VIETNAM DAILY NEWS

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Market Analysis

1. Market volatile, liquidity drops to 2-month low

Viet Nam's stock market continued to experience volatility this week as the VN-Index concluded yesterday down after a brief recovery in the previous session.

On the Ho Chi Minh Stock Exchange, the VN-Index decreased 0.69 per cent to close at 1,210.55 points. It rose 1.12 per cent on Tuesday after witnessing a decline of 2.3 per cent on Monday.

The market condition was negative as the number of losers overwhelmed the gainers by 309-140 while another 123 closed flat.

Liquidity also dropped to a two-month low with nearly 392 million shares worth VND9.8 trillion (US$417 million) traded. The trading volume and value declined from the start of the week with decreases of nearly 40 per cent in both volume and value compared to Monday's levels.

Only six out of 25 sectors gained value while 19 registered losses, of which retail, banking and financial group, seafood processing industry and telecommunications and information technology were the biggest losers with an average loss of more than 1 per cent.

The top 10 shares dragging the market most included Vingroup (VIC), Vinhomes (VHM), Mobile World Investment (MWG), VPBank (VPB), Vietinbank (CTG), BIDV (BID), Techcombank (TCB), Masan Group (MSN), Vietcombank (VCB) and Khang Dien House Trading and Investment (KDH).

On the bright side, the recovery of Vinamilk (VNM) cushioned the market's fall. The largest-listed dairy firm increased 1.5 per cent.

According to Viet Dragon Securities Co (VDSC), the market temporarily halted being under intense selling pressure at the support level of 1,190-1,200 points of the VN-Index and thereby helped the index recover.

"However, it is a technical rescue after a series of days of profound decline, and there is hardly a good chance to exit the position," said Phuong Pham, VDSC's market analyst.

Phuong said the market may regain, but there would be more vigorous shaking when the VN-Index faces the resistance area of 1,227-1,230 points. Therefore, "investors should take advantage of the recovery to restructure the portfolio minimising risks and keeping the safe proportion."

On the Ha Noi Stock Exchange, the HNX-Index also decreased 0.68 per cent to end at 265.09 points.

Liquidity also slipped here but not much. More than 46 million shares worth VND1 trillion were exchanged, down 20 per cent in volume and 10 per cent in value compared to Tuesday's levels.

Trading by foreign investors was mixed. They remained net sellers in HCM City's market with a net sell value of VND122 billion, while they remained net buyers in Ha Noi's exchange for a value of VND9.3 billion.

Macro & Policies

2. Việt Nam has positive outlook for future, but challenges loom: ADB

Việt Nam's economy has been bouncing back faster than expected in the first half of 2022, according to Andrew Jeffries, ADB Country Director for Vietnam.

The director was speaking at the launch of the Asian Development Outlook Updates 2022 on Wednesday.

He attributed the bounce-back to strong economic fundamentals, flexible monetary policy and stable recovery of manufacturing, services and domestic consumption.

"Building on this growth momentum, ADB retains its forecast for Việt Nam's economy to grow by 6.5 per cent this year, followed by an acceleration to 6.7 per cent for 2023," he said.

He also said prudent monetary policy and effective price controls would keep inflation in check at 3.8 per cent this year and 4.0 per cent for next year, unchanged from the projection made in April's Asian Development Outlook.

However, risks to the economic outlook remain elevated. The global economic slowdown could weigh on exports whereas labour shortage is expected to impede the fast recovery of services and labour-intensive export sectors.

The low delivery of public investment and social spending, especially the implementation of the governmental Economic Recovery and Development Programme, could compound the situation, slowing growth this year and the next.

Nguyễn Minh Cường, Principal Country Economist at the Asian Development Bank (ADB), remarked that high vaccine coverage and milder symptoms of Omicron variants have allowed Asian countries, except China, to reopen their economies.

The switch from stringent pandemic preventive measures to flexible measures lifted Việt Nam's PMI (purchasing managers' index) to 52.7 points in August, against the figure of 40.2 points in the same month last year.

The country achieved GDP growth of 7.7 per cent in the second quarter of 2022 and a six-month average growth of 6.4 per cent.

"A strong macroeconomic base is the driving force behind the steady growth," he said.

Public revenues rose by 19.4 per cent in the first eight months of the year and outpaced public expenditures, resulting in a fiscal surplus of 5 per cent GDP.

Bank credit grew by 15.2 per cent in late June compared to the same month last year. Credit growth caps were kept at 14 per cent. Treasury Bills were issued to absorb VNĐ100 trillion from the economy so far.

Services saw an increase of 6.6 per cent in the first six months of the year. Tourism fared better with 7 per cent. Banking services and financial services followed suit with growth rates of 9.5 per cent and 9.1 per cent, respectively.

Manufacturing and processing industries were riding high with a six-month growth of 9.7 per cent, fuelled by exports.

Economic recovery, coupled with stable exchange rates, pushed eight-month exports up by 17.1 per cent and imports by 13.6 per cent, equivalent to a trade surplus of US$4 billion.

"However, clouds are gathering on the horizon," he added.

Manufacturing export orders were weakening. The possibility of higher Fed rates would fuel the situation, leading to remittance drops and current account deficits.

ADB forecast that Việt Nam's agricultural sector would grow by 3.5 per cent, industrial sector by 5.5 per cent and service sector by 6.6 per cent.

3. VN must ramp up production of feed raw materials

Increasing domestic supply of raw materials is among the highest priorities for the development of Việt Nam's livestock feed industry in the future, said policymakers and industry experts.

In recent decades, the overreliance on imported raw materials has been identified as a major shortcoming of the industry. The country's fast-expanding livestock sector has a huge demand for feed, one that domestic producers could only meet just over 40 per cent.

The Southeast Asian country imported 22.3 million tonnes of raw materials, with a large part made up of corn and soybean oil, worth of US$10 billion in 2021 alone.

Increasing domestic supply, however, will likely prove to be a tall order, which requires solid groundwork and meticulous plans from both the Government and producers.

Võ Quang Nhân, head of the marketing department at Woosung Việt Nam JSC., a large producer in southern Việt Nam with an extended distribution network in the Mekong Delta, said the industry has been struggling with rising prices and on-and-off supply of raw materials as a result of disruption in the global market.

In the last few years, Woosung has been working around the clock to find domestic suppliers among the country's many agricultural hubs as a way to compensate and lessen the reliance on imported raw materials.

However, Nhân said a key priority for major feed makers was a stable supply of standardised input, which remains a challenging task for small-and-medium-sized suppliers to pull off.

Similarly, CP Việt Nam, the country's leading livestock supplier, said they have been in talks with over 300 domestic suppliers across the country. A CP Việt Nam spokesperson said the country views domestic suppliers as a key component of and the cornerstone for a sustainable supply chain.

In a recent meeting with the local authority of southern Đồng Nai Province, Dutch feed maker De Heus said the corporation considered the development of Vietnamese suppliers a must-do to ensure a sustainable supply chain.

Industry experts have long voiced concerns over the industry's overreliance on imported materials, which renders it particularly vulnerable to market shocks.

Dr Chế Minh Tùng from HCM City University of Agriculture and Forestry said feed alone could account for up to 80 per cent of livestock costs yet the country has not been able to produce many key components that made up its animal feed portfolio.

In order to reduce reliance on imported raw materials and develop a sustainable supply chain, the country must start planning, with significant support from the Government, for production centres. Measures must also be taken to boost investment, both from domestic and international businesses, in the industry.

4. Good packaging key to product success

Good packaging can extend the storage life of agricultural produce and improve brand recognition, but not many firms are aware of such benefits.

Nguyễn Minh Tiến, director of the Vietnam Trade Promotion Centre for Agriculture, asserted that good packaging can protect and buffer a product from potential harm during warehousing and shipping. It also helps firms boost brand awareness and drive buying behaviours.

In Việt Nam, the packaging of many products, including coffee, cashew and rice, involves the use of PP woven bags whereas some others require specific types such as water-proof PE-layered bags.

As consumers become increasingly design-conscious, their demand for eye-catching packaging rises. It is essential to develop new types of bags that create an emotional connection between products and consumers.

Environmental concerns should also be taken into account since consumers are shifting their buying behaviour towards sustainability. It is equally important to replace plastic bags with degradable paper-based bags.

Nguyễn Ngọc Sang, chairman of the Vietnam Packaging Association (VPA), noted that packaging has reached a total global value of US$500 billion with an annual growth rate of 12 per cent. The rate tops 13 per cent in Việt Nam with over 4,500 bag manufacturers.

Bag manufacturing is not an easy task as consumers increasingly insist on higher standards for the product. Packaging bags need to be budget-friendly and attention-grabbing at the same time. Additionally, durability must come with environmental friendliness.

"Packaging should be smart to convey product information to consumers more easily," he added.

The chairman called for the use of bags to not only be eye-catching but also informative, which display in-depth information about local cultures.

A representative from Malu Design remarked that many global environmental campaigns, including Earth Hour and Make The World Cleaner, have become prominent in recent years, attracting a large number of participants.

A greener mindset has had a significant impact on buying habits. Notably, green bags have become a global trend and bans on plastic bags have been the order of the day in numerous countries.

In the US, San Francisco was the first city to put an end to plastic bags in large shops, reducing 1.4 million tonnes of plastic waste per year. In South Africa, the use of plastic bags could incur a fine of up to US$13,800. China followed suit in 2008.

"Plastic bags are cheap, convenient to use and familiar to consumers, yet detrimental to the environment and human health. Many bag manufacturers have switched to green ones," he said.

Huỳnh Thị Thu Hằng, a VPA expert, underscored several characteristics that agricultural producers should be mindful of when they design packaging. She said the bags should be unique, eco-friendly, eye-catching, recyclable and connected with Vietnamese cultures.

Each bag of agricultural produce should contain a couple of smaller bags inside for food safety. The smaller bags should be designed in a way that they can be easily put into a gift box packed with items of different kinds.

5. FDI influx prompts Vietnam to improve business environment: experts

A recent strong influx of foreign direct investment (FDI) to Vietnam has prompted the government to design long-term policies and create a favourable and transparent environment for foreign investors to operate in a long term in the country, according to experts.

Statistics from the Ministry of Planning and Investment showed that 35-40% of the total FDI capital injected to underway projects in Vietnam are poured to those in industrial parks (IP) and economic zones (EZ). The rate in the manufacturing-processing sector is up to 80%.

Deputy Minister of Planning and Investment Tran Quoc Vuong said that Vietnam is eying a “golden chance” to attract a new FDI wave, especially to IPs and EZs.

To date, 61 out of the 63 cities and provinces have had IPs and EZs, with a total 403 IPs, 18 coastal EZs and 26 border EZs.

The IPs and EZs are destinations for large-scale firms such as Samsung, Panasonic, Boeing, Canon, LG, Sumitomo, Foxconn, and VSIP.

Micheal Vu Nguyen, Boeing country director in Vietnam, said that the firm's production value in Vietnam has reached US$200 million. He expressed his hope that the Vietnamese Government will continue to maintain open, flexible and effective policies for major suppliers in the aviation sector, enabling them to make more investment in Vietnam.

Experts held that Vietnam is currently a favourable destination for investors thanks to its political stability, fast post-pandemic recovery, ensured macro-economic balances and controlled inflation, along with good infrastructure system and the country's engagement in a large number of free trade agreements (FTA).

Vu Tien Loc, President of the Vietnam International Arbitration Centre (VIAC), held that the FDI has benefited Vietnam in many ways, prompting the country to speed up economic restructuring and growth model reform, and improve its institution, legal policies, business environment and market economy development.

Nguyen Anh Tuan, Vice Director of the Foreign Investment Agency, said that despite COVID-19 impacts, foreign investment activities in Vietnam are still bustle, benefiting industrial sector, especially supporting industries, as Vietnam is prioritising FDI projects in the fields of high technology, supporting industries, renovation and digital economy, creating favourable conditions for local firms to join global value chain.

6. Việt Nam F&B: An appealing industry for UK companies

The recovery and development of the food and beverage (F&B) market post-COVID-19 is providing opportunities not only for domestic companies but also those from the United Kingdom (UK), especially after the success of the UK-Vietnam Free Trade Agreement (UKVFTA).

After all COVID-19 restrictions were lifted and lives returned to normal, domestic consumption demand has rebounded, becoming the driving force to help the F&B industry grow again.

According to a report on socio-economic performance in August by the General Statistics Office of Việt Nam, the total retail sales of consumer goods and services were estimated at VNĐ481.2 trillion (US$20.3 billion), up 0.6 per cent month-on-month and 50.2 per cent over the same period last year. The result was much better in scale and growth rate than that of the same period in previous years before the outbreak of COVID-19.

For the first eight months of the year, the total retail sales of consumer goods and services were forecast to increase by 19.3 per cent on-year to nearly VNĐ3.7 quadrillion.

In the same period last year, that was down 3.5 per cent, if we exclude a gain of 15.1 per cent in prices, the total retail sales of consumer goods and services decreased by 5.1 per cent.

Last year, the total value of food and beverage consumption was estimated at VNĐ816 trillion, a 10.5 per cent increase year-on-year, contributing about 13 per cent to GDP, according to Statista. Spending on F&B accounted for the highest proportion in the monthly spending structure of consumers, which is about 35 per cent of total consumption expenditure, a survey made in 2018 by the Vietnam Report showed.

Experts said that even though the inflation pressure is still lingering for the rest of the year, prices of domestic commodities are basically under control, helping to gradually increase volumes of consumer goods in the future.

The research firm Business Monitor International said that total household spending in Việt Nam tends to inch higher during the 2022–2025 period. Domestic consumers will maintain their strong purchasing power for essential items, including food and beverages.

A report from market intelligence and advisory firm Mordor Intelligence showed that the country's F&B industry will achieve a compound annual growth rate of 8.65 per cent during 2021–2026.

In the first half of the year, many enterprises in the F&B industry, including dairy producer Vinamilk and Masan Consumer Holdings under Masan Group, recorded outstanding business results in terms of revenues and profits in both domestic and international markets.

This opens up a huge opportunity for UK food and beverage products to expand their presence in the Vietnamese market, especially under the UKFTA.

Under the deal, most food and beverage product tariffs will be gradually eliminated over 2–9 years. Some products may use a tariff quota, which brings tariff rates to 0 per cent for approved exporters as part of a pre-determined quota.

The reduction in tariffs under the UKVFTA secures a significant market advantage for UK exporters.

F&B products that Việt Nam imports most from the UK are beverages (mostly wine and spirits), fish and crustaceans, products of the milling industry, preparations of cereals, flour, starch, or milk and dairy produce. Việt Nam's most favoured nation (MFN) rates on F&B products are between 3-60 per cent.

Economist Võ Trí Thành said that the UK's F&B companies have two advantages in the Vietnamese market.

"The first advantage is that the UK's F&B products have had more chances to reach Vietnamese consumers since the EU-Vietnam Free Trade Agreement (EVFTA) came into effect, because it hadn't left the bloc at that time," said Thành.

This helps Vietnamese consumers get familiar with the tastes and flavours of the UK's F&B goods.

In addition, in the past ten years, Việt Nam's wine-drinking culture has boomed, especially in big cities like Hà Nội and HCM City. So, with market accessibility, tariff preferences, and higher demand, imports of the UK's F&B commodities will definitely increase, the economist added.

"In fact, the UK has a traditional alcohol line that Vietnamese people have come to favour, which is whiskey. This is also a positive point," Thành said.

Irish whiskey and Scotch whisky are two of the UK geographical indications (GIs) protected under the treaty.

However, Thành emphasised that the Vietnamese F&B industry is very competitive.

"Take wine as an example. Many countries in the world can produce wine and become well known thanks to it. Secondly, the taste of Vietnamese people has not completely formed according to a standard taste, so it is quite a challenge for marketing and advertising," he said.

7. Airports take decades to break even: aviation experts

An airport with a capacity of one million passengers a year will cost VND3-5 trillion (US$127.6-212.7 million) but have a payback period of 40-50 years, according to analysts.

Many provinces like Son La, Tuyen Quang and Lao Cai in the north, Ninh Thuan and Quang Tri in the central region, Kon Tum in the Central Highlands, and Dong Nai in the south want to build airports.

Sapa Airport in Lao Cai will have a capacity of 1.5 million passengers and is budgeted to cost VND3.65 trillion, including nearly VND3 trillion from private investors. The breakeven period is 46 years and two months.

Covered an area of 265 hectares of land in Quang Tri's Gio Linh District, Quang Tri Airport will be built in two phases with total estimated investment of VND5.82 trillion, including VND5.5 trillion from the investor and the remainder from the state budget earmarked for site clearance. It will take the investor 47 years and four months to break even.

Aviation expert Nguyen Bach Tung said an airport costing VND3-4 trillion and with a capacity of one million passengers would earn annual revenues of VND36 billion from flights and VND100 billion from passengers. If the capacity is two million passengers, the investor would earn around VND250 billion a year, he said.

Unlike most other infrastructure works, an airport is very expensive to operate, with the annual expenditure on electricity, water and salaries for around 200 staff -- if the capacity is one million passengers – adding up to VND40-50 billion.

Interest on bank loans and depreciation add up to another VND300 billion.

Tung said in their initial years new airports, especially in mountainous areas, operate at well below capacity, but even if the design capacity is reached it would take decades to recoup the investment.

Many of the country's 22 airports have yet to reach maximum capacity. In 2019, before the Covid-19 pandemic broke out, only 10 of them had reached or surpassed their designed capacity.

Some have few flights and revenues are not enough to cover operating costs, but since 21 of them -- except Van Don in the northern province of Quang Ninh -- are managed by the Airports Corporation of Vietnam, airports with high revenues take up the slack.

At a recent government meeting, Deputy Minister of Transport Le Anh Tuan said it is difficult to mobilize funds to upgrade or expand existing airports since the requirement is usually big while revenues are low at most.

The build-operate-transfer (BOT) option is not feasible since the payback period is too long, he said.

To attract airport investors, central and local governments should give them appropriate capital support during the investment stage, even in operation stage, he said.

Economist Ngo Tri Long said cities and provinces should carefully assess their economic potential and the likely number of passengers.

Infrastructure projects with a payback period of 10-15 years are effective and easy to attract investors, he added.

Corporate News

8. FLC has found a new auditing company

Suspended

The Board of Directors of FLC Group Joint Stock Company (HOSE : FLC) on September 20 announced the signing of a contract to provide audit services with UHY Auditing and Consulting Company Limited (UHY) .

Accordingly, UHY Auditing and Consulting will replace An Viet Auditing Company Limited as the audit service provider of financial statements in 2021 for FLC .

As such, the Group will liquidate the audit service provision contract signed on July 21, 2022 with An Viet Auditing Company Limited on the grounds that this unit cannot arrange time and personnel to provide auditing services. audit services according to the provisions of the signed contract.

Previously, FLC could not submit audited financial statements for 2021 due to lack of audit firms. Initially, the Group selected Dat Viet Auditing - Consulting Co., Ltd. to audit the financial statements of 2021. However, at the end of March 2022, this unit was suspended by the State Securities Commission of the audited status for the entity with public interest.

After that, FLC could not find an auditing company to accept the contract. By the end of July 2022, FLC announced that it had signed an audit service contract with An Viet Auditing Company Limited to audit the financial statements in 2021. The audit process is expected to be completed in September. But. again, FLC has to replace the Auditing Company.

Due to the delay in publishing the audited financial statements for 2021 and the review financial statements for 2022, on August 31, FLC received the decision of the Ho Chi Minh City Stock Exchange (HOSE) to transfer FLC shares from restricted trading to suspended trading. Only trading from 09/09/2022.

9. PNJ: For "smart production" it is necessary to have a "smart strategy"

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Sharing at the Industry Innovation Forum 2022, Vice Chairman & CEO Le Tri Thong of Phu Nhuan Jewelry Joint Stock Company (HOSE : PNJ) said that high-tech investment in production will need solve a lot of problems and technology is the last factor to be solved.

The story of smart production in PNJ is also different because PNJ 's very special products are produced by a team of jewelers. That raises the question of the limit of technology and how the application will be in production?

Answering this question, CEO Le Tri Thong said: "PNJ is inherently special because it is not industrial production, but the company combines industry with craft, not only being one side, but always having to go hand in hand with two factors. above factor.

Because if we rely entirely on human hands and on a team of artisans, we cannot keep up with the growth rate of market demand. The team of artisans also cannot create products with uniform standards exactly according to industry standards."

In which, there are product lines of PNJ concentrated and produced by a team of artisans. Those products will continue to be exploited in combination with technology to create products with high added value.

In particular, Mr. Thong emphasized that for large-scale industrial technology production, the last factor to pay attention to is still the price.

"With PNJ , the manufacturing industry is not as big as other industries. PNJ is industry based on craft. In fact, I spend less than 20% of my time working on manufacturing that will solve other problems related to customers.

Because only when understanding customers, understanding suppliers, will there be enough parameters to find ways to bring "smart technology" into production. Besides, the strategy of factory intelligence needs to follow the general strategy", shared PNJ CEO .

Over the years, the Company has spent time solving and applying technology for retail, marketing, solving strategic problems and collaborating with partners to increase aggregate demand. Because only when there is aggregate demand, will it be solved and dared to invest on the supply side.

Finally, the CEO concluded that to have smart manufacturing, you must have a smart strategy.

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