



# VIETNAM DAILY NEWS

January 14th, 2021



**Table of content**

## Table of content

1. VN-Index ends rally after hitting 1,200 points in early session
2. EU investors keen to build US\$1 billion logistics centre in Phu My
3. Restoring purchasing power poses significant challenge to local economy: experts
4. New regulations to change Vietnam automobile industry in 2021
5. Vietnam to launch competitive retail electricity market in 2023
6. Fertiliser companies smell success ahead in 2021
7. National annual figure for labour productivity set to rise by over 7.5%
8. PAN: Report on purchasing the treasury shares
9. CII: Update on Hanoi Highway Toll Station

## Market Analysis

### 1. VN-Index ends rally after hitting 1,200 points in early session

Viet Nam's stock market finished mixed on Wednesday as the benchmark suddenly fell while the HNX-Index increased 0.23 per cent.

On the Ho Chi Minh Stock Exchange, the VN-Index decreased 0.52 per cent to 1,186.05 points after rising nearly 0.3 per cent in the morning session. The index hit 1,200 points in the early session. The decline ended the rally which started since last week.

Many brokerage houses forecast the VN-Index will soon surpass its historic peak of 1,204 points in the next few sessions due to strong cash flow from domestic investors.

The benchmark closed the day with only six out of nineteen sectors rising. Of which 254 stocks decreased while 193 stocks advanced, and another 37 ended flat.

"Cash flows reduced. The market breadth ran into a negative status while the liquidity was higher from the previous session," said BIDV Securities Co.

More than 819 million shares were traded on the southern bourse, worth nearly VND18.2 trillion (US\$792 million).

The VN30-Index reversed course from the morning session, down 0.38 per cent to end the day at 1,164.57 points. Many large-caps, especially property developers, plunged on Wednesday.

Vingroup Joint Stock Company (VIC) posted the biggest loss, down nearly 3 per cent to

VND111,100. Vinhomes JSC (VHM) also witnessed a bad trading day with a decrease of 2.42 per cent to VND100,900. Another property developer reporting a big loss was Vincom Retail Joint Stock Company (VRE), falling 1.36 per cent to VND36,200.

Other sectors like energy, airlines, retail, utilities and logistics also posted negative performance.

However, the market still recorded outstanding performers like Vietnam Rubber Group - Joint Stock Company (GVR) hitting the intra-day limit. The stock ended Wednesday with an increase of 6.88 per cent to VND31,850. GVR is the hot name in Viet Nam's stock market, often posting strong increases. The stock rose up to 52 per cent last month.

Banking stocks also had good performance, such as VPBank (VPB) up 2.29 per cent, Techcombank (TCB) up 0.14 per cent, and Vietnam International Commercial Joint Stock Bank (VIB) up 0.73 per cent.

Meanwhile, on the Ha Noi Stock Exchange, the HNX-Index climbed to 357.06 points, up 0.45 per cent. Domestic investors poured VND3.1 trillion into the northern market.

Foreign investors were net sellers on the two exchanges, unloading shares worth a net sell value of VND336.55 billion.

## Macro & Policies

### 2. EU investors keen to build US\$1 billion logistics centre in Phu My

VietnamNet.vn quoted sources from the provincial administration as saying Cai Mep Ha logistics centre has recently attracted significant investment from the Netherlands and Belgium. Indeed, both countries have sent documents to Prime Minister Nguyen Xuan Phuc to ask for permission for the consortium of EU and local investors, including Besix Company - IPEI Company of Belgium, Hateco Company of Vietnam, and Boskalis Company of the Netherlands, to implement the project.

It is the view of European investors that the successful deployment of a US\$1 billion logistics centre will serve to receive large container ships, therefore making it far easier to introduce Vietnamese goods to other markets globally. In addition, the move is anticipated to promote inland waterway transport, whilst also bringing goods and agricultural products from the Mekong Delta region to Cai Mep Ha port and the wider world.

Most notably, following the recent enforcement of the EU-Vietnam Free Trade Agreement (EVFTA), the construction of a large and modern logistics centre is expected to transform Phu My into the leading

commercial port and major logistics hub in Southeast Asia.

Statistics indicate that the country has increased its berth space by over eight times during the past 20 years to a total of 588 berths across 34 ports as of early 2020.

These increases can be seen as Cai Mep port in Phu My is now capable of receiving the largest container ship of up to 214,000 tonnes, followed by Hai Phong port with 132,000 tonnes.

Vietnam aims to increase the annual cargo capacity at ports to between 1.14 billion tonnes and 1.42 billion tonnes, with a specific focus on developing Hai Phong and Cai Mep ports in order to reach international standards.

The moves will ultimately contribute to saving logistics costs, increasing competitiveness, and greatly reducing shipping times, as Vietnamese goods are able to go directly to major markets such as Europe and North America without having to go through transit ports such as Singapore.

### 3. Restoring purchasing power poses significant challenge to local economy: experts

Speaking on the sidelines of the Vietnam Economic Scenario Forum held in HCMC on January 11, Nguyen Xuan Thanh, lecturer at the Fulbright Vietnam University and a member of the prime minister's economic advisory team, said that restoring the purchasing power in the domestic market remains the biggest challenge facing the local economy this year.

During the final months of 2020, the purchasing power slightly bounced back compared to the time when the first coronavirus outbreak hit the country and the national social distancing order was imposed, but it was still 19% lower than that recorded before Covid-19. The current purchasing power remains weak as consumers are spending less given their jobs and incomes being impacted by the public health crisis, Thanh continued.

For this year, supposing that the disease would be brought under control and consumer confidence could recover, consumers may continue to tighten their belts if their financial conditions see no progress, he added.

To recover the purchasing power, Thanh suggested that regulatory policies be mapped out to maintain macroeconomic stability and lower deposit and lending rates. Once lending rates are reduced, businesses and local residents would facilitate their consumption.

Also at the event, 27% of the participants, mostly business representatives, responded that the weakened domestic purchasing power remains the top risk to the nation's economic growth this year. Besides, 33% said that the global supply chain

disruption could be the main factor challenging the country's growth.

Dang Hoang Hai Anh, senior economist of the World Bank in the United States, concurred that the domestic purchasing power is a crucial factor. He stressed that before the coronavirus outbreak, an economic growth model based on the domestic purchasing power had been tabled for discussion globally. For Asian nations such as Vietnam where saving rates are high among the local people,

efficiently exploiting such sources of capital could help restore the purchasing power. While focusing on the domestic purchasing power, the Government and enterprises would need to include more measures to boost consumption.

Nguyen Bich Lam, former head of the General Statistics Office, also said the domestic purchasing power is the second most important factor for Vietnam's growth in 2021, just after the disruption of the global supply chain.

#### 4. New regulations to change Vietnam automobile industry in 2021

A number of new laws and regulations that are set to take effect on January 1, 2021 and could change Vietnam's automobile industry.

##### **End of 50% reduction in registration fee for domestic cars**

The Ministry of Finance (MoF) has not extended the policy of 50 per cent registration fee cut for domestically-manufactured cars as embassies of some countries, including Thailand, Indonesia, and the European Chamber of Commerce (EuroCham), expressed concern that such a reduction shows discriminatory treatment against imported cars.

While the Covid-19 pandemic remains complicated globally, the MoF has continued extending the validity period for many existing supporting programs, including the ongoing cut of 50-100% in 29 fees and expenses, in various sectors from January 1, 2021 to June 30, 2021. However, the list did not include the registration fee cut that was expired on December 31, 2020.

This move is predicted to harm the domestic automobile market as car buyers have to pay the registration fee, which accounts for up to 12% of the car price. To boost consumption, a number of car manufacturers and dealers, including Vinfast, are providing their own support for customers in payment of registration fee.

##### **Lower import duty for European cars**

Since January 1, 2021, import tariffs for cars imported from the EU have been significantly reduced. Under the new tariff schedule stipulated in

Decree No.111/2020/ND-CP that took effect in early 2021, import duty for cars from Europe would be reduced to 63.8% from 70.9%.

Lowering import duty is Vietnam's commitment under the EU – Vietnam Free Trade Agreement (EVFTA), which took effect last year.

Car expert Vinh Nam said that customers should not expect a sharp price decline in car imports from Europe, especially as the import duty cut is a gradual process and the tax rate of excise tax for car imports are based on the sale price, which includes profit of car dealers.

##### **Applying simulation modeling to driving tests**

Starting from January 1, 2021, all driving schools and testing centers in Vietnam are required to add simulation modeling into the driving test, so that the candidates should have experience on various driving circumstances and enhance their driving capabilities.

##### **Higher emission standards for old vehicles**

In 2021, all cars manufactured between 1999 to 2008 will be subject to emission standards at level 2, instead of level 1. Under current standards, petroleum engine automobiles are qualified for level 1 if they have carbon monoxide emissions (CO) of less than 4.5% and the hydrocarbon concentration (HC) of less at 1,200 part per million (ppm).

Level 1 is the lowest standard, while for cars to meet level 2 and 3, vehicles must have CO of less than 3.5

and 3.0% and HC of less than 800 and 600 ppm, respectively.

**Cars with less than 10 seats not required to have fire extinguishers**

Since January 10, 2021, passenger cars with less than 10 seats are not required to have a mini fire extinguisher. As such, owners of cars with four to

nine seats only have to meet the overall requirements for fire prevention and safety standards.

Previously, the Ministry of Public Security had made it mandatory for vehicles with four to nine seats to carry extinguishers, and those who fail to meet the requirement would be fined from VND300,000-500,000 (US\$13-22).

**5. Vietnam to launch competitive retail electricity market in 2023**

Vietnam will officially run the competitive retail electricity market in 2023 as part of efforts to make the power sector more transparent and effective in comparison with the regional peers.

Vietnam Electricity (EVN), the country's sole power distributor, needs to facilitate the investment in infrastructure of the power industry to better connect power plants with the national grid, Deputy Prime Minister Trinh Dinh Dung said at a meeting on January 12.

EVN needs to prioritize energy efficiency together with reasonable import and export of power in national programs, Mr. Dung said, adding that the group should be active in recommending plans for electricity generation and transmission to ensure sufficient energy for socio-economic development, defense and security.

The solutions will aim to keep electricity prices stable. "High power prices will make Vietnamese goods uncompetitive," the deputy PM said.

**Competitive retail electricity market**

Vietnam's 2004 Electricity Law has provided the framework to develop a competitive power market, helping promote private investment, and establish a regulatory authority, according to the World Bank.

Under which, the private sector is encouraged to participate in each distribution company.

Whereas the power market is partially competitive, improved operational efficiency and financial performance of generators in this market has contributed to keeping generation costs relatively low.

Plans are broadly on track for further extensive reforms, including a clean energy transition, Alan David Lee and Franz Gerner said in "Learning from Power Sector Reform Experiences" policy research working paper published in March 2020.

Vietnam has seen significant changes to its market structure, gradually moving from a vertically integrated structure to a more competitive power market, the paper showed.

In less than two decades, the country's power sector evolved from fragmented companies with high technical and financial losses to an integrated power system, and then to an unbundled group of stated-owned corporations with sizeable participation of domestic and international private sector actors in power generation.

**2021 targets**

Representatives of EVN said at the meeting that one of the group's tasks for 2021 is to conduct price marketization to encourage investment in electricity industry and follow the State-regulated market mechanism.

Duong Quang Thanh, chairman of the Board of Directors at EVN, said the group will prioritize sufficient power supply in a stable manner in 2021 for the socio-economic targets.

EVN targets to increase output by 5.16% on-year to more than 228 billion kWh in 2021, System Average Interruption Duration Index (SAIDI) of less than 349 minutes, electricity loss rate less than 6.35%.



The group will boost the development of renewable energy to reduce imported materials and ensure stable supply.

In addition, it requires efforts to complete regulatory framework for the electricity industry, especially regulations on credit guarantee schemes as the sector needs huge amount of money for power generation and transmission.

Requirements on environmental protection become strict, demanding investors to develop clean energy sources.

Accordingly, applying advanced technology and using updated equipment will be a must in upcoming power projects.

"The last but not least is digital transformation that should be applied for the group's operations and customer services to save cost," EVN's Deputy General Director Nguyen Tai Anh said at the meeting.

Currently, the group is running 16 software programs including ERP, CMIS 3.0, IMIS, PMIS, HRMS, E-OFFICE and EVNHES, for all its members.

### 2020 performance

EVN said one of its achievements in 2020 is lowering electricity loss rate to 6.42%, the third in ASEAN.

In 2020, the group offered electricity price reduction worth VND12.3 trillion (US\$525 million) to customers as part of efforts to support them in the Covid-19 pandemic.

EVN's members have so far operated a network of 29,638 megawatts (MW), accounting for roughly 43% of the national installed capacity.

In the year, the consumed power volume reached 216.95 billion kWh, up 3.42% on-year.

## 6. Fertiliser companies smell success ahead in 2021

According to FPT Securities Co (FPTS), more frequent rainfall may happen in central and southern Viet Nam as a result of the La Nina weather phenomenon, and even during the dry season in the Central Highlands, leading to an increase in the area for agricultural cultivation and therefore demand for fertiliser.

The La Nina phenomenon can trigger storms and tropical depressions in the East Sea more frequently. These are also likely to affect the Vietnamese mainland more than usual, mostly towards the end of the year, the company said.

The second favourable factor is the current high price of agricultural products, which facilitates cultivation and the need for fertiliser.

By 2020, the price of agricultural products in the world increased sharply as demand for food hoarding soared due to the COVID-19 pandemic. As of November 2020, world rice prices had jumped by 33 per cent compared to January 2016 and by 16 per cent from the same period in 2019. Corn and

soybeans also saw price increase of 14.5 per cent and 33.1 per cent, respectively.

The export price of white rice in Viet Nam is currently at the highest level in the past five years. As of early December 2020, Viet Nam's export price for 5 per cent broken white rice jumped to US\$516 per tonne, up 45.4 per cent year-on-year and 26.2 per cent higher than the average of the last five years. The current rice price is higher than the mark of \$450-490 per tonne for the same product from Thailand and \$376-382 per tonne of rice from India.

According to the Report on Commodity Market Outlook released in November 2020 by the World Bank, the world rice price in 2021 is expected to reach an average of \$498 per tonne, 21.8 per cent higher than the five-year average from 2016-2020.

Rice is the crop with the greatest influence on fertiliser demand in Viet Nam. High rice prices encourage farmers to increase production and expand cultivated areas. With the favourable weather conditions in 2021, farmers are predicted to be in great need of fertiliser.

According to AgroMonitor, total fertiliser consumption in 2021 is expected to reach 10.3 million tonnes, up 5.5 per cent compared to 2020. Consumption of most fertilisers is forecast to increase significantly compared to 2020, especially diammonium phosphate (DAP) fertiliser up 12 per cent, phosphate fertiliser up 8.7 per cent, NPK fertiliser up 4.6 per cent, urea fertiliser up 0.5 per cent, potassium fertiliser up 2.4 per cent and other fertilisers up 10.3 per cent.

In 2020, shares of Petrovietnam Fertiliser and Chemicals Corporation (DPM) increased 58 per cent, shares of PetroVietnam Ca Mau Fertiliser JSC (DCM)

soared by 126 per cent and shares of Binh Dien Fertiliser Joint Stock Company (BFC) also recorded an impressive increase of 70 per cent.

Despite the poor business results in 2020, shares of Lam Thao Fertilisers and Chemicals JSC (LAS) still recorded a rise of 17 per cent.

LAS faced many difficulties in competing with high-quality products of competitors in the northern region - the main market of LAS. The inability to cut selling and administrative expenses also led to a drop in its profit, making a loss of VND4.7 billion in the first nine months of 2020.

## 7. National annual figure for labour productivity set to rise by over 7.5%

The plan is to be implemented in order to make productivity into an important driving force for development across all sectors, largely through the application of new renewal achievements in science, technology, management systems, and tools that help to improve productivity. This is in addition to combining with research, training, and retraining of human resources, in line with Industry 4.0 trends.

This scheme underlines the need to fulfill national science and technology tasks, whilst providing support to local firms in research, innovation, technology transfer, and application in an effort to enhance productivity and total-factor productivity (TFP) based on science, technology, and innovation.

Moving forward, the nation is making every effort to achieve the goal of science and technology

contribution through TFP, with this expected to contribute approximately 50% to economic growth.

In line with the plan, between 30 and 35 centrally-run provinces and cities will complete their own plans in order to improve productivity based on science, technology, and innovation, while five to seven groups and corporations will deploy the implementation of productivity plans.

Furthermore, at least 500 small and medium-sized enterprises of centrally-run cities and provinces will launch pilot projects focusing on productivity improvement, whilst continuing to promote research, the application of science and technology, and innovations to boost productivity.

## Corporate News

### 8. PAN: Report on purchasing the treasury shares

↑ 1.62%

The PAN Group Joint Stock Company reports the result of the purchase of treasury shares as follows:

- Stock symbol: PAN
- Par value: VND 10,000/share
- Number of treasury stock before trading: 7,399,830 shares
- Number of registered shares to buy: 64,000 shares
- Bought volume: 64,000 shares
- Execution time: from December 31, 2020 to January 11, 2021
- Current treasury shares volume: 7,463,830 shares
- Trading price: VND 10,000/share
- Trading method: put through.

### 9. CII: Update on Hanoi Highway Toll Station

↓ -0.62%

Ho Chi Minh City Infrastructure Investment Joint Stock Company (CII) updates information on the fee collection at Hanoi Highway Expansion BOT Project:

The Ho Chi Minh City Party Standing Committee approved the policy for the collection of road use

service charges on Hanoi Highway Project, Mr. Phan Nguyen Nhu Khue, Head of the City Propaganda Committee, announced. Therefore, CII hopes that the fee collection can be started soon in the future.



**Research Team:**

**Tsugami Shoji**    *Researcher*

[jsi@japan-sec.vn](mailto:jsi@japan-sec.vn)

**Disclaimer:**

*Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.*

***Japan Securities Incorporated – JSI***

*Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi*

*Tel: (024) 3791 1818*

*Fax: (024) 3791 5805*

*Email: [info@japan-sec.vn](mailto:info@japan-sec.vn)*

*Website: [www.japan-sec.vn](http://www.japan-sec.vn)*