



VIETNAM DAILY NEWS

October 20th, 2022



Table of content

Table of content

1. HoSE's liquidity hits nearly two-year low
2. Vietnam remains attractive investment destination for foreign financiers
3. Hanoi scores positive economic indicators in January-September
4. Vietnam, S.Korea eye US\$100b in bilateral trade by 2023
5. State-run firms incur huge losses from overseas projects
6. Government debt to rise by 20% this year
7. Huge potential for Vietnam's timber exports
8. DGC: Duc Giang Chemical has the fourth consecutive quarter of profit of over 1 trillion
9. BSR: Dung Quat oil refinery increases capacity to meet market demand

Market Analysis

1. HoSE's liquidity hits nearly two-year low

The Vietnamese stock market retreated on Wednesday as selling force got stronger and liquidity subsided.

The benchmark VN-Index on the Hồ Chí Minh Stock Exchange (HoSE) reversed the previous trade's course to close lower yesterday. It dropped by 3.59 points to 1,060.07 points, a 0.34 per cent decrease. The index gained over 12 points on Tuesday.

The breadth of the market was in negative territory with more stocks sliding. Meanwhile, liquidity on the southern bourse also decreased, of which trading value on HoSE reached VNĐ8.2 trillion (US\$337.6 million). This is the lowest trading value since November 17, 2020.

The low liquidity showed that investors are no longer interested in the stock market after the strong volatility of September and October.

The 30 biggest stocks tracker VN30-Index also posted a loss of 5.41 points, or 0.51 per cent, to 1,0653.65 points. Nine stocks of the VN30 basket added points, while 17 inched down and four ended flat.

According to statistics compiled by financial website vietstock.vn, selling pressure heavily weighed on utilities, manufacturing and real estate industries. Specifically, PV GAS (GAS) led

the downtrend with a decrease of 1.71 per cent in market capitalisation.

It was followed by Masan Group (MSN), Hòa Phát Group (HPG), Vinhomes (VHM) and Vincom Retail (VRE), down at least 1.7 per cent.

Other stocks in banking sector also witnessed big losses, such as Asia Commercial Joint Stock Bank (ACB) and Sacombank (STB) subdued 1.4 and 2.26 per cent, respectively.

However, the index pared losses on gains in some large-cap stocks, including BIDV (BID), Vietnam International Commercial Joint Stock Bank (VIB), Vietinbank (CTG), Vietcombank (VCB), Sabeco (SAB) and FPT Corporation (FPT).

The HNX-Index on the Hà Nội Stock Exchange (HNX) finished at 227.9 points, down 1.22 points, or 0.53 per cent.

During the session, VNĐ721.77 billion worth of shares, equivalent to a trading volume of over 39 million ticker symbols, was traded on the northern market.

Foreign investors were net sellers on HoSE after withdrawing a net value of VNĐ80.58 billion on the exchange, while net bought VNĐ21.44 billion on HNX.

Macro & Policies

2. Vietnam remains attractive investment destination for foreign financiers

A survey conducted by Cushman & Wakefield highlights that more than 200 senior representatives from leading investment firms have selected Vietnam as their primary investment destination among emerging markets, with the country obtaining nearly 80% of the votes, followed India getting 75%.

Despite concerns about global macroeconomic instability, rising interest rates, and high inflation, foreign investors continue to inject money into committed projects in the country, said Trang Bui, general manager of Cushman & Wakefield.

The Business Climate Index (BCI) published by the European Chamber of Commerce in Vietnam (EuroCham) and produced by YouGov Decision Lab indicates that 45% of European business stakeholders remain optimistic about future prospects for their own businesses ahead in the fourth quarter of the year.

Furthermore, respondents anticipate that investment planning, orders, and revenues will remain relatively stable in comparison with the previous quarter.

“The future of Vietnam is bright. Vietnam offers great investment opportunities for European businesses, and we are very excited about the country’s prospects in the medium- to short-term. Through the EU-Vietnam Free Trade Agreement and our shared commitment to sustainable development, Vietnamese and European companies have a great deal of growth potential,” said Alain Cany, chairman of EuroCham.

The Ministry of Planning and Investment recently unveiled Vietnam attracted more than US\$18.7 billion in foreign direct investment as of September 20, with Singapore, Japan, Denmark, China, and the Republic of Korea becoming the leading investors.

Most notably, foreign investment disbursement hit a record high of US\$10.06 billion during the first half of the year, securing the highest growth rate over the past five years.

Bui revealed that Vietnam is primarily focused on developing infrastructure such as highways and seaports in a bid to enhance competitiveness and attract further FDI inflows into the country.

Rapid improvements made in the infrastructure system have therefore contributed to the country’s strong economic growth and significant developments in terms of the logistics industry, she noted.

Bui went on to outline that thanks to the tremendous efforts over recent years, the country is considered to be an attractive investment destination and a dynamic economy with a large degree of openness and a high economic growth rate.

With regard to policies which aim to attract foreign capital, Dr. Phan Huu Thang, chairman of the International Investment Research Institute, underlined the necessity of fine-tuning the legal system and re-evaluating existing projects to devise proper strategies and identify Vietnamese advantages in order to ensure efficiency for investments moving forward.

3. Hanoi scores positive economic indicators in January-September

The capital city of Hanoi attracted 1.02 billion USD in foreign direct investment (FDI) in the first nine months of 2022, up 18% year-on-year.

In the period, nearly 22,000 businesses with a total registered capital of 241.7 trillion VND (9.86 billion USD) were established, up 25% in the number of new firms and 2% in capital, according to Vice

Chairman of the municipal People's Committee Nguyen Trong Dong.

The city's gross regional domestic product (GRDP) expanded by 15.71% in the third quarter, and 9.69% in the January-September period – the highest in recent years.

In the reviewed period, Hanoi's State budget revenue hit nearly 244 trillion VND, equal to 78.3% of the yearly estimate and 112.3% of that of the same period last year.

Meanwhile, local budget spending was 48.6 trillion VND, equal to 45.5% of the yearly estimate and

equivalent to 109.8% of that of the same period last year.

In the remaining months of this year, the city will focus on main missions and solutions to maintain macro-economic stability, control inflation and improve the Provincial Competitiveness Index (PCI), Satisfaction Index of Public Administration Services (SIPAS), and Provincial Governance and Public Administration Performance Index (PAPI).

4. Vietnam, S.Korea eye US\$100b in bilateral trade by 2023

State President Nguyen Xuan Phuc suggested Vietnam and South Korea strive to raise two-way trade to US\$100 billion by 2023 and US\$150 billion by 2030.

President Phuc put forward the suggestion while receiving South Korea's Minister of Foreign Affairs Park Jin at the Presidential Palace in Hanoi on October 18.

The President congratulated South Korea on achieving its robust socioeconomic growth and becoming the fourth-largest economy in Asia and the 10th in the world.

The Vietnamese leader suggested the two countries make the most of the Vietnam-South Korea free trade agreement and the Regional Comprehensive Economic Partnership to realize the goal of bilateral trade turnover, which already hit US\$80.6 billion last year.

Phuc affirmed that Vietnam will always remain a safe and stable destination for investors. The Southeast Asian nation will create optimal conditions for South Korean businesses to make long-term and sustainable investments.

In addition, he hoped that South Korea would continue to offer more official development assistance to Vietnam on a larger scale and promote cultural exchanges between the peoples of the two countries.

Foreign Minister Park Jin said the bilateral trade between the two countries is on the rise despite the impact of the pandemic. He said a large number of South Korean firms are doing business in Vietnam, adding that South Korea has always considered Vietnam its key partner in ODA.

5. State-run firms incur huge losses from overseas projects

Thirty projects invested overseas by State-run enterprises racked up total losses of US\$335.5 million in 2021, up 42% year-on-year.

Among them, eight projects in telecommunications made a combined loss of US\$293.3 million due to foreign exchange rates and high fees and taxes.

The Vietnamese Government said that global economic uncertainties and geopolitical tensions had resulted in the losses.

Some of these overseas projects were suspended due to their poor performance. These projects were PVEP's oil and gas exploration and production

project, the salt mining project in Laos and Viettel Cameroon.

As of late 2021, 30 State-owned firms had had 137 overseas projects, mainly in the oil and gas, telecommunications and rubber fields, up by six projects against 2020, according to the Government.

State-owned firms poured over US\$43.6 million into 21 overseas projects in 2021, with PVEP's project

accounting for US\$18.9 million and Viettel's project making up US\$15 million.

Last year, State-owned enterprises' overseas investments totaled over US\$6.6 billion, reaching 55% of the total pledged capital. PVN came first in investments at US\$4 billion, representing 60% of the total overseas investment. Viettel came second with US\$1.5 billion, followed by Vietnam Rubber Group with US\$770.8 million.

6. Government debt to rise by 20% this year

The Vietnamese government plans to borrow VND619.49 trillion (US\$25.2 billion) this year, 20.5% more than in 2021.

Around 92% of it would come from bonds, the government said in a report to the National Assembly Tuesday.

In the first nine months it borrowed nearly \$185 million from overseas with an interest rate of 0.1% and a 40-year tenor, and plans to borrow another \$188 million in the last quarter.

It will pay VND324.58 trillion to service existing debts this year.

It said public debt is under control and within the cap approved by the National Assembly.

After Vietnam became a middle-income country recently foreign loans are closer to market rates, the report said.

Coupon rate on government bonds have increased by 2.79-3.27 percentage points a year since the beginning of this year due to unfavorable conditions in the international capital market.

The depreciation of the Vietnamese dong also increases pressure on debt servicing, especially when denominated in dollars.

Next year the government plans to borrow VND644.52 trillion, a 4% increase from this year.

7. Huge potential for Vietnam's timber exports

Due to the ongoing conflict in Ukraine, and many European countries turning their back on the supply of gas from Russia, the export potential of wood, and especially wood pellets, is on an upward trend.

According to the Association of Vietnam Timber and Forest Products (Viforest), in 2021, the total export value of Vietnam's wood and wood products totalled US\$14.8 billion. In particular, the United States is a large market for Vietnam's wood industry, accounting for about 60% of its total export

turnover. Vietnam is also the second highest importer of wood from the US, after China.

Wood pellets, commonly made of raw materials such as wood chips, sawdust, shavings, bark, crop straw, and other biomass materials, are becoming a billion-dollar industry with no export tax, according to insiders. Such pellets are now a promising choice as a form of fuel.

However, certification on quality, origin and sustainability is a prerequisite to tapping into this lucrative market.

A forest with sustainable community development is among the criteria for the Forest Stewardship Council Certificate (FSC), and this certificate helps Vietnamese firms access more global markets.

Ngo Sy Hoai, deputy head of Viforest, said “Many people in the EU are switching to wood pellets as fuel for the coming winter,” adding that Vietnam, as the world's second-largest exporter of the material, has an advantage, as the export price of pellets has increased by more than 27% compared to 2021.

A report titled “Vietnam's production and export of pellets: Current situation and some policy aspects” has just been published by Forest Trends in collaboration with Viforest, revealing that although Vietnam is not a major supplier of pellets to EU countries, the increasing demand and price in the international market creates opportunities for Vietnam's pellet industry to expand production and export.

An expert from Forest Trends, To Xuan Phuc, told local media that pellets have only been around for around 10 years, but the growth in export value has been very fast. In 2018, the export of pellets increased by 67% in volume and 120% in value over the previous year, marking an export value of more than US\$362 million.

In 2021, the export turnover from pellets reached US\$413 million and in the first 6 months of 2022, Vietnam exported 67.33% of the total volume of pellets compared to 2021.

“EU countries turned their backs on gas from Russia when the Russia-Ukraine conflict broke out, leading to imported pellets being used to replace this lost supply. Demand and price of pellets in the EU increased sharply, creating attraction from large suppliers, especially from the US - the largest exporter of such material,” Phuc said.

According to the Ministry of Industry and Trade, the export value of wood and wood products in the first nine months of 2022 was estimated at US\$12.4 billion, up 11.4% year-on-year. Of which, the figure for wood products was US\$8.6 billion, up 2.4%.

Wooden furniture has always been the main export item in the structure of wood products for export.

The Ministry of Industry and Trade also considers pellets a bright spot for the wood industry as the demand and export prices in the international market increase, creating opportunities for production and export. The price of pellets exported to the EU has doubled from US\$100 per tonne to around US\$200 at the end of 2021.

Viforest says that if the growth rate is maintained, the export turnover of wood pellets in the whole of 2022 could reach around US\$700 million, adding they are likely to enter the group of agro-forestry products with an export turnover of over US\$1 billion.

With an annual growth rate of 30-40% in the last ten years, total export turnover of wood and wood products will reach US\$14.72 billion, putting Vietnam in the top five exporters after China, Poland, Germany and Italy. The wood industry strives to reach an export turnover of US\$20 billion by 2025.

Despite the strong potential, firms exporting timber to the EU need to have FSC certificates, which can cost thousands of dollars and require many procedures for a batch of products. In this case, the Voluntary Partnership Agreement between Vietnam and the European Union (EU) on forestry law enforcement, forest governance and trade in forest products, or the VPA/FLEGT “green passport”, provides long-term benefits.

Last week, the Organisation for Cooperation and Development Germany (GIZ) in collaboration with the General Department of Forestry of Vietnam organized a seminar on the value chain of forest products and the implementation of the VPA/FLEGT Agreement.

Luu Tien Dat, from the General Department of Forestry, said after more than ten years, the agreement aims to ensure that Vietnam's wood products are legally produced, contributing to improving forest governance and expanding markets, as well as promoting the trade in sustainable wood and wood products.

Nguyen Tuong Van, vice president of the Vietnam Forestry Science and Technology Association, said that although the VPA/FLEGT agreement has not

had much of an impact on timber exports to the EU, it benefited wood furniture exports to the much bigger market of the US.

With its own law on timber trade, the US after seeing Vietnam negotiated and implemented the VPA Agreement with the EU, it is considered a "passport" for local wood to enter the market, adding Vietnam's wood export turnover to the US accounts for 58% of total wood product exports.

Hoai from Viforest says that over the years, enterprises exporting wood and wood products to

the EU must provide many types of documents to prove the legality and origin of raw wood to the EU authorities, while with the FLEGT license, they don't need any other paperwork.

He said that enterprises must comply with all regulations on labour and environment, social insurance, and supply chain management. With that, the new 'FLEGT Green Passports' will allow businesses to accelerate market expansion in the EU as well as around the world."

Corporate News

8. DGC: Duc Giang Chemical has the fourth consecutive quarter of profit of over 1 trillion

± 0%

In the newly released consolidated financial statements for the third quarter of 2022, Duc Giang Chemical Group Joint Stock Company (HOSE : DGC) reported a net profit of more than VND 1.4 trillion, nearly 3 times higher than the same period in 2021.

Chemical giant DGC had another booming quarter. Specifically, in the period, DGC reported revenue of nearly VND 3.7 trillion, up 75% over the same period. Cost of goods sold only increased by 40%, to more than VND 2 trillion. As a result, DGC achieved gross profit of more than VND 1.6 trillion, 2.5 times higher than the same period last year.

Financial income in the period increased sharply to VND 143 billion, 3.5 times higher than the same period last year. All expense items increased but not significantly, such as financial expenses increased by 38% (to nearly VND 15 billion), selling expenses increased by 18% (nearly VND 145 billion), or general and administrative expenses increased. 11% (nearly 34 billion VND). Thanks to good business growth, DGC 's 3rd quarter net profit was more than VND 1.4 trillion, nearly 3 times higher than the same period last year.

After 9 months of 2022, DGC achieved revenue, profit after tax and net profit of VND 11.3 trillion, VND 4.9 trillion and VND 4.5 trillion, respectively, up 86%, 4.4 and 4.2 times the same period. This result corresponds to more than 93% of the revenue plan and nearly 41% of the profit target set at the 2022 Annual General Meeting of Shareholders.

This is the fourth quarter in a row, DGC has reported a profit of more than VND 1 trillion since the fourth quarter of 2021. Notably, after the second quarter of 2022 with huge profits with a sudden increase in net profit of nearly VND 1.5 trillion - from VND 322 billion in the same period to nearly VND 1.8 trillion, the Board of Directors of DGC approved a resolution to set goals confidently.

for the third quarter with revenue and profit after tax of VND 4.06 trillion and more than VND 1.3 trillion, respectively. With the newly announced results, although it did not fulfill the revenue target, DGC 's profit after tax exceeded 16% of the plan.

At the end of September, DGC 's total assets reached more than VND 12.7 trillion, an increase of nearly 50% compared to the beginning of the year. In which, short-term financial investment (which is deposit to maturity) more than doubled over the same period, to nearly VND 7.4 trillion, accounting for 58% of total assets.

Cash and equivalents decreased by 47% to VND 65 billion. Short-term receivables increased sharply to more than VND 1.2 trillion (+58%), mainly from 3rd party customers. Inventories increased by more than 10% to VND 1.5 trillion, accounting for 12% of the weight. assets, mostly raw materials and finished goods.

Regarding capital, short-term debt of DGC as of September 30th decreased to nearly VND 1.78 trillion (-18%). The company has more than VND 876 billion of short-term finance lease loans with banks Vietcombank, HSBC , BIDV , and has settled debts with Shinhan Vietnam (VND 44 billion) and Vietinbank (VND 54 billion).

Owner's equity increased sharply to nearly VND 11 trillion, in which the owner's contributed capital increased to VND 3.7 trillion (2.2 times higher than the first year); and accumulated undistributed profit of nearly VND 5.2 trillion (up 76%).

DGC was renamed from Duc Giang Detergent and Chemical Joint Stock Company, operating since March 2004, main activities in the field of freight transport, factory leasing, manufacturing and trading of chemical products, and other industries. mineral fuels, mineral oil... At the end of September 2022, the enterprise has 7 subsidiaries, of which 1 indirect subsidiary is Vietnam Phosphorus Apatite

Joint Stock Company (UPCoM: PAT) - owned through subsidiary company is Duc Giang Lao Cai Chemical Company Limited (accounting for 51%).

After a period of decline with the market, recently, DGC 's stock price is increasing again. At the end of the session on October 19, the market price was 81,500 VND/share, up 21% compared to the last bottom of 67,300 VND/share on October 7th.

9. BSR: Dung Quat oil refinery increases capacity to meet market demand

↑ 2.46%

Information from Binh Son Refining and Petrochemical Joint Stock Company (BSR) said: Dung Quat Oil Refinery has increased its capacity to 109% to meet the demand of the petroleum market, which is lacking in recent times.

Mr. Cao Tuan Si - Deputy Director of Dung Quat Oil Refinery said that after increasing capacity from 105% to 107%, realizing that the market demand increased and the input raw materials were guaranteed, the Company decided to increase Dung Quat oil refinery capacity increased to 109%, 6% higher than the whole year plan in 2022 as the plant operated on average at 103% of capacity.

"In the near future, according to market demand and stable crude oil source, Dung Quat Oil Refinery may operate at over 110% of capacity, contributing to market stability", Mr. Si added.

Over the past time, BSR has actively followed market developments, maintained high operating

capacity, accelerated sales and maximized product sales to meet domestic petroleum demand as well as increase value for the Company. In the first 9 months of 2022, BSR sold more than 5.8 million m3 of petroleum. Inventories of Dung Quat Oil Refinery are often maintained at low levels.

The company has accelerated sales and shipments by providing maximum contracts, plus, early delivery of goods to support petroleum business hubs. In addition, the purchase of crude oil for the plant is always proactively planned in advance to ensure the supply of input materials for the plant to operate continuously at high capacity.

Dung Quat Oil Refinery has the most important task of ensuring national energy security, providing about 35% of petroleum demand for the domestic market. Since officially launching the first product line in 2009, Dung Quat Oil Refinery has always fulfilled its role and task in energy security, contributing to stabilizing the domestic petroleum market.

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