



VIETNAM DAILY NEWS

October 14th, 2022



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Market Analysis

1. Indices extend rallies on bullish sentiment

Shares extended rallies on Thursday, boosted by bargain-purchasing activities after recent losses.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) rose for the second day in a row, ending the trading day at 1,050.99 points, up 16.18 points, or 1.56 per cent. It climbed more than 28.6 points in the previous session after dipping nearly 36.3 points on Tuesday.

The breadth of the market was still positive, but liquidity dropped by 22.4 per cent over the previous trade to VND8.9 trillion (US\$369 million).

Stronger bottom-fishing force supported the market's sentiment to reverse the morning course. In the morning trade, the index fell slightly 0.47 points.

According to a daily report from Saigon-Hanoi Securities JSC (SHS), in the short term, the VN-Index is starting to recover after strong declines. "The positive point is that many companies and big shareholders begin to register to buy stocks, while investment funds also show signs of strong disbursement. This helps improve retail investors' sentiment," said SHS.

The market benchmark is expected to keep the strong psychological support level of 1,000 points, and gradually recover to retest the 1,090-1,110

point level in the short term, the securities firm added.

Statistics from financial website vietstock.vn showed that bank stocks continued to lead the market, with the top three stocks influencing the uptrend being Vietcombank (VCB), BIDV (BID) and Vietinbank (CTG), up 3.91 per cent, 6.57 per cent, and 5.91 per cent, respectively.

Many other big stocks supporting the rallies were Vinamilk (VNM), Hoa Phat Group (HPG), Sabeco (SAB), Techcombank (TCB), Asia Commercial Joint Stock Bank (ACB) and MBBank (MBB).

However, gains were pared due to lingering selling force, of which Masan Group (MSN) posted the biggest losses on Thursday, down nearly 3 per cent.

On the Ha Noi Stock Exchange (HNX), the HNX-Index also finished higher, up 1.31 points, or 0.59 per cent, to 224.74 points.

During the session, more than 36.86 million shares were traded on the northern bourse, worth VND610.83 billion.

Foreign investors kept injecting capital into both main exchanges after net buying nearly VND1.3 trillion in the previous session. Specifically, they net bought VND452.14 billion on HoSE and VND45.77 billion on HNX.

Macro & Policies

2. Viet Nam's garment export value up in nine months

Viet Nam's textile and garment export value reached US\$35 billion in the first nine months of 2022, up 21 per cent over the same period last year.

To achieve the result, textile and garment enterprises have made great efforts to cope with the challenges of the market.

The enterprises did not depend on the five traditional export markets, including the US, Europe, Japan, South Korea and China, but also expanded the exports to Russia and some other countries.

In Europe, they not only focused on a few large export markets such as Germany, France, Spain and the UK as in the past, but also expanded the exports to other countries in the EU.

In addition, many businesses have eyed Mexico and other countries in Africa.

They also promoted the production of knitwear products for export instead of making only traditional products such as jeans, khakis or T-shirts, due to a shortage of orders for those traditional products.

Among textile and garment exporting countries in the world including Bangladesh, India and China, Viet Nam had the earliest opening-up policy for normal operation after the COVID-19 pandemic.

Therefore, in the first six months of the year, Viet Nam's textile and garment industry had a large number of orders and good business results.

Vu Duc Giang, chairman of the Viet Nam Textile and Apparel Association (VITAS), said in the first half of 2022, the textile and garment industry gained growth in export orders, but entering the third quarter of 2022, the market began to see signs of a decrease.

The export order reduction was due to lower demand in major export markets like the US and the EU. High inflation in those markets caused people to

reduce their spending significantly. In which, apparel was a commodity seeing strong cuts.

Meanwhile, markets that are important trade partners of Viet Nam such as mainland China, Japan, and Taiwan are still applying strict measures against the COVID-19 pandemic. That affected supplies of raw materials, auxiliary materials and the consumption of textile products from Viet Nam.

To cope with those challenges, businesses rearranged working hours to ensure stability for workers.

Enterprises in the textile and garment industry are still able to overcome the challenges in the fourth quarter, but difficulties are likely to continue until the first quarter of 2023, Giang said.

Tran Nhu Tung, chairman of the Thanh Cong Textile – Investment – Trading JSC, said almost all countries exporting textiles to the US and EU markets have experienced a decline in orders due to high inflation and lower demand for apparel products.

According to Tung, for companies focusing on these two markets, they faced a large decline in production and business. Meanwhile, firms expanding exports to other markets, like Thanh Cong, saw a softer decline than others.

Thanh Cong saw a reduction in orders larger than expectations, but it was not too much. In the first nine months of the year, the company has fulfilled 80 per cent of the revenue plan and 85 per cent of the after-tax profit plan, he said.

Experts said that if in the first eight months of the year, the average export value per month was \$3.7-3.8 billion, the value is expected to be \$3.1-3.2 billion per month in the last four months of the year.

According to VNDirect Research, the textile and garment industry will be brighter in the first quarter of 2023 because the export tariffs on some kinds of Viet Nam's textile and garment products to the EU

market will be reduced by 2-4 per cent thanks to the EU-Viet Nam Free Trade Agreement (EVFTA).

In addition, the European Commission forecasts inflation in the EU will reach 8.3 per cent in 2022 and fall to 4.3 per cent in 2023. The lower inflation will stimulate demand for fashion and garments in 2023.

Therefore, some local garment enterprises exporting suits, shirts, pants and skirts to the EU such as Song Hong Garment, May 10 and Viet Tien, will enjoy more benefits from the EVFTA.

3. HCMC economy gains strong growth in Jan-Sept

This remarkable figure shows that HCMC's economy has bounced back quickly after one year of implementing economic recovery programs in the new normal.

In the first nine months of this year, nine essential services made up 59% of the city's GRDP. Among the nine, four with large proportions comprise commerce, transportation and warehousing, finance and banking, science and technology.

HCMC attracted 20.6 million domestic tourists, up 66.1%, and over 2.11 million international travelers, up 100% versus the year-ago period. The city has seen an increase in travel and tourism revenue of nearly four times year-on-year.

Total retail sales of consumer goods and services reached VND804,728 billion, up 25.9%.

The city recorded a 10.4% year-on-year increase in export revenue at US\$36 billion.

The budget revenue of HCMC is estimated at VND350,000 billion, reaching over 90% of the full-year target and up nearly 28% year-on-year.

The city's industrial production grew at a rapid pace of 19.6% between January and September.

The Statistics Office recommended that the city speed up the implementation of the economic recovery and development programs, market stabilization programs, and boost tourism activities and digital transformation.

4. Forecasts on Vietnam's economic growth grounded: Sputnik

The World Bank, International Monetary Fund, Moody's, Fitch, Standard & Poor's, Singapore's United Overseas Bank (UOB) or the UK's Standard Chartered Bank offered optimistic opinions about the Vietnamese economy amid the dull economic landscape all over the world.

In the Asia Economic Outlook released by the IMF on October 11, Vietnam's gross domestic product is forecast to grow by 7% this year. While one-third of the world economies are predicted to contract, this growth is considered a miracle.

Though the WB revised down Vietnam's economic growth to 7.2% from 7.5%, it highlighted that the figure remains high amid the global slowdown.

The lender attributed that to the country's strong recovery and solid manufacturing and processing activities.

Meanwhile, Standard Chartered upgraded Vietnam's growth outlook to 7.5% from 6.7%, saying that the figure could reach 7-7.2% next year.

The UOB offered a prediction of 8.2% growth this year while Moody's was the most optimistic with 8.5%.

In September, Moody's Investors Service upgraded Vietnam's long-term issuer and senior unsecured ratings to Ba2 from Ba3 and changed the outlook to stable from positive. Vietnam is the only country in Asia-Pacific and one of the four countries in the world to have ratings upgraded by Moody's since early this year, showing that its economy has growing strengths and greater resilience to external macroeconomic shocks that are indicative of improved policy effectiveness.

5. Vietnam likely to become the leading global tech hub

German media outlet Handelsblatt has recently published an article highlighting Vietnam's bright prospects for becoming the world's leading information technology (IT) centre in the future.

The article outlines that Vietnam is home to a large number of high-quality universities and young, well-trained human resources, noting that the Government has planned to develop the digital economy that will account for 20% and 30% of the country's Gross Domestic Product (GDP) by 2025 and 2030 respectively.

It emphasises that Vietnam has so far been hugely successful in the hardware sector, particularly as most Samsung mobile phones, iPads, and Apple Bluetooth headsets are manufactured in Vietnam.

Apart from mass production of electronic products, the country is also increasingly exporting source code as a means of controlling machinery and equipment. Many international corporations have therefore sought to establish development centres or have cooperated with IT service providers in Vietnam.

A.T. Kearney, a market researcher in the United States, regularly ranks Vietnam among the top five most attractive destinations for IT outsourcing services.

Meanwhile, Bosch is striving to strengthen the digital network of its products with one of Bosch's most important global software development centres operating in Ho Chi Minh City. Indeed, the southern metropolis is now home to more than 3,000 programmers who work for Bosch Global Software Technologies Vietnam (BGSW). The group also recently opened a new software centre in Hanoi.

Gaur Dattatreya, CEO of BGSW, said Vietnam is a suitable location for investment thanks to its large number of young professionals who are well trained from high-quality public and international

universities, including the Vietnam - Germany University (VGU).

Amid fierce competition for competent programmers this year, Samsung has completed the construction of a US\$220 million R&D centre in Hanoi for artificial intelligence (AI) and big data solutions (Big Data).

Furthermore, French game developer Ubisoft has also opened an office in the coastal city of Da Nang, employing more than 80 game programmers, with the aim of capitalizing on huge business opportunities of this market.

Notably, applications software developers in Vietnam are also rising to the top of the region. According to data compiled by the application data and analytics firm Data.ai, seven out of the 20 most frequently downloaded apps in Southeast Asia come from Vietnam.

Typical applications include the blockchain game "Axie Infinity" by Vietnamese game publisher Sky Mavis which became globally-renowned during the COVID-19 pandemic.

According to a study conducted by Google, Singapore's Temasek and consulting firm Bain, the Vietnamese internet economy is forecast to witness the strongest growth in Southeast Asia, with annual sales seeing a 10-fold rise from US\$21 billion this year to US\$220 billion in 2030.

The article emphasises that European customers will become an important pillar for the Vietnamese industry in the time ahead. It notes that many German customers say that they can fulfill orders with Vietnamese partners, with production costs being up to 20% lower compared to competitors, an extremely important factor, especially for projects that require a lot to be spent on programming.

6. Japanese retailer AEON to expand operations in Vietnam

The news outlet noted that with almost 40 years of experience in Southeast Asia, the retailer will seek to use the knowledge it acquired in Malaysia, where it first entered the region, and other markets to intensify its store opening campaign.

The giant retail group is greatly attracted to the growing Vietnamese middle class as consumers, especially amid the lifting of restrictions placed on foreign operators.

"We have expertise in mass production and efficient delivery that we cultivated in Japan and Malaysia, these are areas where we can never be outdone by other companies," said Yasuyuki Furusawa, head of AEON Vietnam.

AEON has so far opened some 200 stores in Vietnam, including six shopping malls and several supermarkets. The stores are primarily located in Ho Chi Minh City, the country's largest city, and Hanoi, the capital, although a mall is set to open in the central city of Hue in 2024.

The Japanese firm has devised plans to increase its number of stores in Hanoi to 100 by 2025, approximately 10 times the current number. In addition, the number of malls will also be nearly tripled to 16 throughout the country.

"We need to accelerate our store openings, which is why we must take new initiatives now," Furusawa said, adding strengthening its food businesses, such as bakeries and kitchens, will be part of this effort.

A shift towards the Southeast Asian market is one of the key parts of the company's medium-term business plan. The Vietnamese market is considered the most important market in AEON's overseas strategy which boasts approximately 100 million consumers and is expected to record expected economic growth of over 7% this year.

Vietnam is an attractive location as it is a member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. It also plans to abolish its foreign investment restrictions as early as 2024.

7. Falling plastic granule prices improve firms' profitability

Plastic granule prices are expected to fall in the short term, a favourable circumstance that would drive plastic producers towards better profitability.

Vietcombank Securities Company Ltd (VCBS) forecast that Polyvinyl Chloride (PVC), an input material for plastic production, would remain at low prices towards year-end and into 2023 on rising global supply.

Its forecast prices of between US\$800 to \$1000 per tonne are projected to significantly improve domestic plastic firms' profit margins.

Specifically, giant PVC suppliers in China, India and the US have begun to expand their production to boost PVC output to 70 million tonnes per year by 2026.

The abundant supply is fuelled by the falling consumption of PVC in China, which a PVC-consumed realty sector in decline has caused. VSBC forecast that the weak demand would hold steady until late 2023 since not many new projects in the country would get underway.

According to Fitch Solutions, PVC prices correlate strongly with coke prices because a major portion of

global PVC supply comes from China. As coke is projected to drop to \$280 per tonne in 2023, China would have more room to reduce PVC prices to a level comparable to those in the US and EU.

Good news also comes from the demand side. In the first half of 2022, the number of apartments under construction in the North of Viet Nam grew steadily, lifting domestic demand for plastic pipes.

VCBS forecast that the demand would remain high in the coming years as the country still has ample room for urbanisation, and many legal obstacles to realty projects are expected to be removed in 2023. As a result, VCBS estimated the growth rate of the building plastic industry at around 7-10 per cent on the horizon.

The plastic industry comprises two main sub-industries: plastic pipes and building plastic materials.

In the former, Binh Minh Plastics JSC (HOSE: BMP), Tien Phong Plastic JSC (HNX: NTP), Hoa Sen Group (HOSE: HSG) and Tan A Dai Thanh Group JSC take up 90 per cent of the market shares.

Meanwhile, the latter is more fragmented and faces stiff competition from China. Dong A Plastic JSC (HOSE: DAG) is a large producer in the sub-industry, holding roughly 20 per cent of the market shares.

Viet Nam is highly dependent on imported PVC because the only two producers in the country, AGC Chemicals Vietnam Company Ltd and TPC VINA Plastic & Chemical Corp Ltd, crank out 390,000 tonnes of the thermoplastic annually, about 700,000 tonnes short of domestic demand.

As PVC contributes to 70 per cent of the costs of goods sold (COGS) incurred by building plastic firms, their profit margins are closely linked to global PVC prices, which, in turn, come under the influence of PVC supply-demand in China and the US. The two countries control 50 per cent of the global PVC market.

Undoubtedly, PVC prices falling to \$950 per tonne in the first half of 2022 were caused predominantly by the falling demand in China and the recovery of PVC production in the US.

VCBS believed the falling prices of plastic granules would improve BMP's and NTP's profitability in the second half of 2022 and 2023. Their better financial performance would act as a catalyst for their bullish stocks in the short term.

Their research and development on new plastic pipes, such as HDPE and PPR pipes, would further improve their earnings, adding to the optimistic outlook.

Corporate News

8. VIC: VinFast, Infineon extend partnership in electromobility

↑ 0.67%

VinFast, Vietnam's first global smart electric car maker, and Infineon Technologies AG, the world leader in automotive semiconductor solutions, on October 13 announced to extend their partnership on the occasion of Infineon's OktoberTech Asia Pacific 2022 Technology Forum in Singapore.

Accordingly, the two companies will set up a joint application competence centre focusing on electromobility to accelerate VinFast's development of solutions for the future of smart mobility. The inauguration of the VinFast-Infineon Competence Center (VICC) is planned in the first quarter of 2023.

The creation of the VICC signals a new level in the relationship between both companies, who will jointly engage in the early development phase of VinFast's next-generation smart mobility solutions and will also discuss future semiconductor requirements to achieve supply chain stability.

VinFast and Infineon have been working closely for more than three years prior to this newly extended agreement. Many of Infineon's solutions have been utilized in VinFast's vehicles as well as in E/E (electrical and electronic) architectures.

9. HAX: Profit after tax in 9 months is more than VND 192 billion, HAX exceeded 13% of annual profit target

↑ 3.64%

In the third quarter, HAX recorded a net revenue of more than VND 1,970 billion, nearly 2.8 times higher than the same period. Gross profit reached VND 116.6 billion, while the same period gross loss was nearly VND 800 million.

This period, financial revenue of HAX skyrocketed, reaching nearly VND 8 billion, 65 times higher than the same period last year. Although other expenses all increased at the same time such as financial expenses increased by 22%, selling expenses increased by 64%, and administrative expenses increased by 96%, net profit reached nearly VND 63 billion (the loss of nearly VND 38 billion in the same period).

Adding another profit of over VND 9 billion, in the end, HAX recorded a pre-tax profit of more than VND 72 billion and a net profit of nearly VND 57.5 billion, while in the same period a net loss of more than VND 33 billion.

Accumulated in the first 9 months of the year, the Company earned more than VND 5,117 billion in net revenue, up 52% compared to the beginning of the same period. In which, vehicle sales accounted for 93% of total revenue, reaching more than VND 4,804 billion (up nearly 51%). Net profit is more than VND 192 billion, up 461%, equivalent to 5.6 times higher than the same period last year.

In 2022, HAX plans to achieve total revenue of VND 5,800 billion and profit after tax of nearly VND 170 billion, increasing by 5% and 6% respectively compared to 2021. Compared to this plan, the Company has exceeded its profit target. annual profit of nearly 13% after 9 months.

According to the explanation of the Company, the above positive results were mainly due to the improvement in the number of vehicles supplied in the third quarter, leading to the settlement of most of the orders that customers had deposited

for cars since the beginning of this year. Besides, Haxaco's branch in Can Tho city, which went into operation from the end of July 2022, has started to make profits.

In addition, many versions of Mercedes-Benz vehicles have been upgraded with models and designs to reach specific potential customer segments, along with outstanding features and economic recovery after the pandemic. satisfy the shopping needs of consumers. These factors play an important role in HAX 's sales growth.

As of September 30, 2022, HAX 's total assets reached nearly VND 1,991 billion, an increase of 56% compared to the beginning of the year. The increase mainly came from short-term receivables with more than VND 488 billion, up 96%.

In addition, the increase came from the arising of nearly VND 468 billion from investment real estate. According to the explanation, the Resolution of the Board of Directors dated August 11, 2022 approved the investment and transfer of land use rights at Vo Van Kiet Street, Quarter 3, An Lac Ward, Binh Tan District, Ho Chi Minh City, to develop the project. The project of a car business

complex combined with offices and high-class apartments. This is the land belonging to the policy of N&T Tower high-rise apartment project of N&T Investment Joint Stock Company and Mr. Bui Trung Quan.

In addition, the Company incurred nearly VND 207 billion from short-term financial investments, which are savings deposits with terms of less than 12 months.

In this period, inventories decreased by 45% over the same period to nearly VND 322.5 billion, mainly because goods decreased by more than half, to nearly VND 225 billion.

Besides the strong increase in assets, liabilities up to this point of HAX also recorded an increase of 96% over the same period, to more than VND 1,113 billion. In which, mainly short-term loans with nearly VND 710.7 billion (3.6 times higher). In addition, the Company incurred nearly VND 180 billion of convertible bonds.

On the market, HAX stock price is trading around 23,200 VND/share (October 14 session), down 27.5% from the peak of 32,000 VND/share in March 2022.

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