



VIETNAM DAILY NEWS



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Market Analysis

1. Trading value falls for fifth straight session

Vietnam's benchmark VN-Index lost 0.29 percent to 1,185.07 points Tuesday with trading value dropping the fifth consecutive time.

The index stayed in the green for the morning but started falling in the early afternoon, closing 3.43 points lower.

Trading on the Ho Chi Minh Stock Exchange fell by 4.85 percent to VND9.45 trillion (\$404.5 million), a 13-session low.

The VN-30 basket, comprising the 30 largest capped stocks, saw 19 tickers drop.

BVH of insurance company Bao Viet Holdings and VIC of biggest conglomerate Vingroup both lost 1.8 percent.

TPB of private lender TPBank dropped 1.5 percent, and VNM of dairy giant Vinamilk closed 1.2 percent lower.

Eight blue chips bucked the trend, led by KDH of housing developer Khang Dien with a 2.1 percent gain.

SAB of brewer Sabeco rose 1.6 percent, and VCB of the largest lender Vietcombank ended 1.4 percent higher.

Foreign investors were net buyers for the fifth straight session to the tune of VND54.88 billion. They focused on buying VCB and MWG of electronics retailer Mobile World and SSI of leading brokerage SSI Securities.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was down 0.88 percent while the UPCoM-Index at the Unlisted Public Companies Market was down 0.06 percent.

Macro & Policies

2. Dairy firms increase product prices as input costs surge

Customers are paying more for milk and milk products as Vietnamese dairy companies increase prices amid a global surge in input costs.

Hanh in Ho Chi Minh City's District 3 said the price of Australian organic milk products has risen by 10 percent in a week and is often out of stock.

District 5 resident Minh Anh said that a 48-pack TH True Milk carton box was now priced VND380,000, up 10 percent from last year.

Vietnamese companies have increased prices by around five percent on average in the first six months as input and manufacturing costs rise, according to a report by the Vietnam Dairy Association.

Dairy product prices are also increasing all over the world.

Full-cream milk in Europe hit a new peak of EUR5,100 per ton in the second quarter, up 14 percent from the first, according to a report by Rabobank

In the third quarter, Europe milk prices will continue to hover around the new peak, while prices in Oceania and South America will continue to rise by around 10 percent, the report said.

Vietnam's dairy giant Vinamilk has said it has seen prices of ingredients rise by 70 percent in the first six months, some of them by 100 percent.

Other dairy companies like TH True Milk, Nutifood and VPMilk have also raised prices citing rising input costs.

The price increment, however, is not enough to cover the surging costs, and therefore companies have set modest earnings targets for this year.

Vinamilk targets a year-on-year increase in post-tax profits of 7 percent to VND12 trillion.

International Dairy Products expects a 45 percent drop in profits to VND452 billion.

Nguyen Quang Trung, chairman of the Vietnam Dairy Association, said Vietnamese dairy companies are set to come under greater pressure in the third quarter as ingredient prices continue to rise.

Around 60 percent of ingredients are imported and therefore their prices depend on global rates, he added.

But Trung also said that there were opportunities for dairy companies to expand their market share during this time as it is estimated that dairy ingredients production in Vietnam only meets 40 percent of domestic needs.

Vietnam's dairy demand remains low at 26-28 liters per person per year, compared to Thailand's 35 liters and European countries' 80-100 liters.

Local companies are striving to ensure more sustainable supplies.

Bui Thi Huong, executive and foreign affairs director of Vinamilk, said that the company has put three Green Farms into operation, which help increase production by 5-6 million tons a day. This will increase even further when its factory in the central province of Quang Ngai reaches maximum capacity, she said.

The global dairy market is set to experience compound annual growth rate of 5.09 percent from 2022 to 2027, according to a report by market research group IMARC.

3. Companies buy back bonds prematurely after Tan Hoang Minh arrests

Companies prematurely redeemed bonds worth VND49.1 trillion (\$2.1 billion) in the second quarter, nearly four times the first quarter figure, spooked by the arrests of business executives for alleged issuance-related fraud.

The redemptions added up to VND61.9 trillion in the first six months, according to the Ministry of Finance.

Do Anh Dung, chairman of property company Tan Hoang Minh, and six others were arrested in early April for "alleged fraudulent appropriation of assets" through improprieties in bond issuances.

Authorities also cancelled the company's nine bond issuances worth more than VND10 trillion (US\$437 million) between July 2021 and March 2022.

Since then a number of big companies have bought back or announced plans to buy back their bonds even before maturity date.

Electric equipment manufacturer Gelex redeemed bonds worth VND1.4 trillion, some of them only issued five months earlier.

Retail chain Intimex Vietnam shelled out VND2 trillion for redemption, and HCMC Infrastructure Investment (CII) plans to buy back VND2.8 trillion worth of bonds from now through February.

Analysts at brokerage SSI Securities Corporation said the revocation of Tan Hoang Minh's bonds has made both issuers and investors more cautious.

The Ministry of Finance advises retail investors to be careful about buying privately placed bonds.

4. Vietnam grapples with economic headwinds in H1

Surging consumer prices are a common topic of discussion everywhere from dinner tables to government meetings, with the public complaining of a gap between official and actual inflation figures.

While the prices of eggs, vegetables, delivery, and construction materials have seen double-digit increases, the consumer price index rose by a mere 2.4 percent in the first half of the year, according to the General Statistics Office.

With gasoline prices soaring by 27 percent since this year, the government has been cutting taxes to keep them under check.

It has cut the environment tax on gasoline by 75 percent this year to VND1,000 per liter.

Another problem for policymakers is keeping banking credit under control.

The State Bank of Vietnam (SBV) has capped credit growth at 14 percent this year but banks have sought an increase.

The central bank has been seeking to keep credit growth down to head off inflation.

A person shops at a market in Thu Duc City in June 2022. Photo by VnExpress/Quynh Tran

The tumbling stock market was another area of concern in the first half.

There were several major arrests related to stock market manipulation and bond issuances, which dampened investor sentiment.

The benchmark VN-Index has lost 20 percent this year, and trading is well below last year's levels.

The chairmen of property developers FLC and Tan Hoang Minh, Trinh Van Quyet and Do Anh Dung, were arrested in March and April for alleged fraud.

Speculative stocks have been plunging as a result.

While these arrests raised concerns among investors, they show that the government is paying

attention to ensuring rule of law, which would benefit the market in the long run, Le Duy Binh, CEO of business consultancy Economica Vietnam, said.

"When the market is well regulated, companies that abide by the law can contribute more to economic growth."

Prime Minister Pham Minh Chinh said at an economic forum in June that fluctuations in the market are normal when violations are dealt with, and timely intervention would help the market become more transparent and stable.

The government faces difficulties in sustaining growth in the second half.

The rising global energy prices remain Vietnam's biggest growth risk, Ngo Dang Khoa, country head of markets and securities service at HSBC Vietnam, said.

Another challenge is the supply chain disruption in China, which makes it difficult for Vietnamese companies to source materials and this could have an impact on exports, he said.

Containing inflation remains a major problem.

Analysts at securities brokerage VNDirect forecast that food prices could continue to rise this year due to high delivery costs.

"Companies could raise prices to cover expenses and therefore we forecast inflation to rise in the coming months."

But they added that the price rise is likely to remain below the government's 4 percent target.

Binh said stable growth is more important than high rates, adding that the 7 percent GDP growth target the government mentioned earlier this month is appropriate considering the low base last year.

5. Hoa Phat profit plunges 60 pct

Steel giant Hoa Phat Group saw its post-tax profit plunging nearly 60 percent year-on-year to VND4 trillion (\$171.27 million) in the second quarter due to declining prices amid falling demand.

The company saw revenue rising marginally to VND37.7 trillion.

The steel industry was going through unfavorable conditions and this would be reflected in the earnings reports, said Hoa Phat chairman Tran Dinh Long at the company's annual general meeting in May.

"When the earnings report for the second quarter is released, shareholders will see how terrible the situation is."

In the first six months, Hoa Phat's post-tax profit fell 27 percent year-on-year to VND12.23 trillion.

It targets a profit of VND25-30 trillion this year, down nearly 30 percent from last year.

Vietnamese steelmakers this month brought steel prices down for the eighth time this year with a total decline of nearly 13 percent.

SSI Research said the rising prices of construction materials have delayed infrastructure projects, which could be part of the reason why steel prices have dropped.

Hot-rolled coil prices have dropped by 15-20 percent in China and the U.S. in the last three months due to declining construction and manufacturing activities.

6. Labor shortage plagues Vietnam industries

Both foreign and local companies in various industries continue to grapple with labor shortages as they aim to expand activities in a recovering economy.

"Air-conditioned workspace, free bus transport, and many other attractive benefits" are part of the recent recruitment notices of electronics manufacturer Pegatron Vietnam in the northern city of Hai Phong.

The supplier of Apple offers a monthly salary of VND9-13 million (\$385-556) to workers. It has also been looking for managers and engineers.

Another Apple supplier, Goertek Vina, has been looking for workers who can start right away, with no limit in the number of applications.

Last week it sought procurement specialists, trade specialists, and customer service staff.

A recent report by recruitment platform Adecco said the trend of manufacturers shifting out of China and trade pacts between Vietnam and the EU, Japan and South Korea have caused a considerable increase in recruitment demand.

Manufacturing disruptions in China have made Vietnamese and other Southeast Asian markets attractive destinations for manufacturing, CEO of Adecco Hanoi Nguyen Ha said.

Industrial park data affirmed this trend, as they recorded a 90 percent occupancy in Hanoi, Ho Chi Minh City and Da Nang in the second quarter, according to property consultancy Colliers Vietnam.

Long Hau Industrial Park in the southern province of Long An said companies there had increased their recruitment demand by 30-40 percent in the first six months.

"We therefore have to recruit more staff to help these companies find workers."

Recruitment platform Navigos said in a note that leasing, industrial property and investment managers are popular jobs but with low supply.

Companies often look for experienced Vietnamese for these jobs, but struggle to attract talents, it said.

The IT industry is also seeing a surge in demand as more contracts are sent to Vietnamese companies amid the Russia-Ukraine tension, the report said.

VietnamWorks, a popular recruitment website under Navigos, saw the number of job posts increase by 20 percent year-on-year to over 65,000 in the first six months.

Technology was the most sought-after sector, followed by finance/investment and sales.

Some popular jobs were software developers and data technicians.

The Ministry of Labor, Invalids and Social Affairs said there was a shortage of 120,000 workers in the first quarter, or nearly 10 percent of recruitment demand, 2-3 percentage points higher than in previous years.

Since March, factory workers, shippers, salespeople, hotel and restaurant staff have been popular jobs to record a supply shortage, according to recruitment platform Viec Lam Tot.

There is also a shortage in high-skilled labor.

Most of Vietnam's 1.3 million electronics workers perform simple tasks classified as low-value manufacturing, the Vietnam Chamber of Commerce and Industry said in a report released last week.

Sixty percent of businesses surveyed said the lack of skilled workers was "a moderate to serious" challenge, while 50 percent viewed the lack of professional supervisor and managerial skills as a "big challenge", said the report, conducted in partnership with International Labour Organization last year.

7. Most firms see bright economic prospects

Up to 85 per cent of firms have an optimistic outlook for the business environment in Q4, whereas 15 per cent are pessimistic about the future, according to a survey conducted by the General Statistics Office (GSO).

The survey found that 44.9 per cent of firms expect new orders from customers to increase in Q3, whereas 13.8 per cent forecast the opposite.

The order indicator in the non-State sector was estimated at 31.6 per cent, in the FDI sector at 30.8 per cent and in the State sector at 26.4 per cent.

It is worth noting that 20.2 per cent of firms expect a higher number of employees on the payroll in Q3, whereas 9.3 per cent believe the number would fall.

The GSO said that high demand for construction materials, coupled with China's falling steel output and exports, led to surging domestic steel prices.

Petrol prices had fueled the situation by causing an increase in the prices of other materials, driving up construction costs.

The GSO called on the Government to take drastic measures to stabilise material prices, speed up construction projects and help firms access State capital more easily.

The survey covers 6,500 firms in the processing and manufacturing sector and 6,799 in the construction sector. In Q2, it had 5,635 respondents from the former and 6,315 from the latter.

Corporate News

8. VCB: Vietcombank posts H1 profit of over 740 million USD

↑ 1.37%

In the January-June period, the bank's bad debt provision rate reached a record of over 500%, the highest in the market.

As of June 30, Vietcombank's total asset was valued about 1.6 quadrillion VND, a rise of 13.4% over that at the end of 2021. Particularly, its credit growth hit 14.6% in the period to over 1.1 quadrillion VND.

Also by the said date, the bank's bad debts were over 6.69 trillion VND, up 9.4% over the beginning of the year.

With the results, Vietcombank rose to the top position of the industry in terms of profit in the first

half of this year. Earlier, the position belonged to VPBank with over 15.32 trillion VND.

Vietcombank has remained the lender with the largest market capitalisation among the credit institutions listed on Vietnam's stock market. With a market capitalisation of 15.5 billion USD, Vietcombank is currently ranked 1,205th among the largest listed companies globally according to the latest statistics of Reuters. It is the only Vietnamese enterprise in the list of the 1,000 largest enterprises in the globe, according to the latest assessment of Forbes in May 2022.

9. DCM: DCM reported Q2 net profit of over 1,000 billion VND

↑ 2.83%

PetroVietnam Ca Mau Fertilizer Joint Stock Company (HOSE : DCM) has just announced its business results for the second quarter of 2022 with a net profit of 1,039 billion VND, 3.5 times

higher than the same period last year. This is also the third consecutive quarter DCM has achieved a profit of over 1,000 billion VND.

Research Team: **Tsugami Shoji** *Researcher* jsi@japan-sec.vn

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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