



# VIETNAM DAILY NEWS



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## Market Analysis

### 1. Market down slightly on risk-off sentiment

The VN-Index on the Hồ Chí Minh Stock Exchange (HoSE) fell 1.22 points, or 0.1 per cent, to 1,248 points. This ended the two-day rally.

The market's breadth was in a negative zone with 262 stocks declining, while 184 stocks inched up. However, liquidity improved compared to the previous session, of which matching value on the southern bourse increased by 1 per cent to over VNĐ10.1 trillion (US\$431 million).

The index's movement was due to risk-off sentiment with many big stocks facing a sell-off. The 30 biggest stocks tracker VN30-Index also finished lower at 1,272.48 points, a decrease of 3.12 points, or 0.24 per cent.

Data compiled by financial website vietstock.vn showed that realty, manufacturing and banking sectors influenced the market's downside. Accordingly, Vinhomes (VHM) posted the worst performance, down 1.14 per cent. It was followed by Sabeco (SAB), Vietcombank (VCB), Masan

Group (MSN), and Phát Đạt Real Estate Development JSC (PDR), down in a range of 0.63-3.36 per cent.

However, the index pared some losses on gains in other big ticker symbols. Of which, Vietinbank (CTG) was the biggest gainer on Tuesday, up 1.66 per cent. Other stocks that cushioned the bearish trend were PV Gas (GAS), Becamex (BCM), Vinamilk (VNM) and PV Drilling (PVD).

Similarly, the HNX-Index on the Hà Nội Stock Exchange (HNX) dropped by 1.49 points, or 0.53 per cent, to 281.59 points, marking its second losing session.

During the session, over VNĐ1.4 trillion worth of shares were traded on HNX, equivalent to a trading volume of 62.2 million shares.

Foreign investors were net sellers on the southern bourse after withdrawing VNĐ265.28 billion. However, they net bought VNĐ48.42 billion on HNX.

## Macro & Policies

### 2. Banks speed up disbursement of VNĐ40 trillion interest subsidy package

Through credit packages with preferential interest rates, and products and services customised to each customer group's needs, banks focus on helping enterprises access capital to restore production and business.

In May the Government issued Decree 31/2022/NĐ-CP on interest rate subsidies for loans given to enterprises, co-operatives and business households.

The 2 per cent subsidy offered under the decree and the State Bank of Vietnam's Circular 03/2022/TT-NHNN is one of the most anticipated policies this year.

HDBank was one of the first banks to deploy the Government's 2 per cent interest rate subsidy programme worth VNĐ40 trillion (US\$1.69 billion).

As soon as it received instructions from the central bank, HDBank promptly issued internal regulations, organised system-wide training courses, including for staff working in transaction points across the country, and actively approached customers and helped them complete the necessary procedures to get the subsidy.

HDBank has managed to ensure the support package is provided to the right people, safely, openly, transparently, and in accordance with regulations. In addition, it has earmarked funds to provide loans to efficient projects and production and business plans, especially sectors eligible for interest rate subsidies under the Government's Decree 31/2022/ND-CP.

There is close coordination between the bank and the SBV and relevant ministries and sectors in the implementation of the programme to improve its effectiveness.

HDBank's hotline 19006060 functions 24/7 to listen to customers' problems in the process of accessing the subsidy, and provide information to enable them to correctly understand the requisite conditions and stipulations.

The bank meanwhile continues to provide credit and other products and services to customers in line with its business strategy and growth targets.

It is also taking a number of measures to support other groups of customers and mitigate their difficulties.

For instance, it is disbursing a VNĐ10 trillion (\$423.48 million) loan package for workers at half the market interest rate through its finance company HD SAISON.

Directed by the SBV and implemented by HDBank and HD SAISON in collaboration with the Vietnam General Confederation of Labour, the programme is expected to help workers and people living in remote areas access formal consumer finance to improve their living standards, and not get into the clutches of loan sharks.

In its development process, HDBank always focuses on credit growth associated with good control of credit quality.

HDBank is among the lenders to have received a credit limit extension from the SBV.

This is a favourable condition for HDBank to further lend to customers who are eligible for interest rate subsidies, thus contributing to implementing the Government and the SBV's policies effectively and promoting the programme for socio-economic recovery and development in 2022-23. — VNS

### 3. Technology the key to advanced manufacturing sector

The manufacturing sector is a driving force behind economic growth, but manufacturers are still outcompeted by foreign rivals when it comes to core technologies, according to insiders.

Phạm Tuấn Anh, Deputy Director General of the Industry Agency, Ministry of Industry and Trade (MoIT), attributed the technological inferiority to domestic firms' limited resources and an inadequate labour force.

He said the manufacturing sector has been developing asymmetrically with an overdependence on FDI firms. The economic over-representation of the firms can be observed visibly in the heavy industrial subsector.

The sector's reliance on imported materials compounds the situation, resulting in low value-added domestic products. Industrial transition over the past few years, undoubtedly, has been fueled largely by FDI firms rather than domestic ones.

The deputy director general called for favourable policies to keep firms well-informed about advanced technologies and facilitate the emergence of big firms, which act as a catalyst for an industrial leap forward.

He also said not only should the manufacturing sector be heavily invested but so should supporting industries, which supply the former with fuels, components and materials.

"We need favourable policies to help domestic industries, notably including textile, footwear and fishery, maintain their low-cost advantages and take the lead in the technological race," he added.

Nguyễn Hữu Tú, member of the Việt Nam Chemical Corporation's Board of Directors, revealed that the chemical industry is up to domestic demand in

terms of basic products, but it is not the case for high-tech ones.

He took technical rubbers as an example, which domestic firms have a limited capability for mass-production. Imported rubbers, accordingly, have to come in to fill the demand gap.

"Domestic high-tech products still have ample room for growth," he said

The board member called for governmental Decision 726 to be implemented to accelerate the growth of the chemical industry. He also suggested a revision to tax policies to level the playing field for both domestic and imported fertilisers.

Lastly, he called for favourable policies on land rental in industrial parks and preferential loans for chemical producers to improve their competitive positions.

Đinh Quốc Thái, Secretary General of the Việt Nam Steel Association, revealed that the steel industry produces up to 30 million tonnes of steel per year. However, 90 per cent of the steel caters for building works, whereas just 10 per cent goes to other industries.

The disproportion can be attributed to the fact that some industries can not find certain types of high-quality steel near home. They have to rely on imported steel to feed their production.

The secretary general urged MoIT to draw up the Strategy for the Development of the Steel Industry until 2030 with a vision to 2050, which is expected to nurture the sustainable growth of domestic steel.

He also called for favourable policies to boost steel-consuming industries such as car component making, thereby raising the demand for the domestically-produced metal. — VNS.

#### 4. Seafood exports to Russia expected to bounce back

Seafood exports to the Russian market are set to bounce back in the remaining months to exceed US\$190 million this year, up 16 per cent year-on-year, after months of disruption due to the ongoing Russia-Ukraine conflict since the end of February.

Seafood exports to the market reached more than US\$94 million as of the end of August, down 20 per cent year-on-year due to the conflict, according to the Việt Nam Association of Seafood Exporters and Producers (VASEP).

Exports dropped by 86 per cent and 46 per cent in March and April, respectively, due to trade traffic disruption and difficult payment and banking risks, according to VASEP.

However, exports have recovered since May and witnessed a turnaround from July with a 36 per cent surge year-on-year, before jumping 98 per cent last month.

Lê Hằng, deputy director of VASEP.PRO Centre, said exports of catfish, the leading export to Russia and accounting for 22 per cent of total seafood exports to the market, were worth \$21 million in the first eight months, down 12 per cent year-on-year.

While exports of most seafood products to Russia saw a decline due to disruptions in the early months of the year, exports of snapper, tuna, and anchovy to Russia managed to grow, including tuna exports

soaring 97 per cent year-on-year in the first eight months to reach \$16 million.

Exports of snapper rose 6 per cent to reach \$14.6 million, and export of anchovy jumped 27 per cent to \$4.6 million.

In the first eight months, 39 Vietnamese firms exported seafood to Russia.

Major exporters include Nam Việt JSC holding at 13 per cent of exports, followed by Saigon Food Import Export JSC (12 per cent), Hải Vương Co Ltd (12 per cent), Anh Long Food Co Ltd (8 per cent), and Minh Phú Seafood Corporation (7 per cent), among others.

Dương Hoàng Minh, Việt Nam's Trade Counselor in Russia, said exports of goods to Russia have been facilitated by freight transport.

Russia's transport group Fesco in May launched a direct maritime line connecting HCM City, Hải Phòng, and Vladivostok in Russia's far east.

Several other shipping lines have launched new routes, speeding up transport to Russia.

Việt Nam's total seafood exports reached \$7.55 billion in the first eight months, up 35.5 per cent on-year. —VNS

#### 5. Corporate bond market has ample room for improvement

The corporate bond market still has ample room for improvement, according to Nguyễn Tú Anh, Director of the General Economic Affairs Department, Communist Party Economic Commission.

Anh was speaking at the conference "Corporate bond market: Trust and responsibility" held by BizLive yesterday.

He said corporate bonds are a flexible capital channel which allows firms to raise proceeds without causing dilution of ownership. Between 2017 and 2021, the market grew at an annual rate of 46 per cent, indicating a huge demand for the financial instrument.

However, fast growth normally goes with high risks. After some scandals, the Government had to take tough action to keep the market in order.

The director underscored two possible solutions to restore trust in the market. The classic solution is to develop strict regulations to keep all risks at bay. This solution is not advisable as it goes against the principle of risk-return trade-off.

The second solution is to develop financial instruments to service investors with various risk appetites. One such instrument could be a credit default swap (CDS), which enables them to hedge against default.

Lê Xuân Nghĩa, a member of the National Financial and Monetary Policy Advisory Council (FMC), estimated total corporate bonds at VNĐ1.4 quadrillion. Meanwhile, the total medium- and long-term loans of the banking system stay at VNĐ5 quadrillion.

He said the corporate bond market grew at an annual rate of over 30 per cent. If the market can keep this pace, it would soar to about VNĐ11.2 quadrillion in the next six years, sufficient to supersede banks' capital.

However, the council member also labelled the market as the "Achilles heel" of Việt Nam's economy as about VNĐ84 trillion of corporate bonds will be due this year and VNĐ140 trillion the next.

He called for the establishment of supervisory institutions and credit-rating agencies to lay the groundwork for the market's development.

Võ Trí Thành, a member of FMC, highlighted the role of corporate bonds in capital raising but admitted that the instrument is never risk-free.

He estimated total corporate bonds at VNĐ1.5 quadrillion, higher than Nghĩa's estimation. Commercial banks are the largest issuers, followed by realty firms and renewable energy firms.

The council member admitted that risks in the market are not investor-specific but systematic. He said individual investors hold about VNĐ300 trillion out of VNĐ1.5 quadrillion worth of corporate bonds.

Vũ Đình Ánh, a financial expert, said firms can issue corporate bonds via public offering or private placement. Publicly-offered bonds are regulated by the Law on Securities whereas privately-placed bonds are by Decree 153.

The expert said the draft amending the decree needs revision since it holds the Ministry of Finance solely responsible for the corporate bond market. The expert believed the responsibility should be shared with the State Bank of Vietnam to regulate commercial banks' involvement in bond issuance.

He also stressed that firms would switch to bank loans should they have collaterals, so the market needs credit rating agencies rather than collateral-related regulations.

"Credit rating agencies are the catalyst for the market's development", he said.

Vũ Tiến Lộc, Chairman of the Vietnam International Arbitration Centre, admitted that firms are in urgent need of capital for recovery but the capital raised from the securities market accounts for just 26 per cent of the total capital available to the economy.

"Only one đồng comes from the securities market in every four đồng available to the economy. The other three represent bank credits," he said.

The chairman was concerned that a large number of corporate bonds are going to mature in the short-term, posing a high default risk to bond issuers, notably including realty firms. — VNS

## 6. UKFTA promotes quality FDI flow to VN

The UK – Việt Nam Free Trade Agreement (UKVFTA) was promoting the influx of quality foreign direct investment (FDI) into Việt Nam.

The country is seeing drastic efforts in boosting reforms to unlock the potential for investment

cooperation coupled with significant changes in the Government's FDI attraction orientations.

The trade deal opened huge potential for Việt Nam to attract investment from the UK in the sectors of the UK's strength, such as green finance, renewable



energy, hi-tech manufacturing, digital transformation, healthcare, education and climate change adaptation.

Those were prioritised sectors in attracting FDI of Việt Nam as the country was striving to build a digital economy and promote green growth.

The latest updates showed that the UK was the 15th largest investor out of 139 countries and territories pouring capital into Việt Nam, with total investment worth nearly US\$4.2 billion as of August 20, accounting for around 1 per cent of the total FDI value into the country.

In August alone, the UK invested in 25 new projects, bringing the total number of projects with UK investment to 478.

The existing investment from the UK was mainly poured into the manufacturing and processing industry, real estate business and mining. With the UKVFTA, there was significant room for Việt Nam to attract investment from the UK in renewable energy and hi-tech manufacturing as well as digital transformation.

Việt Nam committed at the 2021 United National Climate Change Conference (COP26) to achieve net zero emissions by 2050. Under the national strategy for green growth by 2030, the Government set the goal of greening economic sectors through the conversion of growth models and promoting the circular economy model through the efficient use of energy and resources based on the application of science and technology and digital transformation.

The Southeast Asian country's FDI attraction policies were also switching to attract quality FDI which helped integrate the indigenous firms of developing countries into worldwide supply chain networks.

Chris Milliken, vice president of the British Chamber of Commerce in Việt Nam, at a workshop in June, said that he highly appreciated Việt Nam's

commitment to bringing net emissions to zero by 2050.

To achieve this goal, Việt Nam was currently quite open to receiving technological solutions to develop its renewable energy foundation, he said, adding that this was the area that the UK had an advantage in, especially renewable energy and energy saving.

According to the Multilateral Trade Policy Department under the Ministry of Industry and Trade, the UKVFTA gave Việt Nam the opportunity to cooperate with the UK in a number of important fields including industry and energy.

The department pointed out that the UK was a country with strengths in pharmaceuticals, high-tech industries, and energy saving, adding that Vietnamese enterprises have great opportunities to enhance investment cooperation with the UK and promote technology transfer from the UK.

Taking advantage of the UKVFTA, Vietnamese businesses also had the chance to participate in the UK's industrial and energy supply chain as well as export industrial products to the UK.

According to the department, to integrate with the UK's supply chain network, Vietnamese enterprises must pay attention to technical requirements and food hygiene and safety standards of the UK to prepare carefully in terms of business plans and product development.

In addition, enterprises also needed to pay attention to regulations related to sustainable development such as labour and environment because the UK was very interested in these issues, the department said.

Under the UKVFTA, Việt Nam had committed to higher standards of treatment for UK service suppliers and investors than those currently applied for other foreign service providers and investors under its WTO commitments. Many of these commitments lowered market entrance

requirements or enlarged the scope of activities for UK services suppliers and investors than before.

### Accelerate reforms

Việt Nam's drastic effort in improving the business environment in recent years made the country an attractive and safe investment destination in the context that multinational corporations were seeking to diversify and optimise their supply chains after the COVID-19 pandemic.

The UKVFTA not only provided a push for trade and investment cooperation but also acted as a catalyst to accelerate institutional reforms and improve the business climate in Việt Nam, economist Võ Trí Thành said.

The trade deal contributed significantly to creating a favourable business environment to attract quality FDI and establish supply chains, he added.

Viet Nam climbed 34 places to rank 70th in the World Bank's Ease of Doing Business Rankings from 2007 to 2020.

In the race to attract quality FDI and take advantage of the UKVFTA and other trade deals in which Việt Nam was a member country, further efforts to improve the business climate, improve the FDI policies and legal framework were required, according to the Việt Nam Foreign Investment Agency.

In addition, it was necessary to actively enhance trade promotion activities in the UK to introduce the country and the people together with advantages and opportunities when investing in Việt Nam.

The UK investors should be encouraged to invest in sectors of their strengths, including pharmaceuticals, technologies, aviation and renewable energy, the agency said. — VNS

## 7. H1 M&A deals near last year's total: report

Mergers and acquisition value in Vietnam hit \$4.97 billion in the first six months, nearly the same as last year's total, a report has found.

"We still observed a strong growth of private equity and venture capital investments during the first half of the year despite some turbulence in equity and debt markets," said Du Vinh Tran, Ernst & Young Indochina strategy and transactions leader.

Activities in the technology sector, however, has not been as strong as expected although facing strong interest from investors.

There were only four tech-related deals announced in the first half, compared to seven in the previous cycle, Du said, citing a report by Mergermarket.

The property market, however, has experienced lively M&A activities so far this year, like U.S. investment fund Warburg Pincus pouring \$250 million into Novaland, or Singapore-based real estate logistics provider GLP establishing a Vietnam unit with a total investment of \$1.1 billion.

Du is concerned that deal activities may slow down a bit in the second half-year as investors become more conservative about several macro trends impacting Vietnam's economy.

"While the country's fundamentals are still strong, we are not immune from such negative movements as the downturn in capital flow from developed countries to emerging markets, geopolitical tensions, and high inflation."

Those trends cast doubt on investor confidence in Vietnam and many other markets, Du added.



## Corporate News

### 8. TDH: TDH was coerced by the tax authority over VND 74 billion from a bank account

↓ -3.28%

According to the announcement from Thu Duc Housing Development Joint Stock Company ( HOSE : TDH ), the Tax Department of Ho Chi Minh City will enforce the administrative decision on tax

administration for TDH by deducting money from the Company's account at more than 74 banks. billion from September 6 to October 5, 2022.

### 9. VJC: VJC can collect nearly 4.7 trillion dong from this private placement

↓ -0.09%

On September 12, low-cost airline Vietjet announced a resolution on the private placement of 34.8 million VJC shares , equivalent to 6.43% of the total outstanding shares. The issue price is

expected to be 135,000 VND/share, 15% higher than the closing price on September 12 (117,500 VND/share).

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