



# VIETNAM DAILY NEWS



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## Market Analysis

### 1. Foreign investors end 7-session net buying streak

Vietnam's benchmark VN-Index dropped 0.15 percent to 1206.33 points Friday, with foreign investors net selling after seven buying sessions.

The index closed nearly 2 points lower after gaining 17 points on Thursday.

Trading on the Ho Chi Minh Stock Exchange (HoSE) fell by 2 percent to VND15.03 trillion (\$643.77 million).

The VN-30 basket, comprising the 30 largest capped stocks, saw 15 tickers rise.

SAB of brewer Sabeco rose 4 percent to the highest since March 2021.

BID of state-owned lender BIDV gained 2.2 percent to a near three-month high.

Other gainers included VHM of real estate giant Vinhomes, up 1.9 percent, and VCB of state-owned lender Vietcombank, up 1.6 percent.

Fifteen blue chips fell, with VIC of biggest private conglomerate Vingroup falling 4.5 percent.

MSN of conglomerate Masan Group lost 3.5 percent, and TPB of private TPBank fell 2.2 percent.

Foreign investors were net sellers to the tune of VND5.94 billion, mainly selling NVL of real estate developer Novaland Group and ACV of Airports Corporation of Vietnam.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was down 0.42 percent while the UPCoM-Index at the Unlisted Public Companies Market was up by 0.12 percent.

## Macro & Policies

### 2. Firms expand investment in battery industry for EVs

As Việt Nam's electric vehicle (EV) market grows, the demand for batteries and energy storage solutions is accelerating and attracting the attention of many investors.

The proportion of EVs is growing at about 7 per cent annually, according to data from the Việt Nam Register. Local media reported the number of imported EVs increased by about 500 per cent in 2020 from 140 electric vehicles in 2019. It is expected that in 2022 a number of EV models would be introduced, including news buses and cars.

Đào Công Quyết, a representative of the Việt Nam Automobile Manufacturers Association (VAMA), said: "VAMA believes that Việt Nam has the potential to develop EVs, which will make up 100 per cent of personal vehicles and electric buses by 2045."

With a commitment to reduce net emissions to zero by 2050, Việt Nam has been actively participating in international conventions on environmental protection, focusing on the development of electric vehicles.

Also, in order to develop the EV industry, the Prime Minister has approved a plan to exploit minerals such as gold, copper and nickel ore and molybdenum by 2025.

"The demand for nickel in Việt Nam will continue to grow as the trend of using electric vehicles is increasing," said Scott Williamson, general director of Blackstone Minerals.

Vietnamese companies are investing more heavily in the production of electric vehicles, showing that Việt Nam's goal is to be at the forefront of the global movement toward the electrification of vehicles and the replacement of vehicles powered by fossil fuels in the future.

Grasping global trends and market demand as well as the local mineral potential, along with experience in the mining industry, Blackstone Minerals

purchased a 90 per cent stake in Bản Phúc Nickel Mine Co., Ltd in northern Sơn La Province in 2019.

Late last year, VinES Battery Factory, with total investment of VNĐ4 trillion (US\$173 million) in phase 1, opened in Vũng Áng economic zone, Hà Tĩnh Province. The plant will supply lithium batteries for VinFast electric cars and electric buses.

The firm said in phase 1, the plant has a capacity of 100,000 car battery packs per year, while phase 2 will be expanded to produce battery cells and increase its capacity to 1 million automotive battery packs per year.

Nguyễn Văn Quang, General Director of Bản Phúc Nickel Mine, told Việt Nam News: "Vinfast is preparing to manufacture batteries for electric cars in Hà Tĩnh and Hải Phòng. We are trying to move towards cooperation with Vinfast. Power storage and car batteries are the two main reasons why Việt Nam's potential for nickel consumption in the near future is very high."

Quang added: "The company plans to produce NCM811 for the domestic market and the growing lithium-ion battery industry. Việt Nam will become a major partner of countries with high demand for nickel, while projects and products with very low or zero CO2 emissions are prioritised."

As demand for EVs rises, a lack of mined and refined battery metals, similar to the current chip shortage, could probably cause a severe but temporary global battery shortfall, according to the latest release from Masan High-Tech Materials Corporation (MHT), a member of Masan Group in Việt Nam.

In order to avoid this turning into a problem, Craig Bradshaw, CEO of Masan High-Tech Materials Corporation (MHT), which owns the biggest tungsten deposits at Núi Pháo Mine in Thái Nguyên, northern Việt Nam, said the industry was cutting back on the use of limited resources, developing new materials and battery technologies, and scaling up global battery recycling.

Aiming to become a leading integrated supplier of advanced high-tech materials critical to global innovation, the CEO of MHT told Việt Nam News: “The battery market is expected to witness significant growth over the next few years on account of the increasing consumption of rechargeable batteries and a rise in the adoption of electric vehicles. This trend has fuelled demand for innovation, leading to an increase in battery investment from global companies in the industry.”

The CEO underscored the important role stationary power storage will play in the fight against global warming, making the battery industry one of the world’s most important industries over the next ten years, calculating the total addressable market of batteries is expected to reach over \$200 billion in 2026.

He added in 2020, Japanese giant Mitsubishi Materials Corporation, which invested US\$90 million in MHT, and its partner developed a recycling technology for cobalt, nickel and other metals contained in lithium-ion (Li-ion) batteries for EVs.

As for MHT, which belongs to local Masan Group, a wholly owned subsidiary of MHT has recently taken a major step forward in the adoption of tungsten-based coatings in the production and use of

batteries. Most recently, in mid-July 2022, H.C. Starck announced the signing of agreements to invest £45 million (\$55 million) in Nyobolt Limited, a fast-charging Li-ion battery solutions company that leverages H.C. Starck’s advanced tungsten materials in its anode, for a 15 per cent equity interest on a fully diluted basis.

Deputy CEO of MHT and CEO of H.C. Starck Hady Seyeda said “With the global EV push, making batteries safer and improving their performance is a critical element of wider adoption and application.”

Globally, major players in the industry were making substantial investments in researching how to optimise battery technology, said the leader of MHT, adding the search for cutting-edge battery solutions was a vigorous "race", in which global companies were working toward a circular economy that promotes sustainable economic growth while also protecting the environment.

Bradshaw told Việt Nam News: “As we've been working with different battery manufacturers looking to get better performance out of batteries, we're seeing the significant market potential for our tungsten-based products to go into the electrolyte side or on the anode and cathode side of the batteries.”

### **3. Importers, exporters impacted by exchange rate volatility**

The recent fluctuations in the US dollar and Japanese yen have both positive and negative impacts on Vietnamese traders, according to experts of the Ministry of Industry and Trade (MoIT).

The Vietnamese đồng has strengthened by 12 per cent against the Japanese yen this year while it has weakened 2.6 per cent against the US dollar.

Officials said the US Federal Reserve (Fed) has tightened monetary policy to curb inflation in the US. Prices in the US have been rising at their fastest rate in almost 40 years while the Bank of Japan (BOJ) has continued with monetary easing to support the economy's recovery from the pandemic.

According to experts, the depreciation of the Japanese yen has partially benefited some businesses with loans to pay in Japanese yen and Vietnamese importers.

Many Japanese food and household items are favoured by Vietnamese consumers. The weaker yen has caused the prices of many items being sold at supermarkets in Việt Nam to fall by 15-20 per cent.

Việt Nam’s BRG Retail Co., Ltd. imports more than 1,000 items directly from Japan. After the Japanese yen weakened against Vietnamese đồng, the price of Japanese goods also went down.

"We usually sign an annual contract with a supplier in Japan, but we pick up the goods every month," said Nguyễn Thùy Dương, Deputy General Director of BRG Retail Company.

Trịnh Bá Ngọc, director of Osaka Semitsu, said not all Vietnamese businesses would immediately benefit from the depreciated Japanese currency. Annually, his company had to buy equipment from Japan at a cost of VNĐ100 billion, however, his company had to purchase via an intermediary partner so it has not benefited from a depreciated yen.

In contrast, Vietnamese exporters working with Japanese partners suffer a loss when they convert Japanese yen into Vietnamese đồng.

They explained that in the long run, a weak domestic currency will make imported goods more expensive. As a result, Japanese consumers will limit their spending on non-essential imports. This will lead to lower demand for imported goods from all countries, including Việt Nam.

When the US dollar appreciates against other currencies, including Vietnamese đồng, it increases the price competitiveness of exported goods from Việt Nam. However, it raises costs for Vietnamese importers.

In the context of a sharp increase in the price of raw materials, a stable exchange rate will help play an

important role in reducing pressure on imports, while minimising difficulties for businesses and supporting Việt Nam's economic recovery.

Due to the rapid and unpredictable fluctuations of the global market, the MoIT has continued to direct businesses to take advantage of Free Trade Agreements (FTAs) and make use of reduced tariffs.

In addition, the Ministry has also helped connect Vietnamese manufacturers with foreign suppliers via trade promotion, market development, and the application of the Internet or logistics services, while creating more favourable conditions for import and export activities.

The Bank of Japan's (BOJ) policy of keeping Japanese rates pinned down to support the economy, combined with rising US interest rates, has been a major factor in the Japanese currency's recent weakness.

To combat untamed inflation, the Federal Reserve raised its key interest rate by another 0.75 per cent on Wednesday night — further increasing how much consumers will pay on debt like credit cards, mortgages and other loans.

The federal funds rate, which indirectly determines the cost of loans, has increased from near-zero to a range of 2.25 per cent to 2.5 per cent. This is the fourth-rate hike in five months.

#### **4. VN's agro-forestry-fishery exports face challenges**

Việt Nam's exports of agricultural, forestry and fisheries products increased sharply in the first half of 2022, but the sector continued to face many challenges that need to be resolved.

The exports fetched US\$27.88 billion, up 14 per cent year-on-year despite the difficulties faced by the global economy, the Ministry of Agriculture and Rural Development (MARD) said.

Exports of key farm and forestry produce topped \$11.37 billion and \$9.1 billion, up 8.8 per cent and 3 per cent, while fisheries exports were worth \$5.8 billion, up 41 per cent.

According to the General Department of Customs, Vietnamese agricultural products are present in more than 180 countries and territories, with exports of many products exceeding the \$1-billion mark.

The US, China, Japan, the EU, and South Korea remained the five biggest importers, with the US and China topping the list.

Nine items exceeded \$1 billion: coffee, rubber, cashew, fruits and vegetables, rice, tra fish, shrimp, wood products, and raw materials.

However, enterprises producing and exporting agricultural products have been facing challenges such as high inflation.

The influence of the Russia-Ukraine war and many important export markets caused the prices of materials, and logistics costs to increase sharply while the shortage of raw materials has directly affected the export price of goods.

Agricultural and aquatic exports remain mainly raw products, exports to fussy markets like the EU are still small, the cultivation and harvesting processes are not up to standard resulting in big losses, and processing remains limited.

To resolve these problems, the ministry plans to focus on changing farmers' awareness and habits and improve the infrastructure for agricultural and aquaculture production and seafood processing to meet EU standards.

Reforms, especially related to land and agriculture, and policies and institutions related to science, technology and the Government's management are imperative and will help Việt Nam improve the competitiveness of its farm produce and achieve sustainable agricultural development in the long term.

There is a great opportunity to expand markets, improve the value and quality of products and

attract investment and modern technologies by joining the EU-Việt Nam Free Trade Agreement to boost exports to Europe.

The EU is one of the major markets for Việt Nam's agricultural, forestry and fishery products and one of the world's three largest.

Việt Nam is one of only four Asian countries to sign an FTA with the EU.

To effectively exploit the advantages of the trade deal, however, Vietnamese agricultural products need to improve their quality and value.

Vietnamese vegetables and fruits face major competition from South America, West Africa, South Africa, Thailand, the Philippines, India, and China.

Coffee, pepper and cashew have to compete with products from Indonesia, India, Brazil, the Ivory Coast, and Mozambique.

Seafood products face competition from Norway, China, Ecuador, and Morocco.

Nguyễn Trung Kiên, head of MARD's department of international cooperation, said to increase exports to the EU, large enterprises need to promote supply chains for exports to reduce transportation costs and develop their brands.

## 5. Tourism recovery dogged by lack of staff

The number of new hospitality businesses is rising, but a shortage of staff and tourists from pre-Covid major markets are hampering the tourism industry's revival.

The number of foreign tourists rose 582 percent year-on-year to 602,000, while over 3,000 new accommodation and hospitality businesses were registered, up nearly 28 percent year-on-year, according to the General Statistics Office.

However, as 60.8 million domestic tourists started to travel after two years of Covid-19 constraints, businesses are struggling to recruit enough staff to cater to the surging demand in many localities.

"Recruitment is difficult for the whole industry. In our hotel chain, each staff has to undertake several different jobs," said Vo Thi Thien Huong, director of business and marketing at Fleur De Lys Hospitality hotel chain.

Jakob Helgen, Marriott International area vice president for Thailand, Vietnam, Cambodia and Myanmar, said many companies are experiencing a labor crisis as employees were forced to quit in droves during the Covid-19 restrictions.

Other hotels have reported staff shortage in the reception, housekeeping and food and beverage departments.



The reason for the shortage is erstwhile staff had left for other jobs over the last two years, said Le Thi Ngoc Cuong, director of business and marketing at The Secret Con Dao hotel.

"Many former tourism staff have found other stable jobs and so it is unlikely that they will return."

Phan Trong in Ho Chi Minh City is one of the former tourism staff who is unlikely to return.

The 33-year-old had worked as a tour guide for five years before leaving for a new job last year, when most tourism activities were shut down.

He now works as a group leader for a call center with a salary of VND13 million (\$556) a month.

"My salary is the same as before. Even though the new job is a little bit more demanding, I have settled down with it and do not want to go back."

Le Nguyen Ngoc Thanh, country director at headhunting platform Adecco Vietnam, said that demand for tourism, hospitality and accommodation staff has increased since the first quarter, but many companies were struggling to fill the empty positions.

Adding to the shortage is the lack of skill among workers, with many receiving no training or the last two years and fresh graduates having no experience, she added.

In addition, many workers who left for their hometowns are reluctant to return to major cities because of high living costs and inadequate salary offers, she said.

### Missing tourists

Another key problem for the industry is the lack of foreign tourists.

The 602,000 foreign tourist arrivals in the first six months marked a decline of nearly 93 percent over the same period in 2019, when the pandemic had yet to hit the world.

The four major markets of China, South Korea, Japan and Taiwan together accounted for 66 percent of foreign tourists in the first six months of 2019, but as these countries and territories still maintained quarantine policies for returning tourists, people were not eager to fly.

The Russia-Ukraine crisis has also blocked Russian tourists, who used to pack Nha Trang and Mui Ne beaches.

The Russia-Ukraine tension and China's 'zero Covid' policy has had a major impact on Vietnam's tourism recovery, said HSBC's country head of markets and securities services Ngo Dang Khoa.

Inflation and Covid-19 are other factors that keeps tourists from travelling globally, he added.

One of the solutions the Vietnam National Administration of Tourism has proposed is better utilization of the markets that Vietnam has resumed air travel with, such as South Korea, Japan, Western Europe, Australia and ASEAN.

New markets that should be focused are India, U.S. and the Middle East, it has said.

Thanh suggested that tourism companies provide training for college graduates and employ part-term workers.

"Businesses should conduct surveys on workers' expectations in terms of salary and benefits and make necessary changes."

Thanh also proposed that companies try to reach out to former employees and convince them to come back.

Trong said scenario was unlikely, at least for now.

"There are still so many global issues like geopolitical tensions, diseases and natural disasters. If I go back and the industry freezes again, that would be a tragedy."

## 6. Vietnam wants to soon become center of global value chain: PM

Prime Minister Pham Minh Chinh has called on South Korean businesses to expand investment to help Vietnam soon become a center in the global value chain.

Vietnam's top priority at this time is to control inflation, stabilize the macroeconomy, and fight recession and recover the economy, Chinh said at a Saturday meeting with South Korean businesses in Hanoi.

He said he hoped South Korean businesses would prioritize expanding investment in Vietnam, especially in the hi-tech field and create favorable conditions for Vietnamese companies to join the value chain.

This will contribute to "making Vietnam soon become a center in the regional and global value chains," he said.

Vietnam also encourages the development of clean and renewable energy as it seeks to promote cooperation with South Korea to establish large energy centers that would help achieve the country's goal of carbon neutrality by 2050 and develop a transparent and competitive energy market, Chinh said.

During the meeting, South Korean businesses made a series of recommendations on tax incentives, electricity planning, a pilot mechanism for direct electricity purchase and sale and solutions to build and develop electric vehicles.

Minister of Industry and Trade Nguyen Hong Dien affirmed that Vietnam "ensures there is no shortage of electricity in 2022 and 2023, especially in industrial and production zones" although there might be partial interruptions due to hot weather.

Earlier this month, the power system experienced voltage fluctuations, resulting in power outages in some northern localities that host industrial zones and production facilities operated by South Korean giants.

South Korea is currently the largest FDI partner in Vietnam, investing in 19 economic sectors in 59 provinces and cities with 9,383 projects and total registered capital of more than US\$79.8 billion.

South Korea is currently Vietnam's third largest trading partner, with import-export turnover last year reaching \$78 billion, 150 times higher than in 1992.

A series of South Korean conglomerates such as Samsung, LG, Hyosung, Hanwha, Hyundai, CJ Group and Lotte have expanded their presence in Vietnam.

Samsung Vietnam alone has a total investment of about \$20 billion, attracting over 125,000 employees.

In the first seven months of the year, South Korea ranked second among 88 countries and territories investing in Vietnam, after Singapore, with a total capital of \$3.3 billion.



## 7. Automobile sales down 42 per cent on chip shortage

The Vietnam Automobile Manufacturers' Association (VAMA) has announced that its members sold 25,159 vehicles in June, down 42 per cent from May ending three consecutive months of gains.

Businesses blamed the decrease on the global semiconductor crisis and the lack of chips, as well as the impacts of the COVID-19 pandemic and the political situation in some regions.

The figure included 17,826 passenger cars, down 49 per cent; 6,821 commercial vehicles, down 14 per cent, and 512 special-purpose vehicles, plunging 24 per cent month-on-month.

Of the sold units, 11,044 were domestically assembled cars, a drop of 57 per cent, while the other 14,115 were imported, down 23 per cent from the previous month.

During the first half of this year, VAMA members sold 201,840 units, rising 34 per cent year-on-year. Sales of passenger cars surged 50 per cent to 157,935, while those of commercial vehicles were down 5 per cent to 40,498, and special-purpose vehicles up 12 per cent to 3,407.

Among non-VAMA members, TC Motor supplied 36,397 vehicles to the market. Its factory in the northern province of Ninh Bình only managed to meet a fraction of demand, while VinFast sold 14,695 automobiles in the six months, it said.

Toyota Vietnam topped the list of sellers in June with 5,179 units. It was followed by TC Group, Mitsubishi Vietnam, Ford Vietnam, Thaco Mazda and Honda Vietnam.

Minh Thắng, a car trader in Hà Nội, predicted that the domestic auto market would undergo a challenging period in sales in the remaining months of this year.

Between January and June, the country imported over 63,730 CBU cars worth some US\$1.6 billion, down 21.4 per cent in volume and 14.4 per cent in value year-on-year, according to data from the General Department of Vietnam Customs.

Last year, VAMA members' sales fell by 8 per cent to 296,634 units as the COVID-19 pandemic battered the economy, hitting people's incomes and discretionary spending.

## Corporate News

### 8. HVN: Vietnam Airlines cuts losses by nearly half

↑ 2.48%

Vietnam Airlines managed to cut its losses by 44 percent year-on-year in the second quarter to VND2.48 trillion (\$106.25 million), thanks to soaring summer travel demand.

Its revenues nearly tripled to VND18.43 trillion, exceeding its target by 35 percent.

This was the highest quarterly revenue since 2020 when travel was yet to be affected by Covid-19.

But the high fuel prices remain a sore point for the carrier.

At the end of June, JetA1 fuel was above US\$160 per barrel, double the average price last year.

International travel demand has not fully picked up, especially in Northeast Asian countries, which were a major source of tourists for Vietnam pre-pandemic.

The airline also saw sales expenses double to VND660 billion.

First half losses were down 39 percent to VND5.1 trillion.

Its accumulated losses have climbed to VND28.9 trillion. The airline expects the summer travel season to last until the end of August and the relaxed entry restrictions in other countries to help boost its revenues.

Vietnam Airlines and its low-cost subsidiaries Pacific Airlines and Vietnam Air Services Company together transported nearly 9.5 million passengers in the first six months, 24.6 percent higher than targeted.

Vietnam Airlines accounted for eight million.

### 9. FLC: FLCHomes posts \$1.9 mln loss in H1

↓ -0.91%

Property developer FLCHomes posted a loss of VND43.6 billion (\$1.87 million) in the first six months despite being in the black for the last four years.

The property unit of FLC saw revenue plunging 75 percent to VND400 billion.

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