



VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index dips after gaining streak

Vietnam's benchmark VN-Index dropped 0.97% to 1,051.58 points Monday after three sessions rising.

The index closed 10.3 points lower after gaining 10.9 points on Friday.

Trading on the Ho Chi Minh Stock Exchange (HoSE) fell by 34% to VND9.55 trillion (\$392.8 million).

The VN-30 basket, comprising the 30 largest capped stocks, saw 18 tickers falling.

VIC of biggest private conglomerate Vingroup plunged by 6.2%, followed by VHM of property giant Vinhomes with a 4.6% drop.

Other declining tickers included KDH of real estate firm Khang Dien House, HDB of HDBank and VCB of state-owned lender Vietcombank.

Eight blue chips gained, led by POW of electricity producer Petrovietnam Power Corporation with a 3.2% rise.

STB of Ho Chi Minh City-based lender Sacombank rose 2.8%, and GAS of state-owned Petrovietnam Gas went up 1.5%.

Foreign investors were net buyers for the seventh session in a row to the tune of VND235.75 billion, mainly buying VNM of dairy giant Vinamilk and DGC of Duc Giang Chemicals Group.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was down 0.63% while the UPCoM-Index at the Unlisted Public Companies Market was down by 0.19%.

Macro & Policies

2. State Bank adjusts USD/VND exchange rate band to 5%

The State Bank of Vietnam (SBV) has decided to widen the trade band of USD/VND spot exchange rate from +/-3% to +/-5%, effective from October 17.

According to the SBV, between the beginning of 2022 and now, the US Federal Reserve (Fed) and many major central banks have tightened monetary policy, and raised interest rates.

Meanwhile, the Russia-Ukraine conflict has disrupted the global supply chain, pushed up gasoline and commodity prices, causing great

fluctuations in the international and domestic markets.

In response, the State Bank has proactively and flexibly implemented tools, solutions and interventions to maintain stable and smooth operation of the currency and foreign exchange markets.

The bank said after the latest trading band adjustment, it will continue to closely monitor market developments, coordinate monetary policy tools, and stay ready to sell foreign currencies to stabilise the market when necessary.

3. FDI inflow from Korea helps VN move up global value chain ladder

The strong foreign direct investment (FDI) inflow from the Republic of Korea (RoK) has been giving a significant push to Việt Nam in the battle to move up the global value chain ladder and promote sustainable development.

RoK has been by far the most important source of FDI to Việt Nam and contributed greatly to accelerating the socio-economic development of the Southeast Asian country.

The latest figures of the Ministry of Planning and Investment (MPI) showed that the cumulative registered FDI from the RoK in the period from 1988 – when the first Law on Foreign Investment of Việt Nam was put in force - to September 2022 amounted to more than US\$80.5 billion with more than 9,400 valid projects, making RoK the biggest investor in Việt Nam so far.

Starting to invest in Việt Nam in 1990s, the RoK quickly became a major investor in the Southeast Asia country, especially after the two countries established the strategic cooperative partnership in 2009.

Since the Việt Nam – Korea Free Trade Agreement (VKFTA) officially came into effect in 2015, the RoK's registered FDI into Việt Nam almost doubled.

The milestone was marked in 2014 when the RoK became the largest investor in Việt Nam with a total registered capital of \$7.32 billion. Statistics of the Ministry of Planning and Investment showed that the registered FDI from the RoK hit a record of \$8.49 billion in 2017 but slowed down to \$7.2 billion in 2018 and \$7.57 billion in 2019.

Due to the impacts of the COVID-19 pandemic, the FDI from the RoK dropped to \$3.95 billion in 2020 but bounced back to \$4.95 billion in 2021.

From January to September this year, the RoK registered to pour \$3.8 billion worth of FDI in Việt Nam, a slight drop of 2.38 per cent against the same period last year.

Although ranking second in terms of registered FDI value in the January-September period after Singapore, the RoK was the partner with the highest number of investors who showed interest and made new investment decisions in Việt Nam in the period, the ministry's report revealed.

The RoK was increasingly becoming an important investor in Việt Nam, not only because of its huge capital value but also because of the compatibility of the investment to Việt Nam's FDI attraction policies. The presence of Korean enterprises in most

economic sectors in Việt Nam was contributing significantly to the country's economic restructuring, export growth and job creation.

According to the MPI's Foreign Investment Agency, Korean investment was mainly poured into the processing and manufacturing industry (74 per cent as of November 20, 2021) thanks to the heavy investment of high-profile investors such as Samsung, LG, Hyundai, and Posco, followed by the real estate business (13.1 per cent) and construction (3.8 per cent).

Research by Bùi Thị Hồng Ngọc and Đoàn Thị Thu Hương from the Việt Nam Institute of Economics pointed out that the strong FDI inflow from the RoK helped Việt Nam upgrade its participation in the global value chain as well as change the export structure. Việt Nam's export structure was shifting from large percentage of low added value products like agro-forestry-fishery and raw materials to products with high technology content and high added value such as electronics.

The presence of Korean investors such as Samsung, LG, Hyosung, Hanwha, Hyundai, CJ, Lotte and Posco promoted the development of the part-supply industry in Việt Nam.

Notably, the network of local vendors to Samsung increased to 254 as of the end of 2021, 51 of which were tier-1 vendors, from just four in 2014.

Samsung, now the most high-profile Korean investor in Việt Nam with an estimated investment of more than \$20 billion, said that the group would continue to provide support to enable domestic enterprises to participate more in the global value chain.

It was estimated that there were more than 8,000 Korean enterprises operating in Việt Nam which provided 1 million jobs domestically and contributed around 25-30 per cent of Việt Nam's export revenue every year.

How to remain a FDI sweet spot to RoK

Việt Nam has been arising as an attractive destination for FDI in the global production shift, thanks to its stable macro-economy and the Government's drastic efforts to improve the investment climate.

The Vietnamese economy scale reached \$370 billion in 2021, making it the fourth largest economy in Southeast Asia with income per capita of more than \$3,700. Việt Nam signed 15 FTAs with more than 60 countries and territories, including the largest markets in the world, which helped diversify the markets, products and supply chains.

The General Statistics Office expected the Vietnamese economy to beat the target to reach a growth rate of around 7.5-8 per cent this year, after strong post-pandemic growth of 8.83 per cent recorded in the first nine months of this year.

The International Monetary Fund (IMF) on October 11 forecast the Vietnamese economy to expand at 7 per cent this year, compared to 2.6 per cent in 2021, as the country was benefiting from its growing importance in global supply chains.

The Vietnamese economy was a highlight in the region when the IMF's growth forecasts for Asia and the Pacific were lowered to 4 per cent this year, well below the 5.5 per cent average over the last two decades, as inflation exceeded central bank targets in most countries.

The ASEAN+3 Macroeconomic Research Office (AMRO) in its 2022 Annual Consultation Report on Việt Nam published on October 12 also predicted 7 per cent growth for Việt Nam in 2022 on the back of strong external demand, a recovery in domestic demand and strong FDI inflows.

AMRO's previous studies suggested that strong FDI inflows were one of the key factors behind Việt Nam's economic transition to manufacturing, leading to stronger participation in global value chains over the years.

However, the annual export growth of Việt Nam was driven by FDI companies and their import-export activities, which unfortunately implied that local companies did not participate in the global value chains as much. One of the reasons was that many local companies did not yet possess the skills and capabilities to produce the quality inputs required by multinational companies.

AMRO urged Việt Nam to make further efforts to develop domestic supporting industries in the manufacturing value chains.

Phạm Thanh Tùng from the Ministry of Industry and Trade's Department of Industry said that it was important to enable more and more local companies to participate in the global value chains to maximise the benefits of the FDI inflows.

He pointed out that there were currently about 5,000 enterprises operating in the part-supply industry, 88 per cent of which were of small and medium scale with limitations in production and technology capabilities.

A recent MPI's report to the Government revealed that the loose linkage between the FDI and local companies remained the biggest limitation in FDI attraction and use. The average local procurement remained low, at around 20-25 per cent.

It's a tough road for Vietnamese enterprises to participate and move up the global value chain ladder, Trần Thị Lan Anh, General Secretary of the Việt Nam Chamber of Commerce and Industry said, stressing the important roles of the FDI inflows and the support in improving capacity for domestic partners from FDI companies.

Just support from FDI companies could not push the supporting industry, Đỗ Thị Thuý Hương from the Việt Nam Electronic Industry Association said, adding that the Government should raise policies to promote the development of the supporting industry. Local companies must also make efforts to improve their competitiveness, she said.

Yoon Chang Woo, President of Posco – Vietnam, said that Việt Nam needed to develop an ecosystem for the part-supply industry in which local companies could produce high-quality and reasonably-priced spare parts and could upgrade their participation in the supply chains of FDI companies. Only through this, could Việt Nam attract more FDI into industries with high added value.

In addition, it was important for Việt Nam to enhance the quality of the labour force with a focus

on well-trained technical talents in order to attract quality FDI, including from the RoK, he stressed.

With a young population, Việt Nam held great potential to become a powerhouse of skilled workers which would help attract more sophisticated FDI.

He said that a number of Korean firms were looking to promote investment into Việt Nam, urging more efforts from the Vietnamese Government to continue to push on with its economic reforms and improve the investment climate.

The global trends such as zero emission and digitalisation which were promoted strongly in Việt Nam would also help attract quality FDI into the country, Yoon stressed.

At the dialogue with the RoK's Ambassador Park Noh-wan and representatives of Korean associations and enterprises in Hà Nội in late July, Prime Minister Phạm Minh Chính pledged to create more favourable conditions for foreign investors in general and the Korean business community in particular, to invest efficiently, successfully and sustainably in Việt Nam, with a focus on administrative reforms.

Việt Nam expected to receive more investment from the RoK in the fields of high technology, innovation, research and development, digital technology, renewable energy, electronics and infrastructure development, Chính said.

The Prime Minister expressed hope that the FDI inflow from the RoK would help integrate local firms into the global supply chain network while promoting the development of a digital economy, green economy, circular economy and sustainable development of Việt Nam.

4. Foreign inflows influenced more by global trend

The orientation of foreign capital flows pouring into Việt Nam is heavily influenced by global factors.

Thái Thị Việt Trinh, an expert from SSI Securities Company, said that the capital flow into the Vietnamese stock market in September continued to be significantly influenced by the global trend.

Around the world, cash flow into financial assets continued to decline as investors reduced the proportion of risky assets in their portfolios. Market sentiment did not improve in September, with major central banks such as the US and EU emphasising the pursuit of tight monetary policy with the central goal of controlling inflation, Trinh said.

In September, foreign investors net sold on the Vietnamese stock market, with a total value of VNĐ3.5 trillion (US\$144.9 million), the highest level since March this year. Foreign capital flow had been less positive since the second half of August, and was similar to the movements of foreign investors in the region; except Indonesia, thanks to the advantage of exporting raw materials. As for 9 months and excluding sudden transactions, foreign investors net bought VNĐ2.5 trillion.

Besides external risks, internal factors that have a negative impact on market sentiment were becoming more obvious, such as slowing GDP growth or the State Bank's continuing to raise interest rates to stabilise the exchange rate environment, said SSI Securities Co.

According to Petri Deryng, Founder and Director of PYN Elite Fund, there is still demand to pour capital from investors in Thailand and other Asian countries, but it is not significant. If the market is upgraded, foreign investors can participate more in Việt Nam.

He said that the Vietnamese market would still remain promising next year and be one of the most potential markets in the world. If the market is upgraded, more foreign investors could enter the market, which would be beneficial for the market in the long run.

In terms of global investment cash flows, SSI maintained a cautious view on the allocation of capital flows to financial assets, especially to equity funds, until the Fed meeting in November.

Although stock prices have reached low levels, the sentiment of the market will only become more positive if inflation decreases continuously, while the Fed's monetary policy management becomes looser in nature.

At the moment, SSI had not observed a big change in market sentiment. Similarly, equity inflows into emerging markets would be strongly influenced by the direction of the dollar, and there would be no breakthrough in inflows into emerging market for the rest of this year.

Analysts of VNDirect Securities also said that in the context of the Fed sending signals that the interest rate hike cycle might not be over soon, cash might still outflow from risky assets and markets; including the Vietnamese stock market.

Mirae Asset Việt Nam Securities Company recommended investors be aware of pressures from the world that may negatively affect the growth and stability of the Vietnamese economy. In September, the USD/VNĐ exchange rate increased by approximately 1.9 per cent compared to the previous month. These external pressures might indirectly cause foreign investors to be net sellers in the near future.

5. Vietnam footwear market to boom by 2031, value to rise double to US\$38.7 bln

The Vietnamese footwear market is anticipated to hit US\$38.7 billion in value by 2031, doubling this year's estimated figure of US\$19.1 billion, according to market research firms.

Vietnam currently ranks second in the world in terms of footwear exports, behind only China. About one billion pairs of footwear are shipped overseas each year, with last year alone seeing footwear manufacturers rake in roughly US\$20.78 billion from exports.

The country is home to roughly 2,200 footwear manufacturing enterprises, mostly located in Ho Chi Minh City.

It's noteworthy that several major international brands such as Nike and Adidas have decided to base their main production facilities in Vietnam thanks to the country's political stability, attractive investment climate, and young and cheap labour.

At present, Nike boasts over 100 suppliers in the country, with 96 factories in the southern region, while Adidas has also chosen Vietnam its main production area.

In addition, manufacturers have taken advantage of tariff incentives from major free trade agreements (FTAs), including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), to ramp up exports to markets globally, including Canada and Mexico.

Despite the optimistic outlook, industry insiders note that the sector is still in the process of recovering as by the end of 2021 only 80% of workers returned to their jobs following the COVID-19 pandemic, a factor which has hindered production activities.

Therefore, local businesses are anticipated to face fierce competition from other developing ASEAN countries, including Indonesia and Malaysia, both of which have a young and low-paid workforce.

Data compiled by the Observatory of Economic Complexity (OEC) indicates that footwear was the country's third largest export item in 2020, while its main footwear export markets were the United States (US\$6.43 billion), China (US\$2.24 billion), Germany (US\$1.03 billion), Japan (US\$953 million), and the Republic of Korea (US\$730 million).

The OEC noted that during the 2019 to 2020 period the fastest growing Vietnamese footwear export markets were China with turnover reaching US\$272 million, Poland with US\$25.6 million, and Taiwan (China) with US\$22.6 million.

6. Vietnam's overseas investment can top US\$1 billion annually: insider

Overseas investment by Vietnamese firms is growing and can surpass US\$1 billion per year in the future, from about US\$700 million at present, said Chairman of the Vietnam Association of Foreign Invested Enterprises Nguyen Mai.

Vietnam is currently investing more than US\$21.6 billion in 1,584 overseas projects. In the first nine months of 2022, its businesses poured over US\$347.3 million in 80 new projects, rising 2.31-fold year on year in value, according to the Ministry of Planning and Investment.

They invested in 13 sectors abroad during the period. The processing - manufacturing industry took the lead with over US\$291.6 million, equivalent to 55.2% of the total. It was followed by finance - banking - insurance, wholesale and retail, mining, and agriculture - forestry - fisheries.

Twenty-four countries and territories recorded Vietnamese investment in nine months, with Laos being the biggest destination, followed by Singapore, the US, Germany, and the Netherlands.

The surge in new overseas investments is partly attributable to five major projects worth over US\$34.68 million each by the Vines Energy Solutions JSC in the US, Canada, France, Germany, and the Netherlands.

Mai noted Vietnamese enterprises' overseas investment has been on the rise with many big projects, adding that many projects on technology, rubber, and coffee production have reaped success and sent back profits to the homeland, helping with the balance of international payments and increase the country's foreign exchange reserves.

Economic expert Tran Du Lich held that while a number of foreign businesses are acquiring Vietnamese companies, many enterprises of Vietnam have also been moving to purchase foreign firms so as to stretch their reach to the world.

He said he hopes the country will have international and regional-level brands in the time ahead, adding that many Vietnamese investors have been establishing themselves in the global

markets as seen in their presence in Europe, the US, Australia, and China.

7. ETFs draw more capital in October

The capital inflow into exchange-traded funds (ETFs) is returning to the market after a long period of stagnation, and even net withdrawals over the past three months.

Since the beginning of October, ETFs have net withdrawn about 1.8 trillion VND (75.4 million USD), of which Fubon FTSE Vietnam ETF alone attracted more than 900 billion VND. So far the fund has drawn a cash flow value of up to 7.2 trillion VND.

DCVFM VNDiamond ETF also made an impressive comeback after three consecutive months of being net sold, with a value of more than 1.8 trillion VND in the third quarter. Since the beginning of October, this ETF has net withdrawn about 335 billion VND, thereby raising the value of cash inflow from the beginning of this year to 4.1 trillion VND.

DCVFM VN30 ETF saw a net withdrawal of more than 400 billion VND since the beginning of October, the largest amount since the beginning of this year. Previously, in the first seven months, this ETF was being net sold strongly. Since the beginning of this year, the cash flow into VN30 ETF has remained negative by nearly 1.5 trillion VND.

V.N.M ETF has attracted 247 billion VND since the beginning of October. Previously, this ETF continuously net sold nearly 1.2 trillion VND after nine months.

On the other hand, the capital inflow into SSIAM VNFinLead ETF is showing signs of reversing as it was net sold 52 billion VND since the beginning of October after drawing money inflow for six consecutive months. The FTSE Vietnam ETF is also slowing down after three successful months of withdrawals. However, since the beginning of this year, both FinLead ETF and FTSE ETF have been attracting money with a value of more than 450 billion VND and nearly 200 billion VND, respectively.

Capital inflows are showing signs of returning to the Vietnamese market through ETFs despite the global

withdrawal trend due to the US Fed's rate hikes to attract money. The prospect of Vietnamese securities is still considered attractive, especially in the eyes of foreign investors. The recent investment from Hong Kong CSOP FTSE Vietnam 30 ETF pouring capital into the Vietnamese stock market is a clear example. This ETF is expected to invest 100% of its assets in Vietnamese stocks.

CSOP is an investment-focused asset management company in the Chinese market. CSOP currently manages public and private equity funds, as well as provides investment advisory services to Asian and global investors. As of August 31, 2022, CSOP is managing more than 12 billion USD.

According to the CSOP assessment, Vietnam is one of the fastest-growing economies in the world. Thanks to a favourable domestic and global environment, Vietnam's GDP has grown 15 times over the past 25 years. Vietnam is also the only Southeast Asian country to maintain positive economic growth in the last two years despite the COVID-19 pandemic. The International Monetary Fund (IMF) forecasts that Vietnam will be one of the fastest-growing economies in Southeast Asia.

Previously, the third ETF under Dragon Capital, DCVFM VNMidcap ETF, was also officially listed on September 29. This ETF is the first fund to refer to the VNMidcap, a market-capitalisation-weighted index which measures the performance of 70 medium market-capitalisation companies on the HoSE. This is a popular group among many individual investors, especially in the last two years thanks to its good liquidity and high price volatility.

The KIM Growth VNFinselect ET will also be launched soon. This ETF's portfolio includes leading bank and securities company stocks in terms of liquidity and capitalisation.

The appearance of new ETFs promises to bring more choices to investors and at the same time attract capital flows into the market in the future.

Corporate News

8. IJC: IJC estimates 9-month profit after tax to decrease by 13%

↑ 3.52%

The Board of Directors of Technical Infrastructure Development Joint Stock Company (HOSE : IJC) has just approved the 9-month business results and is expected for the whole year 2022.

IJC 's 9-month consolidated revenue reached VND 1,782 billion, down 24% compared to the same period last year, achieving 63% of the plan.

Profit after tax reached VND 483 billion, down 13% over the same period, fulfilling 71% of the plan.

The company expects total consolidated revenue for the whole year of 2022 to reach VND 2,397 billion, fulfilling 85% of the plan, down 9% compared to the results in 2021. Profit after tax reached VND 704 billion, exceeding 3% of the target and up 13% compared to 2021.

On the stock market, the market price of IJC started to decline from the end of August until now, currently trading around 15,150 VND/share (9:44 am session on October 18), down 38% compared to the 24/08 session. 24,100 VND/share). Average liquidity is over 2 million shares/day.

9. SSB: SeABank's 9-month profit rises 59 per cent

↓ -0.51%

The Southeast Asia Commercial Joint Stock Bank (SeABank) reported pre-tax profit of more than VND4 trillion (US\$166 million) in the first nine months of this year, up 58.7 per cent on-year.

The Ha Noi-based bank's net revenue reached VND7.3 trillion, up 41.5 per cent on-year thanks to growth from the retail business segment, lending to small and medium enterprises (SMEs) and revenue-generating activities.

Net non-interest income (NOII) also recorded an impressive growth of VND2.2 trillion, up nearly 70 per cent on-year, accounting for 30.3 per cent of the bank's total net revenue. This ratio showed the stability and diversity of SeABank's revenue and was above the industry's average.

The bad debt ratio continued to decrease from 1.65 per cent as of December 31, 2021 to 1.59 per cent as of September 30, 2022.

Last week, the bank said it had received a five-year convertible loan of \$75 million from the World Bank's financial arm IFC to support its growth and increase lending to targeted SMEs. Of the total package, at least \$20 million would be earmarked exclusively for women-led SMEs, IFC said this July when disclosing the transaction. The entire loan was on IFC's own account, the firm added.

SeABank has recently completed raising its charter capital to VND19.8 trillion (\$820.2 million).

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