



VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index gains as most blue chips increase

Vietnam's benchmark VN-Index rose 1.69 percent to 1,174.82 points Tuesday with the majority of blue chips in the green.

The index closed nearly 20 points higher after losing 16 points Monday.

Trading on the Ho Chi Minh Stock Exchange (HoSE) fell by 6.8 percent to VND10.66 trillion (\$455.81 million).

The VN-30 basket, comprising the 30 largest capped stocks, saw 22 tickers gain.

GVR of Vietnam Rubber Group gained 6.9 percent.

It was followed by BID of state-owned lender BIDV, up 5.5 percent, and GAS of state-owned Petrovietnam Gas, up 4.3 percent.

POW of electricity producer Petrovietnam Power Corporation rose 3.6 percent, and MBB of lender MB gained 2.7 percent.

Seven blue chips fell, with VJC of budget airline Vietjet dropping 1.5 percent.

SAB of brewer Sabeco fell one percent, and MSN of conglomerate Masan Group lost 0.5 percent.

Foreign investors were net sellers to the tune of VND283.23 billion, mainly selling VHM of real estate giant Vinhomes and VCB of state-owned lender Vietcombank.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was up 1.83 percent while the UPCoM-Index at the Unlisted Public Companies Market was up by 0.61 percent.

Macro & Policies

2. Australia ends anti-dumping duties on Vietnamese aluminum products

Australian Anti-Dumping Commission (ADC) recommended an end to anti-dumping duties imposed on Vietnamese aluminum extrusions.

"[...] the evidence does not support a recommendation to continue the anti-dumping measures," the ADC reported.

"Whilst dumping is likely to continue (for some exporters), dumping had little, if any, impact on the Australian industry in the inquiry period," it added.

Therefore, it suggested authorities expire the duties of 1.9 percent imposed on aluminum extrusions imported from Vietnam on June 27.

The anti-dumping probe into Vietnamese products was initiated last September after a petition by Australian aluminum producer Capral Limited.

3. Real estate market to heat up along Ring Road 3

HCM CITY — The real estate market along under-construction Ring Road No. 3 is expected to heat up as HCM City and the provinces where the road passes through ramp up efforts to complete it by 2026, property insiders said.

They warned, however, that investors should not speculate and depend too much on financial leverage from credit institutions.

Speaking at a recent meeting, Trần Thế Anh, sales director of Thăng Lợi Group, said that with limited land in the inner-city where prices remain too high, investors had shifted to the suburban real estate segment.

There would be a significant amount of investment, especially in urban and industrial property projects, along the ring road, he said.

The ring road would play a very important role in stimulating development and improving connectivity in the Southern Key Economic Zone, he added.

Long An Province, in particular, has a significant advantage due to its proximity to HCM City, the country's largest economic hub. Many investors have come to the province to develop their property projects.

Trần Thị Cẩm Tú, general director of EximRS Real Estate Joint Stock Company, said the real estate

market would heat up where transport infrastructure projects are implemented.

"The ring road is a huge investment, passing through HCM City and the neighbouring provinces of Đồng Nai, Bình Dương and Long An, and is expected to contribute to socio-economic development for the whole Southern Key Economic Zone," she added.

Tú recommended that when investing in suburban real estate, investors should choose projects which have complete legal status and are developed by large and reputable firms.

The projects must also be well connected with other areas in the region and are full of amenities, such as schools, hospitals and malls, among others, she said.

Investors should not depend too much on financial leverage from banks, as Tú recommended it should be lower than 40 per cent of the property's value. They should focus on long-term investment, instead of speculation, according to Tú.

Slow progress

Experts said construction progress on the road has been slower than expected.

National Assembly Deputy Nguyễn Thanh Hải (Long An Province) said that due to the importance of the project, the Government should give priority to allocate capital for the project.

Any issues related to compensation and site clearance should be resolved in order to speed up progress, he added. "It is also vital for relevant agencies to speed up auctions of land along the road to raise funds."

Dr Trần Đình Thiên, former director of the Vietnam Institute of Economics, said it was necessary to create an urban development space for the whole region, focusing on the development of other transport routes, including waterways and railways, in addition to the ring road.

Approved 11 years ago, the project will be built with public investment using the budgets of the State and the city and provinces where the road will run through.

HCM City is expected to allocate a total of VNĐ24 trillion (US\$1 billion) from the municipal budget to

build the road over the next 10 years under a resolution passed recently by the People's Council.

The ring road will be linked to national highways No. 1A and No. 22, and the Bến Lức-Long Thành, HCM City-Trung Lương, HCM City-Long Thành-Dầu Giây and HCM City-Mộc Bài expressways.

It will also reduce travel time between several localities and reduce the number of vehicles entering the city centre, reducing traffic jams and accidents in the area.

Identified as a key and urgent traffic project for 2021-25, the 92km-long road will have four lanes, while parallel roads will have two or three lanes each.

Only some sections have been completed, and the entire project is expected to be completed by 2026.

4. Real estate firms facing new challenges

Limited capital and scarce supply, along with new regulations on property tax, are putting pressure on real estate businesses.

With recently revised regulations to make the market more transparent, many real estate transactions have to declare a more reasonable taxable price under the guidance of tax authorities.

According to the Ministry of Finance, in the first five months of 2022, the amount of personal income tax collected from real estate transfer transactions reached VNĐ16 trillion, an increase of 68 per cent. While this figure was VNĐ21 trillion for the whole year of 2021 and VNĐ16 trillion in 2020.

However, this could significantly impact the real estate market because speculative activities will be more closely monitored, reducing the number of potential transactions.

Đỗ Thu Hằng, Senior Director, Consulting and Research Department, Savills Hanoi, said that along with scarce supply, limited capital was also a "bottleneck" of the real estate market.

However, controlling real estate credit, limiting the separation of land plots in some localities or strengthening the fight against tax loss is necessary to regulate the real estate market.

According to SSI Securities Joint Stock Company (SSI), the amendment of the Land Law is still under consideration, and with more regulations on the issuance of bonds for investors, new supply from apartments and low-rise buildings projects will continue to be limited.

Lê Hoàng Châu, chairman of HCM City Real Estate Association (HoREA), said credit capital for the economy and in the real estate market were "oxygen tanks." If the enterprises could not access the capital, they would risk "suffocation".

Now, the real estate market is experiencing a lack of liquidity because many projects cannot be deployed, leading to a lack of products, while the demand of investors and home buyers is huge. Meanwhile, businesses still face difficulty in accessing credit sources.

According to the Ministry of Construction, the number of licensed new commercial housing projects decreased by 59 per cent in the first quarter of 2022.

Due to the shortage of new supply, primary selling prices in key urban areas such as Hà Nội and HCM City continued to increase.

Meanwhile, the number of transactions in the second quarter of 2022 was recorded at 20,325, down 20 per cent compared to the same period last year.

SSI believes that to gain sustainable development for the property market, the real estate market in some provinces needs to cool.

In 2021-2022, due to the high demand for investment in real estate products, real estate prices in many areas nationwide increased significantly.

For example, land prices in Lâm Đồng and Bình Phước have doubled or even tripled over one year or one-and-a-half years, even in areas without developed infrastructure.

Therefore, authorities in some localities have stopped licensing agricultural and residential land to be divided into many small land slots. That helps to cool the market and prevent housing bubbles.

Meanwhile, selling prices at many urban projects in the suburbs have increased rapidly due to information relating to infrastructure development.

At the beginning of 2022, the Ministry of Transport announced capital of more than VNĐ304 trillion for projects in the medium-term public investment plan for 2021-2025. The southern region will benefit most from this investment plan with many highways and international airport projects.

Those have increased the price of many urban projects in the suburbs by 15-20 per cent over the same period last year.

However, according to SSI Securities Corporation, up to 70-80 per cent of home buyers are mainly investors, and most of them choose bank loans because the loans have many attractive incentives, including interest rate support, deferred payment for the first 1-2 years, guarantee in income for some products, loans value up to 80-90 per cent of the loan, and loan term for buying housing up to 35 years.

SSI also said that house selling prices continued to be anchored at a high level while liquidity in the secondary market decreased recently.

Profits down

VNDIRECT Joint Stock Company said that in the first quarter of 2022, real estate businesses had a decrease in net profit of 5.7 per cent compared to the same period in 2021 due to the decline in sales of apartments and the rental segment.

Meanwhile, according to SSI's research, most real estate investors still set double-digit profit growth in 2022, excluding Vinhomes Joint Stock Company (Vinhomes) which plans to reduce profits in 2022 because the company had a high profit in 2021.

SSI said the net profit of real estate investors in 2023-24 may be affected because the projects in 2021-22 have had higher costs in land, finance and construction. Specifically, the cost of input materials such as cement and steel has increased by 7-15 per cent compared to the end of 2021.

Regarding finance, listed companies try to keep the debt ratio at a reasonable level or plan to reduce this ratio gradually. This is a key factor to help maintain the stability of the listed real estate companies in the coming time.

However, there are many potential risks for unlisted companies. Many have poor finances and must raise capital from the issuance of bonds.

On the domestic stock market, the real estate stock price has decreased by 25 per cent compared to the beginning of 2022, equivalent to the decrease of the VN-Index as of mid-June.

5. MoIT's e-invoice solution system allowed to provide services

The Ministry of Industry and Trade (MoIT) has announced that its e-invoice solution system is allowed by the Ministry of Finance's General Department of Taxation (GDT) to provide services at the address hoadonct.gov.vn.

According to a circular issued by the Finance Ministry, all enterprises, business households and individuals, except for special cases, must use e-invoices instead of paper invoices starting from July 1.

Lê Đức Anh, Director of the Centre for Informatics and Digital Technology under the MoIT's Department of E-Commerce and Digital Economy – the operator of the system, said that the implementation of the system would contribute to

promoting the application of e-invoices in e-commerce and online public services, creating an equal, transparent and favourable business environment for both people and enterprises.

Together with the Việt Nam Electronic Contract Development Axis that the ministry announced in June, the e-invoice system would help businesses in the industry and trade sector have more solutions and motivation for effective digital transformation in accordance with the Government's policy, he added.

To date, over 90 units, including the Department of E-Commerce and Digital Economy, have got the GDT's greenlight to provide e-invoice solutions.

6. Prime Minister underlines crucial role of State-owned enterprises to economy

During a meeting with the Party Committee of the Central Business Bloc (CBB) yesterday, Prime Minister Phạm Minh Chính said the state-owned enterprise (SOE) sector is an important force for the country's economy, urging further restructuring to enhance their efficiency

The Deputy Prime Ministers, Lê Minh Khái, Vũ Đức Đam and Lê Văn Thành, as well as other ministers and leaders, also attended the meeting.

Speaking at the event, PM Chính affirmed that the state-owned enterprise sector is an important force in the country's economy. SOEs contribute significantly to socio-economic development, national defence and social security while performing political tasks assigned by the Party and the Government. They play a pivotal role in several industries and fields and generate a significant source of revenue for the state budget.

SOEs maintain a core and leading role in the socialist-oriented market economy, contributing to building an independent and self-reliant economy. During the COVID-19 pandemic, the role of the state-

owned enterprise bloc has been promoted and clearly shown.

As well as appreciating and praising the contributions of the CBB on its achievements, the PM also pointed out the shortcomings and limitations of SOEs. The CBB must solve issues such as roles in leading, motivating and promoting other economic sectors.

The SOEs' performance has not yet been reflected in all resources it holds. There is still low efficiency in production, business enterprises and projects with prolonged losses, while equitisation and divestment activities in these companies are still behind schedule. In addition, corporate governance innovation is not in line with market requirements.

PM Chính suggested several key tasks that the CBB needs to complete. They should continue innovating and effectively implement the Party's leadership methods and principles of organisation and leadership in SOEs; closely cooperate with the Government Personnel Committee and relevant ministries to finalise the institutions, mechanisms

and policies that are suitable for the new situation and conditions.

The PM also proposed to promote the restructuring, reorganisation, innovation, development and efficiency improvement of SOEs following the resolutions of the Party, the National Assembly, the Government and the direction of the Prime Minister. He said that the rearrangement and transformation of ownership of SOEs must be completed.

"SOEs have to make a great contribution to building an independent, self-reliant, proactive economy, which actively integrates and helps stabilise the macro-economy, control inflation, and ensure balances in the current conditions," the PM said.

The head of the Government also stressed that the CBB has to promote the leading role of SOEs in forming and expanding production, supply and value chains. SOEs have to optimise all resources of the enterprises, including capital, land, brand, tradition, and history, and strictly manage capital, state and enterprise assets following the law.

The CBB has 38 affiliated party committees, of which there are 36 state-owned economic groups,

corporations, commercial banks and two party organs.

By the end of 2021, 18 out of 61 enterprises completed equitisation, completing 29.5 per cent of the plan. There are 18 groups, corporations and banks in the CBB that equitised 57 enterprises on the list of equitisation approved by the PM.

Regarding divestment activities, the CBB directed its members to strictly implement the PM's decisions on approving the list of state capital portfolios to divest until the end of 2020. There are three groups and corporations performing the task of divesting state capital in 78 enterprises.

By the end of 2020, the State Capital Investment Corporation completed divestment in nine out of 45 enterprises; the remaining 31 enterprises have not completed the divestment plan.

Businesses with inefficient projects have actively analysed and assessed the current situation and developed remedial plans. They also strengthen coordination with ministries, central agencies and relevant agencies to solve problems. Until now, five projects have been removed from the list of 12 inefficient projects in the industry and trade. VNS

7. Construction industry expects bright outlook in second half of 2022

Lower steel prices and public investment disbursement are expected to provide growth momentum for the construction industry over the second half of 2022.

After hovering around VNĐ18,000 - 19,000 a kilo (US\$0.77 - 0.81 per kilo), the price of construction steel has cooled down to the same levels as last year.

On July 9, steel producers, including Hoa Phat Group, Vietnam – Italy Steel and Vietnam Germany Steel Pipe, reduced steel prices for the eighth time in a row in two months.

Accordingly, the price of coils and rebars declined to VNĐ16,000 - 16,500 per kilo, about 8-9 per cent lower than that in early May and down 13-15 per cent compared to the beginning of March.

Vietnam Steel Association (VSA) said that the recent downtrend was thanks to the continuous decrease in raw material prices since the end of March, causing the market to slow down. Distributors seek to reduce inventories, so the factories' outputs are much lower than usual.

SSI Securities Corporation said that after advancing 15 per cent in the first quarter due to pent-up demand, domestic steel consumption volume, including construction steel, galvanised sheet and steel pipe, dropped by about 32 per cent on-year in April and May.

Weaker demand due to persistent high steel prices and rising costs of other construction materials stalled operations, while concerns over record steel prices caused distributors to pause stockpiling and tightened management policies on capital inflows into the real estate sector.

VNDirect Securities Corporation expects the selling price of construction steel will gradually go down to the average level in the long term.

However, the prospect of a strong recovery in steel demand after the pandemic and high input material prices will make the sliding process longer than expected. Specifically, the average selling price of construction steel in 2022 and 2023 will be VNĐ16,100 and VNĐ14,500 a kg, respectively, down 5-15 per cent compared to the current price.

Construction businesses benefit significantly from the steel price movements. In the structure of construction costs, raw materials account for 65-70 per cent of the estimated construction expenses, of which steel and cement are the two most important materials.

However, the prices of cement still inch higher to VNĐ1.65 - 1.7 million a tonne due to higher costs of input materials such as coal, electricity, gasoline, gypsum, additives, packaging, freight rates and labour.

According to the Vietnam National Cement Association (VNCA), the prices of cement will continue to rise in the second half of the year as input costs are still at high levels and domestic consumption can increase again thanks to the acceleration in disbursing public investment and implementation of key transport infrastructure projects.

Positive outlook for construction stocks

The Ministry of Planning and Investment said that public investment disbursement in the first half of the year was estimated at VNĐ151 billion, fulfilling nearly 28 per cent of the plan assigned by the Prime Minister.

Besides factors related to policies, institutions, or labour shortages, the high price of construction materials is also the cause of the slow disbursement of public investment.

Prime Minister Phạm Minh Chính signed Decision No. 548/QĐ-TTg on establishing six inspection teams to solve problems related to the disbursement of public investment capital.

Specifically, the Government will implement many drastic solutions to boost public investment in the second half of the year and next year, such as increasing the frequency of updating material prices in localities and keeping project diaries to ensure payment for contractors.

For the whole year, VNDirect maintains its expectation that the public investment will increase by 20-30 per cent over last year, as growth in the second half of 2022 will be higher than in the first half.

At the same time, as Việt Nam is still gradually reopening its economy post-pandemic, public investment disbursement will grow rapidly throughout 2023 and become the main driver of demand for construction and construction materials.

In the long term, the scale of investment packages in key traffic projects in the country is very large, up to \$32.1 billion in the 2022-2030 period.

Mirea Asset Vietnam Securities assesses that the profit margin of the construction industry is under pressure due to the high cost of input materials and the dip in the supply in the housing market. In addition, the impact of public investment has not met expectations.

However, in the long term, Mirea has a positive expectation on the growth of construction stocks as the demand for investment in infrastructure and residential real estate in Việt Nam is still high. As the progress of public investment has improved and the bottlenecks of the real estate market will be removed, there is more room for construction companies to grow.

Corporate News

8. PPC: Board resolution on cash dividend payment

↑ 2.04%

The Board of Directors of Pha Lai Thermal Power Joint Stock Company (stock code: PPC) approved cash dividend payment for 2021 as follows:

- Exercise ratio: 4.5%/par value (450 dongs/share)
- Record date: July 18, 2022
- Payment date: August 17, 2022.

9. SZL: An independent member of the BoD resigns

↓ -6.12%

On June 30, 2022, Sonadezi Long Thanh Shareholding Company approved the resignation

of Mr. Ngo Xuan Quang as Independent Board Member from July 01, 2022.

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