



VIETNAM DAILY NEWS



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Market Analysis

1. Shares retreat after four-day rally, liquidity declines

Shares ended the week on a negative note, putting a break on a four-day rally streak, as investors became timid when the VN-Index approached the resistance zone.

On the Hồ Chí Minh Stock Exchange, the VN-Index edged down 0.11 per cent to close Friday at 1,252.74 points. It had gained nearly 4 per cent in the previous four sessions.

Liquidity also declined with nearly 699 million shares worth VNĐ15.6 trillion (US\$672.4 million) being traded, down 3.5 per cent in volume and 8.5 per cent in value compared to the previous session and the lowest of the week.

“Given the rising streak over the past week, the demand became timid, meaning the VN-Index was unable to extend its gaining force and retreat to the reference level,” said Phương Phạm, a stock analyst at Việt Dragon Securities Co.

Blue chips' slump weighed on the market. Only eight of the top 30 shares by market value and liquidity gained value while 18 declined and four were flat.

Securities companies surprised the market when three of the top 10 stocks lifting the VN-Index most came from this group – a rare occurrence as the market is usually led by the banking and real estate sectors.

Across the whole sector, only four brokerage companies lost value while 37 gained value. The biggest gainers included Saigon Securities Inc

(SSI), up 5.3 per cent; VNDirect Securities Co, up 3.8 per cent; and Viet Capital Securities Co (VCI), up 4.2 per cent.

On the dark side, heavyweight shares such as Vinhomes (VHM), Vingroup (VIC), Masan Group (MSN), Vietcombank (VCB), steelmaker Hòa Phát Group (HPG), Vinamilk (VNM), Vietjet (VJC), brewer Sabeco and lender BIDV (BID) were among the top market draggers.

“The gain in most stocks is showing signs of cooling down when the VN-Index is gradually approaching the strong resistance zone of 1,260-1,280 points. However, the correcting liquidity was relatively low compared to the recent gaining sessions, and selling pressure was not too strong,” Phương said.

She reckoned that the market will likely continue to correct in the next sessions, however, the demand will regain and support the indices. The nearest support zone is 1,245 points for the VN-Index and 1,270 points for the VN30-Index.

On the Hà Nội Stock Exchange, the HNX-Index rose 0.73 per cent to end at 299.90 points. Liquidity also decreased here with nearly 92 million shares worth VNĐ1.7 trillion being exchanged.

Macro & Policies

2. Giants reshape retail pharmaceutical market

The winds of change are blowing through Việt Nam's retail pharmaceutical industry, with giants wrapping up investments to establish modern retail chains in an anticipated fast-growing market, which mom-and-pop stores currently dominate.

After Pharmacity, FPT's Long Châu, and Mobile World Investment Corp's An Khang pharmacy chains, Masan Group is supposedly gearing up preparations to enter the pharmaceutical retail market.

According to the national portal about business registration, Winphar Trading Services Corporation was founded on March 31 with WinCommerce, holding a stake of 80 per cent, Đỗ Thị Hoàng Yến and Trần Phương Bắc, 10 per cent each.

WinCommerce, a member of Masan Group, currently operates the most significant nationwide grocery modern trade retail platform Winmart and Winmart+ while Yến and Bắc both held important positions at Masan.

Winphar changed its name to Dr Win Corporation on July 1 with a charter capital of VNĐ28.57 billion.

At the end of 2021, Masan launched the multi-experience store CVLife, where customers could buy necessities at WinMart+, make financial transactions at Techcombank, buy medicine and supplements at Phano Pharmacy and enjoy famous Phúc Long Tea. This combination triggered doubts about the participation of Masan in the multi-billion-dollar pharmaceutical retail market.

Phano now has around 40 stores across the country, still modest compared to Pharmacity with 1,128, Long Châu with 706 and An Khang with 520 stores.

The competition in the pharmaceutical retail market was anticipated to intensify as players were racing to expand their reach.

Chris Black, CEO of Pharmacity, said that the company targeted 5,000 stores by 2025 and 10,000 by 2030, which would allow half of Việt Nam's

population to reach a Pharmacity store within 10 minutes of driving.

Khang Pharma targeted 800 stores by the end of 2022 and 2,000 by 2023.

According to SSI Research, with ambitious expansion plans of the three leading drugstore chains, Pharmacity, An Khang and Long Châu. The share of modern drugstores would increase to 16 per cent with 7,300 stores.

Đoàn Văn Hiếu Em, CEO of An Khang Pharma, said that it's a good time for expansion as people were paying more attention to health after the pandemic.

Việt Nam's retail pharmacy market was estimated at around \$7-8 billion and forecast to register two-digit growth in the coming years.

Hospitals remain an important channel, an overwhelming majority of the market, while traditional stores, mostly mom-and-pop shops, accounted for one-third with around 60,000 stores.

Modern drugstores still account for a modest share, with nearly 3,000 stores. In 2016, modern drugstores held a share of just one per cent with 186 stores.

Inflation bites

Retail giants were eyeing the retail pharmacy industry, which is considered to have high growth potential given the people's increasing attention to health after the pandemic and the country's rapidly ageing population, while inflation has forced people to tighten spending on unnecessary goods from the second quarter of this year.

SSI Research pointed out that profits in information and communications technology (ICT) and consumer electronics (CE) for leading retailers were slowing down significantly,

Digiworld announced the second quarter profit increased by 20 per cent against the same period last year, much lower than the growth of 97 per cent in

the first quarter. The ICT and CE revenue of Mobile World in May increased by two per cent, much lower than the growth of 20-22 per cent in January-April.

ICT and CE revenue was forecast to slow down in 2023 due to the high percentage of people owning mobile phones and major home appliances.

SSI Research said that the pharmaceutical business was less affected by high inflation while the input costs were more stable than other industries.

The pharmaceutical market also has good potential as the population is ageing rapidly in Việt Nam.

According to the United Nations Population Fund, Viet Nam was one of the most rapidly ageing

countries in the world. People aged 60 and older made up 11.9 per cent of the total population in 2019, and by 2050, it would rise to more than 25 per cent. By 2036, Việt Nam would transition from an “ageing” to an “aged” society.

Besides, the middle class in Việt Nam was predicted to increase strongly in the next 10-20 years.

The World Data Lab forecast that Việt Nam would have an additional 23.2 million people joining the middle class in the next decade.

The World Bank predicted that more than 50 per cent of Việt Nam’s population, equivalent to 52 million people, would be in the middle class by 2045.

3. Samsung to start producing semiconductor components in Vietnam

Samsung is testing its ball grid array products and will mass produce them at the tech giant’s factory in northern Thai Nguyen Province in July 2023.

Roh Tae-Moon, head of Samsung’s key smartphone division, said this at a Friday meeting with Prime Minister Pham Minh Chinh.

On its homepage, Samsung has said that it is preparing trial production for semiconductor chip grid products and planning to open a research and development (R&D) center in Hanoi later this year or early next year.

The company said the R&D center was about 85% complete.

"Semiconductors would mark a third business for Samsung in Vietnam, where the company makes home appliances and half of its smartphones," according to Nikkei Asia.

In the first half of 2022, Samsung Vietnam’s export revenue was \$34.3 billion, up 18% from the same period last year.

In February, Samsung announced an additional \$920 million investment into its factory in Vietnam.

Before Samsung, Vietnam had Intel Products Vietnam (IPV), the largest assembly and testing plant in Intel’s network. During the global chip crisis, IPV not only maintained stable operations, but also made a number of innovative contributions to help it fill the shortage in semiconductors. One of the key initiatives was to improve the substrate treatment process at the plant.

"Vietnam has the ability to establish the necessary infrastructure and policies needed to support cutting-edge manufacturing operations in the chip sector," Steve Long, general manager of Intel’s Asia-Pacific and Japan region, had said during an interview with VnExpress in May.

He said the stable socio-political environment, increasingly liberalized trade and investment policies, and a young and talented workforce were the reasons for foreign investors, especially large tech corporations, finding Vietnam an attractive destination.

Vietnam is home to 60 percent of Samsung’s total smartphone production.

Samsung, Vietnam’s biggest foreign direct investor, first invested \$1.3 billion in its electro-mechanics unit in 2013. The unit produces main boards and other electronics components.

As of last year, the world's largest memory chip maker had invested \$18 billion in Vietnam.

4. Việt Nam's manufacturing output continues to rise

The Vietnamese manufacturing sector remained in growth territory at the start of the third quarter of the year, but there were some signs of demand softening. As such, output, new orders and employment all increased at weaker rates than in June, according to S&P Global.

In a survey released on Monday, S&P Global said the Vietnam Manufacturing Purchasing Managers' Index (PMI) remained above the 50.0 no-change mark for the tenth successive month in July, signalling a further strengthening of business conditions. That said, at 51.2, down from 54.0 in June, the index signalled a softer improvement.

New orders increased for the tenth month running, but the rate of expansion eased to the weakest since April. New export business rose solidly, meanwhile, and at a faster pace than total new orders.

The continued growth of new orders encouraged manufacturers to keep expanding production in July. Output rose for the fourth successive month. That said, the rate of expansion was only marginal and the softest in the current sequence of growth amid signs of demand softening, shipping difficulties and price pressures.

There were signs, however, of price and supply pressures easing at the start of the third quarter.

On prices, according to the survey, the rate of input cost inflation slowed sharply and was the weakest since October 2020 as the prices of some inputs fell on global markets. That said, the latest rise was still above the series average amid reports of higher costs for oil, gas and freight. Similarly, output prices continued to rise, but the rate of inflation slowed and was only modest.

Suppliers' delivery times neared stabilisation as the rate of lead time lengthening softened for the second month running to the weakest in 22 months. Where delays continued, this was linked to issues with shipping and rising transportation costs.

Manufacturers continued to expand their workforce numbers in line with higher output requirements, the fourth month running in which this has been the case. The rate of job creation was solid despite slowing from the three-and-a-half year high posted in June. Meanwhile, backlogs of work were unchanged following a decrease in the previous month.

As well as taking on extra staff, firms also expanded their purchasing activity in July, due to rising new orders and efforts to build inventory reserves. Any attempts to accumulate stocks of purchases were in vain as preproduction inventories decreased at the sharpest pace in just over a year.

Stocks of finished goods also decreased, falling for the fifth month running and at a faster pace than in June. Some firms lowered inventories in response to slower new order growth, while others had found it easier to dispatch products for export.

Manufacturers remained optimistic that production will increase over the coming 12 months. Positive sentiment reflected hopes for further improvements in customer demand, stable market conditions, new product development and business investment. Close to 58 per cent of respondents were optimistic about the outlook, while 11 per cent were pessimistic.

Andrew Harker, Economics Director at S&P Global Market Intelligence, said: "The recent burst of growth in the Vietnamese manufacturing sector gave way to a more modest expansion in July, but firms were still able to secure greater volumes of new orders and increase output and employment accordingly.

"Although there were some signs of demand softening, there were pleasing developments in terms of price and supply pressures. The rate of input cost inflation slowed sharply, while supply chains neared stabilisation. With these factors having provided serious headwinds for firms over a

sustained period, signs of improvement should hopefully boost growth prospects."

IIP up 11.2 per cent

According to the General Statistics Office, Việt Nam's index of industrial production (IIP) in July 2022 was estimated to increase by 1.6 per cent over the previous month and by 11.2 per cent over the same period last year.

The rise was thanks to a further reopening of the economy in the wake of COVID-19 disruptions.

Output growth accelerated for most components, including manufacturing (12.8 per cent against 9.9 per cent in June); electricity and gas supply (8.7 per cent against 5.5 per cent in June); and waste treatment (9.2 per cent against 6.3 per cent in June).

In contrast, mining output fell 1.5 per cent, reversing from a 5.1 per cent growth in June.

5. Vietnam safe from US rate hike effects: economist

The U.S.'s latest rate hike will not have a major impact on Vietnam's currency and trade, but high inflation remains a threat and demands stronger action, analysts said.

U.S. rate hike of 0.75 percentage points on July 27 would not impact the USD-VND exchange rate -- the U.S. dollar actually fell by nearly 1% afterward -- Michael Kokalari, chief economist at investment fund VinaCapital, told VnExpress International.

The State Bank of Vietnam has been aggressively draining liquidity out of Vietnam's interbank market over the last three weeks, which also indirectly supported the value of the dong, he said.

The latest hike pushed the benchmark overnight borrowing rate to the highest since December 2018 as the U.S. government seeks to deal with 40-year high inflation, which is posing one of the biggest threats to the economy.

But as Fed is signaling that it could pause, or even reverse, its rate hikes by the end of the year, there could be less upward pressure on the USD, and that means the VND is unlikely to fall further, Kokalari said.

"The official value of the VND depreciated by about 2.5% in the year-to-date, and we expect this depreciation to shrink to about 1.5% by the end of the year."

In terms of trade, HSBC Vietnam country head of markets and securities services, Ngo Dang Khoa, expects exporters to gain from a strong greenback, which is now hovering at a two-decade high.

But production costs would increase since most inputs are imported, he said.

However, the bigger risk for Vietnamese exporters is slowing consumer demand in the U.S., whose economy has seen growth decline for two consecutive quarters.

Kokalari said retailers like Walmart and Target recently announced they are sitting on huge inventories of unsold products, many of which are made in China and Vietnam, meaning they would reduce their orders for such products going forward.

Growth in Vietnam's exports to the U.S., its biggest market, slowed down from nearly 40% in the first seven months last year to 24% growth in the same period this year, he added.

In the remaining months of this year inflation could be one of the biggest roadblocks to Vietnam's post-Covid recovery.

Khoa said inflation is rising fast with a surge in the prices of food, fuel and other goods, and the consumer price index rose 3.14% year-on-year in July.

He expected inflation to exceed 4% between next quarter and the second quarter of next year, which could cause the central bank to increase its policy rates from around 4% now to 6.5% by the end of 2023.

Kokalari said one necessary step to control inflation is to unfreeze the real estate market by addressing the various zoning, legal and regulatory issues that have been plaguing it.

"This will also benefit Vietnam's long-term growth prospects because there is an enormous demand for housing from the country's emerging middle class."

6. Apple CEO Tim Cook appreciates Vietnam market potential

Vietnam, together with Brazil, Indonesia and India that are emerging markets, have made practical contributions to Apple's group's outstanding performance in the second quarter of this year, said CEO Tim Cook.

In its financial report for the second quarter of 2022, Apple announced a record revenue of US\$ 83 billion, up 2% over the same period last year, despite market fluctuations.

Speaking to analysts after releasing the figure, Cook noted the quarter saw record revenue in developed and emerging markets "with double-digit growth in Brazil, Indonesia and Vietnam, and a new doubling of revenue in India."

The CEO said that the company continues to execute across some significant geographies with "low penetration of iPhones between Indonesia, Vietnam and India where we did quite well".

"iPhone tends to be the engine for those markets, particularly at the beginning of creating the market there for Apple products," he added.

The CEO did not specify the growth rate of each region, but iPhone is the device that has brought in the largest revenue in Vietnam. At The Gioi Di Dong stores, four iPhone models were among the top 10 smartphones with the highest revenue in the first half. At FPT Shop, iPhone 13 Pro Max was the best seller device that has generated the highest revenue.

During a meeting with Vietnamese Prime Minister Pham Minh Chinh at the Apple Park Campus in California last May, Tim Cook said Apple desires to expand its supply chain in Vietnam.

According to reports, Vietnam has 31 companies that employ 160,000 workers producing and assembling electronic parts and equipment for Apple products.

Apple is shifting more of its production lines from China to countries like Vietnam and India in order to diversify its supply chain and manufacture more products. It has started assembling some AirPods Pro, iPads, and HomePod mini devices in Vietnam.

7. Refusal to issue visas to new VN passport causes problems for travel firms

The rejection of Việt Nam's new passport by some EU member countries is affecting HCM City tourism companies since their customers are unable to travel to those countries.

Issued since July 1, the new passports are not accepted for visas by Germany, Spain and the Czech Republic since they lack information about place of birth.

Trần Thanh Vũ, general director of Vinagroup International Travel JSC, said many customers who booked tours to Europe obtained the new passports and could cancel their tours.

According to tourism companies, travel to Europe is picking up and they have booked hotels and flight tickets for tour groups.

The countries refusing to accept the new passports are key tourist destinations in Europe.

Lại Minh Duy, general director of TSTourist, told Người Lao Động newspaper that his company is turning away customers who have the new passport and want to tour the countries that are not accepting them.

Nguyễn Ngọc Toàn, general director of IMAGE Travel & Event Company, said people with the new

passports are opting out of his company's Europe tours until possibly the start of next year.

Nguyễn Quốc Kỳ, chairman of Vietravel Holdings, called on the Government to resolve the problem by issuing old-style passports until it sorts it out with those countries.

Nguyễn Thị Khánh, chairwoman of the HCM City Tourism Association, said many tourism companies and her association are asking for the problem to be resolved to aid the tourism industry's recovery.

Last Wednesday (August 3) the Ministry of Public Security said it would look into incorporating information about place of birth in the new passport.

It and the Ministry of Foreign Affairs are working with Spain, Germany and the Czech Republic to resolve the issue as soon as possible, it said.

The UK and France have said they would accept the new passport for issuing visas.

The Immigration Department said the new passports are designed in line with international regulations and practices, especially International Civil Aviation Organisation standards.

Many countries' passports do not have the field for place of birth but are recognised internationally, it pointed out.

Corporate News

8. BVH achieved nearly 309 billion dong net profit in Q2, down 29%

↑ 0.68%

Both insurance business and financial investment saw a decline in profit, which caused Bao Viet Group's 2nd quarter net profit (HOSE : BVH) to decrease by 29% year-on-year to nearly 309 billion dong. copper.

In the insurance business, BVH recorded original insurance premium revenue of more than VND 10,704 billion, up 9% over the same period. Meanwhile, reinsurance ceding expenses decreased by 27% to more than 645 billion dong, so net insurance revenue increased by 9% to nearly 10,334 billion dong.

However, the cost of insurance business continued to be a burden with more than VND 10,207 billion, equivalent to an increase of 9% in revenue, causing the insurance business's profit to decrease by 31% to nearly 127 billion. copper.

Besides, the profit from financial activities was more than VND 1,0859 billion, down 7% over the same period, due to the high cost increase of 60% when repo and interest expenses were 2.4 times and provision expenses were 3.2 times. time.

With both insurance business and financial investment declining in profit, BVH reported a 29% decrease in net profit in the second quarter of this year, to nearly VND 309 billion.

Accumulated in the first 6 months, BVH achieved more than VND 473 billion in gross profit from insurance business, up 41% over the same period; while financial investment profit decreased by 3% to more than 3,886 billion dong. As a result, BVH 's net profit dropped 13% to VND790 billion.

9. How does HOT explain when stocks are under control?

↑ 6.95%

Hoi An Tourism and Service Joint Stock Company (HOSE : HOT) said that the business situation encountered many difficulties in the first 6 months of 2022.

The company has just sent a written explanation to the State Securities Commission and HOSE to report on the situation of overcoming the situation of controlled shares.

HOT said that from March 15, Vietnam tourism reopened, tourism activities throughout the country were really exciting. Despite the advantage of the tourist market and the central provinces receiving large numbers of tourists, HOT also encountered many difficulties.

In difficult conditions, revenue decreased, but land rental costs increased dramatically, causing a sudden increase in losses in 2022, even though the Company had saved and cut costs. Accumulated loss as of June 30, 2022 in separate financial statements is over 11 billion dong.

In order to overcome the business situation as well as the controlled stock, HOT said that it will apply many measures to stabilize the personnel apparatus and quality of facilities, strengthen the sales and marketing network, improve service quality, control costs, support member companies, have appropriate business plans.

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