



VIETNAM DAILY NEWS

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Market Analysis

1. Sell-off sends main index down

Negative investor sentiment and selling pressure sent the VN-Index of the Hochiminh Stock Exchange down to close at 1,166.05 points today, January 25.

With 236 stocks rising and 219 others falling, the main index lost 0.73 points, or 0.06%, from the session earlier. Trade volume totaled 707.2 million shares worth VND15.8 trillion, down 6.8% and 1.5%, respectively, against the previous session. There were 41.5 million shares valued at over VND1.1 trillion transacted in block deals.

In the VN30 basket, many large-cap stocks lost ground or stood at the reference prices. The worst performers on the southern bourse were bank stocks, with lender CTG, EIB and STB dropping by 2%-3%, weighing on the market.

Despite the sell-off pressure, steelmaker HPG ended up and reported an impressive matching volume of some 33 million shares, while consumer goods producer MSN, jewelry firm PNJ and mobile

phone retailer MWG made strong gains, saving the main index from a deep fall.

Many realty and construction stocks such as HBC, DXG, KBC, VGC, ASM, ROS and FLC shot up to the ceiling prices.

On the Hanoi Stock Exchange, the poor performance of many bluechips dragged the HNX-Index down 8.27 points, or 3.45%, from the session earlier, at 231.84. Some 151.5 million shares worth VND2.1 trillion were traded.

Lender SHB led the northern market by liquidity with over 24 million shares changing hands, but finished the day down 4%.

Other bluechips such as securities firms SHS and BVS and gas firm PVS were in negative territory.

Meanwhile, many textile stocks, including TNG, NPS, ADS and GIL, bucked the downward trend and hit their upper limits at the close.

Macro & Policies

2. Exporters to identify risks of trade defence measures in the US

Experts from the Trade and Investment Promotion Center of HCM City (ITPC) mentioned the matter at a seminar on legal issues when exporting to the US market in the city on January 21.

Tran Phu Lu, deputy director of ITPC said: “Viet Nam has participated in many Free Trade Agreements (FTAs), creating conditions for export goods to enjoy preferential tariffs, improving the competitiveness capacity and export turnover. However, a number of investigations and trade protection measures for local products also increased.”

According to statistics of the Ministry of Industry and Trade (MoIT), by the end of 2020, it recorded and handled 193 cases of foreign trade defence on Vietnamese goods, including 108 anti-dumping cases, 22 countervailing cases, 23 tax evasion cases and 40 self-defence cases. So far, Vietnamese export goods have been investigated for trade defence with the affected turnover of up to US\$12 billion.

There were 32 initiations of investigations recorded last year, doubling the figure in 2019. The majority of goods subject to trade defence investigations included metals, fibers, and aquatic products, plywood, building materials and chemicals, which were known as the country's advantages.

The markets that regularly investigate trade remedies for Viet Nam's exports included the US, India, EU, Turkey, Canada and Australia, which accounted for 62 per cent of the trade remedies cases on Vietnamese exports, said MoIT.

It added ASEAN countries were also actively investigating trade remedies with 38 cases, or 20 per cent of the total cases.

Director Lu said: “The US is one of the leading economic and trade partners and the largest export market of Viet Nam. However, with a complicated and regulated legal system, it always has many potential risks for Vietnamese exporters. Every year, the number of imported consignments from Viet Nam which are sued and ordered to be destroyed or returned from the market is increasing.”

“In addition, many key export commodities of Viet Nam easily fall into the sights of investigating trade defence suits, creating difficulties and challenges for Vietnamese businesses, as a result, they are required to pay attention to information when they want to boost their exports to the US market,” said Lu.

C. Matthew, Attorney at Dentons International Law Firm, told the seminar: “The US is a large consumer market and a trading partner that many countries want to penetrate. However, this is also a market with lots of potential legal risks, especially the increase of trade remedies in recent times. The US will adjust different trade policies to protect the interests of the nation in different phases with different partners.”

Matthew said the US tended to increase supervision with commodities and countries with large trade surpluses, which increase abnormally and rapidly in a short period of time and pay special attention to the issue of the true origin of goods.

Matthew said due to favourable conditions such as the attraction of foreign investment leading to increased export production, taking advantage of supply chain disruptions and gaps in the US market, Viet Nam has more chance to enter the market. However, he added the excessive increase in turnover of some products would make them face the risk of lawsuits and trade remedies. If tax is imposed on a product, it could affect the whole industry and make many others leave the market because the US trade defence tax rate was often very high.

Diep Quoc Ke, CEO of ASIA Golden Link INC, recommended: “Prevention is better than cure,” suggesting exporters identify risks to avoid investigations or cases on trade remedies, especially for the US market.

Ke said the businesses must understand the US legal system and the federal law as there were separate laws for each state, adding it was important to understand trading partners to avoid high-risk transactions.

Experts also emphasised enterprises importing raw materials or semi-finished products from a third country to process then export to the US needed to pay special attention to the history of the trade of such goods between the United States and the third country and not use raw materials and products that the US was applying trade remedies for export or all

products of Viet Nam will be subject to the same commercial defence measures.

Instead, Vietnamese businesses should learn and boost the import of raw materials and goods from the US to serve local production and consumption.

3. Finland to provide US\$100 million for public investment projects in Vietnam

The agreement was signed at a ceremony held on January 21. According to Finnish Ambassador to Vietnam Kari Kahiluoto, he and Vietnamese Deputy Minister of Finance Tran Xuan Ha were authorized to sign the agreement.

The Finnish ambassador said that the PIF is aimed at providing financial support for public investment projects in developing countries, in line with the Sustainable Development Goals of the United Nations and by utilizing advanced Finnish technology.

PIF will support investment projects in the fields of water supply, environmental sanitation, environment protection, climate change response, energy and clean technology.

Ville Skinnari, Minister for Development Cooperation and Foreign Trade of Finland, in a pre-recorded remark said that he expects that with the PIF, Vietnam will have additional public investment funding, while Finnish companies with years of experience, expertise and suitable technology solutions will have better access to the Vietnamese market.

Skinnari added that the implementation of the agreement would also contribute to the long-term and effective partnership between Vietnam and Finland.

The two countries established diplomatic ties over 50 years ago, with the two-way trade surging fourfold over the past decade.

4. Total of 205 traders allowed to export rice

Per the list, the Mekong Delta City of Can Tho saw the highest number of licensed rice exporters at 43. HCM City ranked second with 38 eligible rice exporters, followed by the southern provinces of Long An, An Giang and Dong Thap at 25, 20 and 18, respectively.

Other localities with licensed rice exporters were Tien Giang and Ha Noi with eight, Nghe An with seven, and Kien Giang and Vinh Long at six.

Meanwhile, other localities had only one permitted rice exporter, such as Dak Nong, Tra Vinh, Tay Ninh, Binh Dinh, Binh Duong, Ha Tinh, Nam Dinh and Ninh Binh.

Despite a modest decline of 3.5 per cent in export volume to 6.15 million tonnes mainly due to the Government's efforts to ensure national food

security amid the COVID-19 pandemic, rice shipments still recorded turnover of nearly \$3.1 billion in 2020, a year-on-year increase of 9.3 per cent.

The export price of Vietnamese rice reached \$499 per tonne, up 13.3 per cent compared to 2019. This was the highest price of rice for export in recent years, which brought about benefits for local rice farmers.

The Philippines was still the top importer of Vietnamese rice in 2020, purchasing 2.22 million tonnes worth \$1.06 billion, a year-on-year surge of 4 per cent in volume and 19.3 per cent in value, according to the General Department of Customs.

This was a record high for rice export volume to this traditional market and it was also the first time the

value exceeded the \$1 billion mark. In addition, the export price to the Philippines surged in the year, hitting \$476 per tonne on average, up 14.7 per cent against 2019.

The Philippines remained the leading market of Vietnamese rice, holding the lion's share of 35.5 per cent and 33.9 per cent in total volume and export revenue of the country.

The Viet Nam Food Association forecasts a bright picture for the country's rice exports in the first quarter of 2021 as main export outlets such as the Philippines and Africa have signed contracts to buy rice from Viet Nam.

According to the association, the Asian rice market started to heat up again when many potential customers mainly from China, Bangladesh, the Philippines were urgently buying.

Thus, rice exports this year would likely top 6 million tonnes, the association predicted.

Trade experts said the country was switching to exporting more fragrant and high-quality rice at a higher price and added value. Furthermore, local rice farmers and traders had paid much attention to improving the quality of rice, origin traceability as well as adopted measures to meet the requirements of demanding markets like the EU, South Korea and the US.

5. Demand for imported luxury seafood rises

Robert Greenan, deputy consul general at the US consulate in HCM City, said last year exports of Alaskan seafood rose 125 per cent to US\$19 million.

Viet Nam became the US's sixth largest buyer of agricultural products and foodstuffs with imports worth \$4 billion.

According to the Alaska Seafood Marketing Institute in Viet Nam, demand for seafood is rising in the country, and several processing factories are moving from China to Viet Nam due to tariffs.

Alaskan seafood is mostly bought by restaurants and hotels and processors. The institute aims to expand the distribution network so that more customers can buy Alaskan seafood for cooking at home.

During Tet, there is especially high demand for Alaskan king crab since it is relatively easy to cook and suitable for special occasions, according to seafood provider The Alaska Guys Viet Nam. Cod fillet is also popular due to its aroma and boneless

meat, making it suitable for making porridge for children and seniors.

Canada is also a large supplier of luxury seafood to Viet Nam with zero tariffs under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. In 2020 Viet Nam imported over \$78.5 million worth of seafood from Canada, 10 per cent more than in 2019.

Tran Van Truong, director of Royal Seafood Co. Ltd, said free trade agreements had reduced the prices of these products, enabling his firm to open more stores in 2020.

Demand for seafood during Tet was expected to be three times higher than normal, and so his company was increasing imports.

Online businesses are also profiting from the falling prices of luxury seafood, and are offering free shipping or pre-processing the seafood to provide more convenience to customers.

6. Banks to make provisions for COVID-19 affected loans this year

Last year, the central bank issued Circular 01/2020/TT-NHNN, allowing banks to avoid making the provisions in 2020 to support banks and borrowers affected by the pandemic.

According to SBV deputy governor Dao Minh Tu, the amended circular, which is expected to be issued this month, will support businesses and people with

loans, creating conditions for businesses to recover quickly.

However, Tu said, the circular would also regulate provisions on COVID-19 loans to ensure the safety of credit institutions and the national financial system. The provision ratio will fit the financial strength of credit institutions.

The ratio of the provisions is drafted to gradually increase, from 30 per cent of COVID-19 affected loans by the end of 2021 to 60 per cent by the end of 2022 and 100 per cent by the end of 2023.

According to Can Van Luc, the profit growth of banks this year might be only about 10 per cent against 20-25 per cent in recent years mainly due to the requirement to make provisions for COVID-19 affected loans.

Banks restructured loans worth about VND350 trillion (US\$15.2 billion) for COVID-19 affected borrowers by the end of 2020, Luc said, adding if half of the loans became bad loans, the bad debt ratio of the banking system would increase to more than 3 per cent by the end of 2021.

To control the risk of bad loans, banking expert Nguyen Tri Hieu recommended besides actively recovering bad loans, banks must set aside provisions for bad loans and risky loans.

Some banks have already increased provisions for their risky loans.

According to Nghiem Xuan Thanh, Chairman of the State-owned Vietcombank's Board of Directors, Vietcombank's bad debt ratio is at 0.61 per cent of total outstanding loans, the lowest level among credit institutions and also the lowest in the history of the bank.

The bad debt ratio of State-owned VietinBank had also declined from 1.2 per cent in 2019 to below 1 per cent in 2020, Tran Minh Binh, general director of VietinBank, said.

Thanks to the bad debt decrease, the bank increased its provisions from 120 per cent to 130 per cent of loans. In 2021, VietinBank aimed to keep the bad debt ratio below 2 per cent while credit was set to grow at 8-11 per cent and profit at 10-20 per cent, Binh said.

Leaders of private commercial banks also said the bad debt situation was being improved. Nguyen Dinh Tung, General Director of OCB, said bad debt tended to decrease compared to the mid-2020 period. Enterprises were recovering quite quickly with the pandemic controlled.

It was positive as enterprises were recovering earlier than expected thanks to the central bank's supporting policies for debt restructuring, helping them overcome the crisis.

7. Standard Chartered forecasts Vietnam GDP growth of 7.8% in 2021

Vietnam's GDP growth is set for a strong rebound to 7.8% in 2021 from last year's economic growth of 2.9%, according to Standard Chartered.

Manufacturing could be the main driving force that helps Vietnam to become one of the fastest growing economies in Asia in 2021, stated the UK-based bank in a report.

Standard Chartered's Economist Tim Leelahaphan suggested the country's economy had been on the recovery path since the third quarter of last year, saying he expected the trend would continue in the coming time.

Meanwhile, high growth in services and public investment could serve as a boost for the economy, noted the bank.

According to the Standard Chartered, thanks to a series of effective measures against the Covid-19 pandemic, Vietnam has become more attractive in the eyes of investors as an ideal investment destination globally.

In the immediate future, Vietnam would continue to benefit from the US – China trade and technological tension, which is expected to linger under the Joe Biden's administration. Under this context, the slow

recovery of global demand and cautious sentiment from investors could weigh on the FDI inflows.

However, Standard Chartered stated the foreign capital inflow into Vietnam would remain positive in 2021.

Higher competitiveness is seen as a factor forcing Vietnamese firms enhance product quality and efficiency in their respective supply chains, as the country aims to become a hi-tech production hub.

However, this would require significant improvements in productivity, education, and technology transfer, added the bank.

Standard Chartered's report also referred to the Regional Comprehensive Economic Partnership (RCEP) as an opportunity for small and medium firms in Vietnam to further integrate into global value chains.

Companies in China, South Korea and Japan could seek to cut production cost by moving part of their production chains to countries in ASEAN with lower labor costs, asserted the bank.

HSBC's forecast for Vietnam growth this year is in line with that of HSBC at 7.6%, but higher than the Asian Development Bank (6.1%), and International Monetary Fund (6.5%).

Among local research centers, the Central Institute for Economic Management (CIEM) and the National Center for Socio-Economic Information and Forecast (NCIF) gave their respective predictions of 6.46% and 6.72%.

The government aims for an economic growth of 6.5% for 2021, 0.5 percentage points higher than the target set by the National Assembly.

Corporate News

8. VIC: LG Electronics intends to sell off smartphone business to Vietnam's Vingroup

↓ -0.19%

South Korea's LG Electronics reportedly intends to sell off its smartphone business to Vietnam's conglomerate Vingroup, according to South Korea's media.

The South Korean brand is considering all options for its loss-making mobile division that could include closing or selling off its business, according to Reuters in Seoul. The brand would be focusing resources on premium home appliance and automotive electronics.

Possible buyers are Vietnamese conglomerate Vingroup, Facebook, Volkswagen and Google, and Vingroup is one of the strong acquisition candidates, according to NewDaily.

Vingroup, with a market capitalization of US\$16.5 billion as of the end of 2020, accounts for 14% of the total market capitalization of Vietnamese listed companies. The group is operating in diverse business areas, including hotels and tourism, real estate, distribution, construction, automobiles, and mobile phones.

VinSmart, Vingroup's subsidiary, entered Vietnam's smartphone market in 2018. It has been producing smartphones under an original design manufacturing (ODM) contract with LG Electronics. Although it hasn't yet had a strong presence in the global smartphone market, in Vietnam, VinSmart's smartphone outstripped Apple's iPhone to reach the third place in terms of market share after Samsung and Oppo.

Newspim reported that LG Electronics' sales network, research & development center, Brazil-based production plant attract VinSmart for its expansion. LG Electronics' share in the North American smartphone market was 12.9% in 2020, according to Strategy Analytics.

Until now, Vingroup has no comment on this. However, the group also revealed it will export 5G-enabled smartphones to the US this year. Last September, its subsidiary VinSmart exported the first batch of smartphones to this market and planned to assemble nearly two million units for its partner in 2021.

9. SSI: SSI announces outstanding 2020 results

↓ -0.15%

The stock market had a successful 2020, with the two main indices, the VN-Index and VN30 gaining 14.9 per cent and 21.8 per cent.

Average liquidity in the fourth quarter rose 79.5 per cent from the previous quarter to VND11.6 trillion.

SSI retained its position as the leading brokerage on the HCM City Stock Exchange for a seventh consecutive year with a market share of 12.33 per cent.

At the end of last year it got an \$85 million loan from a consortium of foreign banks led by Union Bank of Taiwan, for securities trading services and trading valuable papers and margin lending at low interest rates among other things.

Last year it was conferred the title of 'Labour Hero in the Doi Moi (Renewal) period' for its contributions to the sustainable development of the country's securities sector.

Research Team:**Tsugami Shoji**

Researcher

jsi@japan-sec.vn**Disclaimer:**

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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

Website: www.japan-sec.vn