



VIETNAM DAILY NEWS

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Market Analysis

1. Market's appeal to foreign investors remains high

The stock market rose for a sixth straight week last week, while liquidity posted a second weekly loss. However, net inflows from foreign investors on both main exchanges were seen as positive signs for the market.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index ended last week at 1,269.18 points, down 0.35 per cent, while the HNX-Index on the Ha Noi Stock Exchange (HNX) also fell 1.08 per cent to 297.94 points.

For the week, the market benchmark gained 0.54 per cent, while the HNX-Index dropped 1.8 per cent.

Trading value on HoSE increased by 0.5 per cent from the previous week to VND78.2 trillion (US\$3.3 billion), equivalent to a decrease of 7.5 per cent in trading volume to over 3 million shares.

On the northern bourse, the trading value declined by 19.3 per cent from the previous week to more than VND7.9 trillion, equal to the trading volume of 407 million shares, down 21.4 per cent.

Last week, the market struggled with all indices entering resistance zones, triggering persistent selling pressure to cap the rallies.

Foreign investors continued to be net buyers on the market last week, with a net value of VND615.71 billion on two exchanges.

Of which, SSI Securities Corporation (SSI) bought the most with 25.4 million shares, followed by Sacombank (STB) with 13.2 million shares and Vietinbank (CTG) with 7.5 million shares. On the other side, Kinh Bac City Development Holding Corporation (KBC) sold the most with 7.4 million shares.

Saigon - Hanoi Securities JSC (SHS) said that the stock market maintained the uptrend despite the VN30-Index futures for delivery in August expiring last week. However, investors' cautious sentiment was higher.

This was reflected in the slight fall in cash flows and light fluctuations in stocks' movement.

On the technical front, the market was still strongly diverging within the resistance area of 1,260-1,285 points, and continuously moving up and down to absorb the supply pressure at the high price zone, as well as attract new demand for ticker symbols with good growth potential.

From a long-term perspective, the market is still accumulating as valuations are at a low level compared to the average of the last 5 years. Investors should maintain a reasonable proportion and can consider selectively disbursing and accumulating stocks with growth prospects in the third quarter of 2022, as well as good business results in the second quarter, said SHS.

Meanwhile, MB Securities JSC (MBS) said that the market showed signs of correction in recent sessions.

The market's breadth was negative for three consecutive sessions, which showed that even though the indices advanced or corrected slightly, there were more stocks losing points.

"Technically, the VN-Index is showing signs of technical correction. Therefore, investors can gradually take profit in stocks that have jumped strongly while the structure of stock groups has not gained much," MBS said.

According to Mirae Asset Securities (Viet Nam), after hitting 1,283 points, the benchmark VN-Index plunged quite quickly and faced the risk of beginning a short-term correction.

The current short-term trend is sideways, but the support level for this trend is 1,265 points, the securities firm noted. On the other hand, the medium-term trend of the market is still positive with an uptrend and the support level at 1,250 points.

Macro & Policies

2. Steel firms urged to build capacity for trade defence investigations

It is essential to enhance steel enterprises' capacity to cope with the increasing number of trade defence lawsuits as Việt Nam integrates rapidly with robust steel exports.

Steel is among the industries with the highest number of trade defence lawsuits.

In late July, the US Department of Commerce initiated a duty evasion investigation into steel pipe products imported from Việt Nam.

The Mexican Secretariat of Economy, on July 28, also announced an anti-dumping investigation into cold-rolled steel imported from Việt Nam.

Statistics of the Việt Nam Steel Association showed that the steel industry faced 68 lawsuits from 2004 to July 2022, including 28 in anti-dumping, three anti-subsidy, six anti-dumping and anti-subsidy, and 13 safeguard and eight anti-tax evasion cases.

Despite the pandemic, the steel industry still posted a rise of 11.3 per cent in steel export to reach US\$5 billion with a volume of nearly 4.4 million tonnes in the first seven months of this year, in which steel export value to the US accounted for 11.4 per cent.

The association said Vietnamese steel products were expanding rapidly to Europe and America with considerable increases in steel export value, forcing countries to launch trade remedy investigations.

According to the Trade Remedies Authority of Việt Nam, besides EU, the US is a potential market for Vietnamese steel to increase export,

which also means that the steel industry will face more investigations from the US.

Lê Triệu Dũng, director of the Trade Remedies Authority of Việt Nam, said that steel had been traditionally facing with trade defence lawsuits because countries wanted to develop their domestic manufacturing industries.

From the viewpoint of enterprises, a representative from Tôn Đông Á Corporation said the imposition of trade defence duties on exported steel products of Việt Nam had significantly affected domestic steel production.

Each enterprise should have a strategy to cope with the investigations, and it was likely that this situation would continue to persist because the trade wars had not yet shown signs of ending, Tôn Đông Á's representative said.

Industry insider Nguyễn Văn Sura said many enterprises in the steel industry were of small and medium size and lacked understanding and attention to trade remedies and quickly fell into a passive state when being investigated.

Sura said that it was important for enterprises to build a transparent accounting system and equip them with knowledge about trade defence.

The Việt Nam Steel Association urged steel manufacturers and exporters to focus on building capacity to cope with trade defence investigations.

The Trade Remedies Authority of Việt Nam said that it would coordinate with relevant agencies to improve and effectively operate the trade remedies early warning system.

3. Hà Nội seeks to facilitate UKVFTA implementation

The capital city will seek to improve competitiveness for local businesses so that they may take advantage of opportunities brought by the UK-Việt Nam Free Trade Agreement (UKVFTA), according to a recently announced plan of the municipal People's Committee.

Under the plan, priority will be given to facilitating the development of small and medium-sized enterprises through capital, training, access to markets and information and technology.

The city will also help local businesses link with each other, create value chains and supply chains with the participation of UK businesses to take advantage of the UKVFTA while encouraging the UK-invested businesses to team up with local firms to build and develop these supply chains.

Furthermore, it will focus on restructuring the agricultural industry, facilitating digital transformation, applying science and technology and advancing production models in the direction of improving product quality while ensuring the environment protection and product traceability to meet domestic and international standards.

The city will also seek to improve the quality of human resources, providing specialised skills training for businesses and stepping up investment, trade and tourism promotion, according to the plan.

Statistics from the municipal People's Committee showed that the city's export turnover in the first half of this year saw a yearly increase of 17 per cent to US\$8.3 billion. Of that total, domestic enterprises posted a turnover of \$4.6 billion, up 17.5 per cent while foreign-invested firms earned \$3.7 billion from exports, up 16.6 per cent.

Some key items recording a strong turnover in H1 included textiles and garments with \$1.22

billion, up 30 per cent; computer components and peripheral devices (over \$1 billion, up 20 per cent); wood and wood products (\$439 million, up 28 per cent).

The Prime Minister has approved a plan for the implementation of the UKVFTA that aims to assign tasks and responsibilities to relevant agencies and organisations, and decide on measures to implement the deal fully and effectively.

Under the plan, the Government leader requested ministries, sectors and localities to step up the dissemination of information about the UKVFTA as well as the British market, build laws and institutions, enhance the competitiveness and develop human resources to improve social welfare, environmental protection and sustainable development policies, and carry out regular and assigned tasks.

Top priority will be also given to popularising information about the agreement and the British market to relevant persons, especially farmers, fishermen and workers via different means of communications to raise their awareness of the deal's commitments as well as work that needs to be done towards effective enforcement.

The PM also asked ministries, sectors and localities to speed up the implementation of trade and investment promotion programmes in the UK, and continue perfecting necessary institutions to enforce the agreement, improve the competitiveness of industries and businesses, especially micro-, small- and medium-sized enterprises.

At the same time, attention should be paid to assisting Vietnamese enterprises in joining production networks and value and supply chains of British businesses, while encouraging British-invested companies to connect with domestic partners to form and develop supply chains.

4. Pharmaceutical firms show mixed performance

Six-month revenues of pharmaceutical firms paint a mixed picture in the first half of 2022.

OPC Pharmaceutical JSC (HOSE: OPC) made revenue of VNĐ595 billion, up 26 per cent year-on-year. Its profit grew by 28 per cent.

DHG Pharmaceutical JSC (HOSE: DHG), Traphaco JSC (HOSE: TRA) and Mekophar Chemical JSC (HOSE: MKP) followed suit with revenue growth of 11 per cent, 19 per cent, and 19 per cent, respectively.

Their profit growth was 21 per cent, 39 per cent, and 109 per cent in that order. Mekophar attributed its high profit to a mounting revenue against stable expenses.

Meanwhile, Vimedimex Medi-Pharma JSC (HOSE: VMD) lost half of its revenue due to the poor performance of its affiliated Vimedimex Binh Duong LTD, raking in VNĐ3.7 trillion.

Lam Dong Pharmaceutical JSC (HNX: LDP) operated unprofitably as its revenue growth of 2 per cent was insufficient to cover its mounting expenses, resulting in a loss of VNĐ41 billion.

The situation was not better for Vietnam Pharmaceutical Corporation because its provisions for securities volatility and exchange rate fluctuations ate into its revenue, leading to a dwindling profit.

Despite the mixed picture, Viet Dragon Securities has an optimistic outlook on the industry in the year's second half due to pharmacy expansions and favourable demographics.

Notably, Pharmacity Pharmacy JSC, Long Chau Pharma JSC and An Khang Pharmaceutical JSC are steadily rolling out new pharmacies, fueling the growth of over-the-counter drugs.

Ethical drugs are expected to keep growing too because of the emergence of new hospitals. About 121 hospitals were newly constructed between 2016 and 2020.

Fitch Solutions shares this view, saying Việt Nam's ageing population will favour the pharmaceutical industry.

The organisation estimates over-the-counter drug revenues at VNĐ50 trillion and ETC revenues at VNĐ166 trillion by 2026, equivalent to four-year compounded growth of 7 per cent and 9 per cent, respectively.

Average drug expenditures were estimated at VNĐ1.5 million per capita in 2021, and the figures are projected to rise to VNĐ2.1 million by 2026, representing a compounded growth of 7.7 per cent.

Despite the growth, the industry is vulnerable to supply chain disruptions and exchange rate fluctuations as it has to import active pharmaceutical ingredients, which account for 51 per cent of drug prices.

Foreign predominance is another concern for the industry, as foreign drugs took up 67 per cent of the drugs used in hospitals in the first seven months of the year. Domestic drugs, sold at lower prices but with lower quality, cannot turn the tide.

5. Big firms labor under skilled worker shortage

Only 26% of Vietnam's workforce are fully trained, while the rest lack skills and don't meet the needs of enterprises, according to the Ministry of Labor, Invalids and Social Affairs.

While the country's population is in the "golden age," the number of skilled and qualified workers remains low at 26%, which becomes problematic in the context of the country being the third largest recipient of foreign direct investment (FDI) in the region, it said at a Saturday conference on labor market development.

This limitation makes it challenging for Vietnamese workers in the wake of the Covid-19 pandemic and job displacement, while the nation's safety net is not strong enough to handle the risks they face.

Vietnam's workforce had doubled from 27 million in 1986 to 51.4 million by the end of the second quarter of 2022.

Citing recent studies, Nguyen Xuan Son, Operations Director of Manpower Group Vietnam, said only 8.96% of Vietnamese workers have the ability to work remotely at a time this trend was on the rise.

Skilled workers accounted for just 11.6% of the total and only 5% are fluent in English, which is quite a limitation when competing with workers in the region. The average income of Vietnamese workers is about \$300, much lower than workers in the region (\$1,992) and the world (\$2,114), he said.

Son emphasized that the cheap factor is both an attraction and a weakness. While cheap labor can attract investors, Vietnamese workers will struggle to adapt when foreign enterprises deploy new production technologies.

He cited a survey that found about 57% of enterprises having difficulty in recruiting high-quality human resources. In the past, salary was the leading factor, but now it had to do with other employee benefits and policies such as flexible working hours. Enterprises should, therefore, become more flexible, improve the working environment and provide development opportunities to retain their employees.

The 2021 Provincial Competitiveness Index (PCI) report prepared by the Vietnam Chamber of Commerce and Industry (VCCI) showed that unskilled workers are the easiest to recruit when firms expand production, followed by accountants, technical staff and then managers and supervisors. CEOs are the hardest group to recruit.

Representatives of many enterprises expressed concerns about the shortage of high-quality human resources, particularly when they needed while they were in need of recruiting thousands of positions when expanding production.

Nguyen Viet Quang, CEO of giant conglomerate Vingroup, said that in the next two years, they will need about 100,000 people, of whom 20% should be high-quality workers who have at least finished university.

A representative of Pouyuen, the largest sports shoe manufacturer in HCMC, said they have a worker deficit of about 5% after the pandemic. Thai Van Tong, General Director of Pouyuen, said that in the future, the company will promote automation of production and digitization of data and this process will require a large number of highly skilled local workers.

Tong hoped that the Government would create favorable conditions for enterprises to connect with vocational training schools and invest more resources in Southern provinces to create a source of skilled labor.

Nguyen Van Than, Chairman of the Vietnam Association of Small and Medium Enterprises suggested that authorities study the salary regime not only for ordinary workers but also for the senior group because there should be incentives for those who are highly skilled and intelligent.

Otherwise, such workers will easily leave for foreign countries or opt to work with FDI enterprises and foreign companies, making it even harder for small and medium enterprises to recruit the skilled people they need.

"Every time I go to the airport, I see young people going to work abroad and I feel sad because they should have worked in the country," Than said.

Addressing at the conference, Prime Minister Pham Minh Chinh said a surplus labor market can also cause economic instability and disturb social order.

If the quality of labor decreases, the market will gradually lose its competitiveness. These two aspects need to be addressed in tandem.

6. Construction ministry wants low-interest loans for social housing

The Ministry of Construction has sought a low-interest loan of VND4.3 trillion (\$183.7 million) to undertake 11 social housing and apartment renovation projects.

It has called on the State Bank of Vietnam to instruct banks to lend the money at 2% interest from now through 2023.

The money is needed for three social housing projects in HCMC and four in Quy Nhon City and renovate four crumbling apartment complexes in HCMC.

The works involve a total of 7,904 housing units.

There are 301 social housing complexes with 156,000 units in the country and another 401 are under construction.

Earlier this month, Minister of Construction Nguyen Thanh Nghi said the target is to have one million social housing units by 2030.

His ministry would work with the central bank and local authorities to draw up the list of projects eligible for low-interest loans, he added.

7. Vietnam, Argentina boost trade cooperation

Vietnam's Ambassador to Argentina Duong Quoc Thanh has paid a working visit to Rosario city of Santa Fe province to seek opportunities for promoting trade and investment collaboration between the Argentinean province and Vietnamese localities.

Meeting provincial Governor Omar Perotti, he appreciated the potential of Santa Fe province and said the two sides hold great potential for promoting cooperation in the agricultural sector, as Vietnam has high demand for animal feed, raw materials for processing, cereals, wheat flour and other items that are Santa Fe's strengths.

Omar Perotti informed the guest that a delegation of officials and businesses from Central Argentina, including those of the province, is scheduled to pay a working visit to Vietnam in mid-November, saying it will be an opportunity for the two sides to discuss potential cooperation opportunities.

As scheduled, the delegation will have meetings with local leaders as well as representatives of the Vietnam Chamber of Commerce and Industry; organise a seminar to introduce the export potential of Santa Fe province and the central region of Argentina to Vietnamese partners as well as visit Vietnam Foodexpo 2022 and seaport system in Ho Chi Minh City.

The Vietnamese Ambassador welcomed the upcoming visit of the delegation, saying that he is ready to act as a bridge for Argentinean enterprises to approach partners in Vietnam.

Within the framework of the visit, Thanh also attended the 138th anniversary of the establishment of the Rosario Commodity Exchange and held meetings with enterprises that have cooperation with Vietnam.

Corporate News

8. DXG: Market price increased by 60% after 2 months, 1 more DXG leader registered to collect shares

↑ 1.22%

One day after Chairman Luong Tri Thin registered to buy 5 million shares, General Director of Dat Xanh Group Joint Stock

Company (HOSE : DXG) - Mr. Bui Ngoc Duc made a move to register to collect 200,000 shares from August 24 to 22// 09.

9. CKG: announced the offering price of individual shares is only 63% of the market price

↑ 3.3%

The price offered by CKG is about 37% lower than the current market price.

The Board of Directors of Kien Giang Construction Investment Consulting Group

(HOSE : CKG) recently announced a resolution approving the offering price of the private placement of shares, as authorized by the AGM 2021.

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