



# VIETNAM DAILY NEWS



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## Market Analysis

### 1. VN-Index nears 8-week high

Vietnam's benchmark VN-Index rose 0.66 percent to 1,249.76 points Wednesday, reaching the highest in nearly eight weeks in its third consecutive gaining session.

The index closed 8 points higher after rising 10 points Tuesday. It has risen 43 points in the last three sessions.

Trading on the Ho Chi Minh Stock Exchange (HoSE) increased by 4 percent to VND17.57 trillion (\$751.46 million), highest in seven weeks.

The VN-30 basket, comprising the 30 largest capped stocks, saw 14 tickers gain.

HPG of steelmaker Hoa Phat Group rose 3.7 percent to a seven-week high.

GAS of state-owned Petrovietnam Gas gained 3.5 percent, and BID of state-owned lender BIDV rose 2.1 percent.

Other gainers were STB of Ho Chi Minh City-based lender Sacombank, CTG of state-owned lender VietinBank and SSI of leading brokerage SSI Securities Corporation, up 1.5-2 percent.

Twelve blue chips fell, with Vietnam International Commercial Joint Stock Bank losing 1.5 percent, and VHM of real estate giant Vinhomes falling 1 percent.

Foreign investors were net buyers for the third session in a row to the tune of VND656 billion, mainly buying HPG and VCB of state-owned lender Vietcombank.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was up 0.77 percent while the UPCoM-Index at the Unlisted Public Companies Market was up by 0.21 percent.

## Macro & Policies

### 2. Việt Nam's timber industry urged to seek new opportunities in the UK

While many products exported to the UK enjoyed strong increases owing to the UK-Việt Nam Free Trade Agreement (UKVFTA), Việt Nam's timber industry is facing difficulty in expanding in this market that requires manufacturers and exporters to change their business strategies here.

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In fact, Việt Nam's wood industry is seeing declining sales overseas.

The export value in July was estimated at US\$1.41 billion, down 5.5 per cent against June and 1.6 per cent year-on-year, according to a report of the General Department of Forestry under the Ministry of Agriculture and Rural Development (MARD).

This was the second month that the export of wood and timber products decelerated.

Earlier, figures from the General Department of Customs showed the export turnover of wood and wood products reached \$1.4 billion in June, down nearly 11 per cent year-on-year. Ending July, wood and wood products were exported to rake in \$10.4 billion, up just 1.3 per cent year-on-year.

#### Declining export orders

According to market insiders, the wood industry will face a big challenge due to a decrease in export orders in the latter half of this year.

A quick survey on 52 timber businesses conducted by the Việt Nam Timber and Forest Products Association (Vifores) in collaboration with Forest Trends showed that most companies witnessed decreasing revenues in the US, EU and UK markets.

Thirty-three out of 45 firms exporting to the US said their revenues decreased by nearly 40 per cent compared to the first months of this year. A similar trend is seen in the EU and the UK with two-thirds of the surveyed enterprises reporting revenue drops of over 41 per cent.

Moreover, about 71 per cent of businesses said that orders will continue to decrease towards the end of the year. Under the current market situation, 44 per cent of businesses expected their revenues will fall by about 44 per cent for the whole year.

According to Vifores Chairman Đỗ Xuân Lập, Việt Nam's wood industry is integrating deeply with international markets so high inflation and tightening credit policies in response to rising inflation in major markets is driving down demand for non-essential products including wood and wood products.

"High inflation in major markets such as the US, EU and UK is having a direct negative impact on the production and business activities of wood processing enterprises. They are currently facing many difficulties in terms of capital, labour costs and input materials," Lập said at the industry meeting last week.

#### New opportunity in the UK

Wood and timber product export to the UK still enjoyed an increase of 14 per cent to \$72 million in the first three months of 2022 but sales to this market are also declining as consumers are tightening their spending.

The June export value declined 38 per cent year-on-year to \$16.3 million and in the first half, the reduction rate was 7.7 per cent at \$135.5 million, data from Việt Nam's customs agency showed.

Like other parts of the world, inflation in the UK hit a 40-year high of 9.4 per cent in June as food and energy prices continued to soar, worsening the country's historic cost-of-living crisis. The Bank of England has implemented five consecutive 25 basis

point rate hikes to cool high inflation and is considering a 50 basis point hike at its August policy meeting.

According to David Hopkins, chief executive of Timber Development UK which represents all timber importers and suppliers in the country, the UK's import of wood and wood products used to rise in the first quarter as merchants start to rebuild stocks after the winter and tend to slow down at the end of the year due to cold weather and holiday seasons.

The UK's economy is now coping with high inflation, high interest rates and big logistics challenges due to Brexit and the Russia-Ukraine conflict which is pushing up the freight cost.

So far, Việt Nam's predominant timber export to the UK is furniture but Hopkins sees another opportunity for Vietnamese exporters in niche areas such as plywood.

Hopkins said there was huge price inflation in timber products, but noted the demand for this commodity is still strong, especially in the sector that is expected to grow such as the construction of warehouses and lightweight industrial buildings.

"There are big opportunities for plywood from Việt Nam," Hopkins said, noting there are not a lot of the Vietnamese products being used there, but if the construction sector can maintain positive growth,

there's always demand for timber products, and "that's a good opportunity for Vietnamese exporters".

For furniture products, Hopkins said demand is expected to decline in the next two years after a boom in housing repair and maintenance during the pandemic before it can bounce back. This trend will likely happen in the US and the EU which are also suffering from high costs of living.

The bilateral trade between Việt Nam and the UK is increasing thanks to the UKVFTA, especially tariffs on wood and timber products will be eliminated within five years (raw wood currently has a tax rate of 2-10 per cent).

However, to compete and expand sales in the UK, Hopkins suggested Vietnamese manufacturers and exporters invest in marketing and promotion to enhance awareness among UK consumers about Vietnamese products.

The concepts of legality and sustainability are important for consumers in the UK and are backed up by legislation.

"The fact that buying goods from Việt Nam has a very low risk of illegality is a really positive story," he said, emphasising that promoting this concept is very important not only in the UK but to other customers of Việt Nam around the world.

### 3. Vietnam ensures sufficient supply of petroleum for use until year end

The Ministry of Industry and Trade has affirmed that it can guarantee the supply of petroleum for the domestic market until the end of the year.

Petroleum will not be in short supply domestically by the end of the year, the Ministry said, citing a report by the Vietnam Oil and Gas Group (PVN) that both of its Nghi Son and Binh Son oil refineries are operating at full capacity in order to ensure a sufficient supply of petroleum for domestic use.

Most notably, the Binh Son oil refinery will be operating at 105% of its design capacity during the last six months of the year to supply petroleum to the local market.

Both oil refineries are expected to produce approximately 3.9 million m<sup>3</sup> and 4.4 million m<sup>3</sup> of products in the third and fourth quarters this year, thereby accounting for 72% and 80% of the country's total demand in the two quarters, respectively.

To ensure the supply, the Ministry of Industry and Trade will continue to monitor the production and supply of petrol and oil of businesses so they can adjust import and production plans to provide a sufficient source of petroleum to the market, the Ministry outlined in its report.

According to the Ministry, the domestic supply was impacted by a production cut occurring at the Nghi

Son oil refinery early this year, leading to a shortage of petroleum over recent months. In addition, the import of petroleum has also been hit by the Russia-Ukraine conflict, resulting in a sharp increase in prices.

The Ministry directed major petrol and oil businesses to step up production and import of petroleum in the second quarter of the year to make sure the supply of petrol and oil for the domestic market was basically guaranteed.

They also worked closely alongside the Ministry of Finance to adjust retail petrol and oil prices so they fall in line with global market trends.

It proposed that the Ministry of Finance co-ordinate with relevant ministries and sectors to consider further axing taxes, including the excise tax, import tax, and value-added tax to lower retail petrol and oil prices locally, providing the global oil market continues skyrocketing.

#### 4. Vietnam, China negotiate phytosanitary requirements for fruit exports

Vietnam and China are negotiating to develop phytosanitary protocols for eight kinds of Vietnamese fruits exported to China.

Currently, Vietnam has 11 kinds of fruits that are exported via official channels to China. Of these fruits, Vietnam has signed with China protocols on phytosanitary requirements for three kinds, including mangosteen, passion fruit and durian.

Meanwhile, Vietnam has not yet signed the protocols on phytosanitary requirements for eight other exported fruits, including bananas, mangoes, litchi, longans, watermelons, dragon fruit, jackfruits and rambutans.

Luong Ngoc Quang, from the Division of International Cooperation and Communications under the Plant Protection Department at the Ministry of Agriculture and Rural Development, said, "The Plant Protection Department is coordinating with the General Department of Customs of China to complete negotiation about technical exchanges and development of protocols on phytosanitary for the eight fruits."

The signing of the protocols will bring many positive business results in the long term because all trading activities for those fruits will be through a contract, according to Quang. That will help stabilise output and prices. If the fruits do not meet the quality requirements as signed in the contract, partners can refuse to receive the goods.

"To promote the official export of fruit products to China, Vietnam needs to build eligible growing areas

and packaging facilities and strictly manage the use of pesticides. The Plant Protection Department has recommended these issues and has been enhancing training for localities," Quang said.

To export fresh fruit to the Chinese market, producers and exporters must comply with regulations on phytosanitary, food safety and traceability.

Shipments from growing areas or packaging facilities that have not registered to have codes from the Ministry of Agriculture and Rural Development are not licensed by the General Administration of Customs of China (GACC) to import to China.

The growing area code is a necessary and mandatory condition to export fruits to China and is also one of the factors for product traceability.

Besides that, if China discovers infected consignments, it may refuse to import them, destroy them or apply phytosanitary treatment.

Meanwhile, China will refuse or destroy all fruit imports having residue of pesticides or other toxic substances exceeding China's health and safety standards.

At the same time, GACC will immediately notify the Ministry of Agriculture and Rural Development and may suspend imports from that growing area or enterprise to China, or even that kind of fruit from Vietnam, depending on the situation.

## 5. Vietnam considers adding citizen's place of birth in new passport

The Ministry of Public Security will coordinate with ministries and sectors to study legal provisions so that the citizen's place of birth can be added to the identity section of the new passport, according to Lieutenant General To An Xo.

Addressing a press briefing of the Government in Hanoi on August 3, Lieut. Gen. Xo noted that the new-style Vietnamese passport that has been issued since July 1 meets the conditions and standards of the International Civil Aviation Organization (ICAO).

Currently, many countries such as Japan, the Republic of Korea, Switzerland, Mongolia, and Saudi Arabia do not have the phrase 'the place of birth' in their passports.

A majority of countries have recognized the newly issued Vietnamese passport, except for Germany, Spain and the Czech Republic, said Lieut. Gen. Xo.

The three countries in the Schengen area have refused to grant visas to holders of the new passport, reasoning that their passports lack information regarding the place of birth.

These are technical issues and the Ministry of Public Security and Ministry of Foreign Affairs are coordinating with relevant agencies of the three countries to solve the issues, said the Vietnamese General.

For the time being, he said the Ministry of Public Security will write an additional note on the citizen's place of birth in the passport, and if there is a need, the citizens can go to the Immigration Department under the Ministry of Public Security or the Vietnamese representative missions abroad to have the note added.

The Ministry of Public Security will also coordinate with relevant ministries and agencies to study legal provisions so that the citizen's place of birth can be added to the personal section of the new passport, affirmed Lieut. Gen. Xo.

At a regular monthly cabinet meeting for July held in Hanoi on August 3, Prime Minister Pham Minh Chinh asked the Ministry of Public Security to devise solutions to issues relating to the new passport model in order to avoid adverse impacts, especially when Vietnam is reopening to the world.

## 6. THACO eyes revenue target of \$1 bln in 2025

THACO has invested in core technology, products and digitalization, aiming to reach the target of \$1 billion in revenue by 2025.

### **Billion-dollar strategy**

While visiting THACO Chu Lai Industrial Zone at the end of March 2022, Prime Minister Pham Minh Chinh assigned THACO three essential tasks, one of them being to continue developing the mechanical

industrial zone to meet foundation industries requirements.

To carry out this task, Supporting Industrial and Mechanics Corporation - THACO Industries (under THACO Group) has continued to invest in expanding its scale, improving production capacity, boosting exports, and setting a target revenue of \$1 billion by 2025, of which export is \$500 million.



THACO Industries has identified 2022 as the hinge year for establishing the foundation for a leap forward in mechanical and supporting industry business. The company has set out a comprehensive plan, from investing in core technology, and developing diversified products to digitalizing management... aiming to reach the target of \$1 billion in revenue by 2025.

Do Minh Tam, General Director of THACO Industries, said: One of the limitations of Vietnam mechanical industry is that the market size is small, companies have not mastered technology, while the requirements of this industry are sophisticated technology and large investment. In order to improve production capacity and create a competitive advantage in the global supply chain, THACO Industries focuses on investing in core technology with an appropriate roadmap.

Accordingly, automobile and motorcycle components manufacturing plants are invested with modern technology lines transferred from Germany, Switzerland, Japan and Korea. In industrial equipment manufacturing plants, the company develops a system of production lines and equipment with intelligent control connection; research and manufacture laser cutting machines, robots with 3 degrees of freedom... In the production of agricultural equipment, innovative solutions are used in livestock, food processing, and microbial organic fertilizers.

Product diversification is considered a strength to improve competitiveness in domestic and export markets. THACO Industries has invested in developing a variety of strategic product groups like precision mechanical processing, auto and motorcycle spare parts, industrial and civil components, and equipment for the automobile, industry, agriculture, construction sectors.

The company focuses on developing large-sized mold processing, mechanical processing and plastic products for civil and industrial use. In particular, the semi-trailers, strategic export products, continued to be upgraded, improved configuration and diversified models, expanding export to potential markets like Japan, Australia, Korea, Canada, and ASEAN countries.

For the domestic market, THACO Industries continues to increase the quantity and value of spare parts production, becoming the supply partner for

FDI enterprises, contributing to increase the localization rate of key industries, minimizing risks from supply chain disruptions due to the Covid-19 epidemic.

### **Sustainable development**

To meet increasing market demand, from now to 2025, THACO Industries will invest in 19 new plants. In the near future 2022, four plants will enter operation, including a pressure equipment plant; molds plant; specialized agricultural equipment plant; heavy steel structure plant.

The company continues to promote the provisioning service for designing, testing material and surface treatment (zinc-electroplating, blasting, heat treatment, ED coating, powder coating).

Besides the mechanics and supporting industries production model in Chu Lai, THACO Industries is investing into two industrial zones in the north and south of Vietnam, forming a new generation of specialized industrial zone models, following innovative trends of digitization to minimize product costs, meeting the demand for mechanical components, spare parts and specialized machinery and equipment for domestic partners and exports.

Northern Industrial Zone will manufacture and supply interior - exterior parts and auxiliary for cars, motorbikes, household electronics, and mold production; Southern Industrial Zone will process mechanical products, and manufacture machinery and equipment.

Closed support and connection in production and business in the three regions of Vietnam will contribute to optimize efficiency across the value chain, reduce logistics cost, improve competitiveness and create new business opportunities, Tam said.

THACO Industries is promoting joint ventures and associations with domestic and foreign partners; connecting and creating conditions for small and medium enterprises to participate in the production chain to create a network of industry-regional linkages, deeply participate in the global supply chain, gradually form a sustainable development ecosystem of mechanics and support industries, contributing to creating resilience for the Vietnam mechanical and supporting industry.

"Saving energy in industrial production and ensuring national energy security are significant to the country's socio-economic development. As a pioneer in developing mechanical and supporting industries with the largest scale in Vietnam, THACO

Industries makes efforts to find strategic solutions to save energy, increase productivity, and supply products with high technology and outstanding technical features", a company representative said..

## 7. Shipping firms report double-digit growth

Shipping companies have had one of their best quarters in years with most reporting double-digit growth thanks to high rates.

Vinalines, the country's biggest shipper, saw a near doubling of its profits year-on-year to VND1.43 trillion (US\$61.19 million) in the second quarter.

Private player Gemadept reported an 87 percent increase in profits to VND334 billion, the highest since the second quarter of 2018.

Hai An Transport and Stevedoring made it to the top three after profits rose 3.3 times to VND324 billion.

It was its most profitable quarter in nearly six years.

Vietnam Ocean Shipping JSC (Vosco)'s profits were only up 7.5 percent to VND260 billion, but it was its most profitable quarter in 14 years.

The Petrovietnam Transportation Corp (PVTrans)'s gross profit rose to a 15-year high of VND440 billion, but net profit fell 16 percent to VND265.5 billion as financial income decreased.

The industry attributed growth to high freight rates, which have quadrupled since 2020 to \$8,000 for a 40-foot container, according to data brokerage Bao Viet Securities compiled from Bloomberg.

But market research firm FiinGroup warned that in the second half of this year the rates would fall and costs, especially of fuel, would rise.

It also expected China to continue with its zero-Covid strategy, which could drag demand down.

China accounted for a fourth of global goods throughput last year, according to data from its Ministry of Transport and German data portal Statista.



## Corporate News

### 8. FCN: FECON reported a 53% decrease in Q2 net profit

↓ 0.92%

Despite good revenue growth, FECON JSC ( HOSE : FCN ) still had to report a 53% decrease in net profit in the second quarter of 2022 (reaching VND 15.2 billion) because of escalating material costs.

In the second quarter, the construction business recorded a 37% increase in net revenue over the same period, reaching nearly 1.04 trillion dong. However, the growth rate of COGS was up to 49% - reaching 933 billion VND. After deduction, FECON's gross profit decreased by 21% over the same period to 106 billion dong.

Financial income in the period increased 2.4 times, reaching 10.7 billion dong. Financial

expenses also jumped by 41% to 53.7 billion dong. FECON recorded a decrease in selling expenses (32%) and business administration (7%). As a result, net profit reached 15.2 billion dong, down 53% over the same period.

According to the explanation from the Company, the price storm of raw materials (steel, cement, concrete...), fuel (gasoline, oil) and direct labor costs increased, while projects were signed with a fixed unit price, causing the cost of goods to be inflated compared to the original plan, leading to a sharp drop in gross profit.

### 9. SSB: SeABank reported a 75% increase in pre-tax profit in the second quarter

↓ 0.16%

According to the consolidated financial statements for the second quarter of 2022, Southeast Asia Commercial Joint Stock Bank (SeABank, HOSE : SSB ) reported a 75% increase in pre-tax profit to nearly VND 1,500 billion, thanks to diversifying revenue sources and reducing costs.

In the second quarter, most of SeABank's business activities grew over the same period last year. Main activities brought SeABank nearly 1,728 billion dong of net interest income, up 30% over the same period.

Non-interest income sources all grew strongly such as interest from services (+42%), profit from

forex trading (7 times), profit from buying and selling investment securities (7.4 times)...

This quarter, SeABank increased the cost of provisioning for credit risks by 29% (VND 339 billion), however, the Bank still earned nearly VND 1,500 billion in pre-tax profit, an increase of 75% over the same period.

In the first 6 months of the year, SeABank spent 697 billion VND to make provision for credit risks, an increase of 67%, so the Bank reported a pre-tax profit of more than 2,806 billion VND, an increase of 80%.

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