



VIETNAM DAILY NEWS

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Market Analysis

1. Vietnam stocks tiptoe up as investors stay watchful

Vietnam's benchmark VN-Index rose 0.41 percent to 1,171.31 points Friday as investors showed caution in "buying the dip" after the Wednesday plunge.

The index closed nearly five points higher after gaining 17 points on Thursday. It fell to a 16-month low on Wednesday as inflation and geopolitical concerns continue to plague global markets.

Trading on the Ho Chi Minh Stock Exchange (HoSE) increased by 15 percent to VND10.42 trillion (\$446 million).

The VN-30 basket, comprising the 30 largest capped stocks, saw 12 tickers gained.

SSI of leading brokerage SSI Securities Corporation hit the ceiling with a 6.8 percent rise to a three-week high.

HPG of steelmaker Hoa Phat Group gained 3.2 percent, and GVR of Vietnam Rubber Group rose 2.2 percent.

Fourteen blue chips dropped, with the top losers being five banks, including BID of BIDV, VCB of Vietcombank and CTG of VietinBank.

Foreign investors were net sellers to the tune of VND400 billion, mainly selling DXG of real estate developer Dat Xanh Group and SSI.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was up 2.18 percent while the UPCoM-Index at the Unlisted Public Companies Market was up by 0.67 percent.

Macro & Policies

2. Vietnam benefits from manufacturing exodus from China

Apple, Samsung and Xiaomi have moved their assembly lines out of China to Vietnam, as they seek to reduce dependence on the country.

The country offers manufacturers access to the 10-member Association of Southeast Asian Nations (ASEAN) free trade bloc and preferential trade pacts with countries throughout Asia and the EU as well as the U.S., according to Nikkei Asia.

Apple Inc. has 11 factories run by its Taiwanese partners in Vietnam.

Four of them, Foxconn, Luxshare, Pegatron, and Wistron, are expanding.

Apple would consider using more Vietnamese suppliers, CEO Tim Cook said during a meeting with visiting PM Pham Minh Chinh on May 17.

A few weeks later Apple moved its iPad production out of China and to Vietnam, marking the first time the iconic tablet was assembled in Vietnam.

Its AirPods Pro 2 wireless earbuds may also be produced in Vietnam by mid-2022, analyst Ming-Chi Kuo told Apple Insider.

Apple is not the only smart device manufacturer expanding operations in Vietnam following China's Covid-19 lockdowns.

South Korea's Samsung has just completed construction of a US\$220-million research and development center in Hanoi, its largest in Southeast Asia.

Its flagship phones Galaxy Z Fold and Z Flip are produced in the country.

Last year Samsung reported \$74.2 billion sales for its Vietnam branch, up 14 percent from 2020. They included exports of \$65.5 billion, up 16 percent.

China's Xiaomi also moved part of its production to Vietnam, with the first batch of its 'made-in-Vietnam' devices debuting Tuesday.

They are made by DBG Technology, a subsidiary of Hong Kong's DBG Electronics Investment Limited, at a newly built \$80-million factory in the northern Thai Nguyen Province.

Delivery and logistics costs, driven up by the pandemic, were hindering Xiaomi's Southeast Asia production, a spokesperson told Chinese newspaper Global Times Tuesday.

Comparatively cheap labor is one of Vietnam's most prominent advantages, Nikkei Asia said in its report, pointing out that Chinese workers earn CNY7,000 (\$1,044) a month, twice as much as Vietnamese.

But Vietnam's land cost advantage is diminishing, while factories are relying on parts and raw materials from China.

Industrial land rent in HCMC surged to a record high of \$198 per square meter followed by Hanoi at \$140 and Da Nang City at \$80, according to a report by real estate consultancy Cushman Wakefield.

Average land rentals in southern industrial parks in the first quarter was \$120 per square meter, a 9 percent increase from a year earlier, commercial real estate services company Jones Lang Lasalle reported in May.

Earlier this year Vietnam's production was by supply chain delays due to China's pandemic lockdowns.

Yang Zhongwei, production manager at a Chinese router parts maker's subsidiary in Vietnam, told Nikkei that clients had threatened to cancel orders as shipments from China were delayed.

Vietnam's weak industrial base and higher costs are other hurdles, and so while his company is considering switching to local suppliers it has yet to manage to do so, he said.

Carbon taps for printers cost 21 yuan per roll in Vietnam, three times the price on Alibaba's Taobao in China, he pointed out.

3. Loans to small businesses a booming business

The business of providing loans to small and medium firms is booming in Vietnam with the rise of several platforms offering more accessible credit than traditional banks.

Bonbon shop, a platform that helps 35,000 grocery stores connect with over 24 major manufacturers, recently launched a credit option of up to VND200 million (\$8,563) for stores to buy supplies.

The operator of the platform, DMSpro, has partnered with e-wallet SmartPay and lender VPBank to make the loans accessible.

EVNFinance, a credit provider unit of the national utility Vietnam Electricity, recently launched loan packages of up to VND500 million for 36 months.

It said borrowers could receive the money within eight hours of making their requests.

Several foreign credit platforms have been making their way into Vietnam since earlier this year.

Singapore-based fintech firm Validus entered Vietnam in January and appointed Dinh Van Binh, former vice chairman of Sacombank Investment, as its CEO.

Vishal Shah, chairman of Validus' emerging markets, said Vietnam was one of its main markets and the company will continue to invest to expand its presence.

Also in January, Funding Societies, which claims to be the largest digital financing platform for small and medium companies (SMEs) in Southeast Asia, said that it had disbursed \$20 million in loans in Vietnam and targets to increase this to \$90 million this year and \$1.3 billion in 2025.

The company estimates that Vietnam has a credit "gap" of around \$58 billion in funding SMEs, referring to the amount of money that small and medium businesses have not been able to borrow because of administrative and other blocks.

Nearly 46.8 percent of companies in Vietnam reported difficulties in accessing traditional bank loans last year, compared to 40.7 in 2020, according to a report by the Vietnam Chamber of Commerce and Industry (VCCI).

Small companies often have to borrow money from friends or family or even assets to submit as collateral to raise capital, it added.

Because of these challenges, the SMEs credit market is set to be the next race of many finance organizations, said Hoang The Hung, deputy director of EVNFinance.

VPBank leaders said they have seen its funding for SMEs rising in the last six months as businesses restarted their operations and needed funds. They expect even stronger growth in the near future.

4. Finnish fund NAV down for 5th straight month

Finnish investor PYN Elite Fund has posted a decline in net asset value for five months in a row this year, losing 20 percent, as Vietnam's benchmark VN-Index tumbled.

The fund, which has been investing in Vietnam for nine years, lost 7.9 percent in June as the market declined by 7.4 percent.

Among its holdings, the biggest declines were in the shares of real estate developer Nam Long Investment Corp (25 percent), private lender TPBank (16.1 percent) and military-owned bank MB (12.8 percent).

The only significant gainer was stationary producer Thien Long Group (up 15.8 percent).

Investors became cautious after central banks around the world tightened policy to stamp out inflation, PYN said in a statement.

Its biggest holdings as of the end of last month were real estate giant Vinhomes (18 percent), state-owned lender VietinBank (16.9 percent), and the Vietnam Engine and Agricultural Machinery Corp (9.9 percent).

The VN-Index has fallen by over 20 percent this year.

5. Cut fuel taxes as soon as possible: transporters

Lawmakers will consider further fuel tax cuts at the next session of the National Assembly in October, but the transport industry wants them to be done sooner.

Gasoline prices are hovering at record levels of nearly VND33,000 (\$1.41) a liter, having risen by 60 percent since the end of last year.

This and the rising input costs have derailed companies' post-Covid recovery.

Nguyen Manh Hung, CEO of transport firm International Logistics, said fuel accounts for 40 percent of costs, and the price hikes have increased fuel costs for a north-south trip by VND3 million.

The company would not survive for long if the situation persists, he added.

Nguyen Van Quyen, chairman of the Vietnam Automobile Transportation Association, said the National Assembly could hold an extraordinary session to approve the tax cuts soon.

If they are delayed until October the transport industry would be hit much harder, he said.

"Only cutting value-added tax and excise duty by at least 50 percent until the end of this year can save the industry."

Nguyen Bich Lam, ex-director of the General Statistics Office, too advised against delaying the tax cuts and called for an extraordinary session.

"If [we] wait until October, rising costs will cause a huge burden on businesses and the economy," he told VnExpress.

On Wednesday the National Assembly Standing Committee held an extraordinary session to greenlight the environmental tax cut on gasoline.

The tax, originally a flat VND4,000 a liter, was halved in April and will be further cut to VND1,000 on Monday.

The chairman of the National Assembly, Vuong Dinh Hue, said the government should soon submit further tax cut proposals to legislators for approval.

"Urgent [situations] need to be handled accordingly."

The NA holds regular sessions twice a year.

Extraordinary sessions can be called by the president, the Standing Committee, the prime minister, or at least a third of lawmakers.

Excise duty on gasoline is 7-10 percent and value-added tax is 10 percent.

By halving them, gasoline prices could be cut by VND2,800 a liter.

It will cost the government's coffers VND15-16.25 trillion.

But Lam said: "We should accept the sacrifice. Lowering taxes on gasoline in the short term will stabilize the market and business activities."

He also called for subsidizing fuel if prices surge and increasing supply to reduce risks to the economy.

6. Brands urged to prepare for changes in VN's consumer market

A rising affluent class, more nuclear families, the booming development of digital technology, and an increasing demand for personalisation among consumers will offer opportunities and challenges for FMCG brands in the coming years, according to Kantar Worldpanel Vietnam.

Speaking at its "10 years of consumer choice in Vietnam" event on July 7, Nguyễn Phương Nga, the company's business unit director, said Việt Nam's GDP per capita in 2021 is US\$3,743, up 3.6 times in 10 years.

With higher purchasing power, consumers are having new needs and adopting new devices such as washing machines, air conditioners, laptops, microwaves, tables, and cars.

In FMCG (Fast Moving Consumer Goods), "premiumisation" demand has grown, she said.

In food and beverages, demand for 'safety' and 'health' has been driving consumer choices, while branded/packaged products are on the rise as a healthier diet, reduced fat, and sugar-free products are adopted, she said.

Nga said "the size of the average Vietnamese household has decreased over 10 per cent over the past decade. As households get smaller, new forms of connection and consumption are emerging.

"The household consumption of most FMCG categories is lower, which leads to the higher need for small-sized pack offerings," she said.

FMCG brands have relentlessly innovated to attract and retain consumers to their brands.

In 2021, new FMCG products are launched every hour, she said.

"To a big brand, consumer retention can be more challenging. However, staying out of the innovation game could impact negatively on business growth."

Digital mainstream

With internet development, the online shopper base has increased 10 times and in FMCG 20 times over the past seven years.

This enormous development is fueled mostly by e-commerce sites and modern trade retailers. The FMCG online basket is becoming more diverse with the growth of food and beverages.

"The way consumers make purchase is messy and it will be messier," she said.

Online is now playing role in every stage of a consumer journey, she said, adding that small brands, who are very digital focused, have more opportunity to interact with costumers and gain their business, she said.

Online is expected to become a key sources of sales in coming years.

In addition, consumers have higher demand for personalisation, not only with products but also in every moment that brands interact with them, she said.

They have greater demand for convenience, not only with the product but also in every single step of the buying journey.

Expectations for transparency and social responsibility will be higher as will the opportunities for those brands who can show and act their commitments, she added.

Also at the event, Kantar Worldpanel revealed its top three most chosen brands in dairy and dairy substitutes, packaged food, beverages, home care and personal care in four key cities (Hà Nội, HCM City, Đà Nẵng and Cần Thơ) and in rural areas.

Vinamilk, TH and Ngôi Sao Phương Nam; Vinamilk and Fami; and Ông Thọ are the top three most

chosen brands in dairy and dairy substitutes in four key cities and rural areas, respectively.

Hảo Hảo, Nam Ngư and ChinSu; Nam Ngư and 3 Miền; and Hảo Hảo are the top three most chosen brands in packaged food in four key cities and rural areas, respectively.

In beverages: Coca Cola, Tiger and Nescafé; Saigon Beer and Nescafé; and Coca Cola are in the top three

most chosen brands in cities and rural areas, respectively.

Biên Hoà Sugar, Vim and Aquafina were chosen as the top three risers of the decade in FMCG.

The brands were chosen based on an innovative metric that measures how many households are buying a brand (penetration) and how often (frequency) it provides a true representation of shopper choice.

7. UK exports to Việt Nam grow over 23 per cent after UKVFTA

A year after the UK-Vietnam Free Trade Agreement (UKVFTA) came into effect in early 2021, trade between the two countries has shown significant growth despite the impact of the COVID-19 pandemic, said an official of the Ministry of Industry and Trade (MoIT).

Accordingly, trade between Việt Nam and the UK reached US\$6.6 billion in 2021, an increase of 17 per cent on the year and equivalent to the pre-pandemic period.

While Vietnamese export to the UK rose 16.4 per cent year-on-year to \$5.7 billion, UK's export to Việt Nam also witnessed a gain of 23.6 per cent to nearly \$850 million.

In 2021, products imported from the UK with the highest growth rate respectively were common metals (426 per cent), phones and components (219

per cent), textile, garment and footwear materials (24.7 per cent), pharmaceuticals (35.4 per cent), and cars (28 per cent), according to a Việt Nam News calculation based on the data from the General Department of Việt Nam Customs.

Vietnamese products with a sharp growth in shipments to the UK market were fruits and vegetables (67 per cent), coffee (17 per cent), pepper (49 per cent), iron and steel (1,269 per cent), and toys and sports equipment (19 per cent).

“The results showed that the UKVFTA is like a two-way high-speed train, helping us to boost exports to the UK and vice versa, the UK also increases exports to Việt Nam”, Ngô Chung Khanh, deputy head of Multilateral Trade Policy Department, at a webinar on “Promoting the strengths of businesses - Utilising opportunities from the UKVFTA.”

Corporate News

8. VPG: Approved the credit limit at HSBC

↑ 3.92%

The Board resolution dated July 06, 2022, the BOD of Viet Phat Import Export Trading Investment Joint Stock Company approved to receive a grant the credit limit from HSBC

(Vietnam) with total amount of VND 400,000,000,000 for 12 months from the signing date of contract.

9. BCG: Report on the progress of using capital from public offering

↑ 6.67%

On July 07, 2022, Bamboo Capital Joint Stock Company reports the progress of using capital from share public offering with details as follows:

1. Information on issuance:

- Stock name: Bamboo Capital Joint Stock Company
- Stock type: common share
- Par value: VND10,000/share
- Issued volume: 148,768,263 shares
- Mobilized capital amount: VND 1,785,219,156,000

1. Plan for using capital from the offering:

- The project progress according to the plan announced: Quarter 1/2022, Quarter 2/2022
- Current project progress: Quarter 1/2022, Quarter 2/2022.

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