



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Shares fall again, VN-Index loses nearly 30 points

Shares continued on a downwards trend on Tuesday with all sectors facing selling pressure.

The VN-Index, the benchmark on the Ho Chi Minh Stock Exchange, decreased by 2.57 per cent to end Tuesday at 1,136.12 points. The index fell more than 3 per cent in the morning session. At the end of the session, 395 stock declined with 22 stocks hitting the maximum intra-day loss, while only 78 climbed. Another 23 stocks ended flat.

In a daily report, Bao Viet Securities Co said the market's correction pressure might continue in the next sessions. However, the VN-Index could recover in the later sessions of the week. In general, an accumulative fluctuation in the market can create a new price of under 1,200 point-zone in the short-term. Stock groups will also see clearer division according to companies' fourth quarter results of last year.

"In addition, the portfolios' restructuring of indices such as the VN30-Index and VNFinLead also influenced the market in the last week of January," the securities firm added.

Large-cap stocks also recorded a big loss today. The VN30-Index declined by 2.53 per cent to 1,125.09 points. Twenty-six of the 30 largest stocks fell, while only three rose with one hitting the intra-day limit growth of 7 per cent.

FLC Faros Construction Joint Stock Company (ROS) still kept its rally, up 6.78 per cent. Another two stocks among the 30 large-cap basket posting a

gain on Tuesday were MBBank (up 1.59 per cent) and Nova Land Investment Group Corporation (NVL) (up 1.25 per cent). MBB share price reversed course in the afternoon session after a fall in the morning.

Investors continued to withdraw money from banking, securities, and gas and oil stocks, while other sectors including construction, real estate, production, utilities, IT and retail also faced selling pressure.

The top five stocks with negative effects on the market today included Vingroup Joint Stock Company (VIC) down 3.15 per cent, Vietnam Rubber Group - Joint Stock Company (GVR) down 6.93 per cent, Vietinbank (CTG) down 6.25 per cent, JSC Bank For Investment And Development Of Vietnam (BID) down 4.6 per cent and Vietcombank (VCB) down 1.56 per cent.

On the Ha Noi Stock Exchange, the HNX-Index declined by 1.74 per cent to 227.82 per cent. The HXN30-Index also posted a big loss of 3.74 per cent to 348.27 points. The index decreased by more than 5 per cent in the morning session.

However, the market liquidity was still high with total trading volume in both exchanges of 1.04 billion shares, worth VND20.1 billion.

Foreign investors were still net sellers on both exchanges, with a value of VND152.72 billion on the southern market and VND1.95 billion on the northern bourse.

## Macro & Policies

### 2. Job market expected to pick up in 2021

Specifically, industrial zones in Binh Duong, Dong Nai, Long An, and Can Tho are drawing attention and investment from foreign manufacturing enterprises, which will create more employment this year.

According to the analysis of Navigos Search, Japanese manufacturing enterprises in the electronic and automotive spare parts plan to expand in 2021. In addition, many manufacturing enterprises from Europe, the United States, China, and Japan are exploring the market to invest in factory construction and develop production and business activities in Vietnam, especially the southern market.

Due to the land shortage in Ho Chi Minh City, it is expected that they will grow in new industrial zones in Binh Duong, Long An, Dong Nai, and Can Tho.

In the fourth quarter of 2020, Navigos Search also observed the quick recovery of recruitment in the IT industry after COVID-19. Enterprises continue to recruit but focus on high-quality personnel with the

most up-to-date technologies to increase their products and services' competitiveness. "New entrants" are quickly building their recruitment brands and having good salary and bonus policies to attract qualified personnel.

Although the COVID-19 epidemic delayed recruitment in the IT industry, companies are making plans to recruit 1,000 IT engineers in 2021.

Meanwhile, the banking industry is looking for candidates to work in technology and data. Banks are planning to recruit a large number of employees for credit sales (customer relations). Also, recruitment in the technology and data sectors will be boosted due to strong demand for digital transformation at commercial banks.

Another sector with bright employment prospects is the insurance industry. Since a number of life insurance companies have signed exclusive contracts with commercial banks in bancassurance, they are in need of recruiting consultants to work full time.

### 3. Vietnam steel export in 2021 set to grow further

Vietnam's flat steel export to EU will likely grow strongly this year while the global export is predicted to drop due to the Covid-19 impact, according to Viet Dragon Securities Company (VDSC).

Several flat steel producers, such as Hoa Sen Group (HSG) and Nam Kim Steel (NKG), have received enough orders for production in the entire first quarter of this year, mainly from the EU.

EU's proportion of flat steel imports from Vietnam rose sharply from 2-3% of the latter's total in 2019 to 9% in the fourth quarter of 2020.

"The EU's import volume from its largest flat steel exporter, Turkey, has dropped by roughly 30% year-on-year from 3.4 million tons to 2.4 million tons, thus making room for Vietnam's producers," stated the VDSC in its report.

In term of coated steel, the EU's demand is high while its temporary barriers in export have been removed.

Despite the Covid-19's negative impacts and Vietnam's steel products being subject to anti-dumping investigations in several markets, 2020 was a successful year for Vietnam's steel exports.

Data from the Vietnam Steel Association revealed the export volume of construction steel and coated steel increased by 7% and 14% year-on-year, respectively in 2020.

"The pandemic's positive effects on Vietnam's steel export activities outweighed the negative ones," noted the report.

Due to the limited impact of Covid-19 on Vietnam's steel production, while other countries were hit

strongly, Vietnamese manufacturers have seized opportunities to gain more market share, especially in China, Thailand, and the EU.

To boost economic recovery after the pandemic outbreak, there is a higher demand for construction steel from infrastructure projects in several countries.

For instance, steel exports from Vietnam to China and Thailand increased strongly by 718% and 82% year-on-year in 2020, respectively.

Temporary export difficulties in key markets, especially Indonesia, are decreasing as Covid-19 is gradually contained in countries around the world. Domestic exporters did not obtain permits to export to Indonesia as this country closed its borders control the pandemic.

As a result, many companies could not export to this country from the beginning of the year until July 2020. Hence, Vietnam's steel export to Indonesia decreased by 37% year-on-year in volume terms.

#### **Anti-dumping and anti-subsidy duties on Vietnam's steel products**

Malaysia has recently announced that it will officially impose tariffs on coated steel products from Vietnam with a margin of 3.1% -37.1% from January 24-May 23. Accordingly, HSG is subject to a relatively high tax rate of 16.55%. However, tariffs on this product will not affect this company significantly in 2021 as the share of this market in HSG's export structure has decreased to 4%-5% in 2020, stated the VDSC.

Meanwhile, other listed companies such as NKG and Hoa Phat Group (HPG) are also subject to tariff of 5% and 3%, respectively, which are lower than many Chinese and South Korean companies.

"This can help these companies maintain their competitiveness in Malaysia, which mainly imports coated steel from Vietnam, China, and South Korea," added the report.

Vietnam's flat steel products were also under new anti-dumping investigations in Australia, the Philippines, US, and Turkey in 2020.

"As these countries accounted for roughly 3.5% in Vietnam's total export volume of steel, we think the effect will not be significant for Vietnam's producers," stated the report.

## **4. Gov't urged to develop legal framework for direct lending for SME development**

The Government has been urged to develop a legal framework for the Small- and Medium-sized Enterprises (SMEs) Development Fund in terms of direct lending, in addition to trust and indirect lending services provided through commercial banks, to provide broader access to soft loans by SMEs.

According to the Ministry of Planning and Investment, since the fund was put into operation more than three years ago, it has helped SMEs enhance their operational effectiveness, increase profits, and create more jobs. Many firms have paid off loans early.

The fund was established by the Government in 2013 with a charter capital of 2 trillion VND (86.7 million USD).

In response to COVID-19, last year the fund lowered its lending interest rates to 2.16 percent for short-term loans and 4 percent for medium- and long-term ones to help pandemic-hit enterprises weather the storm.

To improve the fund's effectiveness, UNDP Resident Representative in Vietnam Caitlin Wiesen stressed the need to have a better understanding of the financial ecosystem for SMEs in Vietnam and a strategic role for a new lending channel to boost existing domestic funding.

Funding must come from both the public and private sectors to meet the ever-changing needs of SMEs and it is, therefore, important to develop a strong, effective, and sustainable lending mechanism to remove credit barriers facing SMEs, she noted.

SMEs account for about 98 percent of the more than 800,000 registered enterprises in Vietnam. They create over 1 million new jobs, employ around 5

million workers, and make up some 45 percent of GDP and 31 percent of the State budget revenue annually.

## 5. Shipping industry needs State support to develop: ministry

The development of cargo ships is part of the strategy to develop Viet Nam's marine economy by 2030.

Therefore, the ministry has proposed the Prime Minister consider and adjust financial mechanisms to support the development of the fleet, including loans with preferential interest rates.

Investment in a fleet of ships requires huge and long-term capital, while local enterprises are unlikely to be able to invest in high-quality fleets, according to Deputy Minister of Transport Nguyen Nhat.

The shipping companies have received very little financial support from the Government in the past few years to carry out fleet development.

Interest rates on bank loans in Viet Nam are from 8-10 per cent per year, higher than interest rates in other countries such as Japan (1-2 per cent), Singapore (3 per cent) and China (4.5 per cent).

At the same time, when registering a ship to fly the Vietnamese flag, the enterprise must carry out procedures on importing ships and have to pay taxes and fees such as registration fee, value-added tax and import tax on ships. Some ship owners have registered ships with foreign nationality to reduce taxes and fees.

In addition, the ministry proposed the Government reduce the corporate income tax for shipping enterprises from 20 per cent to 15 per cent within 3 years and personal income tax for seafarers by increasing the threshold of wages that are subject to tax.

To encourage the shipping companies to eliminate old ships with ineffective operations, the ministry has proposed exemption or reduction of taxes and fees, such as registration fees and VAT, when building or buying new and specialised ships suitable for transport needs.

It has also suggested that the State should have coastal fleet management policies to meet the domestic transport demand, promote freight by sea and improve connection among modes of transport.

According to Nhat, most Vietnamese shipping companies are small sized businesses and they mainly transport cargo but do not provide logistics services, leading to low efficiency in business activities.

The fleet structure is not developed properly with a large number of ships with small tonnage and lack of ships with large tonnage that could be used on international routes and specialised ships such as ships transporting liquefied gas, chemicals and bulk cement.

Vietnamese enterprises only have ships with a capacity of 1,800 twenty-foot equivalent units (TEUs) while foreign firms have vessels of over 20,000 TEUs.

In addition, Viet Nam's fleet of seagoing vessels is over 15 years old and many of them use old technology, which is not suitable for transporting import and export goods. They cannot compete with the new generation fleet of foreign enterprises.

An unstable source of cargo means Vietnamese shipping companies have not dared invest in building new ships.

Nhat said Viet Nam's fleets transport most types of cargo on the domestic sea routes, excluding liquid cargo (LPG) and bulk cement.

For the type of cargo that the Vietnamese fleet is not eligible for transport, the ministry has licensed ships carrying foreign flags of Vietnamese enterprises to run domestic routes for a short time.

To encourage the development of specialised ships, he said the ministry had requested enterprises to build or buy ships to replace foreign-nationality



vessels, because Viet Nam would only license foreign-nationality ships until the end of 2023 to operate on domestic routes.

According to the ministry, the percentage of import and export goods transported by local shipping companies fell by half from 10 per cent in 2015 to 5 per cent in 2020. That means foreign shipping companies transported 95 per cent of Viet Nam's import and export goods.

The foreign shipping companies have 10 different types of fees and surcharges besides freight for Viet Nam's import-export goods owners, including a container imbalance surcharge, bill fee and lead clamp charge.

In addition, "the shipping companies have continuously increased surcharges and freight rates during the COVID-19 pandemic, leading to higher transportation costs. That has impacted Vietnamese enterprises," Nhat said.

Vietnamese enterprises have delivered and received goods at Vietnamese ports, so the right to hire vehicles is undertaken by foreign partners, Vietnamese shippers depend entirely on foreign shipping companies and are forced to pay surcharges implemented by those shipping companies, according to Nhat.

According to the Ministry of Transport, the volume of goods through Viet Nam's seaports has grown steadily over the past five years with an average growth rate at 13.8 per cent.

Due to the COVID-19 pandemic, the growth of volume in 2020 was 4 per cent, slower than the annual average. Of which, the volume of container cargo through the local seaports in 2020 was estimated at 22.1 million TEU, up 13 per cent compared to 2019.

## 6. Progresses seen in Vietnam management of national foreign debts

Vietnam has recorded significant achievements in managing national foreign debts over the past three decades, said an official at a workshop held in Hanoi on January 26.

Vo Huu Hien, Vice General Director of the Ministry of Finance's Department of Debt Management and External Finance, made the statement, adding that the effective management has transformed Vietnam from a poor and heavily indebted country into a one receiving international organisations' recognition as having a controlled external debt level and being excluded from the group of countries with a debt burden.

According to data from the ministry, the public sector's proportion in the structure of the national external debt decreased from 73.6 percent in 2010 to 63.4 percent in 2015 and 43.7 percent in 2020.

The Government's foreign loans are mainly official development assistance and concessional loans. To date, Vietnam has signed more than 85 billion USD worth of these loans.

As Vietnam became a low middle-income nation, all economic sectors, both public and private, are able to access foreign loans under market conditions.

The ministry said, in the context of limited domestic resources, foreign borrowing from all economic sectors through flexible use of capital mobilisation forms has contributed to meeting investment needs of public construction projects, encouraging domestic saving, speeding up capital turnover, and tapping potential resources of the economy to achieve socio-economic development goals and macroeconomic stability.

International organisations recommended Vietnam consider and adjust the country's foreign debt management policies and tools to better match each debt component's risk characteristics and the country's development conditions.

A representative of the International Monetary Fund (IMF) pointed to a number of shortcomings in Vietnam's current management mechanism, including a lack of focus on risk sources and of self-insurance requirement.

Co-organised by the ministry, the IMF, and the Asian Development Bank, the workshop aimed to collect opinions for competent agencies to improve the

foreign debt management policy framework serving middle and long-term demand.

## 7. Vietnam raises petrol prices by over 300 VND per litre

Retail petrol prices rose by more than 300 VND per litre from 3 pm on January 26, the fifth increase in a row, following the latest review by the Ministry of Industry and Trade and the Ministry of Finance.

Accordingly, the price of bio-fuel E5 RON92 increased by 361 VND to a maximum of 16,309 VND (0.71 USD) per litre, and RON95-III by 340 VND to no more than 17,270 VND per litre.

The prices of diesel 0.05S and kerosene were pushed up by 395 VND and 350 VND to cap at 13,042 VND and 11,908 VND per litre, respectively.

Meanwhile, the price of Mazut 180CST 3.5S inched up 350 VND to 12,622 VND per kilogramme.

The two ministries said that the prices of petrol and oil on the global market increased from 5.34 to 6.45 percent in the past 15 days. They review fuel prices every 15 days to keep the domestic prices up to date with the global market.

With a view to supporting economic recovery in the nation, the ministries decided to increase expenditure for the petrol price stabilisation fund by 250 VND-1,350 VND per litre.

## Corporate News

### 8. VIC: Vingroup to mobilise \$302 million to pump capital into VinFast and VinSmart

↓ -3.15%

The bonds have a correspondent value of VND6.97 trillion (US\$302 million). The first issuance is expected to take place on February 18.

Vingroup's bonds are not convertible, having a par value of VND100,000, three-year term, not accompanied by warrants and are unsecured.

Individual investors who want to buy Vingroup bonds must register for a minimum value of VND100 billion. The figure for institutional investors is VND500 billion.

The entire mobilised capital from the issuance will be used to supplement capital for VinFast and VinSmart. VinFast will increase its capital by VND5.1 trillion and VinSmart by 1.86 trillion.

Automaker VinFast expects to break even in the next five years as it ramps up production and cuts costs.

The subsidiary also plans to start operating VinBus, a public transport network, this year and launch five new models, including three electric cars, by 2022, according to a recent report by stock brokerage KB Securities Vietnam.

It eyes a 30 per cent share of the Vietnamese auto market. VinFast sold 29,485 cars last year, 61 per cent of them being the small hatchback, Fadil.

VinFast estimated it sold a total of 29,485 vehicles in 2020, including 18,016 Fadil cars, 6,013 Lux A2.0 cars and 5,456 Lux SA2.0 models. From 2022, VinFast plans to introduce two more gasoline-powered cars and three electric models, expected to account for 30 per cent of the car market share in Viet Nam.

Pham Nhat Vuong, chairman of Vingroup, said last year that VinFast and Vinsmart want to export their products within the next few years, with the US the first major target market.

### 9. GAS: PVGas signs a cooperation agreement with PVOil

↓ -1.65%

On January 20, 2021, the Board of Directors of PetroVietnam Gas Joint Stock Corporation (PVGas) issued Resolution No.03/NQ-KVN approving the policy on cooperation between PVGas and

PetroVietnam Oil Corporation (PVOIL). On the same day, PVGas and PVOIL signed a cooperation agreement for the period from 2021 to 2025.



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