VIETNAM DAILY NEWS

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Market Analysis

1. Indices end week on a negative note

Shares inched lower on Friday as rising selling pressure in the afternoon session weighed on the market's sentiment.

On the Hồ Chí Minh Stock Exchange (HoSE), the VN-Index dropped 11.63 points, or 0.93 per cent, to 1,234.03 points.

The market's breadth was still negative as 269 stocks declined, while 74 stocks increased. Liquidity, however, rose sharply over the previous session. Matching value on the southern market was up 48.8 per cent to VNĐ14.5 trillion (US$614.4 million).

The 30 biggest stocks tracker VN30-Index posted a fall of 10.04 points, or 0.8 per cent, to 1,252.78 points.

Of the VN30 basket, only seven stocks advanced, while 22 dipped and one stayed flat.

The HNX-Index on the Hà Nội Stock Exchange (HNX) also ended the week lower, down 6.81 points, or 2.43 per cent, to 272.88 points.

During the trading day, over VNĐ1.6 trillion worth of stocks were traded on the northern bourse, equivalent to a trading value of nearly VNĐ81.7 million shares.

The market was in the red due to a stronger sell-off.

According to statistics from a financial website, Hòa phát Group (HPG) led the downtrend with a decrease of 2.6 per cent.

Many attractive large-cap stocks from banking and manufacturing, real estate, IT and retail were also under selling pressure. Vietnam Rubber Group (GVR), Vietinbank (CTG), Vietcombank (VCB), Mobile World Investment Corporation (MWG), Vinhomes (VHM), Vingroup (VIC), Masan Group (MSN) and FPT Corporation (FPT) all fell at 0.9 per cent on the last trading day.

An analyst from the Sài Gòn - Hà Nội Securities JSC (SHS) said that the market benchmark VN-Index continues to accumulate above the nearest support zone of around 1,240 points. The positive point is that the demand is still increasing in the industry groups, including industrial zones, construction, electricity and water.

Meanwhile, foreign investors were net sellers on both main exchanges. Accordingly they sold a total of VNĐ508.72 billion on HoSE and HNX, of which they sold a value of VNĐ422.61 billion on HoSE and VNĐ86.11 billion on HNX.

Macro & Policies

2. List of top 500 profitable companies published

Vietnam Report and the online newspaper Vietnamnet have announced the list of the 500 most profitable companies (PROFIT500) in Việt Nam in 2022.

Among the companies, the ten at the top comprise PetroVietnam, Samsung Electronics Vietnam Thái Nguyên, Hòa Phát Group, Viettel, Vietcombank, Techcombank, Vietnam Electricity, VietinBank, Military Bank and Agribank.

The ten most profitable private companies, meanwhile, consist of Hòa Phát Group, Techcombank, VPBank, Vinamilk, Asia Commercial Bank, Masan Group, HDBank, Việt Nam International Bank, Mobile World Investment and Masan Consumer.

Realty companies accounted for 22.2 per cent of the total number of companies on the list. Financial companies came next with 13.7 per cent and companies operating in the food-beverage-tobacco sector followed with 10.7 per cent.

Foreign direct investment companies took the lead in terms of return on assets (ROA) with 11 per cent, dropping from 12.4 per cent last year. Companies operating in the public sector came last with 7.8 per cent. They had ROA of 8.4 per cent in 2021.

About two-thirds of companies on PROFIT500 had their revenues surpassing the levels prior to the pandemic. Of those companies, only 6.2 per cent fell short of their pre-pandemic profits.

Over two-thirds of the companies underscored inflationary pressures and global politico-economic instability as the biggest issues holding them back. Other issues include supply chain disruption, weakening purchasing power and tight labour supply.

Up to 96.1 per cent of the companies faced mounting input costs, which were predominantly caused by unfavourable interest rates, exchange rates, fuel prices, international logistic costs and tax policies.

The mounting costs were expected to hold steady until late 2023, eroding firms' profits. The firms have taken various measures to deal with the situation.

Notably, measures to develop high-quality staff were employed by 69.6 per cent of the firms. Other measures include cost cutting, digital transformation and product R&D.

About 74 per cent of the firms said they had reached over 50 per cent of annual profit targets and 78.3 per cent expected to grow by up to 6.5 per cent this year. Roughly 73.9 per cent had a positive outlook for their profitability.

The firms called on the Government to implement six favourable policies to support their growth. The policies involve digital transformation, tax cuts, macro-economic stabilisation, financial packages and administrative simplification.

3. Increased demand for car ownership drives up production: automobile experts

Demand for cars is forecast to increase strongly in the medium and long term due to the low car ownership rate in Việt Nam and rising average income, according to automotive experts.

They said the third quarter is often the low season for local car sales. However, the rapid increase in demand and limited supply due to the global chip shortage will help auto sales stabilise in the remainder of the third quarter before entering a peak season in the fourth quarter of this year. In addition, they noted that local demand for automobiles remains strong in the medium and long term due to the current low car ownership ratio in Việt Nam and people's higher income.

Bảo Việt Securities Company reported that car sales volume in the third quarter would grow strongly. According to Vietnam Automobile Manufacturers Association (VAMA), sales volume in July 2022 rose by 10.8 per cent against June to 24,461 units or a 69.2 per cent year-on-year increase. Sales volume in the third quarter of 2021 was severely disrupted due to widespread social distancing measures amid the COVID-19 pandemic. In the first seven months of this year, auto sales rose by 39.3 per cent against the same frame last year to 209.928 units.

The company said because of limited supply and high demand, buyers are willing to place orders and wait for months to receive cars. That is why BVSC believes that car sales in the third quarter this year will grow strongly against the same period last year.

Nguyễn Lý Thanh Lương, an analyst at SSI Securities JSC, said: "Once people's income reaches a certain threshold, it will lead to a boom in demand for private cars. This will have a cycle of around five to six years and Việt Nam is now in that cycle".

Though inflation is high, people will divide their income into items related to living expenses, houses or cars. For example, they will borrow more money from banks to buy a car, Lương said, noting that the automobile industry boom also led to the development of other supporting industries.

The major growth is attributed to the low car ownership ratio in Việt Nam. Therefore, SSI still believes that automobile demand will rise in 2023 with a sales volume of 385,000 units or 14 per cent higher than 337,000 units in 2019.

It is known that the auto industry is quite sensitive to increasing raw materials prices in steel, plastics and fuel. Automakers will face a hard time if they want to raise car prices due to rising input costs while trying to maintain their competitiveness.

However, the price of key materials, including steel, plastics, petrol and semiconductors, has shown signs of peaking in 2022 and is now decreasing. As a result, it is predicted that the automotive industry will see rapid profit growth next year.

Localisation ratio

In addition, regulations on the automobile localisation ratio will be abolished after being in force for almost 20 years. In mid-August, the Ministry of Science and Technology just enacted a circular to rescind current regulations on methods to calculate the automobile localisation ratio in Việt Nam. The new circular will take effect from October 1 this year.

Under the current regulations, Việt Nam calculates the automobile localisation ratio by clusters of components produced in the country. Meanwhile, other countries calculate this as a percentage of domestic production value.

Việt Nam's automobile industry remains fledgling after more than 30 years since the country opened its door to foreign investment.

The current average localisation ratio of passenger cars with up to nine seats is as low as 7-10 per cent. As a result, it failed to meet the Government's target of 30-40 per cent by 2020, 40-45 per cent by 2025 and 50-55 per cent by 2030.

Experts said that only a few spare parts are produced domestically, forcing domestic manufacturing and assembling enterprises to import automobile spare parts from other sources.

According to VAMA, a single car has about 30,000 parts, with 80 per cent of components imported and 20 per cent domestically produced. As a result, the price of locally-manufactured and assembled autos is 20 per cent higher than that of imported ones.

According to automotive experts, signed FTA agreements and the abolition of regulations on the automobile localisation ratio are quite appropriate in the context of global economic integration.

This helps improve the country's business climate while creating favourable conditions for local automobile manufacturers and assemblers to maintain production amid the fierce competition with completely Built-Up Units (CBU), which are enjoying preferential tariffs.

By 2018, Việt Nam was committed to removing all import tariffs, which can increase the import of CBUs from manufacturing hubs such as Thailand, Malaysia, and Indonesia. Since 2018, the import tax on cars has been reduced further to zero per cent for CBU, posing a major challenge for domestic manufacturers already facing intense competition from neighbouring countries.

4. Official points out risks to CPI during year's end

Though inflation was under control in the past eight months, the economy still poses risk to the consumer price index (CPI) in the remaining months of this year and next year, said Director General of the General Statistics Office of Vietnam (GSO) Nguyen Thi Huong.

In an interview recently granted to Vietnam News Agency, Huong said amid inflation in many countries worldwide due to the prolonged Russia-Ukraine conflict, the COVID-19 pandemic and disrupted supply chain, the Vietnamese Government took drastic measures to reduce petrol prices, stabilise electricity and water prices and tuition fees, and maintain reasonable interest rates. As a result, inflation was kept at 2.58% in eight months of this year, easing pressure on input costs.

The Government, ministries and agencies directed localities to manage prices while a number of firms actively joined the price stabilisation programme to ensure the supply of necessities to people, especially food.

Pointing out risks that could potentially impact CPI during the remainder of this year and next year, Huong said the global material prices remain high which could push up prices of consumer products at home, thus exerting pressure on inflation.

The fuel prices are also likely to hike again due to the complicated Russia-Ukraine conflict and rising demand for energy in China when its economy is recovering from the pandemic.

At the same time, the supply of fertilisers and cereals used for animal feed production is falling, potentially leading to an increase in food prices.

Meanwhile, consumption demand is expected to rebound, especially tourism, entertainment and dining, she said.

According to her, the GSO suggested ministries, agencies and localities fully prepare for food and necessities to meet public demand.

The Ministry of Agriculture and Rural Development must ensure the supply of pork, particularly during year's end while the Ministry of Industry and Trade and localities must stabilise its prices.

The supply of fuel at home must also be guaranteed and the reduction of value added and special consumption taxes should be considered in case the global fuel prices bounce back.

The GSO also proposed boosting the production of other important input materials such as iron and steel, construction materials and animal feed.

The State Bank of Vietnam (SBV) was advised to continue directing an active and flexible monetary policy and combine with fiscal and macro-economic policies to control inflation and ensure the supply of capital to the economy, she said.

5. Banks race to implement digital transformation ecosystem

The local banking sector, currently undergoing drastic restructuring, will have more opportunities to improve its financial capacity as well as learn modern business models and management from UK partners after the UK-Vietnam Free Trade Agreement (UKEVFTA) takes effect, according to banking insiders.

UK banks may set up representative offices, branches, 100 per cent foreign-owned banks and joint ventures with capital contributions not exceeding 50 per cent in Việt Nam.

Until 1 August 2025, UK financial institutions may solicitate the approval of Việt Nam's competent authority (State Bank of Vietnam) to buy shares in one joint-stock commercial bank of Việt Nam, up to 49 per cent of that enterprise's chartered capital, except for four commercial banks of which the Government of Việt Nam currently holds the majority of equity.

UK investors are also permitted to transfer cross-border financial information and financial data processing. In addition, UK investors can provide cross-border advisory, intermediation, and other auxiliary financial services (including credit reference and analysis, wealth management, acquisitions advice, and corporate strategy).

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

Digital transformation is an irreversible trend of businesses in the 4.0 era. Banking and finance is not an exception to that trend, according to banking experts.

According to the State Bank of Vietnam (SBV), at least 95 credit institutions have developed plans for digital transformation.

In recent years, the use of banking transactions on digital channels is no longer unknown to the majority of people.

According to experts, the bank's digital transformation journey consists of three steps. The first is digitisation - converting the traditional process to a digital one; the next is digital transformation - digitising each part of business, enhancing customer experience; the last is ultimately digital reinvention - combining technology and digital platforms to generate revenue and results through innovative strategies, products and services.

Most banks are at the third step, so there are already many plans to go further in digital transformation. Therefore, many banks have moved to establish a digital banking ecosystem, from opening accounts to registering, issuing, and managing products. Services such as accounts, credit cards, loans can all be done online.

The percentage of people accessing digital platforms is increasing as Việt Nam has a young population structure and a rapidly increasing smartphone usage ratio.

According to Adsota's Việt Nam digital advertising market report in July 2020, Việt Nam has 43.7 million people using smartphones, or 44.9 per cent of the total population. Việt Nam is among the 15 markets with the highest smartphone users globally.

UK-based HSBC opened a full-service branch in HCM City and has taken the lead in implementing digital penetration and new technology solutions which are key focus areas at the bank for both retail as well as corporate customers, according to an HSBC report.

Likewise, on the retail space, HSBC Vietnam has been the first bank in the market to roll out an end-to-end digital journey for onboarding new customers and mobile banking.

HSBC Vietnam has introduced Omni Channel Collections Solution, a dynamic service that supports businesses, especially those who wish to develop e-Commerce, to provide multiple payment options on one single platform.

"We are very proud to be the first international bank and the fifth market in the world for HSBC to launch this innovative solution in Việt Nam. This ambitious, holistic and digitalised solution has proved that banks and Fintech companies can flourish in partnership and will help boost digital payments as per the Government of Việt Nam's strategy to encourage cashless transactions," said Hanh Nguyen, Country Head of Global Liquidity and Cash Management, HSBC Vietnam.

According to Tim Evans, General Director of HSBC Vietnam, two important issues post-Covid-19 to ensure that the financial sector maximises its potential are sustainable finance and digitalisation. The State Bank of Vietnam (SBV) has recently introduced initiatives to support green finance development and digital transformation. It has set a target of 60 per cent of banks having access to green capital and lending to green projects by 2025.

Đỗ Quang Vinh, Member of the Board of Directors, Deputy General Director and Head of Digital Banking Division of SHB, said that digital transformation is considered a long-term project, with items that are highly complex and require coordination between many units.

The bank has transformed customer management to offer a variety of financial solutions as well as applying technology in operations, which help to save time and personnel costs as well as increase productivity.

Nam A Bank said that in 2022 it will continue to focus on increasing investment and applying technology, creating new steps in digital transformation, and continue to perfect the digital banking ecosystem: Robot OPBA, Open Banking and ONEBANK, meeting the needs of transactions anytime, anywhere.

MSB has also cooperated with the world's leading consulting group, Boston Consulting Group (BCG), in implementing the Digital Factory project with an investment of approximately VNĐ2 trillion (US$83 million).

However, to solve the above problems, banks have to invest up to tens of trillions of dong per year for digital transformation. Vinh said SHB has invested a lot of resources and budget to upgrade Core Banking (core bank), upgrade cards, deploy investment banking, loan origination solutions (LOS), deploy Omni Channel systems and related information technology systems and apply the most modern solutions.

According to Lê Anh Dũng, Deputy Director in charge of the Payment Department under the SBV, said in the first six months of 2022, non-cash payment transactions increased by 77.2 per cent in quantity and 29.8 per cent in value compared to the same period of last year.

Around 68 per cent of Vietnamese adults have a bank account, and 5.5 million accounts and about 8.9 million bank cards now use the eKYC (electronic Know Your Customer) process.

Speaking at a seminar on digital transformation a few months ago, Governor of the State Bank Nguyễn Thị Hồng said that the banking industry will strengthen security and safety in electronic payments, effectively implement important payment systems and operate payment intermediary service providers to ensure proper, smooth and safe operation.

She said many domestic banks have 90 per cent of their transactions conducted on digital platforms, surpassing the target of 70 per cent set for 2025.

Half of banking services are expected to be digitalised and 70 per cent of transactions will be carried out online by 2025, she noted.

6. Insurance companies urged to go digital soon

Insurers should promote digital transformation rapidly as, compared to other financial industries, the insurance industry is considered to have slow digital transformation with limited economic efficiency.

Despite efforts being made, the digital transformation of insurance companies is lagging, as most life insurance buyers still want to hold paper contracts instead of keeping them online and seeing them on mobile devices.

Phạm Thu Phương, deputy director of the Ministry of Finance's Insurance Supervision Authority (ISA), said the biggest challenge for insurance companies is an effective digital transformation strategy, as many companies, even foreign-invested ones, have not performed digitisation synchronously but only in some stages.

According to Phương, the economic efficiency of digital transformation of the insurance industry remains very limited. ISA's statistics showed at present, the insurance revenue through digitised channels of the life insurance segment accounts for less than 5 per cent of the total premium revenue of the market. The number of the non-life insurance segment is even lower at less than 1 per cent.

The digital transformation costs are not small while the insurance business relies on the majority and statistics in order to have correct premium calculation, therefore the more rapid, comprehensive and effective the digital transformation is, the more insurance companies gain. Thus, insurance companies need to develop strategies and calculate reasonable investment costs to promote digitisation effectively, Phương noted.

According to insurance companies, changing the habit of using technology in insurance activities is difficult, but the boom of digital transformation in life as well as the increasing number of young insurance customers are making it easier for users.

Naren Baliga, Business Unit manager at Manulife Vietnam, told tinnhanhchungkhoan.vn that at first, when Manulife's eClaims digitiser was first launched, many customers were not used to submitting documents online, but now, 95 per cent of the insurance claims of Manulife Vietnam have been sent through this tool.

For customers who are still using paper contracts, access to the benefits of electronic contracts as well as other paperless services is only a matter of time, Baliga said.

In an era where digital interactions are applied to almost everything in daily life, harnessing the power of digitalisation is important for life insurance companies to promote interaction with customers, Baliga said, adding that to become a leader in the insurance industry, competing with other insurers is not enough. The biggest challenge for all insurers is to provide a convenient and enjoyable insurance digitisation experience for customers like those of other financial industries.

Digitisation is not only simply a driver for the growth of the life insurance industry alone, but also a contributor to transforming the entire value chain of the insurance industry. If insurance companies do not go digital soon, they will quickly lag behind, Baliga said.

7. Vietnam tops world in crypto adoption: Chainanalysis

Companies in Vietnam have hired 175,370 information technology staff this year, up 36.2% year-on-year, as the country's tech sector continues to boom with rising investment, a report has found.

Recruitment demand for IT staff is set to exceed 229,000 by 2023 and 290,000 by 2024, said the Vietnam IT Market Report 2022 by recruitment platform TopDev.

Over half of 2,500 employers surveyed, or 55%, said they had hired more developers than in previous years, it said.

Six out of 10 (64%) plan to expand their IT team with more hiring this year, it added.

It takes an average 51 days to fill a position in the tech industry in Vietnam, TopDev said, explaining that this is a long period due to the high demand for recruitment and shortage of suitable candidates.

One of the reasons for the upsurge in demand is Vietnam has drawn enough attention among IT companies from other countries, and they are coming in to hire or construct their product development teams, the report said.

"The creative startup wave in technology sector is becoming stronger, especially after big investments for technology startups, while the the transformation wave of traditional businesses in sectors like tourism, agriculture, real estate all shift to digital transformation and e-commerce."

A fresh graduate earns from $331 a month, but that figure quadruples to $1,410 when he reaches management level five years later.

The Chief Technology Officer, one of the highest positions in the tech sector, earns around $5,900 a month.

The top industries in terms of recruitment are NFT or blockchain, high tech (artificial intelligence) and fintech.

Other recruitment platforms confirm the rising need for IT staff.

Ha Nguyen, CEO of recruitment platform Adecco, said digital transformation in Vietnam is providing many job opportunities for IT candidates.

They can be outsourced to companies in other countries also, she added.

"Because of the high demand, companies still face difficulties in recruiting candidates with high skills despite offering attractive salaries and benefits."

Recruitment company Navigos said in its second quarter report that the Russia-Ukraine crisis has shifted many IT orders to Vietnam, which increases recruitment demand.

There is a big shortage of IT candidates in the banking and financial sector, as well as in e-commerce, medical services and education, she added.

Corporate News

8. TDC expects to collect nearly 1.3 trillion dong from the transfer of Uni Galaxy project

↑ +0.83%

The Board of Directors of Binh Duong Business and Development Joint Stock Company (HOSE : TDC) on September 15 approved the transfer of the entire project of Commercial Residential Area on Ngan Ha Street (Uni Galaxy) to Gamuda Land Binh Duong Co., Ltd. with a total the transfer value is nearly 1.3 trillion dong.

In which, the value of land use right transfer is 1,250 billion VND and the value of technical infrastructure is excluding VAT is nearly 35 billion VND.

The payment period is divided into two installments. For land use rights, the first phase will pay 600 billion VND, equivalent to 48% of the land use right transfer value; the second installment will pay 650 billion VND (52%).

The value of infrastructure is also divided into two phases. Phase 1 will pay nearly 17 billion VND, equivalent to 48% of the infrastructure transfer value; Phase 2 will pay more than 18 billion VND (52%).

According to the resolution, immediately after signing the transfer contract, Gamuda Land Binh Duong will hand over to TDC a bank guarantee issued by HSBC Bank Limited with a guarantee value of more than VND 18 billion.

More about the project, Uni Galaxy is a project with an area of more than 56,000 m2, located in Hoa Phu ward, Ho Chi Minh City. Thu Dau Mot, Binh Duong province. Long term land use.

Thus, with the above contract, it is estimated that the average transfer value of the Uni Galaxy project land lot is nearly 23 million VND/m2.

9. MSB was approved by the State Securities Commission to issue bonus shares to increase capital

↑ +0.85%

On September 15, 2022, the State Securities Commission (SSC) approved in writing for Vietnam Maritime Commercial Joint Stock Bank (HOSE : MSB) to issue shares to increase share capital from equity. owned by 30%.

Accordingly, the source of capital used to issue shares to increase capital is undistributed profit after tax and share capital surplus that can be used to increase charter capital after fully appropriating funds according to the financial statements. main audit in 2021.

MSB will issue up to 458.25 million shares. The total value of additional issuance at par value is nearly 4,583 billion VND. The number of outstanding shares is expected to increase to nearly 1.99 billion shares after the issuance.

Previously, the Board of Directors of MSB issued a Resolution on increasing charter capital to VND 20,000 billion by issuing bonus shares to existing shareholders at the rate of 30% and issuing a maximum of 14.25 million shares to employees from the source. equity. In August 2022, the State

Bank also issued a decision to approve this capital increase request.

After completing the 30% capital increase through the issuance of bonus shares to existing shareholders, MSB will issue shares under the employee selection program. It is expected that MSB will close the list of shareholders entitled to receive 30% bonus shares in October 2022.

"The capital increase will help MSB improve its financial capacity, expand its operation scale and meet the set growth plan" – a representative of MSB shared.

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