



# VIETNAM DAILY NEWS

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## Table of content

### Table of content

1. Shares nosedive on panic sell-off
2. Vietnam likely to yield US\$10 trade surplus this year
3. Exports bring in more than US\$14 billion in first half of October
4. VN strives to achieve public investment disbursement goal this year
5. Vietnamese tech firms have room to grow
6. Steel producers face gloomy business results despite huge potential
7. Budget revenue forecast 14.3 per cent higher than plan this year
8. SAB: Brewer Sabeco profits up 75% in 9 months
9. VHC: Seafood processor sees revenues, profits slump

## Market Analysis

### 1. Shares nosedive on panic sell-off

Vietnamese stocks extended losses on Friday as panic selling flooded the market, following the sharp fall of large-cap stocks.

The VN-Index on the Hồ Chí Minh Stock Exchange (HoSE) closed the day at 1,019.82 points, a decrease of 3.65 per cent.

The market breadth was negative with more stocks decreasing, of which 31 stocks inched higher and 453 reduced.

More than 742 million shares traded, equivalent to a value of VNĐ14.6 trillion (US\$587.9 million).

The 30 biggest stocks tracker VN30-Index posted a loss of 4.05 per cent, to finish Friday at 1,010.57 points. Of the VN30 basket, one stock climbed, while 28 declined and one ended flat.

Banking stocks suffered massive selling force, with losers including Techcombank (TCB), Sài Gòn Thương Tín Commercial Joint Stock Bank (STB), Military Bank (MBB) and Vietnam International Bank (VIB), Sài Gòn-Hà Nội Bank (SHB), Asia Commercial Bank (ACB), and Vietinbank (CTG), VPBank (VPB), Tiên Phong Bank (TPB) and Liên Việt Post Bank (LPB).

Of them, the worst performers were Vietinbank, Techcombank and Sài Gòn Thương Tín Commercial Joint Stock Bank, all hitting the daily limit decline of 7 per cent.

Some other large-caps in the VN-30 basket were Mobile World Group (MWG), SSI Securities Co

(SSI), Bảo Việt Holdings (BVH), FPT Corporation (FPT), Khang Điền House (KDH), Masan Group (MSN) and Việt Nam National Petroleum Group (PLX). They fell between 5 per cent and nearly 7 per cent each.

“In general, the supporting money flow is still reserved and indecisive, leading to the market's failure to regain. The conservative state continued, showing that the market is still afraid of the pressure from the Gap area, down 1,063 – 1,073 points,” said Việt Dragon Securities Co.

“The market is expected to weaken in the next session to re-test supply and demand. Therefore, investors need to slow down to observe and evaluate the state of the market. At the same time, new purchases should be limited, and portfolio restructuring may be considered to tighten risks.”

On a sector basis, all 25 sector indices on the stock market lost ground, including insurance, wholesale, construction, logistics, agriculture, real estate, retail, seafood production, construction materials, securities, rubber production, plastic and chemical production, banking, oil and gas, IT, food and beverage, and healthcare.

The HNX-Index on the Hà Nội Stock Exchange (HNX) also ended lower. The northern market index declined 3.75 per cent, to close at 217.41 points.

More than 88.6 million shares were traded on the HNX, worth VNĐ1.3 trillion.

## Macro & Policies

### 2. Vietnam likely to yield US\$10 trade surplus this year

Vietnam is likely to produce a trade surplus of US\$10 billion this year despite enduring global market uncertainties and fluctuations, Minister of Trade and Industry Nguyen Hong Dien told the ongoing year-end session of the National Assembly.

As of October 21, the country's trade surplus hit a record high of roughly US\$8 billion, and the figure is likely to rise to US\$10 billion by the end of the year, Minister Dien said on October 22.

He attributed these positive signs to solutions the Government, ministries, and especially the business community have implemented to stimulate consumption demand and connect product consumption outlets in order to promote trade exchanges.

He recalled that despite facing the negative impact caused by the COVID-19 pandemic last year, Vietnam's total foreign trade turnover last year hit US\$668 billion, making the country one of the 20 largest economies in the world in terms of international trade.

Moving into this year, the vaccine diplomacy strategy proved to be successful as Vietnam garnered large amounts of vaccines from partners, helping it to raise the vaccination coverage nationwide and bring the COVID-19 pandemic under control. The Government gradually eased all travel restrictions and introduced bailout packages in a bid to support business and production.

As of October 20 this year the country's total foreign trade turnover stood at an estimated US\$620 billion, and the figure is likely to climb to US\$800 billion by the end of the year, with the trade surplus set to rise to US\$10 billion.

This is certainly a huge, outstanding, and spectacular achievement, stressed the Minister.

He went on to say that export businesses no longer rely on key markets but have branched out to new ones. Decreasing demand coupled with high inflation in major markets such as China, Europe, Japan, and the United States have forced local businesses to return to the Eastern European market.

Furthermore, the effective application of e-commerce services has enabled Vietnamese commodities to reach more overseas markets. Currently, the country's e-commerce sales have fetched approximately US\$14 billion, with the figure anticipated to rise to up to US\$18 billion for the whole of the year.

However, the Minister admitted that export growth, despite its high rate, is not sustainable due to a lack of balance in the structure of export markets, the structure of exported goods, and the structure of export businesses. He cited statistics indicating that foreign direct investment (FDI) businesses make up 74% of the country's total export turnover, while the export capacity of State-owned businesses remains weak.

To meet this year's target, Minister Dien said it is necessary to continue to boost exports, strengthen import management, and promote official export in association with restructuring commodities and building brands.

According to the Minister, other solutions include bringing into full play free trade agreements that Vietnam has signed, effectively promoting the role of the system of trade bureau overseas, and releasing early warning about risks and trade lawsuits.

### 3. Exports bring in more than US\$14 billion in first half of October

VOV.VN - Vietnam raked in more than US\$14 billion from exports in the first half of October, with

electronics, garments and footwear bringing in the largest turnover.

The General Department of Vietnam Customs reported that the import-export turnover of Vietnam in the period from October 1 to 15, 2022 stood at US\$27.7 billion, up 6.5% year on year.

Of the total turnover, exports brought in US\$14.1 billion, up 7.6%, and imports fetched US\$13.6 billion, up 5.4%.

As a result, Vietnam yielded a trade surplus of US\$0.5 billion in the reviewed period, raising its trade surplus since the beginning of the year to US\$7.3 billion.

Among major hard currency earners in the first half of October, phones and components made up 18% of the total export turnover; computers, electronic products and components 13.4%; and machinery, equipment, tools and spare parts 13%.

Notably, footwear exports secured the highest growth rate, increasing by 136% over the same period in 2021.

#### 4. VN strives to achieve public investment disbursement goal this year

Public investment is an important and efficient solution to promote economic growth, improve the economy's competitiveness, and draw investment inflow, especially in global uncertainties.

Efforts to disburse public investment must be enhanced in the remaining months of this year as the workload to reach the Government's finish line remains huge.

Statistics from the Ministry of Finance show that more than VNĐ253 trillion (US\$10.6 billion) worth of public investment was disbursed as of September 30, making up 46.7 per cent of the Government's plan.

The Government on September 15 issued Resolution No 124/NQ-CP as a push to stagnant public investment disbursement, which set the target for public investment disbursement at 95-100 per cent this year.

Public investment is an important and efficient solution to promote economic growth, improve the economy's competitiveness, and draw investment inflow, especially in global uncertainties.

The disappointedly slow public disbursement was leading to delays in the implementation of development goals and causing waste.

Deputy Minister of Planning and Investment Trần Quốc Phương said that there were three groups of difficulties which were hindering the disbursement of public investment.

The first group included difficulties related to institutions, mechanism, and policies, especially in land, natural resources, environment, State budget and public property, construction and bidding.

The second group included difficulties encountered during implementing public investment projects, such as slow land clearance, limited capacity of the investors and contractors and lack of drastic management measures.

The final group included specific difficulties in 2022. Skyrocketing raw material price was a major reason for the slow disbursement of public investment this year.

The prices of construction materials increased by 48.8 per cent against the same period last year, electricity and water system installation services by 13.37 per cent, iron and steel products by 11.08 per cent in the first nine months of this year.

Meanwhile, the Government's cost norms were outdated, some of which was equivalent to 30 per cent of the market prices.

Identifying difficulties encountered during the implementation of public investment projects to be a major cause for the stagnant disbursement, Phương said that accountability must be enhanced to improve the situation.

Phương said that ministries, agencies and localities must strictly comply with the established regulations on public investment, adding that the focus must be placed on speeding up and improving

the quality of preparations for implementing public investment projects.

A report by an inspection team of the National Assembly revealed that the preparation and evaluation for public investment projects, including surveying, project making, and appraisal, still lacked accuracy, resulting in that thousands of projects must be adjusted investment value, even several times. As a result, some projects had adjusted investments much higher than the initial approved.

The report pointed out that this was a problem that had existed for many years and had not been resolved thoroughly, causing considerable waste in the use of public investment.

Inspection must be enhanced to prevent violations, *Phuong* stressed. He added that administrative procedures must be simplified and information technology strengthened to handle public investment procedures.

The ministry's statistics showed that 39 out of 51 ministries and central agencies, and 22 out of 63 provinces and cities, reported disbursement rates lower than the country's average.

Former Director of the General Statistics Office *Nguyễn Bích Lâm* said that unreasonable cost norms should be reviewed to ensure the appropriateness of the market prices.

Under Resolution No 124/NQ-CP, the Government also asked for price control and quality of construction raw materials for public investment projects to be enhanced in the context of rising prices.

At the Government's meeting about public investment in late September, Prime Minister *Phạm Minh Chính* urged drastic measures and efforts to be raised to speed up the disbursement of public investment.

## 5. Vietnamese tech firms have room to grow

Vietnamese tech firms are expected to grow rapidly in both the mid-and long-term thanks to rising IT demand around the world and rapid digital transformation at home.

Statista, a German company specialising in market and consumer data, said IT services spending is expected to amount to US\$1.28 trillion and VND1.39 trillion in 2022 and 2023, up 7.9% and 8.8%, respectively.

The Vietnamese Ministry of Information and Communications targeted 100,000 digital firms in Vietnam by 2025, a rise of 56.25% from 2021.

Software exports by domestic enterprises has increased with new contracts. Tech conglomerate FPT, for example, earned VND11.73 trillion (US\$478.83 million) from exports as of August, up 28.7% year-on-year.

Meanwhile, digital transformation has been accelerated by both businesses and the public sector.

The Bank for Investment and Development of Vietnam (BIDV) and Vietnam Public Joint Stock Commercial Bank (PVcomBank) have rolled out projects on digital transformation with services offered by tech group CMC.

Provinces including Nam Dinh, Thua Thien-Hue, Dak Nong and Hau Giang have also engaged in strategic cooperation in digital transformation with FPT and CMC.

The telecom segment is expected to grow stably thanks to a rise in the number of broadband subscribers (8-10%), and a boom of 4G and 5G services.

Stock companies said that IT firms will continue double-digit growth, and major groups like the military-run Industry and Telecommunication Group (Viettel), the Vietnam Posts and Telecommunications Group (VNPT), FPT and CMC still have ample room to grow.

Notably, Vietnam has advantages in its IT workforce market.



According to HSBC, 51% of programmers in Vietnam are 29-30 years old. The hourly wage for IT outsourcing software development in Vietnam is about US\$18, equivalent to 64% in other Asian nations and 10% in the US.

Therefore, customers from big markets like the US, Japan, the EU and Asia-Pacific have selected Vietnam as an ideal destination for cooperation in IT development.

ForeScout Technologies of the US, which delivers automated cybersecurity across the digital terrain, has recognised CMC Saigon Technology & Solution (CMC TSSG) as its Gold Partner and the only Service Delivery Partner in Vietnam.

Meanwhile, FPT and CMC also offer services in Japan, the US, the EU and Asia-Pacific.

Fitch Solutions forecast that Vietnam's IT market will reach VND208 trillion this year, and VND370 trillion by 2026.

## 6. Steel producers face gloomy business results despite huge potential

The huge potential market is mainly driven by large investments and favourable tax policies, but the business picture in the third quarter of 2022 of these enterprises is facing many challenges with large losses.

With the development of the Vietnamese economy and better living standard of citizens, the demand for steel in industries like construction, automobiles and household goods, is increasing. The fast growth in steel demand has lured many steel producers to build new production facilities in Việt Nam.

A report from Research and Markets showed that the domestic steel industry has more than 100 companies, including large enterprises like Hòa Phát Group, Hoa Sen Group, Viet Nam Steel Corporation, SMC Trading Investment JSC, and Formosa Ha Tinh Steel Corporation.

In 2021, the country's crude steel output reached 26.15 million tonnes, a compound annual growth rate (CAGR) of 32.7 per cent from 2013 to 2021.

According to experts, many firms have invested in the domestic steel industry in recent years after realising the great potential of the Vietnamese and Southeast Asia steel markets. Of which, Formosa Ha Tinh Steel, which is the largest investment, is a joint venture between Formosa Plastics Group,

China Steel Corporation and Japan's JFE Holdings with an investment capital of more than US\$10 billion in the first phase.

The rapid increase in the steel sector's production capacity in recent years has resulted in a glut in some steels, such as construction steels or irons, and cold rolled steel.

With a large decline in imports of hot rolled coils and electromagnetic plates, the Government is attracting foreign investors to build positions in the country.

Even though the Government currently has not issued a national policy for foreign investment in the steel industry, steel producers have been setting up in many industrial zones in Việt Nam, enjoying preferential policies in tax and other aspects.

Moreover, due to the rapid growth of the country's manufacturing and construction industries, the demand for steel will continue to rise. It is estimated that, during 2022-2031, Việt Nam's roads, airports and other infrastructure, housing construction, automobile, household goods and other industries will all remain at a high growth rate.

Analysts believe that the Vietnamese steel market will become one of the world's fastest-growing markets in 2022 - 2031. Meanwhile, the compound annual growth rate of crude steel output is expected to exceed 15 per cent. By 2024, Việt Nam will become a net exporter of steel.

### **Gloomy business results, activities**

The huge potential market is mainly driven by large investments and favourable tax policies. However, recent business reports of large enterprises in the industry cited that the business picture in the third quarter of 2022 of these enterprises is gloomy with large losses.

Recently, VNSTEEL - Vicasa JSC has just announced its financial report for the third quarter of 2022 with poor business results. Specifically, during the period, the business recorded net revenue of VNĐ477.2 billion (\$19.2 million), a nearly 18 per cent decrease over last year.

Doing business below cost of goods sold with higher expenses caused the company to witness a loss of nearly VNĐ22 billion, the largest quarterly loss since 2009.

For the first nine months of the year, Vicasa's net revenue was down 4 per cent to VNĐ1.84 trillion, but posted a net loss of VNĐ13 billion. In the same period last year, it still made VNĐ42 billion in profit.

"The Russia-Ukraine crisis, China's policies and global inflation have impacted the domestic steel and construction industries. Besides, as banks

tighten credit room for the real estate sector, the demand for steel reduces," the company explained.

Thai Nguyen Iron and Steel JSC (Tisco) has also announced the third quarter financial report with poor results.

Tisco's sales reached VNĐ2.6 trillion, but cost of goods sold accounted for nearly 100 per cent of the indicator. After deducting operating expenses, Tisco's profit in the third quarter was negative VNĐ25 billion, while last year it was positive VNĐ9 billion.

In the first nine months, the company reported a profit of only VNĐ7 billion, while in the same period of 2021, it was more than VNĐ112 billion.

Meanwhile, Pomina Steel Corporation announced a halt to production activities at a blast furnace, and had to terminate labour contracts with a number of officials and employees. Leaders of Pomina Steel said that the business has suffered heavy damage due to the negative impacts of the Ukraine war that escalated the price of oil and commodities, whereas the value of steel and steel billet products fell sharply.

In general, the business picture in the third quarter of steel industry enterprises is gloomy.

Uncertainties from geopolitical crises in the world and China's zero COVID policy are considered to be the main causes for the business results of steel producers. In addition, there are still many difficulties ahead as the actual domestic demand for steel remains at low level.

## **7. Budget revenue forecast 14.3 per cent higher than plan this year**

The domestic economy was expected to continue recovery track but the inflation, increasing product costs, supply chain risks, weakening global demand, policies adjustments of major economies and major trade partners, natural disasters would create pressure on the implementation of budget revenue and expenditure targets.

Budget revenue was forecast to be 14.3 per cent higher than the plan this year but the structure lacked stability as the increase was mainly from land-related revenues.

According to the report presented by Minister of Finance Hồ Đức Phớc to the National Assembly at

the meeting on Thursday, budget revenue in the first nine months of this year met 94 per cent of the plan, of which, domestic revenue was equivalent to 88.9 per cent of the plan while the revenue from crude oil and import-export was 11.3 per cent and 8.8 per cent higher than the plan, respectively.

Regarding budget spending, Phúc said that spending in January – September was estimated to meet 60.9 per cent of the plan. The spending for investment and development was equivalent to 48.1 per cent.

For the full year, budget spending was forecast to be 14.1 per cent higher than planned.

The disbursement rate of public investment was expected at 96 per cent.

Việt Nam was expected to run a trade deficit of 4.5 per cent of GDP this year, which was within the National Assembly's allowed limit, Phúc said.

The Government would strive to increase budget revenue and enhance savings to reduce the level of overspending, he said.

Chairman of the National Assembly Finance and Budget Committee Nguyễn Phú Cường said that the

structure of budget revenue still lacked stability as the increase was mainly from land-related revenue.

Local budget revenues were also uneven among provinces and cities, together with problems in the decentralization of revenue sources between the central and local budgets, Cường said.

The disbursement of capital for investment and development remained slow, he added.

Regarding budget revenue estimate for 2023, Cường noted that the world was to continue facing increasing risks, uncertainties, difficulties, and challenges.

The domestic economy was expected to continue the recovery track but inflation, increasing product costs, supply chain risks, weakening global demand, policy adjustments of major economies and major trade partners, as well as natural disasters would create pressure on the implementation of budget revenue and expenditure targets.

The National Assembly's Finance and Budget Committee urged the Government to develop the financial and budget plan for 2023-25 period with practicality and feasibility.



## Corporate News

### 8. SAB: Brewer Sabeco profits up 75% in 9 months

↑ 0.89%

Vietnam's biggest brewer Sabeco gained after-tax profits exceeding VND4.42 trillion (\$1=VND24,800) in the first nine months of 2022, a year-on-year surge of 75%.

Sabeco's revenues surpassed VND25.1 trillion, up 44% on-year, according to its latest financial statements. Meanwhile, the firm spent over VND1.8 trillion on advertisements and promotions.

In the third quarter, Sabeco made revenues of over VND8.635 trillion, doubling last year's figures, and after-tax profits of more than VND1.3 trillion, nearly treble the previous amount.

Bao Viet Securities said the brewer's beer selling prices would increase 10% this year against 2021, amid room for Vietnam's beer industry to grow.

The country produced over 4.3 billion liters of beer in the first nine months, up nearly 36% against the same period last year, and up 15.5% against the same period of 2019, the pre-Covid period, according to the General Statistics Office.

Vietnam is the biggest beer consumer in Southeast Asia and the ninth biggest in the world, according to Japanese drinks company Kirin Holdings, with demand likely to grow further as a large young population reaches adulthood, Nikkei reported.

### 9. VHC: Seafood processor sees revenues, profits slump

↓ -6.93%

Vinh Hoan Corporation, a leading catfish exporter, reported steep falls in revenues to VND3.26 trillion (US\$135.8 million) and after-tax profits to nearly VND460 billion for the third quarter.

The profits were the lowest in the last four quarters.

In September revenues fell 28% from the previous month to VND917 billion, the lowest in eight months.

Meanwhile exports in September to the two main export markets, the U.S. and China, fell by

37% and 52% mainly due to high inflation and material shortage.

Vinh Hoan lost nearly VND80 billion by trading shares, including three kinds of real estate shares, in the first nine months. The shares of real estate firms Vinh Hoan bought, including NLG (Nam Long Investment Corporation), DXS (Dat Xanh Real Estate Services Joint Stock Company) and KBC (Kinh Bac City Development Holding Corporation) all plummeted.

From the beginning to the end of the third quarter, market prices of NLG, DXS and KBC decreased over 15%, more than 21% and 11%, respectively.

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