



VIETNAM DAILY NEWS

July 25th, 2022



Table of content

Table of content

1. VN-Index ends three-session gaining streak
2. VASEP wants greater imports of raw seafood materials
3. VN, Korea to work together for trade, investment
4. Cement producer Ha Tien's profits fall by half
5. Securities firms report losses as proprietary trading takes hit in falling market
6. Textile and garment firms fear drop in profit as orders slow down
7. Việt Nam to become leader in global blockchain industry
8. TCM: More than trillion in revenue, 2nd quarter net profit still down 7%
9. ST8: Highest dividend up to 85%

Market Analysis

1. VN-Index ends three-session gaining streak

Vietnam's benchmark VN-Index dropped 0.31 percent to 1,194.76 points Friday with trading falling to its lowest volume in six sessions.

The index stayed in the green for most of the day but closed 3.71 points lower due to last-minute selling.

Trading on the Ho Chi Minh Stock Exchange fell by 10.32 percent to VND10.87 trillion (\$464.4 million), a six-session low.

The VN-30 basket, comprising the 30 largest capped stocks, saw 22 tickers drop, with VIC of private conglomerate Vingroup losing 2.9 percent to its lowest since March 2020.

BID of lender BIDV dropped 2.7 percent, and HPG of steel giant Hoa Phat ended 2.2 percent lower.

Other losers included CTG of lender VietinBank and SSI of brokerage SSI Securities.

Seven blue chips bucked the downward trend, led by GAS of Petrovietnam Gas with a 3.6 percent gain.

MSN of conglomerate Masan Group surged 2.8 percent, and TCB of lender Techcombank closed 0.7 percent higher.

Foreign investors were net buyers to the tune of VND376.51 billion, focusing mainly on MWG of electronics retailer Mobile World and GAS.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was up 0.26 percent while the UPCoM-Index for the Unlisted Public Companies Market was down 0.31 percent.

Macro & Policies

2. VASEP wants greater imports of raw seafood materials

The State should have policies to encourage the import of seafood materials for export processing because processing factories lack raw materials, according to the Việt Nam Association of Seafood Exporters and Producers (VASEP).

In an official dispatch sent to the Ministry of Planning and Investment, VASEP said that after 12 fuel price increases since the beginning of the year, 40-50 per cent of fishing vessels have now stopped operation.

Meanwhile, businesses all have the need to expand aquaculture regions, which provide 70 per cent of raw materials for export processing, to increase the supply of the material.

However, at present, localities are urbanising, so change in land planning for production is a challenge for seafood enterprises and farmers.

These cause the input materials for processing plants to decrease by 70-80 per cent compared to before.

Therefore, based on the Fisheries Development Strategy to 2030 approved by the Prime Minister in 2021, VASEP has proposed the Government to issue regulations and policies to encourage the import of aquatic materials for processing export products.

This will help Việt Nam achieve the goal of becoming one of the largest seafood processors in the world.

In the past 10 years, the import of clean and legal raw materials to Việt Nam surged to meet increasing demand on seafood from the global market, according to VASEP.

VASEP said that the policies on encouraging the import of aquatic materials for processing export products are still lacking, and the procedures for the import still have many obstacles.

In addition, VASEP believes that it is necessary to speed up the amendment of the Land Law. Of which,

the amendment should focus on the issues of land accumulation, land use regulations, and land planning. Those would help the fisheries sector develop suitable concentrated farming regions.

Meanwhile, Governments and localities also need policies to develop and expand the aquaculture regions.

VASEP also said that another challenge was obstacles in procedures of certifying the origin of caught fish.

According to VASEP, the COVID-19 pandemic has gradually stabilised, so the world's shrimp import demand has increased again.

Việt Nam's shrimp exports in 2022 are expected to grow well due to the advantages of free trade agreements (FTAs), ensuring stability in commercial shrimp farming and processing.

Meanwhile, food prices in the EU are forecasted to increase by the end of 2022. This will be a good opportunity for Việt Nam's pangasius businesses to return to the market after many years of Việt Nam's pangasius exports affected by the pandemic.

Việt Nam's pangasius exports to major markets at present have growth potential. Increasing and stable consumption demand can help maintain the volume of purchased fish material at the current level.

According to Nguyễn Hoài Nam, VASEP deputy general secretary, the seafood exports in the first six months of the year gained growth, but there are still many unexpected factors threatening the seafood industry in the second half of the year.

Besides the problem of freight and supply chain disruption due to the Russia-Ukraine conflict, one of the biggest difficulties for the local seafood enterprises is to ensure enough processing materials for year-end orders, Nam said.

Hồ Quốc Lực, chairman of the Sao Ta Food Joint Stock Company, said that many shrimp farms in Sóc Trăng Province were facing difficulties because of the COVID-19 pandemic, and some had closed.

The supply of raw shrimp will decrease sharply because farmers do not dare to develop shrimp farming due to the potential of a pandemic breakout.

Sao Ta is still dependent on external raw material supply because the company's farming region only meets 20-30 per cent of its processing demand. Full autonomy of all shrimp materials is not possible because the shrimp farming industry is still developing spontaneously.

Forecasting pangasius exports in 2022, Võ Hùng Dũng, former director of VCCI's branch in Cần Thơ, said there are two scenarios of surpassing the turnover milestone achieved in 2018 at over \$2.2 billion, or only reaching \$2 billion.

The export turnover depends on output and expansion of farming region, not market demand.

Dũng said pangasius exports increased sharply in the first six months mainly due to large inventories from the previous year, not an increase in farming output.

At present, the world demand increases sharply while the domestic seafood industry is facing the biggest difficulty of lacking raw materials.

However, Dũng said a shortage of raw material supply may be better than an excess. This shortage may be a short-term difficulty for businesses, but it is also a reason for them to make more effort in having sustainable development of their value chains.

"It doesn't matter if the fish industry lacks input, the businesses can increase imports for processing. The processors' increase in raw material imports is also a way for them to penetrate deeper into the global supply chain, making the businesses develop further," Dũng said.

The Directorate of Fisheries forecasts the total seafood output in 2022 to reach 8.73 million tonnes and the total seafood export value to be \$9 billion.

3. VN, Korea to work together for trade, investment

Việt Nam will work closely with South Korea to foster trade and investment, a conference heard in HCM City yesterday (July 22).

Nguyễn Phú Bình, chairman of the Association for Liaison with Overseas Vietnamese (ALOV), said South Korea is one of Việt Nam's top investors, and has projects spanning the country and in a wide variety of industries.

Kwon Sung-Taek, deputy chairman of the Korea & Việt Nam Economic and Cultural Association (KOVECA), said the two countries' economic co-operation has been the biggest achievement in their 30 years of bilateral ties.

Korea's trade with Việt Nam is equal to its combined trade with the other nine ASEAN member countries, he said.

Korean businesses are interested in Việt Nam's abundance of affordable and young workforce and rapid digital transformation, he said.

Việt Nam is among the top investment destinations for businesses moving away from China, and many Korean companies are interested in doing technology transfer with Việt Nam, he said.

"Efforts from both sides are needed to facilitate investment. Korean businesses need to research Việt Nam carefully, while Việt Nam needs to be more transparent in its policies.

"KOVECA will continue to promote Việt Nam to attract more Korean investors to the country."

Nguyễn Minh Lâm, deputy chairman of the Long An People's Committee, said the province -- which is adjacent to HCM City and has favourable conditions

for trade - welcomes foreign investors, especially Korean.

There are 209 Korean projects in the province with a total investment of around US\$900 million, making Korea the second largest foreign investor in Long An, and they have been operating efficaciously, he said.

Long An has been organising networking events for Korean businesses to facilitate trade and investment, and focusing on traffic infrastructure to boost connectivity with HCM City and provinces, he said.

The province is interested in Korean businesses that specialise in waste and wastewater treatment, he said.

Other provinces' leaders also commended Korean businesses' expertise in waste treatment.

Nguyễn Thị Hoàng, deputy chairwoman of the Đồng Nai People's Committee, said her province has a high urbanisation rate and is struggling with wastewater treatment, and wants to tie up with Korean partners.

Đồng Nai has around \$7 billion worth of Korean projects, and is building new industrial parks to attract more foreign investment, she said.

At the conference, Khánh Hòa, Đồng Nai and Long An provinces signed memorandums of understanding with ALOV, KOVECA, the Việt Nam National Startup Investment Fund, and the Military Commercial Joint Stock Bank to create conditions to attract Korean investment.

At a conference at the forum, several of Việt Nam's provinces solicited Korean investment. – VNS Photo Việt Dũng

The conference was held under the Việt Nam - Korea Cooperation Forum to mark the 30th anniversary of the establishment of diplomatic relations.

The forum, to go on until today in HCM City and tomorrow in Hà Nội, aims to connect the overseas Vietnamese community with business opportunities in Việt Nam, and help Vietnamese companies, especially small and medium-sized ones, explore business opportunities in South Korea.

South Korea has invested \$74.7 billion in 9,223 projects in Việt Nam and is the third largest trade partner, with two-way turnover being worth \$78 billion last year.

The two sides aim to increase their trade to \$100 billion by 2023 and \$150 billion by 2030.

Thirty Korean business groups and thousands of businesses are taking part in the forum.

4. Cement producer Ha Tien's profits fall by half

The Vicem Ha Tien Cement Joint Stock Company saw net profit halve year-on-year in the first half to VND160 billion (US\$6.8 million) due to higher costs.

It reported revenues of VND4.34 trillion (\$184.8 million), up 8.5 percent.

The company said prices of key inputs like coal, oil and gypsum increased sharply, pulling down profits. The military conflict between Russia and Ukraine and the embargo by the west have caused global coal, oil and gas crises.

In March, Vicem Ha Tien increased cement prices by VND100,000 (\$4.27) per ton. According to the

Vietnam Cement Association, coal accounts for 35-50 percent of cement production costs.

Nearly two thirds of coal have to be imported, and so global prices heavily impact Vietnamese cement production costs.

According to Mirae Assets Securities Vietnam Company, this year Vicem Ha Tien faces threats like soaring input costs and competition from cement and clinker exporters in the north like Thanh Thang Group Cement Joint Stock Company, Nghi Sơn Cement Corporation and Thang Long Cement Joint Stock Company.

It predicted full-year revenues of some VND9.14 trillion for the company and profits of VND495 billion, both representing a 30 percent increase from last year.

However, BIDV Securities Company forecast revenues of VND9.24 trillion but profits of only VND380 billion.

5. Securities firms report losses as proprietary trading takes hit in falling market

Many securities companies reported major losses in the second quarter, mainly from proprietary trading, as the market went through a slump.

Saigon-Hanoi Securities Joint Stock Company reported a net loss of nearly VND300 billion (US\$12.7 million) in the second quarter of this year.

Besides losses from securities trading, its brokerage was down by 40 percent year-on-year to VND85 billion (\$3.6 million) while profits from loans and receivables fell by 15 percent to VND137 billion (\$5.8 million).

Tien Phong Securities Corporation lost more than VND128 billion (\$5.4 million), a 340 percent decline.

Bao Minh Securities Company racked up net losses of over VND130 billion (\$5.5 million) as against net profits of nearly VND130 billion in the same period last year.

They wiped out the profits it made in the first quarter, leaving it nearly VND33 billion (\$1.4 million) in the red in the first half.

On July 6 the VN-Index fell to 1,149.61 points, its lowest since February 2021

6. Textile and garment firms fear drop in profit as orders slow down

Textile firms are bracing for a profit plunge in the second half of this year, with the number of new orders slowing down since the middle of the second quarter.

Most garment and textile enterprises have received orders for production until the third quarter or October, according to the Ministry of Industry and Trade.

However, the industry's growth momentum showed signs of slowing down from the middle of the second quarter when major export markets such as the U.S. and EU fell into an inflationary spiral.

As a result, new orders have decreased and customers have shortened the order period from 6 months to 3 months.

A company specializing in the production of children's fashion clothes in Dong Nai used to get new orders of 80,000 - 100,000 garments every month from US partners.

The company's manager, Thai Minh, said that over the past two months, the number of new orders has fallen by 20-30 percent.

Minh said the situation will not improve in the short term if the inflation issue in the U.S. remains serious, forcing people to tighten spending on non-essential goods.

"We are promoting our products to Canada and Mexico that have many similar consumption characteristics. We hope to get a few new contracts for the year-end season," she said.

The decrease in textile and garment orders was mainly due to the slow consumption in large markets, especially the U.S. and EU, the increase in inventories of importers and high inflation pressures in the second half of 2022 and early 2023.

"At the beginning of the year, after the pandemic situation was under control, countries reopened and our partners urged us to deliver goods quickly, but now they are very indifferent," Minh said.

The Vietnam Textile and Garment Group (Vinatex) and Rong Viet Securities Company (VDSC) have forecast that the demand for textiles and garments in the second half of the year will decrease due to "overbuying" and inflation that prompts belt-tightening for non-essential products like fashion.

In addition, the double impact of post-pandemic supply chain disruptions and the Russia-Ukraine conflict have pushed the price of raw materials for the garment industry, especially fabric and cotton, up by about 7-10 percent compared to the same period in 2021.

Post-pandemic labor shortage, increasing transportation charges and labor costs triggered by fuel price hike have negatively affected the entire textile and garment supply chain from manufacturers to retailers, industry insiders said.

"Increasing fuel, freight and logistics prices will greatly affect business performance in the last six months of 2022 and possibly until 2023," said Duc Viet, CEO of leading garment firm May 10.

Textiles are also indirectly affected when the euro depreciates against the USD. The EUR dropped to the lowest in 20 years last week at roughly the same as USD, with the greenback surging this year amid global economic uncertainties.

Vinatex general director Cao Huu Hieu said that a weakening euro will reduce the profit margin of buyers in EU countries.

VDSC forecasts that the profits of Vietnamese textile and garment companies will be hit hard in the second half of the year as new orders decrease.

Some leading garment firms have adjusted this year's business performance targets.

The Song Hong Garment Jsc estimates its pre-tax profits at VND500 billion (\$20.83 million) down 8 percent from a year ago.

Nguyen Van Thoi, Chairman of TNG Investment and Trading Joint Stock Company, said that the impacts will be uneven among enterprises in the same industry.

He said the industry can recover if inflation is brought under control and consumer purchasing power increases.

According to data from the Ministry of Industry and Trade, textile and garment exports hit \$22.3 billion in the first six months of the year, an increase of over 20 percent year-on-year.

7. Việt Nam to become leader in global blockchain industry

With the boom in blockchain technology and speedy digital transformation, Việt Nam has great potential for blockchain development to compete in the global market, speakers said in a seminar last Friday in HCM City.

Speaking at the "Blockchain in the digital transformation era", Huy Nguyễn, deputy chairman of the Việt Nam Blockchain Association, said Việt Nam has become an emerging market for blockchain thanks to its achievement in digital transformation and digital economy.

The country is one of the leading countries in encouraging research and application of new technology in everyday life, he said.

The Government has great supportive policies on digital development and digital transformation. The country is also entirely open-minded to new technologies such as blockchain, allowing start-ups in the country to develop rapidly.

Phan Đức Trung, also deputy chairman of the association, said the launch of the Việt Nam Blockchain Association in April, the first official legal entity, aims to gather enthusiasts for blockchain technology research and application throughout Việt Nam.

The association aims to promote the digital economy and bring Việt Nam to the international level in the digital economy.

It also connects and gathers the blockchain community in the country and builds a bridge to bring Vietnamese products to the world and attract more international resources to Việt Nam.

It will also promote personnel training and attract international investment into Việt Nam, he added.

The Government will continue to prioritise the development of new technologies and identify these as potential spearheads of economic development in the future, according to Trung.

It would continue to facilitate, encourage and promote businesses to accelerate the digital transformation process in which blockchain technology is the mainstay.

It is expected that by 2030, blockchain will create 40 million jobs, and 10–20 per cent of the economic infrastructure will run on blockchain technology systems in the country.

Choi Soo Hyuk, president of the Korea Blockchain Startup Association, said Việt Nam has huge potential in blockchain technology with many businesses, scientists and engineers pursuing research and application of the technology.

Park Bong-Kyu, chairman of World Blockchain Summit MARVELS and Korea CEO Summit, said Việt Nam has abundant human and technology resources as well as a large blockchain community.

It has become a potential hub for blockchain projects, such as diverse choices and low costs.

Participants also noted that challenges lie ahead such as a lack of legal framework for blockchain development.

They recommended it be vital to create a legal framework for blockchain and create favourable conditions for blockchain research and development as well as utilise resources on the development of blockchain applications.

It is also important to revise the legal framework for international capital raising, making it easier for start-ups.

The US-based Globe Newswire, one of the world's largest newswire distribution networks, has expected a bright future ahead for blockchain technology in Việt Nam.

Việt Nam is one of the five leading countries in blockchain, and there are currently about 10 innovative Vietnamese start-ups in the field with a capitalisation of over US\$100 million.

Among the top 200 companies developed based on blockchain technology, seven are founded by Vietnamese people.

Axie Infinity, a blockchain game published by Sky Mavis, has attracted hundreds of thousands of gamers from all over the world. As of March 29, it had a market capitalisation of about \$4 billion, according to Coinmarketcap.com.

Other Vietnamese companies such as Thetan Arena, Coin98, and Elemon have also been welcomed by the international blockchain developer community.

The seminar was held under the Việt Nam-Korea Cooperation Forum to mark the 30th anniversary of the establishment of diplomatic relations.

The forum aims to connect the overseas Vietnamese community with business opportunities in Việt Nam, and help Vietnamese companies, especially small- and medium- sized ones, explore business opportunities in South Korea.

South Korea has invested \$74.7 billion in 9,223 projects in Việt Nam and is the country's third largest trade partner, with a two-way turnover worth \$78 billion last year.

The two countries aim to increase their trade to \$100 billion by 2023 and \$150 billion by 2030.

Corporate News

8. TCM: More than trillion in revenue, 2nd quarter net profit still down 7%

↓ -1.10%

According to the newly released financial statement for the second quarter of 2022, Thanh Cong Textile - Investment - Trading Joint Stock Company (HOSE : TCM) reported a net profit of

54.4 billion dong, down 7% over the same period, although revenue increased by 7%, up nearly 1.05 trillion VND.

9. ST8: Highest dividend up to 85%

↑ 6.82%

Sieu Thanh Joint Stock Company (HOSE : ST8) will advance the first dividend of 2022 in cash at the rate of 85% (1 share will receive 8,500 dong). This is the highest dividend rate ever of this

Company. With nearly 25.73 million shares in circulation, the Company needs to spend nearly 219 billion VND to implement.

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