VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index hits 4-week high

Vietnam's benchmark VN-Index rose 1.43 percent to 1208.12 points Thursday, highest in four weeks, as global markets closed in the green after the U.S. Federal Reserve hiked rates.

The index closed 17 points higher after gaining nearly 6 points on Wednesday. This was its biggest gain in two weeks.

Trading on the Ho Chi Minh Stock Exchange (HoSE) surged by 53 percent to VND15.35 trillion ($656.97 million), highest in five weeks.

Shares were mostly higher in Asia on Thursday after the Federal Reserve ratcheted up its campaign against surging inflation by raising its key interest rate by 0.75 percent.

The VN-30 basket, comprising the 30 largest capped stocks, saw 26 tickers gain.

VRE of retail real estate arm Vincom Retail surged 6.8 percent to a three-week high.

STB of Ho Chi Minh City-based lender Sacombank rose 6.1 percent.

Other gainers included GVR of Vietnam Rubber Group, SSI of leading brokerage SSI Securities Corporation and POW of electricity producer Petrovietnam Power Corporation, up 3.4-3.7 percent.

BVH of insurance company Bao Viet Holdings, FPT of IT giant FPT Corporation, and MWG of electronics retail chain Mobile World, fell by 0.2-1 percent.

Foreign investors were net buyers for the seventh straight session to the tune of VND685.69 billion, mainly buying KDC of food producer KIDO Group and STB of Ho Chi Minh City-based lender Sacombank.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was up 1.87 percent while the UPCoM-Index at the Unlisted Public Companies Market was up by 0.71 percent.

Macro & Policies

2. Remove 14,100 MW of coal plants from plan: ministry

Vietnam needs to offer better incentives and bonuses to attract private and foreign investment into the oil and gas industry, experts said.

The number of contracts for exploration and drilling fell from 35 in 2009-2014 to just three in the next five years.

No new contract has been signed in the last two years.

Low reserves and diminishing outputs have driven investors out, and so the country needs better policies and incentives to attract them back, the experts said.

The output has declined by 40 percent since 2016, according to data from state-owned Petrovietnam.

In proposed amendments to the Law on Petroleum, authorities are seeking to lower the income tax and royalty 7 and 10 percentage points to 25 percent and 20 percent, respectively.

But economist Nguyen Minh Phong wanted the income tax to be cut to 20 percent, equal to that of Thailand and lower than Malaysia and China's rates.

He also suggested a 10- percent export tax of crude oil to increase domestic supply. Last year Vietnam imported 9.9 million tons of crude and exported 3.1 million tons.

Vietnam is a big oil exporter but an even bigger importer, and with surging global prices the country is jeopardizing its energy security, he warned.

Pham Van Son, director of the Vietnam Environmental Incident Response Center, pointed out that the amendments do not address the environmental risks related to drilling.

"Companies' commitment to environmental protection should be appraised and monitored."

Doan Van Thuan of the Vietnam Petroleum Institute said the draft only "vaguely mentions" technological advances in the oil industry like the CO_2 storage technology used in the U.S. and Indonesia.

"Investors should be allowed to store CO_2 in depleted oil fields."

Le Quang Dien, vice dean of the oil and gas faculty at the Hanoi University of Mining and Geology, said CO_2 storage is a relatively new technology and Vietnam would need five to 10 years to develop it, but the bill needs to address it.

3. Việt Nam's border trade activities recover after COVID-19

Việt Nam's border trade has achieved positive results despite difficulties due to the COVID-19 pandemic. The economy of the border provinces has continued to maintain positive growth, and many provinces have had a higher growth rate than the national average. Border trade activities have contributed significantly to the socio-economic development of border provinces. However, there are still many difficulties that need to be addressed.

Nguyễn Văn Hội, director of the Institute of Industrial Strategy and Policy Research, Ministry of Industry and Trade, spoke to Vietnam News Agency about this issue.

How did border trade activities develop after two years of being affected by the pandemic?

After two years of being affected by the COVID-19 pandemic, border trade activities faced many difficulties but also had advantages.

Border trade activities at border gates were restricted according to policies in each country, especially at auxiliary border gates.

In addition, due to the impact of COVID-19, the pandemic prevention policies were implemented at different times in different countries, causing difficulties for trade activities between Việt Nam and neighbouring countries of China, Laos and Cambodia.

However, there were also advantages. The pandemic reduced negative trade activities along border lines, especially smuggling and trade fraud via secondary border gates and border openings.

The cross-border import and export values in the past two years increased strongly. Only Laos did not increase much each year, reaching just over US$1 billion.

Việt Nam's border trade value with China increased by more than 20 per cent in those two years. The trade value reached over $26 billion out of the total bilateral trade value of $133 billion in 2020, and $33 billion out of a total of $162 billion in 2021. This growth rate was the largest in the pandemic period.

Meanwhile, Việt Nam's border trade value with Cambodia also grew strongly. It reached $3.5 billion out of the total bilateral trade value at $5 billion in 2020, and $5.5 billion out of a total bilateral trade value of $9 billion in 2021.

What is the role of border trade activities in the context of safe adaptation to the COVID-19 pandemic?

The role of cross-border trade is quite important because it has contributed to promoting bilateral trade turnover between Việt Nam and China, Laos and Cambodia, as the countries tightened trade activities due to the pandemic, meaning many border gates and ports were locked down. Therefore, Vietnamese enterprises had flexibility in import and export activities when changing trade activities to land or changing border gates to trade goods.

This flexibility has made an important contribution to promoting border trade activities in particular as well as bilateral trade in general in the context of COVID-19 changing global production and supply chains.

The businesses also had different strategies for trade in different periods to be able to maintain the supply of input for production, especially for pandemic prevention and production of essential goods.

In addition, they also had flexibility in the delivery of goods such as car and driver transfers at border areas. It facilitated the circulation of goods.

At present, policies on attracting investment in trade infrastructure at the border areas are still not effective. What are your suggestions for this problem?

The first difficulty for developing infrastructure in the border areas is the specific socio-economic conditions of the mountainous and remote areas.

Therefore, investment in infrastructure at border areas is really difficult, especially commercial service infrastructure, logistics, border gates, border markets, supermarkets, trading centres, warehouses and border transshipment centres.

The Prime Minister approved on February 25, 2021, the programme on the development of border trade infrastructure by 2025 with a vision to 2030. Therefore, in the next five years, ministries and sectors need to focus on mobilising resources, including budget and funds from enterprises to have strong investment in border trade infrastructure including product introduction centres, freight forwarding and yards.

In addition, provincial investment is needed, though most border provinces face many difficulties. They need to base on the Government's mechanisms, policies and decisions to put more investment in border infrastructure, including infrastructure of border traffic, electricity, water supply and telecommunications, and other essential service infrastructure for border trade activities. Promotion of the investment will boost the development of border trade in the future.

Infrastructure development is the most important but the most difficult factor. However, with the developing socio-economic conditions as well as the attention of the Government, ministries and localities, they can attract businesses' investment in border gate infrastructure.

Production at the border is still at a small scale. Customs clearance capacity at border gates is still limited, not meeting the requirements for official export. What solutions does Việt Nam need to overcome this situation?

The first solution is to review mechanisms and policies in order to encourage enterprises to resume production and business activities.

It is necessary to encourage processing and packaging activities at border areas to ensure the quality of goods at the border gate as well as the smoothness of border trade activities in the future.

Currently, the State is carrying out studies on national, regional and provincial master plans. Some provinces are very interested in the regional planning of processing products and other plans for border areas.

But national and sectoral planning also need attention to create a foundation for the Government's incentive mechanisms and policies as well as attract businesses to develop production and trading activities at the border areas.

In addition, it is necessary to amend and supplement the Law on Commerce 2005 because the law has been issued a long time ago and the situation at present is very different from the context that the 2005 commercial law was issued, so it needs to be changed and supplemented a lot.

Regulations relating to commercial infrastructure, including logistics centres, also need to be promulgated. Now, there are only regulations on logistics centre planning, but no regulations on policies of logistics development.

In the future, border markets will still play an important role, so the decrees on markets also need to be revised. Regulations on other infrastructures such as product introduction centres, warehouses, and yards also need to be amended and supplemented.

That will not only promote the border trade development and Vietnamese goods circulation in border areas, but also develop socio-economic activities, and ensure security and defence stability in border areas. — VNS

4. Investors must show extreme caution on risks of corporate bonds: Ministry

The corporate bond market has gradually developed to be an important medium and long-term capital mobilisation channel for the economy, according to the Party and State guidelines.

However, the market has recently expanded quickly, posing potential risks that may affect the sustainable development of the capital and bond markets if not effectively controlled.

The Ministry of Finance (MoF) has recommended individual investors participating in the private corporate bond market be cautious, learn legal regulations and the capacity and efficiency of production and business activities of the issuing enterprise, and understand the risks of corporate bonds before deciding to invest.

Corporate bonds are not bank deposits, according to the ministry. Enterprises issue corporate bonds based on the principles of self-borrowing, self-paying, and self-responsibility for the ability to repay debt.

Therefore, investors must know and accept the risks when buying bonds if the enterprise cannot guarantee the obligation to pay the bond principal and interest.

According to the provisions of current law, private corporate bonds are investment products only for professional investors with sufficient financial resources, investment experience, and the ability to assess risks and accept them when they occur.

Unlike corporate bonds for public offering, which are granted certificates of registration by the State

Securities Commission (SSC) to be offered to unlimited investors, individual corporate bonds are not licenced by the regulator.

Due to the recent rapid growth of the corporate bond market, several retail investors have purchased private corporate bonds, especially high-yield bonds, through distribution institutions such as securities companies and commercial banks.

Therefore, the MoF emphasised that it is prohibited for investors who are not professional investors to purchase this form of bond. Investors and the organisation providing professional securities investor certification services shall be subject to heavy fines in accordance with the law if an investor uses methods to become a professional investor illegally.

Investors should also note that credit institutions and securities companies distributing corporate bonds do not guarantee the safety of bond purchases.

These organisations are only service providers, enjoying service fees from the issuer, but are not responsible for assessing the issuer's financial situation and debt repayment ability. Thereby, they are not responsible for whether the enterprise will repay the principal and interest of the bond at the maturity date or not. The bonds' risk is still the risk of the issuer.

In addition, an underwriting bond is not a payment guarantee. If corporate bonds are introduced as guaranteed, investors must note whether such bonds are guaranteed for payment or underwritten.

According to the MoF, underwriting is an underwriting organisation's commitment to the issuing enterprise to distribute bonds. They don't have any obligation to investors.

For payment guarantee, investors also need to carefully understand the scope of the guarantee, meaning that they guarantee for payment of principal, interest or only part of principal and interest, and investors will have to bear the risk for the rest.

In particular, the ministry stressed that collateral assets of corporate bonds or credit loans have many types, such as housing, shares, stocks, investment programmes and projects.

Currently, most of the collateral assets are real estate and programmes, projects, securities or a combination of assets (real estate and securities).

Information about collateral assets issued by enterprises are mentioned in the information disclosure, and investors need to learn carefully about the collateral conditions and the collateral assets' quality and value.

For collateral assets that are projects, assets formed in the future or stocks, investors should note that when the stock market and the real estate market fluctuate, the value of the assets would reduce and not be enough to pay for the principal and interest of the bonds.

Therefore, before buying private corporate bonds, the MoF said that investors need to understand the legal regulations on professional securities investors and study the rules on conditions, evidence and regulations on penalties for violations of professional securities investors to ensure that they are eligible to be certified as professional investors.

Investors also need to request issuers and the distribution organisations to provide complete and accurate information on the financial situation of the issuers, including the bond capital mobilisation (number of issuances, issued volume, loan balance, payment ability of issued bonds) and criteria for assessing the debt repayment capacity of the enterprise; the purpose of issuing bonds; collateral assets; characteristics of bonds, rights and obligations of bondholders, commitments to bonds, obligations of the issuing enterprise, and obligations of the distribution organisations.

After buying bonds, investors need to regularly update the issuer's financial situation, debt repayment capacity, and whether the use of capital raised from bonds is suitable for issuing bonds.

The ministry emphasised that only after learning about bonds, thoroughly evaluating and carefully considering the potential risks, should investors decide to buy bonds.

Investors should be careful when participating in investment and cooperation contracts to buy corporate bonds under civil law with other individuals and organisations because they will be the ones who bear the risks.

To further strengthen the inspection, examination and correction of the corporate bond market, on July 20, the MoF issued Official Letter No 4078/BTC-VP directing the SSC and other units to continue to step up inspection, examination and correction of the corporate bond market and carry out inspection teams on the issuance and provision of services related to corporate bonds at several issuing companies, securities companies, and independent auditing companies.

In detecting violations, the SSC will publish the information on the mass media to warn the market.

5. Disbursement of public investment in 7 months fulfils nearly 35 per cent of plan

Trung Lương Highway runs through Tân An, Long An Province. The North-South Expressway will be the focus of public investment disbursement this year. — VNA/VNS Photo Hoàng Hải

HÀ NỘI — The Ministry of Finance reported that the estimated disbursement rate of public investment is VNĐ186.8 trillion from the beginning of the year to July 31, reaching 34.47 per cent of the plan assigned by the Prime Minister.

Domestic capital is VNĐ182.7 trillion, fulfilling 32.85 per cent of the plan and 36.02 per cent of the plan assigned by the Prime Minister.

Foreign capital is VNĐ4.14 trillion, reaching 11.9 per cent of the plan.

Commenting on the disbursement, the Ministry of Finance said that compared to the plan assigned by the Prime Minister, the estimated disbursement rate in the first seven months reached 34.47 per cent, a slight decrease compared to the same period last year (36.71 per cent).

There are three ministries and 14 localities with a disbursement rate reaching over 40 per cent.

Ministries and localities with high disbursement rates include the Central Committee of Việt Nam Fatherland Front (71.55 per cent), Việt Nam Development Bank (49.42 per cent), Việt Nam Bank for Social Policies (48.3 per cent), and the provinces of Tiền Giang (58.7 per cent), Phú Thọ (56.4 per cent), and Thái Bình (55.1 per cent).

There are 36 of 51 ministries and 15 of 63 localities with a disbursement rate of less than 30 per cent, of which 26 ministries and two localities have a disbursement rate of less than 15 per cent. One ministry has not yet disbursed the capital plan.

Regarding implementation, the Ministry of Finance said that it has just received periodical reports on the disbursement situation of July from 12 of 51 ministries, central agencies and 47 of 63 localities.

6. Public-Private Partnership law offers little benefit to public projects

The Law on Public-Private Partnership (PPP) has been up and running for over one year and a half, but it has made no difference to domestic investment so far, according to experts.

Dương Đăng Huế, legal adviser at the Vietnam Association of Road Traffic Investors, is concerned that the number of PPP-based projects have been declining since the Law on PPP took effect in early 2021.

He underscored four reasons why the law gave no boost to private involvement in public projects.

First, the law is too simplistic, inadequate to regulate many major issues arising from PPP contracts. Without adequate legal grounds, private investors become discouraged and are unwilling to enter into arrangements.

Second, the law fails to clearly define private investors rights to the facilities in the projects. The absence of a clear-cut definition of rights makes investors uncertain about their ownership of the facilities, putting them off.

Third is the right to run the facilities for profits that private investors seek once they put their money into PPP-based projects.

Although the right has been implicitly stated in various legal documents, it is frequently violated in reality, further disheartening investors.

The absence of a mechanism to incentivise private investments in minor facilities along public highways, such as petrol stations and motels, is the fourth reason for low private presence in the public projects scene.

Nguyễn Minh Đức, expert at the Legal Department, Vietnam Chamber of Commerce and Industry, estimated that Việt Nam needs around VNĐ900 trillion (US$38 billion) between 2021 and 2030 to reach its goal of 9,000km of highways and 30,000km of national roads by 2050.

The Government expects public money to meet two-thirds of the financial need and private investment do the rest. Unfortunately, almost no private money flowed into public infrastructure in 2021 and 2022.

"Low private involvement indicates that the goal of VNĐ300 trillion of private investments in infrastructure in the next 10 years is not easy," he said.

He also revealed that many public projects initially expected to kick off under PPP were later funded solely by public money as they received a lukewarm reception from private investors.

Nguyễn Trọng Hiệp, director of the HPVN Law LTD., underscored the need to revise the Law on PPP to encourage the participation of private sector in public projects.

He said the Government had to establish a well-developed risk-sharing mechanism to give private investors decent profits to reward for the risks they bear in PPP-based projects.

A good risk-return tradeoff would act as a financial incentive for the investors to put their money into public infrastructure.

He also said a dispute settlement mechanism should be put in place to deal with public-private disagreements and quickly resolve minor disputes.

He called for transparency when the contracts are put out to tender to ensure best investors win the bids. Inspection should be frequently carried out to prevent favouritism.

Nguyễn Hồng Chung, chairman of the DVL VENTURES, urged the Government to change its management mindset, establish institutions promoting PPP and found a national fund for PPP development.

He said it was time to change the relationship between the State and the private sector to keep up with the times.

7. Domestic sugar on the line

Weak demand for domestic sugar and the penetration of smuggled sugar have been dragging down sugar prices in Việt Nam, driving many producers into unprofitability.

According to the Vietnam Sugarcane and Sugar Association, refined sugar has dropped to around VNĐ18,000 per kilo and unrefined sugar to VNĐ17,200 per kilo since early this year.

The prices are so low that sugar producers find it impossible to cover their production costs. Many have no choice but to cease operation to cut losses.

Meanwhile, smuggled sugar continued to move into the country via southern borders in June and early July, flooding the market. Smuggled refined sugar sold at just around VNĐ16,400, low enough to price out domestic sugar.

Imported sugar fuels the situation by adding to the abundant supply of cheap sugar. Domestic sugar held on to around 20 per cent of the market share.

The Trade Remedies Authority under the Ministry of Industry and Trade has recently submitted an investigation report to the Politburo.

The report said several firms in the ASEAN region had committed origin fraud when they exported sugar to Việt Nam.

There has been a steep rise in imported sugar from Cambodia, Indonesia, Laos, Malaysia and Myanmar since Việt Nam imposed provisional anti-dumping and anti-subsidy measures on Thai sugar.

In Cambodia, Phnom Penh Sugar Ltd. is an exporter that has circumvented the trade remedies applied to Thai sugar. In Indonesia, fraudsters include Kebun Tebu Mas and Sentra Usahatama Jaya.

Meanwhile, due to the trade measures, Thai sugar has begun to plummet by 72 per cent since March 2021.

The report also said that some other countries, which have never been sugar producers nor sugar producers with large output, saw their sugar exports to Việt Nam suspiciously soaring.

In contrast, domestic sugar has been on the line amid weak demand and an abundant supply of foreign sugar. Domestic firms have to cut back on sugarcane farms to run at low capacity.

Corporate News

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

↑ 0.40%

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

As of June 30, Vietcombank's total assets were valued about VND1.6 quadrillion, a rise of 13.4 per cent over that at the end of last year. Particularly, its credit growth hit 14.6 per cent in the period to over VND1.1 quadrillion.

Also by the said date, the bank's bad debts were over VND6.69 trillion, up 9.4 per cent 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 VND15.32 trillion.

Vietcombank has remained the lender with the largest market capitalisation among the credit institutions listed on Vietnamese stock market. With a market capitalisation of $15.5 billion, 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.

9. STB: Sacombank achieves key targets under restructuring scheme

↑ 6.07%

Most notably, it fulfilled its target of handling nearly VND21.58 trillion (US$921.57 million) worth of outstanding accrued interest under the restructuring scheme.

Pre-tax profits were worth VND10.6 trillion ($452.67 million) before risk provisioning and restructuring expenses, which brought down the number to VND 2.9 trillion ($123.88 million), an increase of nearly 10 per cent year-on-year and meeting 55.1 per cent of the target approved by shareholders.

Its safety performance indicators met the State Bank of Viet Nam's norms and improved, especially the capital adequacy ratio, which has always remained above 9 per cent as against the minimum requirement of 8 per cent stipulated by the central bank, ensuring a balance between safety and efficient use of capital resources.

Total consolidated assets reached more than VND551 trillion, up 5.8 per cent from the beginning of the year.

Total deposits and loans outstanding increased by 6.2 per cent and nearly 7 per cent compared to the beginning of the year to over VND493 trillion and nearly VND415 trillion, respectively.

With the collection and handling of bad debts enhanced, the bank got back more than VND12 trillion worth of bad debts and outstanding assets, bringing its bad debt ratio down to 1.22 per cent.

ROA and ROE improved to 0.77 per cent and 11.86 per cent, respectively.

Total income increased by 26.6 per cent year-on-year to more than VND11.2 trillion. Non-interest income was up nearly 85 per cent driven by card, insurance and e-banking services.

Labour efficiency improved, with the cost-income ratio (CIR) falling by eight percentage points to 48.3 per cent.

With its goal to become a versatile and modern retail bank, Sacombank is an early investor in comprehensive digital transformation.

This year, it enhanced digital transformation, considering it as a prerequisite to improve its digital capabilities, competitiveness and position in the market.

For instance, Sacombank has collaborated with Mastercard for the Sacombank Mastercard Only One, a one-chip debit and credit card.

It recently launched the email transaction service with digital signature and a service that allows corporate customers to open accounts online (using eKYC technology).

It is also building omni-channel banking to increase utilities and bring a seamless and full experience to customers.

For its constant efforts, Sacombank has won prestigious awards and titles such as Best in Treasury and Working Capital from the Asset Magazine (Hong Kong), the Sao Khue Award for excellence in software product in digital banking from the Vietnam Software and IT Services Association, and numerous others for digital technology, transaction volume and number of cards issued from international card organisations such as Mastercard and Visa.

Sacombank will continue towards its goal of comprehensive digitisation, accelerate its restructuring, implement solutions to handle bad debts, promote the development of digital technology in all key areas, complete risk management projects in line with Basel II standards, improve the customer experience and satisfaction and labour productivity, and focus all resources to create a breakthrough in its business.

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