VIETNAM DAILY NEWS

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Table of content

Table of content

Market Analysis

1. Markets forecast to get boost from supportive information

Shares are forecast to advance this week thanks to the stable macro-economy and positive development of the global socio-economic situation, the area of 1,285 points becomes important for Việt Nam's stock market in September.

The VN-Index on the Hồ Chí Minh Stock Exchange (HoSE) rose 1.15 per cent to close at 1,248.78 points.

The index had lost 2.48 per cent last week.

An average of 628.8 million shares were traded on HoSE during each session last week, worth VNĐ15.3 trillion (US$650.4 million).

In the newly published September market strategy report, the SSI Securities analysis team (SSI Research) said that the domestic macro economy is showing positive movements.

Economic data in August was more positive than expected, making the target of 7 per cent GDP growth in 2022 easily achieved. The inflation target is still under control. Manufacturing activities will continue to be supported by the traditional export sector while domestic consumption maintains a positive momentum, SSI said.

The market is continuing to observe the State Bank of Vietnam (SBV)'s allocation of the remaining credit growth limit to banks and the exchange rate movements, as well as the SBV's management measures in the context that the Fed is expected to continue raising interest rates.

The analyst team maintains a neutral view on the short-term cash flow trend, when it is difficult to exclude pressure on capital flow in the context that external risks are still maintained, especially the strengthening trend of the US dollar.

However, SBV has taken steps to show its commitment to maintaining a stable exchange rate environment, and a positive long-term outlook for Việt Nam's stock market.

The report also mentioned the possibility that the US stock market's negative movements will put downward pressure on the Vietnamese stock market. The trend of the market index in September will depend on the results of retesting the resistance area of 1,285 points of the VN-Index.

If conquering and stably maintaining above 1,285 points, the index will extend the recovery to 1,300 - 1,310 points. On the flipside, if the index corrects from 1.285 zone, the 1,220 points is a good support area for the index.

“After two declining sessions, VN-Index quickly tested the area below 1,230 points and rebounded,” said Việt Dragon Securities Co.

“Currently, VN-Index shows a Hammer support candle signal, which may help the market have a technical recovery span. However, the support level of cash flow is still not strong, reflected in low liquidity. Therefore, it is still necessary to consider the possibility that VN-Index will be blocked at 1,260 – 1,265 points in this resurge journey.

“For now, investors should still slow down and observe supply and demand movements soon to re-evaluate the market. However, in the interim, taking advantage of the recovery span is still advisable to reduce risks.

“The cash flow to catch low prices strongly joined at the end of the session so the index quickly withdrew and closed the week with a positive hammer candlestick pattern. Besides, the liquidity mostly came from large-cap group, showing the will to keep the index stable above SMA50.

"With this signal, the market is expected to have a good recovery span in the coming sessions. However, in the short term, it should be noted that the shaking at the resistance area around 1,285 points of the VN-Index should be noted.

"Therefore, investors can gradually buy stocks that recover well from the local trading range and still stay above SMA50. At the same time, wait for the higher price range to sell weak stocks because the risk of continued decline from resistance area still exists."

According to data just released by the Vietnam Securities Depository (VSD), the market added 152,873 new accounts in August, marking the lowest level since November 2021; in which, the number of domestic individual investor accounts opened 152,398 new accounts, down 22.1 per cent compared to the figure of July.

By the end of August, the total number of domestic individual investor accounts was 6.4 million accounts. In the first eight months of the year, this group opened nearly 2.2 million new accounts.

Macro & Policies

2. Outlook bright for many industries in second half of year

Businesses with good profit growth in the first six months are expected to decline in the rest of the year, whereas the group of businesses that saw sharp dip in profits in the second quarter will have the opportunity to recover and accelerate, according to experts.

In the report for the second half of the year, FiinGroup assessed that the real estate and basic resources industries are the main cause of the decrease in profit after tax growth rate due to unfavourable business activities, amid regulators are trying to tighten policies to control corporate bond issuance and lending (for residential real estate) and rising raw material prices as well as falling demand (for steel).

Excluding these sectors, profit after tax of the remaining industries continued to post an impressive growth of 64.2 per cent, largely contributed by export-related industries, including chemicals, commodities, food, and industrial services, and benefiting from a rebound in consumer demand post-COVID-19.

FiinGroup said that most of the industries with high growth in the second quarter are expected to slow down in the second half of 2022. Accordingly, chemicals, fisheries, fertilisers, logistics, shipping, garments, and rubber are forecasted to hardly maintain a high growth momentum in the final months due to weak exports and a sharp drop in commodity prices.

The expansion of the personal goods industry will also face challenges, as inflation, while slowing, will continue to have a negative impact on jewellery purchasing power for the rest of the year.

For the information technology sector, inflation and recession risks in major economies, including the US and European countries, can limit global demand for software. This could be a risk to FPT Corporation's profit growth because the foreign market contributes about 37 per cent of its profit after tax in the second quarter.

In contrast, the industries whose profits dropped sharply in the second quarter have chances to recover. For example, in the dairy industry, the profit margin of dairy enterprises fell to a very low level in the second quarter of 2022 and is expected to improve in the third quarter thanks to the decrease in the price of raw milk. The Global Dairy Trade Index fell 30 per cent from the peak set in March and reached its lowest level since early 2021.

Similarly, livestock companies were negatively affected by the soaring prices of animal feed and the sharp drop in the selling price of live pigs. With corn and soybean meal prices falling greatly, FiinGroup believes the livestock industry's profit will recover well in the second half of 2022.

There are many other industries that are expected to experience accelerated profits in the second half of 2022, according to the report, including plastic pipe manufacturers, the pharmaceutical industry, and non-financial sectors.

Of which, the sharp correction of plastic resins prices helped plastic pipe producers record a growth of 77 per cent over last year in profit after tax in the second quarter. The prices of plastic resins are expected to continue to go down along with oil price movements in the second half of 2022.

For the pharmaceutical industry, the Ministry of Health re-organises tenders for purchasing drugs and medical supplies after many months of hiatus. This is a positive support for the profit growth of enterprises focusing on distribution through hospital channels (ETC).

Meanwhile, in terms of valuation, the non-financial sector is currently valued at 16.6 times the profit of the last four quarters, down 27.3 per cent from the beginning of the year thanks to the strong decline of 15 per cent in share prices since the beginning of the year. On the other hand, the first six months' profit increased by 37.4 per cent. This valuation is equivalent to the 2011-to-date average but higher than the 2015-2016 average (13.3x) and the period 2011-2012 (12.1x).

The non-financial sector's estimated price per earning ratio (P/E) valuation for 2022 may reach 13.9x based on its expected profit outlook for 2022. In a conservative scenario, FiinGroup believes that the profit after tax in 2022 may rise by 35.6 per cent thanks to high growth in the first half of the year.

The profit after tax growth in the second half of 2022 may reach 32.3 per cent.

3. Viet Nam's innovation start-up ecosystem investment forecasted to hit $2 billion

Viet Nam's innovation start-up ecosystem is forecast to see an investment of US$2 billion, maintaining the form of a "rising star" of start-ups in South Asian countries.

At the current turning point, Viet Nam's open innovation ecosystem needs fulcrums so that innovative start-ups, domestic and foreign businesses and investors will fully grasp new innovation trends, and at the same time discover new opportunities for co-operation and investment, so that the country can rise to the top in the region in terms of open innovation readiness.

In order to continue the mission of elevating and connecting the entire innovation start-up ecosystem, the Viet Nam Open Innovation Ecosystem Report 2022 was launched after its first release last year with many remarkable results, receiving more than 800 start-ups registered, over 2,000 downloads and reached over 25,000 individuals in 20 countries.

Under the theme InnoNation (a combination of Innovation and Nation), the report expresses BambuUP's aspiration and vision for an innovative Viet Nam co-created by "residents", which are startups, businesses, investors, institutions, innovation-promoting organisations.

Pham Thi Thu Hang, Chairman of the Board of Directors of BambuUP Innovation Connection Platform said at the launch ceremony: "The report is a source of information to help promote co-operation opportunities between businesses and start-up companies; help open investment from domestic and foreign investors into the innovation ecosystem; and help the Government and local authorities plan policies to support the start-up ecosystem and innovation."

The information is researched, collected and aggregated from official research sources combined with statistics.

In particular, the content of this year's report is supported by more than 60 leading experts in economic fields inside and outside Viet Nam, including more than 20 village heads and co-heads from Techfest Viet Nam 2022.

Speaking at the event, Le Hoang Uyen Vy, director of Do Ventures, the representative for the investment fund's partners, emphasised that she believed that innovative businesses were the driving force of the digital economy when accounting for nearly 8 per cent of the national GDP.

"With constant efforts, especially from the founders, ecosystem support units such as BambuUP, innovative startup advisors, central and local governments, investment figures for Viet Nam's innovation startp ecosystem this year will be even bigger," said Vy.

The launch and co-operation signing ceremony for the Report on Viet Nam Open Innovation Ecosystem 2022 took place last week.

The report was released under the auspices of the National Agency for Technology Entrepreneurship and Commercialization Development (NATEC) and the National Startup Support Center of Viet Nam (NSSC), and implemented by BambuUP.

It is expected to be officially released at the end of November at the Viet Nam National Innovation Day Techfest 2022 in two formats of print and soft copy.

4. FDI investors make quick decision to spend in Viet Nam

Since June, more than 1,000 foreign investors have taken the opportunity to expand market share and invest in manufacturing plants in Viet Nam after the COVID-19 pandemic.

Though the pandemic has interrupted activities and slowed newly registered capital for FDI projects, many FDI investors continuously increased their capital. Big players in the technology and electronics sector want to expand or move their supply chains to the country, according to local authorities.

According to the Foreign Investment Department, Ministry of Planning and Investment (MPI), the previous COVID-19 control policies made it difficult for foreign investors to move to Viet Nam to explore investment opportunities as well as carry out registration procedures for new investment projects in the last months of 2021, affecting the number of newly granted investment projects in the first eight months of 2022.

As the result, total newly registered FDI capital reached US$6.35 billion, down 43.9 per cent over the same period last year.

In a more positive aspect, realised FDI capital of foreign investment projects in the first eight months of 2022 reached $12.8 billion, up 10.5 per cent over the same period in 2021 and up 0.3 percentage points compared to the first seven months.

Some electronic and high-tech production projects received large-scale capital increases in the first eight months of the year.

The department said the growth rate in the number of projects adjusting capital after slowing down for seven months had also increased, reaching approximately the same level as in the first six months of the year. The scale of average capital adjustment/project was relatively high compared to the same period last year, reaching nearly $11.1 million in each adjustment, much higher than the figure in the same period in 2021, which was $7.8 million per adjustment.

The department's director Do Nhat Hoang said: “This shows that foreign investors consider Viet Nam a safe investment destination, expressing their confidence in the business investment environment, continuing to expand investment in the country. If the COVID-19 pandemic is controlled, the economy will recover and grow again in a new normal state."

Together with more capital, the global giants in technology and electronics were seen shifting supply chains and diversifying production lines to Viet Nam.

At the end of August, Foxconn Group - a large enterprise in Apple's production and supply chain - decided to invest $300 million in building a new factory in Bac Giang Province.

Before that, in early 2022, Lego Group from Denmark signed a Memorandum of Understanding with a limited liability joint venture company in Vietnam-Singapore Industrial Park (VSIP), building a new factory in Viet Nam, with an investment scale of more than $1 billion in Binh Duong Province.

According to media reports, it will be Lego's first carbon neutral factory and has an investment in solar energy, ensuring no environmental pollution, dust and waste.

At the same time, a series of large technology corporations such as Apple and Samsung announced plans to expand production in Viet Nam while foreign media also reported that "Boeing Corporation wants to expand operations in Viet Nam".

Do Thi Thuy Huong, member of the Executive Committee of the Vietnam Electronic Enterprises Association (VEIA), told local media: “In the context of the current global geopolitical situation, it is important for Viet Nam to maintain a strong position with political stability, economic development as well as good and flexible disease control, which will create favourable conditions and be an attractive destination to attract potential FDI investors.”

The department director Do Nhat Hoang said: "Foreign investors are and have been interested in the manufacturing and processing industries, electronics industry, especially the semiconductor chip ecosystem. It is good news for the economy in general and Viet Nam's manufacturing in particular as semiconductor chips are the core of electronic products, they have a great influence on the global supply chain."

Hoang said: "If Viet Nam becomes a base for manufacturing electronic chips, it will improve its position in the global value chain."

Seeing the trend, the director thought there was more work to be done, adding investors entering Viet Nam at this time decided very quickly. They even urged relevant agencies to complete infrastructure, labour resources, energy sources and speed up procedures so that they could proceed to implement the project immediately.

The director said: "The fact that investors invest too much also increases pressure, requiring ministries, sectors and localities to be more professional and prepared, including in land, human resources, and infrastructure, or continuing to improve the business investment environment. There is still a lot of work to be done to really catch the FDI wave."

Chairman of the Association of Foreign Investment Enterprises (VAFIE) Nguyen Mai forecasts the target set out in Resolution 50-NQ/TW (August 20, 2019) of the Politburo on FDI attraction in the 2021-2025 period with a registered capital of $150-200 billion and realised capital of $100-150 billion was completely possible.

Mai said: "Viet Nam has a stable political and macroeconomic situation with a market of nearly 100 million people and a growing middle class. Besides, the investment and business environment is increasingly improved and international integration is extensive. Moreover, Viet Nam has many conditions for investors to reduce moving costs and stably connect the global supply chain."

However, Mai still thought there were limitations, such as small number of high-tech projects from developed economies and insignificant research and development (R&D) centres in Viet Nam.

He said although the FDI economic sector was an important driving force with a good growth rate, the contribution to the state budget did not yet match the incentives given to them.

5. Viet Nam's garment exports to the UK increase

Viet Nam's garment exports to the UK increased in August as Vietnamese enterprises take advantage of the UK-Viet Nam Free Trade Agreement (UKVFTA) to expand their presence in this market.

The latest data of the General Department of Vietnam Customs shows Viet Nam shipped US$92.4 million worth of garment products to the UK in August, up 3 per cent month-on-month and up 88.6 per cent over the same month in 2021.

Ending August, the country's garment export reached $560.4 million, registering a year-on-year growth of 45 per cent.

The figure for the whole industry was $26.3 billion in the past eight months, up 24.3 per cent over the same period of last year.

According to Vietnam Textile and Apparel Association's vice chairman Truong Van Cam, despite challenges in some main exporting markets, Viet Nam's textile and garment industry is set to earn $45 billion in exports in 2022 compared to $40.3 billion last year.

Viet Nam is currently the world's third largest exporter in this sector. Its main markets include the US, the Republic of Korea, Japan and Europe.

Cam said the industry is facing many difficulties at the end of this year, including steep fall in export orders due to soaring inflation in major markets and rising input cost. China's strict pandemic control, where more than 50 per cent of raw materials for the Vietnamese textile and garments are sourced, has pushed up input costs.

In addition, the EU introduced new regulations on the textile industry, including replacement rates, green products and switching from fast fashion to sustainable fashion, which makes it harder for Vietnamese apparel products enter this region.

In this context, the UK is emerging as a promising market. Research by Kantar from the Guardian shows that despite rising living costs, UK shoppers are spending more on clothing, defying expectations of a slowdown in non-essential products.

Kantar's data showed Brits are spending almost a fifth more on clothing than last year, taking the value 1 per cent ahead of the pre-pandemic figure.

The UK is among the top 10 largest markets for Viet Nam's garment export, with a value of around $600 million in 2021, accounting for less than 2 per cent of Viet Nam's total export value. However, with the advantage of lower tariffs thanks to the UKVFTA, Viet Nam has a big chance to expand its market share.

Under UKVFTA, about 42.5 per cent of Vietnamese textile and garment exports will be liberalised at entry into force, while some garment products will see tariffs eliminated after six years.

However, according to market insiders, Vietnamese exporters should strictly comply with the UK's requirements on the origin of products and other technical barriers such as input materials, labour and environment.

6. Agricultural sector on track for annual target

The agricultural sector is still on track for the annual agro-forestry-fishery export target of US$50 billion set by the Prime Minister, according to Deputy Minister of Agriculture and Rural Development Phung Duc Tien.

Tien revealed that Viet Nam saw agro-forestry-fishery export revenue of US$36 billion in the first eight months of 2022, up 13.1 per cent year-on-year.

Seven products with revenues of over US$2 billion each comprise coffee, rubber, rice, fruit and vegetables, cashew, shrimp, and timber.

"The whole sector has managed to maintain its growth, achieve food security and keep major balances of the economy," he said.

He also noted that the storm season is well underway so the sector needs to take preventive measures to reduce the risk of disease outbreaks on crops and livestock.

He was concerned that global economic and political uncertainties, including fuel price hikes, would drive up transportation costs, causing adverse effects on the domestic market.

Credit tightening amid mounting inflation in some countries, China's strict control on the movement of goods, and origin fraud charges against domestic goods are expected to pose further difficulties to agricultural exports, according to the deputy minister.

Tran Quang Bao, Deputy Director General of the Vietnam Administration of Forestry, underscored the Russian-Ukrainian conflict and the COVID-19 pandemic as the major factors holding back timber exports.

However, he had an optimistic outlook for the future as wood pellet exports have been surging by up to 200 per cent, which is expected to make up for the slowdown in total exports.

He held that wood-derived exports would reach US$16.3 billion this year, or over US$1.4 billion each month, if the sector could keep the August growth pace.

Nguyen Quang Hung, Deputy Director General of the Directorate of Fisheries, revealed that eight-month fishery exports hit US$7.59 billion.

He said annual fishery exports would rake in US$10 billion if the sector could keep the momentum going by earning roughly US$900 million per month from trade.

7. Domestic cement consumption expected to rise as exports fall

The cement production industry expects to promote domestic consumption because cement export is difficult.

Many cement companies with popular brands have programmes to stimulate consumption in the domestic market, including discount programmes.

In addition, from January 1, 2023, the export tariff for clinker products will be increased by between 5 per cent and 10 per cent to limit exports. This factor also forces domestic manufacturers to find ways to reduce selling prices and support customers to increase domestic clinker consumption.

The Department of Building Materials reported that the domestic cement selling price increased from VND60,000 to VND80,000 per tonne at the end of June 2022 due to the high cost of coal.

According to the Cement Association, the production cost of cement skyrocketed, but the export price of cement products did not increase, with cement exporters facing fierce competition.

In the third quarter of 2022, domestic cement consumption tended to increase, especially in the southern market. Cement prices keep stable, and they could reduce slightly.

The association said a series of expressway projects built in the 2022-25 period are expected to be leverage to partially support the cement industry in reducing pressure on consuming cement products.

Forecasting the domestic cement market in the last months of 2022, experts say there is a positive signal of a significant increase in domestic cement demand, together with the Government's requirement for strong disbursement for many public projects.

The domestic cement consumption in February fell to the lowest volume of 3.5 million tonnes. According to the association, construction and building material trading activities in that month were reduced due to the Lunar New Year festival.

However, in March, the domestic cement consumption volume was 200 per cent higher than in February because construction projects resumed operation after the Lunar New Year holiday.

However, the cement selling volume decreased gradually in the second quarter because the projects imported enough input material.

In addition, in the post-COVID-19 period, civil construction decreased because the domestic economy and the people faced many difficulties.

In the first seven months of 2022, the total cement consumption was estimated at 55 million tonnes, down 17 per cent compared to the same period in 2021. Of which, the domestic consumption was 36.85 million tonnes, down 3 per cent.

The cement exports in the first seven months were only 18.15 million tonnes, down 30 per cent per year, according to the Department of Building Materials.

Clinker exports peaked in January and February, and fell sharply in the following months. It reached 25,000 tonnes of clinker exports in June. The total clinker exports were only 82 per cent of the export volume in the same period in 2021.

Meanwhile, cement exports declined in most of Viet Nam's major export markets from March, including Bangladesh, Taiwan, Malaysia, the Philippines and mainland China. Significantly, the two largest markets, China and the Philippines, suffered a substantial decline.

In China, the zero-covid policy and the gloomy real estate market caused cement consumption to drop sharply, leading to lower cement imports from Viet Nam.

The cement export from Viet Nam to the Philippines was also affected by difficult shipping and high freight.

In 2022, cement supply will remain high at about 108 million tonnes, while domestic consumption is expected at about 65 million tonnes. Therefore, export continues to be an important domestic cement industry consumption channel.

Corporate News

8. VJC: Vietjet opens new routes connecting Phú Quốc to New Delhi, Mumbai

↑ 2.61%

Vietjet has launched two new routes connecting the "Pearl Island" Phú Quốc with New Delhi and Mumbai in India to further tourism and trade opportunities between the two countries.

The Phú Quốc-Mumbai route will have two return flights per week while the Phú Quốc-New Delhi route will offer three return flights per week.

Fares on these routes are being sold starting from only VNĐ668,000 (excluding taxes and fees) under weekly attractive promotions.

Vietjet is currently the airline operating the most routes between Việt Nam and India with 17 direct routes connecting Hà Nội, HCM City, Đà Nẵng and Phú Quốc with the five largest cities in the South Asian country including New Delhi, Mumbai, Hyderabad, Ahmedabad and Bangalore.

9. ASM:ASM prepares to pay cash dividend at the rate of 15%

↑ 5.28%

The Board of Directors of Sao Mai Group Joint Stock Company (HOSE : ASM) has just approved a resolution to unify the 2021 dividend payment in cash to shareholders. However, the resolution does not have a closing date for the list.

More specifically, ASM plans to pay dividends in 2021 in cash at the rate of 15% (shareholders owning 1 share will receive VND 1,500). The expected time for dividend payment is in October 2022.

With more than 336.5 million shares outstanding, it is expected that ASM needs to spend nearly VND 505 billion to pay dividends to shareholders.

Regarding the business situation, by the end of the first half of 2022, ASM recorded more than VND 7.2 trillion of net revenue and VND 441 billion of net profit; increased 15% and 115% respectively (2.2 times) over the same period.

At the 2022 General Meeting of Shareholders, the Company approved the plan to collect VND 14.7 trillion in net revenue, more than VND 1.6 trillion in profit after tax and pay dividends in 2022 at the rate of 20-30% in cash.

Thus, the Company has achieved 49% of revenue target and 41.5% of profit target after the first 6 months of the year.

In the market, ASM 's share price is currently trading at 15,750 VND/share (afternoon session of September 9), down nearly 23% over the past 1 quarter, the average trading volume is more than 3.3 million shares/session.

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