



VIETNAM DAILY NEWS



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Market Analysis

1. Shares sink on weakened sentiment

The stock market plunged on Tuesday to hit a new bottom this year as investors fled risk and sought safe havens due to worries about current market volatility.

The VN-Index on the Ho Chi Minh Stock Exchange (HoSE) fell sharply by 3.1 per cent, to close at 911.90 points. It also fell on Monday by 1.41 per cent, to close at 941.04 points.

More stocks moved to the downside on the southern bourse, of which only 43 ticker symbols inched higher, while 429 stocks finished lower.

More than 692.3 million shares were traded on HoSE, worth nearly VND10 trillion (US\$403.6 million).

The benchmark index was pressured by losses in large-cap stocks, with the 30 biggest stocks tracker VN30-Index posting a decrease of 3.37 per cent, to 904.77 points. Four stocks in the VN30 basket jumped, while 26 stocks slid and four ended flat.

The worst performers in the VN-30 basket were pillar stocks in the banking, oil and gas, retail and real estate industries.

The biggest losers included Asia Commercial Bank (ACB), Bank for Investment and Development of Viet Nam (BID), Techcombank (TCB), Sacombank (STB), VPBank (VPB), Military Bank (MBB), Vincom Retail (VRE), Mobile World Group (MWG), Novaland (NVL) and Phat Dat Real Estate (PDR). They declined in the range of 2 to 7 per cent.

Losers in the energy stock group were Viet Nam National Petroleum Group (PLX), PetroVietnam Technical Services Corporation (PVS), PetroVietnam Drilling and Well Services

Corporation (PVD) and Drilling Mud Joint Stock Corporation (PVC).

Securities stocks were also hit by selling forces. The VN-Index's loss was significantly broadened as securities stocks fell strongly, such as VNDirect Securities Corporation (VND), Saigon-Hanoi Securities JSC (SHS), Viet Capital Incorporation (VCI), Agribank Securities Corporation (AGR) and APG Securities Joint Stock Company (APG).

Following the cautious signal of high price demand and the "force sell" movement that has not subsided, the market continued its downtrend, according to Viet Dragon Securities Co.

Currently, the downtrend of the market continues to stop at the lower boundary of the trend channel in VN-Index and VN30-Index with a recovery move.

If the supporting cash flow can help absorb the pressure of "force sell", it is likely that the market will enter a short-term recovery span. Therefore, investors still temporarily need to be cautious about the ongoing pressure of "force sell" and need to closely observe the movement of the supporting cash flow to assess the market's state.

On the Ha Noi Stock Exchange (HNX), the HNX-Index also finished lower. It lost 4.18 per cent to close at 175.78 points.

It had lost 3.35 per cent, to close Monday at 183.45 points.

During the session, VND613 billion worth of shares, equivalent to a trading volume of nearly 58 million shares, was traded on the northern market.

Macro & Policies

2. VASEP asks for more loans for seafood enterprises

In an official dispatch sent to Minister of Agriculture and Rural Development (MARD) Le Minh Hoan last week, VASEP said, despite difficulties in 2022, seafood exports have recovered and developed significantly, reaching a turnover of US\$9.5 billion by the end of October, up 34 per cent over the same period last year.

It is expected to reach \$10 billion by the end of November, a record milestone for Viet Nam's seafood industry after more than 20 years of participating in the world market. By the year's end, it is forecast to reach nearly \$11 billion, up 25 per cent compared to 2021.

However, VASEP also mentioned that seafood businesses face several challenges that greatly impact their work, such as cutting and reducing credit limits for commercial banks.

According to VASEP, from mid-2022 until now and especially at present, many branches of commercial banks have sharply cut credit to seafood businesses even though the credit limit of many businesses was only 60 to 80 per cent of the loans disbursed.

The association said many large enterprises with large capital needs could not afford to purchase aquatic products and materials for production. As a result, some must operate in moderation, affecting the industry's growth and export, adding that some businesses have had to stop construction of their seafood production facilities.

VASEP also said if loans were difficult for large-scale enterprises to access, it was much more for small, medium and micro-sized enterprises, as their conditions to meet banks' requirements for capital disbursement, especially preferential capital sources, are even more tough.

In a meeting with the Prime Minister, Nguyen Hoai Nam, VASEP's deputy chairman, said 279 members of the association, which contributed more than 80 per cent of the total seafood export turnover of the country, were facing loan-access problems.

Nam said: "If there is no money to pay their old loans to commercial banks, businesses are not allowed to take out new loans."

It said with the production and export of seafood in 2022 having unexpectedly strong growth at the beginning of the year, it is difficult for enterprises to balance the increased demand for capital without credit sources from banks adjusted.

Thereby, VASEP proposed the Government and MARD consider and have solutions to increase the credit level for the industry in general.

In addition, it recommended that the State Bank of Viet Nam direct commercial banks to create conditions for seafood businesses to continue to access standard loans when seafood exports are on the way to recovery and growth now and in 2023.

At the same time, the Government should take supportive measures to stabilise the prices of inputs for aquaculture, especially the price of feed, aquaculture breeding stock, and the price of energy for exploitation, as well as adjust the US dollar exchange rate flexibly and appropriately, and reduce domestic logistics costs, urged the association.

Also in the official dispatch, VASEP stated that the current shortage of labourers working in factories is also a concern for the business community, which affects production schedules and delivery commitments and makes it difficult to increase capacity.

The association proposes the Government provide a land fund for enterprises to build houses for workers and increase social welfare in the urban industrial park.

The association said that it is necessary to have a legal framework for enterprises to use foreign labours in line with the situation of the industry.

According to the media, advantages created by free trade agreements (FTAs) have helped many local

seafood enterprises turn challenges into opportunities. The sector is predicted to make up 3 per cent of the country's total overseas shipments this year.

According to VASEP, Viet Nam is currently the world's third largest exporter of fishery products, after China and Norway. With the obtained results, its seafood exports are expected to hold an over 7 per cent share in the global market.

3. High logistics costs erode competitiveness of Vietnam businesses

According to Le Quang Trung, vice chairman of the Vietnam Logistics Business Association, import-export businesses are grappling with increasingly high logistics and transport costs.

The cargo shipping time has increased 1.5-2 times against early 2020. It currently takes 45-60 days to ship cargo to the U.S., up from the previous 30-35 days.

Trung noted that shipping costs, with fuels accounting for 60-65%, make up a majority of the

logistics cost. Therefore, the fuel price hike will lead to a strong increase in logistics costs in Vietnam.

Shipping costs have shown no signs of falling due to rising warehousing and property costs.

To reduce logistics costs, many representatives proposed the traffic system be improved to ensure synchronization and continuity, among which railways and waterways should play a key role. In addition, transport and transit points should be connected to facilitate the operation of logistics companies in Hanoi and HCMC.

4. Domestic businesses face severe cash shortages

The National Private Economic Development Research Board (Board IV), managed by the Government's Advisory Council for Administrative Procedure Reform, has received much feedback from businesses over the last month, showing that a lack of capital has pushed them into difficulties affecting the competitiveness of many industries and the country's economy.

Enterprises said that due to the lack of capital, it is difficult for them to maintain production and business, purchase materials for next year's production, and retain jobs. This problem is serious because cash flows have dried up over two years during the pandemic.

In the steel manufacturing industry, due to the supply surplus crisis, businesses have been selling at 30-40 per cent lower than the cost to have operating cash flow and pay very high-interest amounts while waiting for the next credit target allocation.

In supporting industries, businesses said that in the past, they could use signed contracts or mortgage

their real estate to borrow capital, but now banks do not disburse because of the limitation on credit. They cannot maintain their position in the supply chain due to the lack of capital to invest in new machinery and technologies after requirements from difficult markets.

In agricultural production, businesses have no money to purchase when some agricultural products (especially seeds and materials) have a concentrated purchasing period in the last months of 2022 and early 2023. In a short time and with a large amount of capital needed, local enterprises cannot compete with FDI enterprises without credit loans.

According to Board IV, "capital hunger" has left most businesses in a "precarious position to maintain a part of their operations without expecting a recovery."

Meanwhile, foreign-invested enterprises, which have a better foundation, were less severely affected by COVID-19 and do not depend on loans from

domestic and commercial banks, which have more advantages.

Export data as of September 2022 from the General Statistics Office confirmed that exports of local enterprises decreased by 1.6 per cent on year, while foreign-invested enterprises kept a growth rate of 14.1 per cent.

"If prolonged, it will create increasingly large gaps and disparities between the two economic sectors, reducing the intrinsic competitiveness of local enterprises and the economy," said Board IV.

In the medium and long term, shortcomings in capital mobilisation will affect investment expansion and business recovery. The effect of declining confidence in real estate businesses has spread to all businesses in other industries, and bond mobilisation will not be a channel for them to call money in the short term. Some have to spend a lot of money to buy back bonds before maturity.

According to Board IV, in the context of low market confidence, lack of working capital, and lack of investment flows, the assets of enterprises are at risk of being sold off.

There may be a wave of selling factories/production facilities of local enterprises to foreign investors. Typically, Thai businesses conduct many

negotiations to buy and sell factories in textiles and other fields.

To support businesses overcoming cash flow difficulties, Board IV proposed the government consider extending some policies that supported businesses during COVID-19 until the end of 2023, such as a 2 per cent VAT reduction, extension/postponement of the new land rental tariff, rescheduling debt repayment, and keeping in the same debt group.

Regarding the financial market, Board IV proposes special solutions to the government to rescue businesses and the economy at this time. For example, allowing local commercial banks to repurchase maturing bonds and treat them as a special form of credit because the value of upcoming bonds has often exceeded the acquisition ability of state-owned corporations.

In addition, to increase the efficiency of the use of credit in 2023, Board IV proposed preferential credit packages for key manufacturing industries and fields, including loans for small and medium-sized businesses.

On the other hand, to tighten credit for real estate, it is necessary to separate some types of real estates, such as social housing, hospitals, schools, and production infrastructure, that will not be negatively affected by the general policy.

5. Vietnam's exports to Germany grow

Vietnam's exports to Germany amounted to US\$7.29 billion in 2021, and the first 10 months of this year saw the shipments continuing strong growth.

Vietnam exports 29 products to Germany, including electrical equipment, shoes, garments, coffee, fruits and interior furnishing items.

If growth is maintained in the rest of the year, Vietnam's exports to this European market would

amount to US\$9.3 billion this year, up US\$2.03 billion against last year.

Given the strong growth of Vietnam's exports to Germany, there remains room for Vietnamese enterprises to export products to this market.

EVFTA has created more opportunities for Vietnamese businesses to boost exports to Germany.

6. Steel industry woes may last until mid-2023

The Vietnam Steel Association said in its latest report that output of finished steel products in October had slid 16.38% month-on-month and 28.7% year-on-year to some two million tons. Meanwhile, steel sales edged down 5.53% versus September and 29.4% over 2021 to nearly 1.9 million tons.

From January to October, the industry produced over 25.3 million tons of finished steel and sold 23.1 million tons, dipping 8.7% and 6% over the same period last year.

On the export side, Vietnam’s steel shipments rose 3.8% month-on-month to 533,000 tons in September, but they dived 60.6% year-on-year. Export revenue stood at US\$429 million, plunging 6.1% and 69.3%, respectively.

Despite strong growth in 2021, the industry’s output and domestic and export sales nosedived during the third quarter.

The hardships will linger on in the last quarter of the year and may extend to the second quarter of next year due to a gloomy export outlook, fierce competition between steelmakers, interest rate hikes and exchange rate volatility, VSA said.

According to SSI Research’s latest release, after-tax profits of the local steelmaker Hoa Phat Group (HPG) plunged 70% year-on-year to VND10.2 trillion.

“Falling demand is one of the key factors behind HPG’s poor performance. Updated figures showed that HPG’s sales in October hit a record low since March 2021, at 210,000 tons,” SSI Research said.

7. Measures needed to prevent the return of allocated public investment

In a recent report to the National Assembly in response to the request to clarify why several ministries, agencies and localities asked for a reduction in the public investment allocated to them in 2022, the ministry said that the reduction of allocated public investment would affect the 13th National Party Congress’s goals set in the five-year plan and 10-year strategy.

The ministry said that it was also necessary to have sanctions for cases of asking for a reduction in the annual allocated public investment and to increase discipline in public investment.

The ministry pointed out that from 2020, some ministries, central-level agencies and localities asked for a reduction in allocated public investment, especially official development assistance (ODA), which failed to be disbursed. Statistics showed that the public investment sum which was proposed to be reduced increased from VND14 trillion in 2020 to more than VND20 trillion in 2021.

A representative from the Ministry of Planning and Investment said that the failure in disbursing all allocated public investment would affect the projects’ progress and investment efficiency, causing a waste of resources.

The reasons for slow public investment disbursement included poor preparations for projects and lack of feasibility in the development of public investment projects. In addition, the public investment discipline and compliance with the established laws on public investment remained not strict enough, the ministry said.

In response to the slow disbursement of public investment, Prime Minister Pham Minh Chinh late last week signed an official dispatch requiring all ministries, sectors and localities to speed up the disbursement of public investment in the remaining months of 2022 and early 2023.

Under the document, to maintain the recovery momentum and gain an economic growth rate of

about 8 per cent in 2022, the focus must be placed on accelerating the disbursement of public investment, considering this a driving force for growth and a key political task.

In addition, the settlement of site clearance, compensation and resettlement support must be sped up and provided in a timely and correct manner, ensuring compliance with the established laws and harmonising the interests of the State and people.

It was necessary to strengthen discipline in public investment disbursement, and prepare all the best conditions to quickly complete investment procedures, he stressed.

The finance ministry's statistics showed that the public investment disbursement rate as of the end of October was only 51.34 per cent of the plan assigned by the Prime Minister.

Corporate News

8. TPB: Raising the credit limit for TPS

↑ 1.02%

The Board resolution dated November 14, 2022, the BOD of Tien Phong Commercial Joint Stock Bank approved the credit limit increase for Tien

Phong Securities Corporation (TPS) (person related to member of the Board of Directors and member of the Executive Board).

9. NKG: Explanation for plummeting to floor prices

↓ -6.92%

Nam Kim Steel Joint Stock Company explained the decrease in stock prices in five consecutive trading sessions as follows:

The stock price of NKG decreased in the recent trading sessions due to the general situation of the

stock market, the tastes of investors beyond the control of the Company, the negative impact of macro factors and the decline in investor confidence.

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