



VIETNAM DAILY NEWS

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Market Analysis

1. Shares to go up after Lunar New Year

The Vietnamese stock market is forecast to prosper after the Tet (Lunar New Year) holiday in accordance with the strong growth of stock markets around the world, analysts said.

The benchmark VN-Index on the Ho Chi Minh Stock market ended the last trading session before the Lunar New Year (February 10) up 2.93 per cent, closing at 1,114.93 points.

An average of 519.8 million shares were traded on the southern market on February 10, worth VND7.3 trillion (US\$317.8 million)

“The VN-Index increased gradually from the beginning of the morning session to the end of the afternoon session and was now back above the threshold of 1,100. Foreign investors were net sellers on both HSX and HNX. Besides, market breadth turned to a positive status with lower liquidity compared to the previous session,” said BIDV Securities Co.

“According to our assessment, the VN-Index may return to challenge its historic peak after the Lunar New Year,” the company said.

Nguyen Duy Dinh, a senior customer care specialist at MB Securities Company (MBS), said that the cycle of many years shows that two weeks after the Lunar New Year, the market usually increases mainly thanks to the financial-banking stock group.

This year was a bit different because of the COVID-19 pandemic, he said, adding that the decrease in liquidity before the Lunar New Year was reasonable.

“Investors want to withdraw money before Tet, and the COVID-19 pandemic has slowed down the market in terms of transactions,” he said.

In fact, the rate of increase of the VN-Index in the first five sessions after the Tet holiday during the past 20 years accounts for about 65 per cent, higher than the rate of decline.

“COVID-19 movements are not the main factors affecting the market because investors have experienced this frequently in 2020. Amid the

pandemic, the market still recorded significant growth despite some sessions of strong declines,” said Phan Dung Khanh, Maybank KimEng Vietnam Securities Company’s Director of Investment Advisory.

Khanh said that in the context of strong net-selling by foreign investors, institutional investors had not made significant changes to support the market. It was individual investors who were the main supporters of the market.

In January this year, the number of new accounts opened by individual investors reached the highest level in history. However, in February, the liquidity decreased continuously, showing that the cash flow of investors F0 could not be maintained, which can worry investors, he said.

Although the market is worrying, according to Khanh, there are still positive signs. Moreover, the news of social distancing in the whole of Hai Duong Province for 15 days and Ha Noi’s closing of street restaurants and coffee shops from February 16, there are some investors who think that this may stimulate online transactions, like in April 2020.

SSI Securities Joint Stock Company (SSI) said that the 1,075 points area was a good support zone for the VN-Index and the index was likely to continue moving up to the resistance zone of 1,175 - 1,200 points.

“However, the trading volume needs to improve again for the index to officially return to the uptrend,” it said.

Yuanta Securities Vietnam Co said the market was likely to maintain its momentum in the early sessions of the Lunar New Year.

“At the same time, the market will enter an accumulation period, thus there will be differentiation between sectors with low liquidity,” it said.

The company recommended short-term investors to continue taking advantage of corrections to increase their stock exposure and open new buying positions.

Macro & Policies

2. Trade and industrial sector set to record growth of 9.45% in 2021

Talking to the media recently about the sector's goals and solutions aimed at boosting production and business amid complications brought about by COVID-19, Deputy Minister of Industry and Trade Do Thang Hai said the MoIT has moved to adopt action schemes. This is alongside outlining quarterly growth scenarios for the entire industry and for the entirety of 2020.

Following success in controlling the pandemic last year and the stable macroeconomic situation enjoyed in January of this year, the Vietnamese economy has been able to maintain its recovery momentum.

Data compiled by the General Statistics Office (GSO) indicates that the national economy continued to recover in January, which can be seen most clearly in industrial production which rose by 22.2% from a year earlier, with a notable increase of over 27% in the processing and manufacturing industry.

Furthermore, retail sales and consumer service revenue also witnessed a monthly surge of 3.7% with an annual rise of 6.4% to VND479.9 trillion, equal to US\$20.8 billion.

Other figures also reveal improvements recorded in the economy compared to the same period from last year. Indeed, trade revenue in January grew by 45.2% to approximately US\$53.9 billion, including US\$27 billion in exports, up 46.7%, and US\$26.9 billion in imports, a rise of 43.7%, resulting in a trade surplus of US\$100 million.

Meanwhile, exports and imports successfully maintained an impressive growth rate, with the trade surplus hitting US\$1.3 billion in January the year. Total import and export turnover is estimated to stand at US\$54.1 billion, up 45.7% over the same period from last year. Elsewhere, export surplus continues to represent a bright spot, with export drivers from the processing and manufacturing industry.

Despite these positives, the resurgence of the COVID-19 pandemic among the local community at the end of January, coupled with new variants which

have a higher transmission rate, required urgent and drastic anti-pandemic measures. This involved zoning off areas and quarantining people in a bid to prevent the spread of disease from significantly impacting on trade exchanges.

“With the active involvement of both the political system and anti-epidemic experience in 2020, we are able to expect the pandemic to be brought under control soon as a means of recovering production and trade toward ensuring economic growth as expected,” Deputy Minister Hai said.

In order to meet the growth target for the industry and trade sector as a contribution to the country's GDP growth target in 2021, a major focus should be placed on removing difficulties faced by production and business enterprises. Efforts should be made to boost the pace of administrative reform in order to help enterprises approach support policies in a convenient and timely manner. This can be done by finding import markets specifically for raw materials, fuels, materials, and spare parts to help them overcome difficulties caused by the pandemic.

Moreover, the sector will focus on developing the domestic market whilst simultaneously expanding the export market, thereby taking full advantage of free trade agreements (FTAs). Efforts will also be made to diversify export and import markets, especially small and niche markets, whilst structuring export products in order to improve the competitiveness of export products and develop brands.

Regarding the promotion of international economic integration in the year ahead, the MoIT will continue to give priority to building and fine-tuning the legal and policy system as a means of fully implementing commitments to international economic integration, in line with the roadmap.

Greater attention will therefore be paid to the implementation of FTAs that the nation has joined, especially plans for the implementation of new generation FTAs, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and EU-Vietnam Free Trade Agreement (EVFTA).

3. Vietnamese garments made with Korean fabrics to enjoy tax incentives in EU

Previously, clothing items had been required to be made using locally produced fabrics in order to get the benefits of the EU-Vietnam Free Trade Agreement (EVFTA).

Subsequently, the Korean Ministry of Trade, Industry and Energy has revealed that with the Republic of Korea (RoK) representing the second-largest supplier of fabrics in Vietnam, the latest policy will cause greater demand for products from the RoK in comparison to other competitors such as those from China and Taiwan (China).

In line with this, the country has to import up to 80% of raw materials in order to meet the needs of the domestic garment and textile industry.

Last year saw China make up 55% of the nation's fabric imports, followed by the RoK, Taiwan (China), and Japan, accounting for 16%, 12%, and 6%, respectively.

Most notably, the country's fabric exports from the RoK declined by 18.4% on-year to US\$2.35 billion last year.

4. VN increases pork imports to cool off domestic prices

The increase in imports was to make up for the shortage in pork supply caused by African swine fever which pushed up domestic prices in the first months of 2020.

The pork was mainly imported from Brazil, Russia, Poland, the US and Canada. Brazil was the largest exporter of pork to Viet Nam last year, accounting for 24.5 per cent of the import volume.

The average pork import price was US\$2.2 per kilo.

According to the Ministry of Agriculture and Rural Development, Viet Nam approved 25 countries to export livestock and poultry meat to Viet Nam, including more than 800 enterprises from 19 countries allowed to export pork to Viet Nam.

Viet Nam imported more than 43,300 pigs for breeding, mainly from Thailand, Canada, the US, Denmark and Taiwan.

Live hog prices tended to increase in many provinces across the country from early January due to increases in consumption demand ahead of Tet

(Lunar New Year) to around VND80,000 – 84,000 (US\$4) per kilo, around VND5,000 higher than the end of December.

However, in recent days, pork prices decreased by around VND1,000-5,000 per kilo.

Nguyen Van Trong, Deputy Director of the ministry's Department of Livestock Production, said pork prices dropped in recent days because processing companies reduced their purchases as they had enough goods for consumption during Tet.

The enhanced prevention against smuggling of pork to China together with the increase in supply also helped lower pork prices.

Now Viet Nam had 27.3 million pigs, an increase of 21 per cent over a year ago and equivalent to 88.7 per cent of the time before the disease occurred.

The Ministry of Industry and Trade said that early preparations were made to ensure enough supply of pork for Tet with many enterprises launching price stabilisation programmes.

5. Agriculture, forestry and fishery exports hit \$3.49 billion in January

The export value of main agricultural products was estimated at \$1.6 billion, up 28.9 per cent; livestock

export value was estimated at \$26 million, up 3 per cent; seafood export value was estimated at \$600

million, up 19.6 per cent; and export value of main forest products was estimated at \$1.33 billion, up 47.8 per cent.

To promote the export of agricultural, forestry and fishery products, the Ministry of Agriculture and Rural Development will coordinate with localities to support trade in border provinces in order to promote the export of agricultural, forestry and aquatic products to the Chinese market.

The ministry will also continue to negotiate and remove trade barriers, open markets for

Vietnamese agricultural products for official export such as fruits, aquatic and livestock products.

In particular, the Ministry of Agriculture and Rural Development also implements specific solutions to promote domestic consumption through the organisation of trade fairs to implement the campaign "Vietnamese people give priority to use Vietnamese goods"; promote and introduce key agricultural products, local specialities, businesses and cooperatives to consumers in big cities.

6. Cambodia lifts ban on catfish imports from Vietnam

The move comes after Vietnam sent a letter to Cambodia, requesting it to consider its ban on catfish imports from neighbouring countries, starting from January 8, 2021.

The ban was said to protect local farmers but go against trade liberalization rules of the World Trade Organization (WTO) and the ASEAN Economic Community (AEC).

Cambodia's Ministry of Agriculture, Forestry, and Fisheries on February 8 said it will continue to consult with the Cambodian Aquaculture Association, seafood import-export businesses and authorized agencies to develop and recognize technical standards.

Le Bien Cuong, head of the Vietnamese Trade Office in Cambodia, told Vietnam News Agency, that

Cambodia has shown goodwill and positive response to the Vietnamese concerns regarding trade liberalization under the WTO and AEC rules.

According to experts, Cambodia is working to resolve difficulties in the domestic aquaculture industry in order to enhance its competitiveness in line with the principles of free trade, protect human health, animals, and the environment, and promote commercial growth.

Cambodia is not Vietnam's big seafood consumer, but its import remains stable, contributing to border trade development between the two countries.

According to the Vietnamese Ministry of Trade and Industry, Cambodia imports approximately US\$60 million worth of seafood from Vietnam annually.

7. January auto imports surge 85 pct

Most of car imports are from Thailand and Indonesia, at an average price range of VND350 million (\$15,000) to VND 1.2 billion.

Experts have said that the scale of manufacturing, tax exemptions and affordable auto models are elements that have allowed these nations to acquire large market shares in Vietnam.

A Vietnam Customs report notes that auto imports had fallen 24.5 percent to 105,200 units last year as the Covid-19 pandemic slashed demand and forced dealers to stop working for weeks in April.

Industry insiders say it is still early to forecast this year's performance by Vietnam's auto industry because the Covid-19 situation has become increasingly unpredictable.

Corporate News

8. VNM: Vinamilk and its partner establish US\$6-million beverages joint venture in the Philippines

↑ 2.56%

Vietnamese dairy giant Vinamilk has been granted the certificate of offshore investment by the Ministry of Planning and Investment to establish a joint venture in the Philippines with an initial investment of US\$6 million.

Vinamilk and its partner each hold 50% of the capital. The joint venture will import and distribute Vinamilk's dairy products in the Philippines market.

The Vietnamese dairy giant also announced on February 5 its joint venture with packaged food producer Kido Group Corporation (Kido) to manufacture and distribute ice-cream and non-carbonated soft drinks under the brand Vibev.

The total initial investment of the company is estimated at VND400 billion (US\$17.38 million) in the first phase, with Kido holding 49% and Vinamilk 51%. The wide range of Vibev's products are slated to be officially launched in April this year.

Kido's representative emphasized this is a new business trend, especially as foreign businesses are ramping up their presence in the Vietnamese market. "We expected that the tie-up will help us capitalize on the Vietnamese beverage market," a representative from Kido said.

Besides, Vinamilk's export network of 30 countries and territories will also help Vibev go global.

Vinamilk has more than half of Vietnam's dairy market, while Kido leads the ice cream market with a 41% share, according to figures from market research company Euromonitor International.

Last June, the two sides reached an agreement on the joint venture and Vibev was expected to earn revenues of VND2 trillion (US\$86.6 million) in the first year of its establishment.

9. VPG: Board resolution on bank borrowing

↑ 3.92%

On February 03, 2021, the Board of Directors of Viet Phat Import Export Trading Investment Joint Stock Company approved to receive a credit limit

of VND460 billion for lending, underwriting, opening L/C, discounting, payment underwriting, etc.

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