rubber and latex.

However, the group remains cautious in setting profit targets for 2022. China, the world's largest rubber importer, has actively sourced natural rubber since the beginning of the year. According to Chinese customs authorities, the country's import turnover of this product group in the first

quarter reached \$3.58 billion, an increase of 13.6 per cent over the same period last year.

Thailand, Vietnam, Malaysia, Japan, and South Korea are the five main suppliers of rubber to China. However, China has made adjustments to its supply sources, including reducing the purchase of rubber from Vietnam since the beginning of 2022.

Vietnam was the sixth-largest supplier of natural rubber to China, reaching almost \$60 million, down 12.4 per cent from last year. Vietnam's natural rubber market share currently accounts for just 5.3 per cent of China's total imports, down from 8 per cent in 2021.

Chinese buyers are maintaining a low price for Vietnam's rubber. The average export price of rubber to China in May reached \$1,623 per tonne, down by 6 per cent against April and also down by



6 per cent on-year, according to the General Department of Vietnam Customs.

The proportion of Vietnamese rubber in the Chinese market has been steadily decreasing. Statistics from Chinese customs authorities showed that Vietnamese rubber in China's total import turnover in the first quarter of 2022 accounted for 17.3 per cent, down from 19.2 per cent in 2021. Meanwhile, in the first quarter of 2022, China's rubber imports from Laos have seen the greatest increase of up to 12.83 per cent against 2021.

Tran Thanh Phung, deputy CEO of GVR, noted that petrol prices and supply and demand are factors driving rubber prices. "That China increases its rubber purchases could affect global rubber prices. The strong appreciation of the USD may also have a certain impact on rubber selling prices," said Phung. "Meanwhile, unseasonal rains in Vietnam have hastened the defoliation of rubber trees this year, which is a precursor to a decreasing output in the near future."

Like other agricultural products, China mainly imports raw rubber materials from Vietnam. However, China remained the largest rubber exporter for Vietnam in 2021 with a total export turnover of \$2.3 billion. Many Vietnamese

exporters continue to bet on the recovery of rubber demand in China, especially from the nation's automobile industry.

Chinese buyers have also increased rubber prices globally since the end of 2020. The nation's policies affect the global natural rubber market, including Vietnam, according to Vo Hoang An, deputy chairman of the Vietnam Rubber Association.

"The average price of natural rubber grows steadily every month in light of the rapid recovery of China's economy. China has actively sourced natural rubber in previous months to increase its inventory for manufacturers, which is expected to send rubber prices to a high level in the coming time," An said.

Information from the Ministry of Industry and Trade shows that China is expected to consume around 500,000 tonnes of natural rubber per month. The peak season for rubber manufacturing lasts from July to November in this nation. China imported 1.7 million tonnes of natural rubber in the last five months of 2021 to make up for the shortfall of the previous period, which equalled 385,000 tonnes of rubber per month.

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