



VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index plunges as panic selling resumes

The VN-Index plummeted 3.43 percent, or 38.95 points to 1,097.17 points Wednesday, with the stock exchange freezing in the afternoon due to order overload.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, was again a sea of red with 413 stocks losing and 51 stocks gaining.

Total trading volume rose slightly over the previous session, to VND16.78 trillion (\$728.22 million), but could have been higher if the HoSE did not experience sporadic halts in trading in the final hour.

Securities firms had warned the number of inexperienced investors and margin traders trying to ride the VN-Index's recovery in the past months would overreact when profit-taking pressure appears on the stock market, causing mass selloffs like those seen in the two sessions of the past two weeks.

Foreign investors, however, seem to be taking the opportunity to bottom-fish, scooping up VND15 billion worth of shares on the HoSE, after being net sellers for most sessions in the last month.

Their net buying was focused on four tickers in real estate, namely NVL of Novaland, which rose 0.2 percent, KBC of Kinh Bac City, down 6.9 percent, VHM of Vinhomes, down 4.18 percent, and NLG of Nam Long Investment, up 0.3 percent.

The VN30-Index for the stocks market's biggest caps shed 3.69 percent, with 27 stocks in the red and only three in the green.

SSI of top brokerage SSI Securities, VRE of mall operator Vincom Retail and SBT of agricultural firm TTC-Sugar all plunged to their floor prices, down 6.9 percent, 6.9 percent and 6.8 percent respectively.

Private banks were again the worst performers, with EIB of Eximbank and VPB of VPBank both down 5.9 percent, HDB of HDBank 4.9 percent, STB of Sacombank 4.7 percent, and TCB of Techcombank with 4.3 percent.

In the public banking sector, MBB of mid-sized Military Bank led losses with 6.3 percent, while Vietnam's three largest lenders by assets, CTG of VietinBank, VCB of Vietcombank and BID of BIDV were down 5.5 percent, 3.5 percent, and 2.9 percent respectively.

Other major losing stocks included TCH of real estate developer Hoang Huy Group, down 5.3 percent, GAS of energy giant PetroVietnam Gas, with 5.2 percent, and HPG of steelmaker Hoa Phat Group, with 4.7 percent.

In the opposite direction, ROS of construction firm FLC Faros, the least capped on the VN30, continued to top gains with 5.9 percent, followed by MWG of electronics retailer Mobile World, up 1.1 percent, and NVL of Novaland, up 0.2 percent.

Investors also raced to offload stocks on the Hanoi Stock Exchange (HNX), home to mid- and smaller-caps, and the Unlisted Public Companies Market (UPCoM), both of which saw their indices plummet by 3.09 percent and 2.56 percent, respectively.

Macro & Policies

2. Electricity dispatch centre asks for better infrastructure

The National Load Dispatch Center (A0) has asked Vietnam Electricity (EVN) to equip it with better infrastructure for the operation of a future wholesale and retail electricity market with more renewable energy resources.

According to a representative of the centre, wind and solar power plants have been put into operation on a large scale but data on their scale and generating capacity is not yet accurate.

The representative added that rooftop solar power, with a capacity of up to 9,583 MWp, was affecting the load chart, making it tough to plan the power system operation as well as the market, especially due to the limitations of the transmission grid, particularly the 500kV / 220kV grid in the north.

The centre also said the operation processes of the hydroelectric plants with a capacity of more than 30 MW had shortcomings to fit with electricity market regulations.

As the future infrastructure will convert the transaction cycle from 60 minutes to 30 minutes, while the core software has reached its limit, the centre has asked EVN to soon install new tools.

Leaders of A0 also suggested the EVN consider offering supporting services for electricity loading and dispatch to develop the market.

It also asked EVN to approve its plan for upgrading and expanding the existing infrastructure systems such as SCADA / EMS to better collect metering data due to the sudden development of renewable energy for the wholesale electricity market and the growing requirements for energy security.

At the same time, it asked EVN to equip the Electricity Market Management System (MMS) system for after 2022 to ensure the infrastructure for the wholesale/retail electricity market with renewable energy.

The centre's representative said in 2021, it would set up better systems to improve the economic efficiency of the electricity system and minimise

electricity costs for the country, adding it would develop the information technology infrastructure for the future for the wholesale electricity market.

The centre also planned to complete the project of upgrading the IT infrastructure to serve the competitive wholesale electricity market of Vietnam (VWEM) in 2020-2022 as well as apply open-ended technical innovations and scientific research.

The centre said it would improve the quality of short-term and long-term load forecasting for uncontrollable power sources including renewable energy, rooftop solar power and wind power sources.

With an increasingly large-scale power system and the development of renewable energy sources to replace fossil fuels, the centre said it would propose solutions to strengthen the legal framework for renewable energy sources.

The centre said it would research and install storage equipment to fit with the increase in renewable energy sources to meet local operational requirements and standards.

Regarding human resources, it would recruit new engineers and improve the existing ones with more quality training to meet the requirements of a wholesale electricity market.

According to the centre, there are 100 plants directly participating in the electricity market with a total installed capacity of 27,526 MW, accounting for 46.3 percent of total installed capacity of power plants controlled by the national dispatching level. In 2020, four new factories joined the market with a total capacity of 1,837 MW. The total cost for those plants was 122 trillion VND (5.3 billion USD).

Last year, the centre prepared to operate the wholesale electricity market including the calculation and announcement of market electricity price (CSMP), market capacity price (CCAN), total market price (CFMP), rate of electricity purchase and cost of purchasing electricity from some factories of power corporations.

It also helped compile five processes regulating the operation of the competitive wholesale electricity market and reported to the EVN on the electricity market operation in 2021-2030 in the EVN's Power Plan VIII.

The ENV is eyeing the operation of a competitive retail electricity market in 2021 after running a competitive wholesale market since 2019. The plans were specified in 2013, with the marketplace set to be developed in three distinct parts – the power generation market, the wholesale market and the retail market.

3. First batch of Vietnamese rice exported to UK under UKVFTA

The first 60 tonnes of jasmin rice shipped to the UK under the UK-Vietnam Free Trade Agreement (UKVFTA) hit the shelves in London on January 26.

The top-quality fragrant rice was imported by the Long Dan Limited Company in the UK from the Vietnam National Seed Group (Vinaseed), and the rice is now sold at 15.5 GBP (21.28 USD) per kilogramme at the firm's supermarket chain.

Since Vietnamese high-quality rice enjoys zero tariff in the UK market under the trade pact, which took effect on December 31, 2021, it will gain competitive edge over rivals, including those from Thailand.

According to the Vietnamese trade counsellor in the UK Nguyen Canh Cuong, rice shipments to the

European country this year will sharply rise against 2020.

He said more UK firms will purchase Vietnamese rice under the UKVFTA, relishing an exciting prospect that Vietnamese rice will expand its market share in the UK this year.

In 2019, the UK, the world's 9th largest rice importer, splashed out 531 million USD buying 671,000 tonnes of Vietnamese rice. However, Vietnamese rice only accounted for 0.24 percent of the UK's total rice import. Top rice exporters to the UK included India (22 percent of market share), Pakistan (18 percent), Spain (11 percent), Italy (10.9 percent), and Thailand (9.2 percent).

4. Party Congress: Vietnam trains sights on developed country status

Addressing the opening session of the 13th Party Congress in Hanoi, Party General Secretary and State President Trong praised the country's achievements in overcoming the socioeconomic impacts of the Covid-19 pandemic in 2020.

Society as a whole had contributed to overcoming difficulties and recording impressive achievements, he said.

While the global economy suffered a recession in 2020 and recorded negative growth rate of almost 4 percent because of the pandemic, Vietnam's GDP grew 2.91 percent. While the growth was the lowest in a decade, Vietnam remained one of the fastest-growing economies in the world.

In achieving its dual goals of ensuring economic growth and containing Covid-19 Vietnam has been

more than once been praised as a role model by the international community, he noted.

Trong said that the nation's efforts in dealing with the aftermath of a series of floods and landslides, which lasted throughout last October in central Vietnam, were also noteworthy. Life had been brought back to normal in quick time for the residents, he said.

"Results achieved during the term of the 12th Party congress are of particular importance as they contribute to reinforcing trust and confidence, creating a momentum for the entire society to continue to overcome difficulties and challenges, and take advantage of favorable opportunities to take the country into a new period of development."

The Party leader said that in the 35 years since Doi Moi, the economic renovation policy adopted in 1986 that opened Vietnam's economy to the world, the nation has recorded historically significant achievements. It had developed more strongly and comprehensively compared to the years before the policy's introduction.

For that, Trong set the target for the nation to make efforts "to become a developed country by mid-21st century."

"With all humility, we can now say that our country has never had such fortune, potential international position and prestige as it does today," Trong said.

This fact should be included in the draft document for the congress to discuss, and if possible, become a conclusion for the 13th congress, he added.

The 13th Party Congress has attracted the highest participation so far, with 1,587 delegates representing 5.1 million Party members from around the country.

The nine-day premier political event in the country will select new leadership for the Party, State and National Assembly for the next five years, besides finalizing socio-economic development policies for 2021-25 and orientations until 2030 with a vision towards 2045.

5. HCM City construction materials market expected to benefit from huge demand

Lê Hoàng Châu, chairman of the HCM City Real Estate Association, said it would recover from the first quarter since Việt Nam had done an excellent job of containing the pandemic, instilling confidence in businesses.

Rising domestic consumption and the EU-Việt Nam Free Trade Agreement (EVFTA) would drive the retail industry, and foreign retailers, especially from the EU, were expected to enter the country, increasing demand for office space, he said.

Võ Thị Khánh Trang, head of market research at Savills Vietnam, said in the city high-end condos remained in demand despite the pandemic and there were no signs of a fall in prices.

According to the Việt Nam Real Estate Brokers, some 20 housing projects will be launched in HCM City in the first half of this year in all segments with 30,000 units.

Phạm Văn Bắc, director of the Ministry of Construction's department of building materials, said the rise and fall of the construction market was closely linked with the property market.

It would also benefit from the public investment projects to be implemented this year, he said.

Repairs to infrastructure damaged by the floods and landslides in the central region would also require large volumes of construction materials, and all

these factors would cause the construction materials market to rise sharply this year, he said.

The industry needed to prioritise producing new materials, scale and advanced technologies as well as projects that use waste from other sectors, he said.

VNDirect Securities Company said the building materials industry would benefit greatly from the increasing investment in construction this year, including in major infrastructure projects like the North-South Expressway.

It estimated that the building materials market would be worth VNĐ23.7 trillion this year.

Việt Nam could also benefit from China's plans to invest in infrastructure this year, which would increase its demand for steel and cement, it said, estimating the trend would continue until mid-year at least.

The steel industry exported nearly \$3.65 billion worth of products in the first nine months of last year, a year-on-year increase of 16 per cent.

China was the largest buyer, accounting for 28.5 per cent of the exports, followed by Cambodia and Thailand.

However, imports provided the industry with fierce competition and it also had to deal with trade

remedy investigations in export markets, experts said.

6. Imports impeding chicken production

Nguyen Thanh Son, chairman of the Vietnam Poultry Association, told VIR he has received numerous phone calls in recent weeks from livestock company representatives and members of the association, complaining about not being able to sell chickens even as the Lunar New Year approaches.

“The companies say that at this time last year sales were good, but this time around numerous traders are buying cheap imported chicken, even as local producers are offering prices below their break-even point,” Son said.

Neither businesses nor households earn enough profit with these prices, he added, while production expenditure has increased, including feed, vaccines, and labour costs. “They are turning to the association to propose that the government can issue policies to regulate supply and mitigate the damage for domestic production,” Son said.

Frozen low-cost chicken arrives en masse to Vietnam through diverse channels, appearing at budget food courts and kitchens serving workers at industrial zones and supermarkets.

Ngo Thanh, owner of a budget food court in Hanoi's Cau Giay district said that she has replaced domestic chicken with frozen imports in the past year for the cost savings. “The majority of customers are labourers and students, so the meals must be affordable,” Thanh said.

“Since the African swine fever (ASF) broke out in the country, the price of ingredients has seen a dramatic increase, and frozen imported chicken is a good replacement.”

In supermarkets, imported chicken is 30-40 per cent cheaper than domestic products. For example, at Big C Le Trong Tan supermarket in Hanoi, C.P. Vietnam chicken legs sell for VND46,000 (\$2) per kg. Meanwhile, drumsticks imported from the United States costs VND40,000 (\$1.70) per kg and whole chickens cost VND58,000 (\$2.50) per kg.

On social networks, prices are even lower than in supermarkets. Whole chickens are offered at VND35,000 (\$1.50) per kg, and imported chicken cuts are offered for VND17,000-48,000 (75 US cents-\$2) per kg.

At domestic farms, the average price of white chicken is VND13,000 (55 US cents) per kg, lower than the actual breeding expenditures. As a result, farmers are suffering losses.

According to the Ministry of Agriculture and Rural Development (MARD), to date, approximately 2,000 companies are allowed to export meat and animal products to Vietnam, including 479 companies from the US, 172 from France, and 152 from Japan. Last year Vietnam is estimated to have imported 200,000 tonnes of chicken and over 3.4 million breeding chickens.

Son said that chicken production prospects will become even bleaker as Vietnam's tariff drop commitments in free trade agreements come into effect.

“According to schedule, the import tariffs on poultry will decrease each year and reach zero in 7-10 years. Thus, competition between domestic and low-cost imported products will only get fiercer,” said Son.

Along with the imported product factor, the large-scale repopulation of herds is another reason causing oversupply, leading to damage for the domestic chicken breeding sector.

Son said that a number of association members reported a repopulation ratio of 30 per cent on-year, with one company even increasing capacity from 35 million to 100 million heads last year alone. The country's poultry output is in the top ten worldwide, with a total of 520 million chickens annually.

“As per the unofficial statistics of the association, the total supply of chicken in 2020 increased by 18-20 per cent on-year. Meanwhile, the demand saw a drop since early in the year due to COVID-19

affecting schools and factories. In addition, the tourism sector has yet to recover, impacting chicken sales,” Son said.

Vu Manh Hung, general director of Hung Nhon Group, also highlighted the serious losses suffered by chicken breeders due to the oversupply that was formed by both households switching to poultry and livestock companies expanding poultry herds following ASF.

“The lack of specific development strategies and management mechanisms have destabilised supply. As a result, the government and the MARD are facing difficulties in issuing supporting policies for chicken breeding,” Hung said.

Hung added that Vietnam can learn from the experience of countries like the Netherlands, which builds breeding plans with a specific number of animals for each farm. “If farms want to increase their herds, they have to negotiate with other farms. This will help keep supply stable and it is easier for the government to issue policies to control imported products,” Hung said.

The poultry breeding sector will continue to face difficulties due to a H5N6 bird flu outbreak.

On January 1, Quang Ninh province detected H5N6 in a flock of 3,000 coloured chickens in Quang Minh commune, making it the fifth outbreak since the start of 2020 and the first outbreak in the province in that time. The household farm had not been vaccinated as it restocked at the time after the second national vaccination programme last year.

Hai Ha district mobilised power sources and tools to implement isolation, and prevent and control the pandemic.

The district also asked communes to check poultry numbers in households, and coordinate with the Agricultural Technical Service Centre to administer additional bird flu vaccinations before January 25. Besides that, the district organised to decontaminate and disinfect areas suffering from outbreaks as well as burial pits and other areas.

7. Vietnam cuts corporate income tax for science, tech firms

Corporate income tax will be completely exempted in the first four years and reduced by half for the next nine years for new science and technology companies in accordance with Clause 12 of the Government's Decree 13/2019/ND-CP and the Law on Science and Technology.

To be eligible for the tax reduction, the companies are required to have a Certificate of Science and Technology Enterprise issued by the relevant authorities.

Their annual revenue from producing and selling tech-based products must account for no less than

30% of their total revenue. Moreover, revenue from tech-based applications must come from new services, not services that already exist in the market.

Besides this, science and technology companies must comply with accounting and bookkeeping regulations and fulfill their tax liability in line with the law.

The corporate income tax reduction is expected to help boost the development of science and technology in Vietnam, the Ministry of Finance said.

Corporate News

8. CRE: Board resolution on real estate investment in Binh Duong province

↓ -1.41%

According to the Board resolution dated January 23, 2021, the Board of Directors of Century Land Joint Stock Company unanimously approved the purchase, sale and transfer of real estate in Chanh Nghia Quoc Cuong Apartment Building Project in

Chanh Nghia ward, Thu Dau Mot city, Binh Duong province. The project is invested by C-Holdings with the estimated investment of 485,303,280,000 dongs.

9. PDR: Board resolution on project transfer

↓ -2.70%

The Board of Directors of Phat Dat Real Estate Development Corp approved to transfer a part of project in Area No.4, Nhon Hoi Eco-Tourism Area;

Apartment Building Work (HH-2-4, HH-2-5, HH-2-6), area of 10,568.12 m², to the transferee ADK Real Estate Joint Stock Company.

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