VIETNAM DAILY NEWS

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Table of content

Table of content

Market Analysis

1. Shares eke out gains in HCM but investors watch out at high price range

Shares eked out a gain in HCM City but lost ground in the last trading minutes in Ha Noi amid rising investor caution at the high price range.

On the Ho Chi Minh Stock Exchange, the VN-Index inched up 0.05 per cent to close yesterday at 1,275.28 points – its third rally session this week and fourth since last Friday.

The market breadth was negative, however, with 191 stocks rising, 252 falling and 118 closing flat.

Realty stocks backed the market as half the top 10 shares lifting the VN-Index were real estate firms. Vingroup (VIC) was the biggest contributor with a growth of 2.1 per cent, followed by No Va Land Investment Group (NVL), Phat Dat Real Estate Development (PDR) and Investment and Industrial Development Corp (BCM) with gains of between 1.7 per cent and 7 per cent.

Beverage companies also performed well with the two largest listed companies – Vinamilk (VNM) and Masan Group (MSN) – increasing respectively 1.1 per cent and 2.1 per cent.

However, the slump of some heavyweight blue chips including lender BIDV (BID), PV Gas (GAS), Mobile World Investment (MWG) and steelmaker Hoa Phat Group (HPT) weighed on the market.

According to Viet Dragon Securities Co (VDSC), the market is entering a state of exploration within a narrow range and divergence.

"The market's uptrend temporarily slowed down as the high-price demand was still cautious," said Phuong Pham, VDSC's stock analyst.

The VN-Index has gained nearly 6 per cent this month.

The market was supported and recovered to the green price zone at the end of the session that showed the market movement is still temporarily inclined to the uptrend, Phuong said.

"It's expected that market will continue to gradually increase in the near future and test the resistance zone of 1,280-1,300 points, but the supply will increase pressure when the market reaches new high points."

Liquidity increased with more than 712 million shares worth VND17.7 trillion (US$763 million) being traded, up 15.5 per cent in volume and 18 per cent in value compared to the previous session.

On the Ha Noi Stock Exchange, the HNX-Index edged down 0.14 per cent to end at 302.59 points – its second fall this week.

More than 100 million shares amounting to VND1.8 trillion were exchanged, up 24 per cent in volume and 21 per cent in value over Tuesday's levels.

Foreign traders were mixed as they concluded the trade as net sellers in HCM City's market with a net value of over VND47.5 billion but were net buyers for a net value of VND14.4 billion in Ha Noi market.

Macro & Policies

2. Opportunities ahead to boost exports amid global market fluctuations

The Ministry of Industry and Trade has warned that the global market will continue to be volatile ahead in the remaining months of the year, and local export businesses should keep a close tab on changes to seize opportunities.

Vietnam fetched US$216 billion from exports during the past seven months, representing an annual rise of 16%. Indeed, high export growth helped the country maintain its trade surplus of more than US$760 million throughout the reviewed period.

Five groups of products with export turnover exceeding US$10 billion each are electronics, computers and components; telephones and components; machinery and equipment spare parts; garments and textile; and footwear.

Despite the rising costs of input materials coupled with global inflation, the export of agro-forestry and fishery products remains a bright spot in the overall economic picture, with the export value of these products hitting over US$32 billion during the opening seven months of the year, up 12% year-on-year.

Furthermore, fruit and vegetable exports recorded positive signs, after durians and passion fruit were officially exported to China, which is Vietnam's largest trade partner, thereby opening up opportunities for both growers and businesses.

The past seven months also saw seafood maintain its upward trajectory in exports, raking in roughly US$6.7 billion, up 35% over the same period from last year.

Most notably, local businesses are ramping up the export of pangasius to Europe in order to partially replace Russia whose seafood exports to the continent are being disrupted due to sanctions imposed by Western countries.

"We all know that the COVID-19 pandemic in Europe and the United States has improved significantly at this time of the year compared to last year, so the demand for seafood will certainly increase till the end of the year," said Ho Quoc Luc, chairman of the Board of Directors of Sao Ta Food Joint Stock Company.

Moreover, the EU - Vietnam Free Trade Agreement (EVFTA), which took effect in August 2020, offers favourable tax rates to shrimp and pangasius, both of which are key Vietnamese seafood export items. In addition to taking advantage of tariff preferences, it can be viewed as important that firms get deeply involved in the production, supply, and distribution chains of supermarket systems in Europe and many other countries globally, according to experts.

"What Vietnamese businesses need today is technology and an accurate approach to market needs," said Nguyen Thao Hien, deputy director of the European - American Market Department under the Ministry of Industry and Trade.

"For markets, we have a system of trade offices that can support businesses and provide the latest updates," Hien added.

The Ministry of Industry and Trade forecasts that until the end of the year, exports are likely to encounter difficulties, especially when several major import markets of Vietnamese goods such as the United States and the EU are struggling to cope with the impact of inflation and a looming recession. Demand for household and consumer goods is therefore projected to sink, negatively impacting Vietnamese export activities.

Several businesses said there are currently signs of a slowdown in exports. For example, garments suffered a 7% fall in the export value in July compared to June. Experts noted that the US$43 billion export value target set for the garment sector this year is achievable, providing that garment makers keep a close watch on the market and grab opportunities from it.

"Only those who get market updates well and pioneer in negotiations and risk-taking, they will still be able to accomplish their goals," said Le Tien Truong, chairman of the Board of Directors of the Vietnam National Textile and Garment Group.

Challenges and opportunities continue to be intertwined, particularly when Vietnam has a relatively high economic openness and its foreign trade turnover is twice as high as GDP. This is an opportunity for many businesses, especially when the macroeconomic situation has been properly managed by the Government in the direction of encouraging production and export activities.

"Business activities can only go smoothly when the macro economy is stable. A good control of the balance of payments, import and export activities and inflation creates advantages for businesses," noted Dau Anh Tuan, deputy general secretary of the Vietnam Chamber of Commerce and Industry.

Meanwhile, Tran Thanh Hai, deputy director of the Import-Export Department under the Ministry of Industry and Trade, assessed that Vietnam is making good use of various free trade agreements, including those that have been signed in recent years, targeting large markets, as well as those with high export growth.

Many large firms continue to choose the nation as a place to invest in thanks to the country's stable investment environment. Many policies which will accelerate administrative reforms in import and export are also expected to fuel export growth, not only in the remaining months of this year, but also ahead over the coming years.

3. Việt Nam needs extra $368 billion to achieve net zero emissions

Việt Nam needs assistance from developed countries for both financial and technical issues to pursue and achieve net zero emissions.

As the energy industry has a crucial role in achieving net zero emissions by 2050, it requires a structural transition toward green growth. Therefore, Việt Nam needs assistance from developed countries regarding both financial and technical issues.

To detail the national green growth strategy, the Prime Minister on July 22 approved the national action plan on green growth for 2021-2030 with four important goals. The goals are to reduce greenhouse gas emissions per GDP, to green economic sectors, to green lifestyles and promote sustainable consumption, and to green the transition on the principles of equality, inclusion, and resilience.

Speaking at the conference on the impact of COP26 on the energy transition towards green growth launched on Wednesday, Nguyễn Thị Bích Ngọc, deputy minister of the Ministry of Planning and Investment, said that resources are the biggest problem in realising the goals of the energy transition and moving towards the net zero emissions target by 2050.

According to the World Bank's calculation, to achieve net zero emissions, Việt Nam needs an additional US$368 billion during 2022-2040, approximately 6.8 per cent of GDP each year.

Of which, the building resilience process alone will account for about two-thirds of this amount because a significant amount of capital needs to be mobilised to protect assets and infrastructure as well as vulnerable populations.

The cost of the decarbonisation roadmap is mainly derived from the energy sector, including the expense of investing in renewable energy and managing the transition away from coal, which could cost about $64 billion during the 2022-2040 period.

"Thanks to the fast growth of renewable energy and fuel swap of thermal power plants, the CO_2 emissions of the power development plan revision after COP26 have decreased sharply," said Hoàng Tiến Dũng, director of the Electricity and Renewable Energy Department under the Ministry of Industry and Trade (MoIT).

CO_2 emissions will peak in 2031 - 2035 at 231 million tonnes, then decline gradually. By 2045, CO_2 emissions fall to about 175 million tonnes, which means about 208 million tonnes of CO_2 reduction compared to pre-COP26 alternatives. By 2050, it is estimated that CO_2 emissions from the power generation sector will be about 40 million tonnes per year, helping Việt Nam meet its commitment at COP26 of net zero emissions by 2050.

Attending the event, Đặng Hoàng An, deputy minister of MoIT, said that the energy transition is not only the internal issue of the energy sector, but the transition of the whole economy from an energy-intensive model to one that is energy-efficient.

Electricity and energy demand will continue to grow along with the industrialisation and modernisation of the country's economy in the future, calculations from the MoIT showed. It is a challenge to meet the growth rate.

Therefore, the most important mission now is to build a suitable, feasible, and sustainable development strategy.

"I would like to stress the importance and urgency of cooperation in research and development of energy science and technology on a global scale, especially technology for large-scale power generation from new primary sources such as hydrogen, ammonia, advanced energy storage technology, and CO2 absorption and storage technology," An said, adding that it is necessary to raise awareness of the urgency of economical and efficient use of energy in all sectors of the economy.

Ngọc also proposed five ideas related to the energy transition in the future. The first is to carefully calculate the roadmap for the green and sustainable transition to ensure national energy security.

Secondly, during the transition, it is necessary to reduce its impact on vulnerable groups, especially the effect of higher electricity bills on poor households and the transfer or job loss of workers in industries and fields such as fossil energy to renewable energy.

Third, all parties involved in the transition are responsible for it. Four, completing the transition requires the support of finance and technology from developed countries.

Lastly, during the process of implementing the energy transition, it is necessary to effectively carry out assessment, inspection, supervision, and related sanctions to limit and reduce investment, have alternative routes, and close polluting production facilities and high-carbon infrastructure.

4. Banks should tighten assessment controls of their corporate bonds investments

Concentrating on fast growth while turning a blind eye to the purposes of bond issuance plans has caused risks and insecurity in the corporate bond investments of credit institutions.

Banks must tighten their assessment controls of corporate bond investments to avoid excessive risk and the misuse of funds raised by firms, experts said.

In early April, the Banking Supervision Agency, under the State Bank of Vietnam (SBV) conducted an inspection of corporate bond investment activities at seven banks, while the Ministry of Finance inspected one bank.

According to the SBV, by the end of 2021, there are 41 credit institutions holding VNĐ274 trillion (US$11.7 billion) of corporate bonds, of which more than 75 per cent of them are held by ten major banks - Techcombank, MBBank, VPBank, TPBank, BIDV, Vietcombank, VietinBank, HDBank, ABBank and SeABank. At some banks, the value of corporate bonds exceeds 10 per cent of total assets.

Although the inspection results were not published, a SBV senior leader said in an interview with Vietnam Investment Review that a number of credit institutions failed to accurately assess bond issuance plans.

In particular, how companies planned to use the proceeds of corporate bond sales lacked clarity and transparency. Results from the inspection showed there are signs that firms have spent money from bond issuance for the wrong purposes, including cases where funds were used to repay bank loans, buy shares, lend, and transfer the money back to the issuers.

Economist Nguyễn Xuân Nghĩa said that there is a phenomenon where capital raised from the issuance of bonds is circulated around to organisations and individuals that have relationships with each other or where the money is withdrawn in large quantities, causing the cash flow to be very complicated and difficult to determine the ultimate use of funds raised.

Pursuing growth and huge profits may have caused banks and other investors to overlook potential malfeasance in the corporate bond activities, Nghĩa added.

The violations also resulted from a lack of close attention by the board of directors, the executive board, and the leaders of units/divisions of some credit institutions in promptly correcting the shortcomings and mistakes internally. Inspection, control, and internal audits of credit institutions are not always effective, and internal regulations have not been regularly reviewed, updated, and completed, he added.

The issuers' financial capacity can also be weak, including a high debt-to-equity ratio, no or low net revenue from main business activities, and undistributed profit in recent years, the SBV senior leader said.

"The determination of demand and term of bonds is not based on the actual bond issuance plans of the issuers," the officer said, adding that the monitoring, supervision, and collection of documents proving the purposes of the money raised from bond issuances by issuers are still a formality, but investors often fail to fully exercise the rights permitted by law to manage and supervise the use of funds raised from bond issuance.

Moreover, the valuation and management of collateral have not been strictly controlled due to professional limitations, while some borrowers have not fully followed the provisions of the law, the SBV and the regulations of the credit institutions in their loan relationship.

According to a VNDIRECT Securities Company analyst, credit institutions must increase their capacity for rating and appraising debt, particularly corporate bond investments, in order to reduce risks.

Accordingly, the expert suggested that credit institutions need to step up inspection and supervision of the issuers' use of capital to ensure that the capital is used for the right purposes, and strengthen risk management for corporate bond investments.

In addition, increasing the responsibility of credit institutions in the service provision agreements related to signed corporate bonds, implementing the responsibilities of the bondholders' representatives in accordance with regulations. In particular, exercise all the rights permitted by law to control and supervise to ensure that funds raised from the bond issuance are used for the right purposes stated in the plan of the issuer.

5. More British investors look at Việt Nam to cash in on free trade agreements

Many British investors are seeking investment opportunities in Việt Nam in the hope of cashing in on free trade agreements (FTAs) that Việt Nam has signed with the UK and other economies worldwide.

The UK-Việt Nam Free Trade Agreement (UKVFTA), which officially took effect in May 2021, was one of the first trade deals inked by the UK after it left the European Union by the end of 2020, which reflected the importance of Việt Nam in the UK's trade policy.

Bilateral trade and investment between the two economies have grown significantly with a growth rate of 17 per cent last year.

Data of the Foreign Investment Agency under the Ministry of Planning and Investment showed as of October 20, 2021, the UK had 439 valid projects amounting to nearly US$4 billion in registered capital in Việt Nam.

Many big companies in many industries such as Dragon Capital, Standard Chartered, Diageo, Prudential, AstraZeneca, HSBC, Unilever and Jardines have established their operations in Việt Nam and played important roles in developing certain sectors of the economy including finance, medicine, education, fashion and cosmetics.

Now, besides large companies, many UK small and medium-sized enterprises (SMEs) stand to gain significantly from the UKVFTA and other 14 FTAs that Việt Nam has signed with more than 50 countries around the world.

"We see there was a spike of interest (from UK businesses) from March onwards, in conjunction with (Việt Nam's) opening up of borders, which made it much easier for investors to come to the country," said Maria Kotova, a Gobal Business Development Manager and senior advisor from Dezan Shira & Associates, a professional services firm that provides FDI services for investors worldwide.

Kotova said there are several reasons why Việt Nam attracts British investors.

They include it being a fast growing middle income country with a population of almost 100 million and GDP recorded last year at about $362.6 billion; a cheap and skilled workforce which has increased productivity and competitiveness over time; and attractive tax incentives, for example, corporate income tax of 10 per cent if a company invests in technology for 15 years, compared to the traditional 20 per cent on the market.

According to data from the National Wages and Productivity Commission, while not the lowest in Southeast Asia, Việt Nam's average monthly wage is around one-third lower than wages in the ASEAN-4 nations (including Thailand, Malaysia, the Philippines and Indonesia) and around half of those in China.

However, most notably is broad and easy trade access to the entire region thanks to wide-ranging FTAs that Việt Nam has signed with different blocs/countries which enable low tariff rates, Maria said.

She noted a lot of companies are either staging or establishing production facilities in Việt Nam. They are producing and exporting products to many countries at zero tax rates or very low tax rates, or they export products to Việt Nam and further process here to achieve a certain percentage of labour to be qualified as made-in-Việt Nam products and then export those products to almost every country with which Việt Nam has signed FTAs.

Việt Nam is playing an important role in many UK companies' diversification strategies as it is considered a major trade and investment hub in the Asia-Pacific region by being a party of the Regional Comprehensive Economic Partnership (RCEP) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) which the UK is seeking to join.

Kotova named three sectors that British companies may consider investing in, including renewable energy, automotive and mobility industry and medical devices.

"I think a lot of our clients are looking into automotive and mobility industry in general, especially electric mobility which will be growing in double digits in the next few years," Maria said, adding a lot of opportunities are presented to those who are working in the supporting industries.

Regarding the renewable energy industry, this is at the centre of the Vietnamese Government's development strategy in the coming years, focusing on wind and solar energy and biomass. So UK businesses may participate in some big infrastructure development projects.

Last, about medical devices, currently, 90 per cent of medical devices in Việt Nam are imported. As demand for medical supplies and equipment is high given low domestic production capacity, the Vietnamese Government encourages the imports of foreign medical devices and offers low input and restrictions.

However, as only businesses registered in Việt Nam with import licenses can distribute medical devices, Kotova said it's very important for UK companies to establish a local office or appoint a local distributor to work with.

Việt Nam welcomes UK investors

Vietnamese Government leaders have reaffirmed Việt Nam is willing to create favourable conditions for investors of the UK to invest in Việt Nam as well as operate in Southeast Asian countries.

In early June, Việt Nam issued Decision No.667/QĐ-TTg approving a national strategy for foreign investment cooperation for the 2021-30 period. The strategy targets to increase the share of registered foreign investment capital from Asia, Europe and the US so that the capital placed by them represents more than 70 per cent of the total disbursed in Việt Nam by 2025 and 75 per cent by 2030.

Besides top investors such as Singapore, South Korea, Japan, mainland China and Taiwan, the strategy also aims to boost investment from EU partners, the UK and Russia.

Việt Nam is now actively positioning itself to attract "green FDI" and pursuing growth being aligned with global sustainability and climate change goals. The country is driving the economy towards green growth, sustainability and lower greenhouse gas emissions through the National Green Growth Strategy 2021-30.

According to chairman of the British Chamber of Commerce Vietnam Kenneth Atkinson, Việt Nam's commitment to higher international standards, such as international labour standards and sustainability, will also help to attract high-quality British investors, especially those committed to the UN's Social Development Goals in their supply chain.

"However, opportunities are not without their challenges and the regulatory environment and business administration in particular still leave room for improvement. Whilst central Government seems well aware of this, there are still disconnects at a local and provincial level, which cause considerable delays in areas such as licensing and often a lack of transparency in other administrative areas," Atkinson said.

6. Seven-month crab exports record impressive growth

As of July 15 Vietnam earned US$111 million from crab exports, marking an annual increase of 41%, according to the Vietnam Association of Seafood Exporters and Producers (VASEP).

The main markets for the products include China, the United States, Japan, and France, accounting for over 92% of the total export value.

The US, which was the largest buyer of local crabs, purchased more than US$38 million, an increase of 27% from the same period last year.

The US market has fully reopened, fuelling demand for crabs, including from Vietnam. However, the ongoing impact of the Russia-Ukraine conflict has caused food prices to inch up by 40% compared to the beginning of the year, and people have started to reduce their spending, especially on high-value products such as crabs.

VADEP statistics show crab exports to the US continued to grow well in the second quarter of the year, although the growth rate slowed.

Meanwhile, crab exports to China - the second largest market - grew by 76% to reach US$37 million.

Vietnamese crab exports to Japan also continued to grow throughout this period, with the value of crab exports to this market hitting over US$24 million, up 51%.

Japan currently makes up the largest importer of Vietnamese crabs in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and maintained consistent growth in terms of crab imports from Vietnam during the first seven months of the year.

For the EU market, Vietnamese crab exports also recovered after witnessing a decline last year. France is currently the largest crab import market in the bloc, spending over US$3 million on Vietnamese imports, up 60%.

7. 90% of Vietnamese migrant workers are low-skilled: expert

The vast majority of Vietnamese workers abroad are low-skilled, driving the future need for more high-skilled labor, experts told a Tuesday conference.

The Ministry of Labor, Invalids and Social Affairs said Vietnam began to export workers in the 1980s, and by today, over 100,000 travel abroad annually.

Vietnamese workers are now present in 40 countries and territories and work in over 30 fields, bringing home over $3 billion a year, the ministry added.

Nguyen Xuan Lanh, deputy director of Esuhai in Ho Chi Minh City, which has spent over a decade sending Vietnamese workers to Japan, said 90% of Vietnamese workers abroad are low-skilled and have limited expertise and language capabilities. Exporting workers has helped solve employment demand among poor laborers, but has not particularly cared about worker groups adopting the knowledge and skill sets of a foreign work environment, like students or apprentices.

Society still regards migrant workers as those who are poor and unemployed, Lanh added. As many as

80% of migrant workers have the sole aim of making money, not gaining the knowledge and skills for future career development, he said. If they retain that same mindset, they would find it difficult to find new jobs once they return to Vietnam, or even become unemployed.

"A local leader once asked me how to solve the employment problems for Vietnamese migrant workers who return home," Lanh said, highlighting the hiring and training process for workers before sending them abroad. If done right, migrant workers can both earn money and gain experience during their time abroad, and once they return to Vietnam, they would be able to look for jobs.

In the long run, Lanh said the government should expand the fields of work for migrant workers, allowing more high-skilled laborers to travel abroad. These workers would be Vietnam's main driving force to gain access to foreign innovations and use what they learn to serve their country.

Agreeing with Lanh, Nguyen Luong Trao, former chairman of the Vietnam Association of Manpower Supply, said it is time to increase the percentage of high-skilled migrant workers.

Nguyen Dinh Quoc Cuong, from the Vietnam National University in HCMC, said there are four existing issues with sending Vietnamese workers abroad. They include fraud committed by middle-man companies, the aversion of hiring low-skilled workers, human trafficking and workers trying to illegally stay abroad.

Cuong said Vietnam should build a national database on workers and experts abroad to alleviate the issues. The labor ministry needs to play a key role and request companies and unions to form their own databases and integrate them with the government's, he added.

In defense of migrant workers, Vu Minh Tien from the Institute of Workers and Trade Unions said migrant workers have few people to rely on abroad and so often come together to seek support from each other. They find it difficult to integrate in a new work environment, and may face discrimination when it comes to communication and business, even for those who've been abroad for three to four years, he added.

Tien said there needs to be cooperation between unions in Vietnam and abroad, creating communication points in case migrant workers get in trouble.

Corporate News

8. IMP: SK Group wants to increase its ownership in IMP to more than 55%

→ 0.00%

Imexpharm Pharmaceutical Joint Stock Company (HOSE : IMP) has received a public tender offer from SK Investment Vina III - an investment unit under SK Group - to increase the investment ratio at IMP to more than 55%.

Before offering to buy, SK Investment Vina III owns 53.94% shares of IMP (equivalent to nearly 36 million shares). The company registered to buy more than 733 thousand shares at the price of 66,000 VND/share, thereby increasing the ownership rate in IMP to 55.04%. It is estimated that the deal value is more than 48 billion VND.

Regarding related persons, Mr. Truong Minh Hung - member of the Board of Directors of IMP - is the authorized representative of SK Investment Vina III.

Previously, on July 22, SK bought 4.9 million shares of IMP , raising its ownership rate from 46.57% (more than 31.1 million shares) to 53.94%, with an estimated value of VND 323 billion.

Liquidity at IMP is still low, the average quarter is less than 5,000 shares/session. IMP 's stock price opening session 18/08 was 63,400 VND/share.

9. PLX: Stock price is at a reasonable level

↑ 2.73%

With its leading position in the retail petroleum industry across the country, Vietnam National Petroleum Group (HOSE : PLX) is an attractive business that investors can consider including in their portfolio. According to the valuation results table, the stock is at a reasonable level for long-term investment goals.

PLX is the leading company in the petroleum retail industry across the country with a market share of around 50%, far surpassing the market share of about 17% of Vietnam Oil Corporation - JSC (UPCoM: OIL).

PLX distributes petroleum products through 3 channels: dealer/general agent (DODO), retail channel (COCO) and industrial customer channel.

Up to now, PLX still has an outstanding advantage over competitors when there are 43 member units directly trading petrol in the country and more than 5,500 petrol stations present throughout the country (more than 2,700). directly affiliated retail stores and more than 2,800 agent stores) creating favorable conditions for PLX 's products and services to more easily reach consumers.

In addition, PLX also owns the largest system of material and technical facilities in the leading petroleum trading enterprises in Vietnam with a modern and synchronous level that meets regional standards. Including the largest storage system in the country with a capacity of more than 2.2 million m3; pumping technology system, dispensing line, measuring calculation.

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