



VIETNAM DAILY NEWS

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Market Analysis

1. Shares slide on heavy selling force

Vietnamese stocks slipped on Monday, with banking shares extending falls and securities stocks tumbling, pressuring the indices amid a strong selling force.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index dropped 0.69 per cent to close at 1,260.43 points.

The index had gained 0.54 per cent last week.

Market breadth was negative with 326 decliners and 130 gainers.

Some 619.4 million shares were traded on the southern exchange, worth VND14.8 trillion (US\$632.1 million).

The VN30-Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, lost 0.73 per cent to reach 1,285.45 points. In the basket, three stocks climbed, one stayed flat and 26 slid.

Banking stocks lost ground with most of the stocks in the basket declining, including Vietinbank (CTG), Asia Commercial Bank (ACB), Vibank (VIB) and Tien Phong Bank (TPB), National Commercial Joint Stock Bank (NVB), Vietcombank (VCB), VPBank (VPB), Military Bank (MBB), Bank for Investment and Development of Vietnam (BID), Techcombank (TCB) and Sacombank (STB).

The securities group was also hit strongly with two giants SSI Securities Inc (SSI) and VNDirect

Securities Co (VND) dropping 1.8 per cent and 1.9 per cent, respectively.

The market lost the upward momentum above the 1,280 resistance area and retreated because the high price demand was still cautious, said Viet Dragon Securities Co.

“However, the market recorded a hike in bottom-fishing cash flow when VN-Index plunged to the support zone of 1,262-1,268 points and the area of 1,290 for VN30-Index. With this short-term support move, the market still has a chance to be supported and regained,” the company said.

“Currently, VN-Index still recorded a low-priced buying movement of cash flow when the index dropped to the Gap range of 1,262 – 1,268 points. With the signal of supporting money flow still remaining, it is expected that VN-Index will continue to be supported at this area.”

Although there is a possibility of a rally, the market may still face great supply pressure in the near future. Therefore, investors should still limit chasing and waiting to take profits.

The HNX-Index on the Ha Noi Stock Exchange (HNX) lost 1.08 per cent to close Friday at 294.73 points.

The index had dropped 1.8 per cent last week.

Nearly 102.8 million shares were traded on the northern exchange, worth VND2 trillion.

Macro & Policies

2. Vietnam, RoK push for stronger economic cooperation

The nation is currently the Republic of Korea (RoK)'s third largest trading partner, while the RoK has developed into the largest direct investor in country.

The Korea Institute for International Economic Policy (KIEP) is poised to organise an international seminar on RoK-Vietnam economic co-operation to mark the occasion of the 30th anniversary of bilateral relations between both sides.

According to economist Kawk Sung-il, director of the Center Security Strategy at the Korea Institute for International Economic Policy, the primary goal of the seminar is to hold in-depth discussions on issues related to bilateral co-operation. He added that relations between the two nations have developed strongly over the past three decades and have recorded a number of great achievements, especially in the field of economics.

However, in order for this relationship to continue to develop in a sustainable manner moving forward, more exchanges and discussions on co-operation methods are needed.

For this reason, scholars from the two nations' have co-ordinated efforts to conduct diverse in-depth studies across multiple fields as a means of creating a foundation for them to be published at the upcoming seminar.

Economic co-operation is therefore an important achievement and a bright spot in bilateral ties. In line with this, bilateral trade turnover stood at only US\$490 million, equivalent to 0.3% of the RoK's total trade turnover since the establishment of diplomatic ties back in 1992. However, after 28 years this figure so far accounts for 7% of the total trade turnover of the East Asian nation.

The Korean community residing in Vietnam run a diverse range of economic activities. Although investment in the Vietnamese market has decreased due to the impact of the COVID-19 pandemic in 2021, many Korean companies continue to view the nation

as the most promising country among the 10 ASEAN member states.

This unevenness in terms of the trade balance is one of the main limitations in bilateral economic co-operation, particularly as the trade turnover between the two countries is increasing and the general scale of the trade imbalance is also in the process of gradually expanding.

The main reason behind this is that most Korean exports to the Vietnamese market are intermediate goods, semi-finished products, which can be understood as a result of the Korean direct investment in the country.

There are an array of opinions that could contribute to increasing Vietnamese agricultural exports to the RoK, thereby helping to solve the trade imbalance, although this would only be a short-term remedy. Agricultural and aquatic exports would only be able to make Vietnam a low value-added exporter. Instead, it is more important to attract greater investment from the RoK in order to create an environment where Vietnamese companies can become more deeply involved in the Korean production network.

Through this process, in the event that a strong supply chain between the two countries can be formed, the bilateral mutual relationship can be promoted more sustainably, Sung-il went on to say.

The Korean expert said assessed that the Vietnamese side needs to promote its production capacity and technology to participate more deeply in the supply chain. In fact, when a Korean corporation or company invests in the Vietnamese market, then they become a legal entity of the country.

However, due to Korean companies often investing in the nation in the form of 100% FDI, technology transfer also faces plenty of difficulties.

Sung-il stated that when analysing Vietnamese export value, it can be seen that the proportion of domestic value added remains low.

This means that the majority of the production of components and spare parts are located abroad, with the product localisation rate remaining low. By the end of 2017, only 600 out of a total of 26,700 FDI projects in the country had technology transfer contracts.

In comparison to neighbouring ASEAN member states such as Indonesia, Malaysia, the Philippines, and Thailand, the proportion of added value in Vietnamese products can be considered low.

As a result of this, Vietnamese companies must pay close attention to developing their own technology in parallel with international co-operation. Therefore, efforts to boost transfer technology through co-operation with foreign companies that have already penetrated the domestic market will prove to be effective.

In addition, it can be considered necessary to devise policies which encourage and protect Korean companies, thereby ensuring that they are able to see the parallel benefits in technology transfer, he added.

3. VietnamWood slated for October in HCM City

The Vietnam International Woodworking Industry Fair (VietnamWood) is scheduled to take place in HCM City from October 18-21, Chan Chao International Co., Ltd, an organiser of the event, said on Saturday.

VietnamWood 2022 will introduce cutting-edge technologies, solutions, and innovations by exhibitors from 22 countries and territories from around the world, including Germany, Austria, the United States, France, Canada, and Taiwan (China).

Organisers of VietnamWood recently signed a strategic partnership agreement with NürnbergMesse, one of the world's largest exhibition companies based in Germany.

This strategic partnership will help to connect more overseas buyers and exhibitors in order to fulfill the growing demand for the latest manufacturing technologies and skills.

Việt Nam's exports of timber and wood products have decreased due to the impact of high inflation in the export markets.

According to the General Department of Customs, Việt Nam's export value of timber and wood products in June fell by 4.9 per cent on-year to US\$1.5 billion. Timber exports in June were estimated at more than \$1.03 billion, down 18.1 per cent.

In the first six months, the export value of timber and wood products surged by 2.8 per cent on-year to \$8.5 billion . But the export value of wood products plunged by 4.6 per cent on-year to \$6 billion.

Wooden furniture was the key export item in the structure of export timber and wood products in the first five months of this year. However, the export value decreased due to slowing global demand.

4. Firms must work to fully benefit from UKVFTA

The UK-Vietnam Free Trade Agreement (UKFTA) has given a big push to Vietnamese exports, but insiders say firms still have much to do to make the most of the deal.

Nguyen Thi Thu Trang, Director of the Centre for WTO and International Trade (CWIT), Vietnam Chamber of Commerce and Industry, told Viet Nam News that the preferential tariffs under the UKVFTA require strict compliance with its rules of origin, which stipulate the chief part of the materials used in the manufacture of exports originate from its members.

For firms highly dependent on materials imported from non-members, it is not easy to be eligible for favourable tariffs unless they reconfigure their supply chains to adapt to the rules.

“Noncompliant firms do not forfeit their entrance to the UK market, but they are ineligible for preferential tariff,” she said.

Trade data shows that in 2021 exports covered by Certificates of Origin issued under the UKVFTA took up roughly 17.2 per cent of the total Vietnamese exports to the UK, far lower than the average figure under other FTAs (about 32.7 per cent).

The director also underscored UKVFTA as a new-generation agreement that sets the bar high for intellectual property and demands novel competition and labour standards commitments.

Vietnamese firms, accordingly, must incur higher compliance costs and go through more complicated procedures to expand their commercial presence in the UK.

It is also worth noting that the UKVFTA has given Vietnamese products a tariff advantage over other products. Unfortunately, the advantage is not permanent and will change once the UK enters FTAs with other countries.

Given the risk of stiffer competition from new UK-initiated FTAs, it is advisable for Vietnamese firms to quickly seize the trade opportunity to keep themselves well-positioned against future competitors.

“They should not take the UKVFTA for granted but rather take full advantage of the deal to consolidate their position before new rivals move in quickly,” she said.

The director urged firms to study the agreement in more depth to gain a full insight into its impacts on their operation, thereby being operationally prepared for the changing trade patterns.

She also called for competitiveness enhancement strategies, which are not just for show but functional, to improve firms’ competitive positions in the short-term to make full use of the agreement.

Dang Hoang Giang, General Secretary of the Vietnam Cashew Association, told Viet Nam News that the tariffs on intensively-processed cashew were slashed from around 5 and 7 per cent to 0 per cent on the grounds of UKVFTA.

Notably, Viet Nam exported 18,000 tonnes of cashew to the UK in 2021, equivalent to an export revenue of US\$104 million.

As the UK was an EU member, its Sanitary and Phytosanitary Measure and Technical Barriers to Trade are, so far, not fundamentally different from other European countries.

UK importers prefer high-quality organic products from internationally-recognised manufacturers, including BRC-certified and SMETA-certified ones.

They also require fair trade, gender equality, a sense of community responsibility and many other ethical frameworks.

“For UK firms, which are highly disciplined and rule-compliant, trade fraud and contractual violations are intolerable. Fraudsters and violators are normally called defaulters,” he said.

The general secretary is concerned that Viet Nam comes lower than the Netherlands on the list of top intensively-processed cashew exporters to the UK even though the Netherlands is not a cashew producer.

“Netherlands imports cashew nuts from Viet Nam, intensively process the nuts and re-exports them to the UK. The country was the fourth largest importer of Vietnamese cashew in 2021,” he said.

The Netherlands ranked first on the list, and imported 11 per cent of Viet Nam’s cashew output last year, indicating that Vietnamese firms have not fully leveraged the deal to unlock their potential. There is ample room for improvement.

The general secretary recommended firms keep well-informed about UK’s Technical Barriers to Trade and other similar regulations to penetrate the market more easily.

Contact with Vietnamese trade offices and the Vietnamese Embassy in the UK are equally helpful since they will help firms with trade information.

Firms are also recommended to commercially join forces to become less dependent on offshore materials, thereby elevating the content of domestic materials in their exports to rules-of-origin-specified levels.

He also underscored strict compliance to contractual terms and up-to-UK-standard products as the key to firms gaining ground in the market.

The UKVFTA was signed on December 29, 2020, and temporarily came into effect on December 31, 2020, before officially starting on May 1, 2022.

Negotiated based on the principles of inheriting commitments in the EU-Vietnam Free Trade Agreement, the deal facilitates commercial flows between the two countries through its almost across-the-board tariff cuts.

The trade data of the CWIT shows that annual bilateral trade grew by 17.2 per cent just one year after the agreement. Viet Nam’s exports to the UK hit US\$5.8 billion in 2021, up 16.4 per cent year-on-year.

In the first six months of 2022, the figure reached \$2.9 billion, up 1.1 per cent from the same period last year.

5. Finance ministry sets targets for banking system

The Ministry of Finance (MoF) has issued targets for restructuring banks in a bid to bolster the strength of Viet Nam’s financial industry.

The MoF will coordinate with other ministries to set regulations on capital increases for State-owned credit institutions, especially the Bank for Agriculture and Rural Development of Vietnam (Agribank).

The MoF will also coordinate with the State Bank of Vietnam to apply International Financial Reporting Standards (IFRS) in accordance with financial reporting standards in Viet Nam.

In addition, it will study and develop standards for debt valuation, including bad debts, with an aim to create a legal basis for debt valuation activities to ensure objectivity in debt valuation.

Ministries and agencies will have to report their results to the MoF’s Department of Banking and

Financial Institutions before November 15 every year so the department can compile the results to send them to the SBV before November 30 every year.

The Government issued Decision No689/QD-TTg in June this year, which approved the project on restructuring the system of credit institutions associated with bad debt settlements in 2021-25. The project aims to create a clear and substantive change in the restructuring of the banking system.

Under the decision, Viet Nam will reduce the number of credit institutions and basically finish the settlement of poor-performing banks by 2025 to make the banking system more healthy and sustainable.

The project encourages investors to participate in the purchase, sale, consolidation and merger of credit institutions voluntarily to increase the size and competitiveness of the institutions to make the

country's banking system among the top four in ASEAN by 2025.

Under the project, Viet Nam also targets to have at least two to three commercial banks in the top 100 strongest banks in Asia by 2025.

The project stipulates that commercial banks' capital adequacy ratio will reach at least 10-11 per cent by 2023 and at least 11-12 per cent by 2025.

Large-sized banks, excluding weak ones, must have a minimum charter capital of VND15 trillion, and the number for small- and medium-sized banks will be VND5 trillion by 2025. The minimum charter capital required for financial companies and financial leasing companies is VND750 billion and VND450 billion, respectively.

For weak banks under the central bank's special control, the capital increase will be implemented according to plans approved by the competent authority.

The project also directs the Viet Nam Asset Management Company to submit to competent authorities for consideration a plan to increase its capital to VND10 trillion in 2022-25 to improve the financial capacity and operational efficiency of the agency in dealing with bad debts.

According to the project, the bad debt ratio on the balance sheet of credit institutions, excluding those of weak commercial banks, will be less than 3 per cent by the end of 2025.

6. Vietnamese exporters urged to adapt to protectionist measures from Australia

Vietnamese exporters need to be well prepared for any risks from protectionist trade measures from Australia against Vietnamese goods, such as anti-dumping and anti-subsidy policies, mostly in steel products, experts said.

Speaking at a seminar last week in HCM City, Chu Thang Trung, deputy director of the Ministry of Industry and Trade's Trade Remedies Authority, said Australia is a potential export market but it also poses risks of protectionist trade measures against Vietnamese goods.

Amid the growing number of free trade agreements (FTAs) Viet Nam has signed, Viet Nam's goods are expected to face anti-dumping lawsuits and protectionist trade measures imposed by importing countries, he said.

As of June, there were 222 investigations into Vietnamese exports initiated by 19 export markets, of which, 18 cases came from Australia, including anti-dumping and anti-subsidy cases, mostly in steel products (61 per cent).

According to the Viet Nam Steel Association, steel is among the industries with the highest number of trade lawsuits. From 2004 to July 2022, the industry

faced 68 lawsuits, including cases involving anti-dumping, anti-subsidy and anti-tax evasion.

Other exports, such as paper, electrical cables, and household items, are also at risk, Trung said.

Nguyen Thi Phuong Nga, head of the ministry's Asia-Africa Market Department, said trade between the two countries has continued to grow with an annual average of 11.5 per cent during the 2011-2021 period.

Australia was the 10th largest trading partner of Viet Nam last year with bilateral trade turnover reaching \$12.4 billion, up 49 per cent year-on-year. In the first seven months, Australia was the seventh largest trading partner of Viet Nam.

Australia is the world's 13th largest economy with an import value of nearly \$250 billion per year.

With a population of only 25.7 million, Australia is a potential market as Australian people are willing to pay for high quality imported products, according to Nga.

Viet Nam's exports to Australia include agricultural, fishery and wood products, machinery, transport vehicles, and steel.

Meanwhile, Australia's exports to Viet Nam include textile-garment and leather-footwear materials, coal, iron ore, dairy products, chemicals and chemical products.

Tran Ngoc Binh, head of the HCM City branch of Ministry of Industry and Trade's Import-Export Management Division said the two countries are partners in three FTAs, namely the ASEAN - Australia - New Zealand Free Trade Area (AANZFTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the Regional Comprehensive Economic Partnership (RCEP).

Phung Gia Duc, deputy head of the Foreign Trade Defence Handling Division under the Ministry of Industry and Trade's Department of Trade Defence,

said trade measures, including anti-dumping, anti-subsidy and safeguarding measures are allowed by FTAs and the World Trade Organisation (WTO) to prevent unfair competition, such as dumping and subsidies for imported goods.

These also prevent a sudden surge of imported goods which has the potential to cause serious damage to domestic manufacturing industries.

They are also an important legal tool to protect local industries and enterprises, especially when tariff barriers are removed in accordance with international commitments.

Experts recommended that Vietnamese firms respond to foreign trade remedies by studying the laws of importing countries.

They need to diversify their export markets as well as products while increasing competitiveness through quality and brand awareness.

7. More efforts needed to bring down transport fees

More efforts are required to reduce transport fees after petrol prices were cut five consecutive times, according to the Ministry of Transport.

After five cuts which brought petrol prices down by around 20 per cent in the past month, substantial reductions in transportation fees were widely expected.

However, just a modest number of transport firms have started to reduce their fees while others are seemingly waiting for the next adjustments in petrol prices to decide.

The Ministry of Transport recently asked the price management and stabilisation effort to be enhanced to prevent unreasonable increases and sluggishness in adjusting transportation fees along with petrol price fluctuations.

The ministry said that it was critical to enhance the transparency of price listing to minimise the impacts of increases due to psychological factors and inflation expectations and prevent false rumours affecting market price levels.

According to Nguyen Tuyen, Head of the Transport Department under the Ha Noi Department of Transport, about 30 per cent of transportation firms in the capital city declared reductions in their fees with rates of between 5 to 10 per cent.

He said that the department would focus on inspecting firms, which had increased transportation fees when fuel prices increased but had not made any moves to reduce fees when fuel prices decreased significantly.

The municipal Department of Transport also received the applications for fee reductions of more than 10 taxi companies in the capital city by around VND500-1,000 per kilometre, meaning decreases of about 6-12 per cent if approved.

Ly Truong Son, Director of My Dinh Bus Station, said that while some firms operating in the bus station increased their fees by around 10 per cent in the April-June period, some kept their fees unchanged in the past one or two years. The COVID-19 pandemic heavily pushed transport firms into difficulty, and

they had not taken into account fee reductions, he said.

Director of Giap Bat Bus Station Nguyen Tat Thanh said that while firms had not completed transportation fee adjustments, fuel prices had been adjusted again, causing difficulty to firms.

Many firms operating at the southern station kept the fees unchanged during the past 1-2 years due to fear of procedures.

According to Nguyen Cong Hung, Chairman of Ha Noi Taxi Association, a fee of VND150,000 per vehicle each time there is a fare adjustment costs

taxi companies a lot of money, and taxi companies need to have a roadmap and plan for fee reductions.

Khuc Huu Thanh Hai, a representative of Dat Cang Taxi, said because petrol prices were not stable, but moving up and down erratically, firms faced a lot of difficulties in keeping up with petrol price fluctuations.

Ngo Tri Long, an economic expert, said that the most important thing was keeping fuel prices stable so that transport firms could develop their business plans. Adjusting transportation fees along with every adjustment in fuel price is not effective in the long term

Corporate News

8. PDR: Increased its cash and expected to earn a large cash flow at the end of the year

↓ -2.6%

At the end of the second quarter of 2022, Phat Dat Real Estate Development Joint Stock Company (HOSE : PDR) increased the amount of cash and

cash equivalents to about VND 600 billion, recording an increase of more than 71% compared to the end of the first quarter of 2022.

9. MSN : Masan increases Phuc Long stake to 85%

↓ -0.18%

Conglomerate Masan Group has bought another 34% in beverage chain Phuc Long Heritage to increase its ownership to 85%.

It paid VND3.62 trillion (\$154.60 million) for the deal on August 1, according to its half-year report.

It has invested a total of VND6.45 trillion in Phuc Long.

In the first half of this year Phuc Long reported revenues of VND820 billion, a 38.5% rise year-on-year.

It has 98 flagship stores nationwide, according to its website.

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