



# VIETNAM DAILY NEWS

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**Table of content**

## **Table of content**

- 1. Shares gain but investors remain cautious**
- 2. Vietnam inflation predicted to rise to 3.5% in 2021**
- 3. Wood exports enjoy sharp increase during January**
- 4. Drug market forecast to grow by 15 per cent in 2021**
- 5. Indonesia imposes anti-dumping tariffs on cold steel sheet from Vietnam**
- 6. Legal move supports realty market development in 2021**
- 7. M&A activities still buoyant**
- 8. VNM: Vinamilk boosts overseas investment and forms joint venture in Philippines**
- 9. HSG: The estimated revenue and profit in Quarter I of 2021**

## Market Analysis

### 1. Shares gain but investors remain cautious

Shares made gains on Monday but investors remained cautious on decreased liquidity and the return of foreign net-selling.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange rose 0.13 per cent to end the session at 1,175.04 points.

More than 630 million shares were traded on the southern bourse, worth VND15.3 trillion (US\$663.5 million).

Market breadth was negative with 199 gainers and 231 losers.

“VN-Index continues to retest the short-term resistance at 1,180 points. Liquidity decreased slightly, market amplitude narrowed and market breadth was negative, indicating cautious trading sentiment among investors,” said BIDV Securities Co.

“Foreigners turned back to be net sellers on the HSX and net buyers on the HNX. The VN-Index is likely to move in the 1,160-1,200 point range this week,” the firm said.

Foreign investors net sold VND613.42 billion on HOSE, including dairy firm Vinamilk (VNM) (VND178.2 billion), steelmaker Hoa Phat Group (HPG) (VND110.1 billion), and SSI Securities Incorporation (SSI) (VND42.5 billion). They were net buyers on the HNX to the tune of VND11.0 billion.

Towards the end of the session, the VN-Index's gain was significantly reduced as banking stocks such as Techcombank (TCB), Military Bank (MBB), Vietinbank (CTG) and Sacombank (STB) extended their losses.

Among them, Sacombank (STB) decreased by 0.5 per cent to VND18,600 per share and Techcombank (TCB) lost 0.3 per cent to VND38,600 per share.

Securities stocks also reported losses such as SSI Securities Inc (SSI) decreased 0.9 per cent, VNDirect (VND) down by 0.9 per cent and Viet Capital Inc (VCI) declined 1.4 per cent.

A number of other blue-chips also performed poorly such as Phu Nhuan Jewelry (PNJ), Sai Gon-Ha Noi Bank (SHB), Vincom Retail (VRE), Sabeco (SAB) and Petro Vietnam Gas JSC (GAS).

But some still attracted cash flow and supported the indices such as Kido Group (KDC), Vinhomes (VHM), Vingroup (VIC) and VPBank (VPB).

The large-cap tracker VN30-Index was unchanged at 1,180.55 points.

Twenty of the 30 large-cap stocks in the VN30 basket decreased while eight made gains.

On the Ha Noi Stock Exchange, the HNX-Index rose 2.94 per cent to end Monday at 237.97 points.

Nearly 107 million shares were traded on the northern market, worth VND1.8 trillion.

## Macro & Policies

### 2. Vietnam inflation predicted to rise to 3.5% in 2021

Vietnam's economy with high level of openness could be susceptible to rising inflation as a result of growing global commodity prices.

Rising global commodity prices could lead to the return of inflation in Vietnam with an estimated rate of 3.5% year-on-year in 2021, 0.3 percentage points higher than the 3.2% inflation rate last year, but remains below the 4% target set by the National Assembly, according to Viet Dragon Securities Company (VDSC).

However, given the Vietnamese government's cautious approach in keeping inflation rate under control, it is likely that local authorities would “use appropriate measures to mitigate inflation risks, including tightening monetary policy,” stated the VDSC in a report.

#### Surge of global commodity prices

Since November 2020, Brent oil prices have been climbing steadily from US\$39/barrel to US\$56/barrel.

“There are some positive drivers for this bullish movement,” noted VDSC.

On the supply side, OPEC and its ally's production cuts are expected to remain in place while US shale growth will be contained under the new Biden administration. Meanwhile, on the demand side, although oil demand has not recovered to pre-Covid levels, demand growth is building up and is expected to outpace supply growth. In addition, factors like low interest rates, continued fiscal stimulus spending and a weak US dollar are also attributed to an increase in oil prices.

Other commodity prices have been higher than at the start of 2020. For example, iron ore prices rose sharply in 2020 and are currently 86% higher than at the start of 2020, supported by lingering supply concerns and strong manufacturing activities in China.

Copper prices were also up 27% compared to levels at the start of 2020. The Baltic dry index, which

tracks rates for capesize, panamax and supramax vessels, was up by about 8% year-to-date, and 35% higher than at the start of 2020, reflecting the recovery of global trade. The Bloomberg Commodity Index is also back to pre-Covid level, closing at 80 as of January 28, 2021.

#### Rising inflationary pressure

In 2020, Vietnam's consumer price index (CPI), a gauge of inflation, rose 3.2% against the previous year, which was below the target of 4.0% set by the government. The increase in CPI was primarily driven by rising food prices, which was up 3.5% year-on-year in 2020.

However, the inflation rate has fallen gradually since the start of 2020 thanks to a steep decline in fuel prices. Furthermore, the government's support (i.e. lowering electricity prices) and decreasing demand for tourism also helped to keep inflation in check.

In January, inflation remained subdued as the CPI fell by almost 1.0% year-on-year. Falling inflation was mainly attributed to softer food and low fuel prices compared to the same period of last year. However, on a monthly basis, the CPI rose by nearly 0.1% compared to last December.

Prices of domestic fuels (petrol & gas) rose following global oil prices. The transport inflation index rose by 2.3% month-on-month, a second consecutive increase. In addition, as the Tet holiday is coming, consumer demand also increased, the food inflation index increased by 0.6% month-on-month, while the textile inflation index was up by 0.4%.

“It is important to note that the upward trend of prices was restrained by continued reduction in electricity costs and the use of petrol price stabilization fund,” stated the VDSC.

Prices of housing and construction materials dropped by 2.3% month-on-month due to the second support package from EVN (Electricity Vietnam), triggering a 16.9% decline in retail electricity prices. As of January 22, global petrol prices were up about 7.0% while domestic petrol

prices only rose by 2.8% compared to the start of 2021.

### 3. Wood exports enjoy sharp increase during January

The United States, Japan, and China remain the three largest importers of Vietnamese timber and wooden products last year, making up 78.1% of the country's total export value.

Most notably, strong export growth has been seen in markets such as the US, Thailand, and Canada with the export value rising by 33.8%, 20.4%, and 14.1%, respectively, while wood exports to the UK endured a downward trajectory of 26.5%.

Furthermore, the import value of wood and wooden products in January recorded an annual rise of 64.8% to US\$280 million.

Last year saw the total import value of wood and wood products increase by 0.6% to US\$2.56 billion compared to 2019, of which imports from China, the US, and Thailand made up 33.7%, 12.2%, and 5.1%, respectively.

In line with these figures, local imports of timber and wooden products from China and Thailand saw a boost of 31.1% and 14.7%, respectively, while imports from the US suffered a decrease of 8%.

The MARD stated that 2020 proved to be a successful year for the wood industry despite facing an adverse range of impacts caused by the novel coronavirus (COVID-19) pandemic. The resilience of the Vietnamese wood industry in recent times can largely be attributed to the openness of the local legal system, coupled with the enforcement of various free trade agreements (FTAs).

Moreover, the MARD have revealed that there remains plenty of room for wood exports to grow in the near future as the global furniture market has a commercial value of approximately US\$450 billion per year, of which wooden furniture makes up roughly US\$150 billion annually. Meanwhile, Vietnamese wooden furniture exports account for only 6% of the global market share.

Moving forward, the local forestry sector aims to export US\$14.5 billion this year, a rise of 12% compared to 2020, with timber and wooden products set to reach a figure of US\$13 billion.

### 4. Drug market forecast to grow by 15 per cent in 2021

It is expected to recover and grow by 15 per cent this year, mainly due to a rapidly ageing population and increasing incomes, analysts at SSI Securities Corporation said.

According to a report by the company, social distancing and strict control at hospitals last year meant people with minor ailments did not go for treatment due, resulting in lower sales of both prescription and non-prescription drugs.

The incidence of health checks was 10-15 per cent down until the fourth quarter.

Then, in the final quarter, after the pandemic was controlled, people again began going to hospitals

that the number visiting hospitals went up by 5 per cent year-on-year.

Last year there was a short supply of active pharmaceutical ingredients (API) from China and India due to social distancing and lockdowns and higher demand for them globally, causing drug prices to rise.

India and China account for 55 per cent of the global API supply and nearly 70 per cent of Viet Nam's requirements.

The prices of most APIs increased by 5-8 per cent and pharmaceutical companies' gross profit margin decreased by 1-3 percentage points in 2020 since

they could not increase prices to compensate for this.

Construction of new pharmaceutical plants fell behind schedule.

According to the Ministry of Health, domestic drug production grew at 13.8 per cent per year in 2015 - 19 backed by Government policies and construction of new plants.

SSI Research said however the industry was recovering.

Last year was notable for mergers and acquisitions in the industry. According to SSI Research, the total value of M&A deals was VND1.68 trillion (US\$73 million) and they involved a number of foreign investors.

German generic drugmaker Stada paid VND400 billion to increase its stake in Pymepharco JSC from 70 per cent to 76 per cent.

Japan's Aska Pharmaceutical paid VND 350 billion to acquire a 25 per cent stake in Ha Tay Pharmaceutical JS Company.

## 5. Indonesia imposes anti-dumping tariffs on cold steel sheet from Vietnam

The Indonesian Anti-dumping Committee (KADI) will impose anti-dumping tariffs on cold-rolled steel imports from Vietnam and China after a 16-month investigation, according to the Trade Remedies Authority of Vietnam under the Ministry of Industry and Trade.

The anti-dumping duties of 3.01-49.2% on steel imports from Vietnam will affect Vietnamese major exporters including Hoa Sen and Ton Dong A Corporation which will pay 5.34% and 3.01%, respectively, according to the Trade Remedies Authority of Vietnam (TRAV).

Earlier, the TRAV was informed by the KADI that Vietnam's cold steel sheet manufacturers are selling their products in Indonesian market at less than fair value which has caused injury to Indonesian cold steel sheet companies.

In August 2019, the Indonesian committee announced an anti-dumping investigation on aluminum coated steel imports from Vietnam and China.

Immediately, the TRAV sent a letter protesting some contents in the draft conclusion of KADI which it said unreasonable. Specifically, some conclusions are inconsistent, not reflecting the actual situation of Vietnamese enterprises such as value added tax, duplication in calculations. These inaccuracies have led to a high margin of dumping and is detrimental to Vietnamese enterprises.

Then, on August 24 2020, KADI decided to extend the investigation for another six months as the agency needed more time to conduct thorough probe.

## 6. Legal move supports realty market development in 2021

The prime minister has just greenlit an economic security project on housing and real estate aimed at ensuring social well-being and helping the market to develop sustainably.

According to Ha Quang Hung, deputy head of the Housing and Real Estate Market Management Department under the Ministry of Construction, many policies regulating housing and real estate market growth have been improved and aligned

with the current regulatory system on investment, construction, and doing business.

Significantly, the Law on Construction 2020 has been united with the Law on Housing, Law on Real Estate Business, and the Law on Environmental Protection regarding investment proposal approval, investor approval, or developer recognition, creating a healthier and more transparent investment environment while mitigating speculation and price manipulation activities.

“In 2020, despite the impacts of COVID-19, the real estate market still managed fair growth of about 8-11 per cent, if indirect factors like capital, land, and building materials were taken into account,” said Hung.

“The success of the 13th National Party Congress would bring vitality to the whole economy, particularly the real estate, especially in Ho Chi Minh City and Hanoi – Vietnam's two growth engines.”

Le Hoang Chau, chairman of the Ho Chi Minh City Real Estate Association opined that several revised laws (Law on Investment, Law on Securities Business, and Law on Enterprises) coming into force from January 2021 have bolstered market growth.

“The realty market has undergone the most difficult period and will gradually rebound. Positive legal changes would motivate firms to join the affordable housing and mid-level segments more robustly,” he said.

From another angle, Su Ngoc Khuong, senior director at Savills Vietnam, a leading real estate consultancy firm, noted that the success of the 13th National Party Congress would bring vitality to the whole economy, particularly the real estate, especially in Ho Chi Minh City and Hanoi – Vietnam's two growth engines.

The new "city in city" urban form of in Ho Chi Minh City is deemed an inspiring breakthrough, whereas in Hanoi transport infrastructure has witnessed noteworthy improvements.

## 7. M&A activities still buoyant

At a recent seminar, Tran Thanh Tung, partner lawyer of Global Vietnam Lawyers, said with a range of regulations in the Investment Law, the Enterprise Law, the Securities Law and the Competition Law, businesses seeking M&A deals seem to be obliged to join a hurdle race, as they have to comply with many administrative procedures to reach the finish line. Each law has a different angle on M&A. Of note, while the 2020 Enterprise Law, to be effective from 2021, has modifications towards betterment and openness for investors and regulations to protect them, the Competition Law restricts M&A activities with the requirement for reporting the threshold of

In addition, experts assumed that fiscal and monetary policies in the past decade have proven successful, with well-controlled interest rates.

Nguyen Van Dinh, deputy general secretary of the Vietnam Real Estate Association (VNREA), outlined two scenarios for market development in 2021.

In the first scenario, with the mindset “cash is king” lingering in the first and second quarter of 2021, the market will be full of challenges due to low transaction volumes. COVID-19 will only be contained by the middle or the end of the first quarter with no new infections reported, allowing the market to gradually rebound.

In the second scenario, the pandemic would drag on to be contained no sooner than June. In this scenario difficulties would continue mounting. Accordingly, housing prices in the primary market are expected to shed an average 5 per cent compared to last year, with sales volumes taking a plunge.

For commercial real estate, the lingering pandemic would lower operation efficiency as well as occupancy rates, while resort real estate would remain in “hibernation” the way it was in early 2021.

The latest report by Colliers International Vietnam forecast that more than 4,000 shop houses would be released in the Ho Chi Minh City market in 2021. The birth of Thu Duc City would fuel the development in the city's northeast. Colliers data also show that products from six projects in Thu Duc, Binh Chanh, and Nha Be districts will enrich supply in the upcoming time.

economic concentration with criteria for total assets and total revenue from sale or purchase in Vietnam, the value of transactions and the combined market share of businesses in the relevant market, as stated in Decree 35/2020 effective since May 15, 2020. According to Mr. Tung, this threshold of economic concentration is low, and in reality, there may be abuse of the reporting, which makes M&A transactions more complex and costly.

Dr. Nguyen Quoc Vinh, partner lawyer of Tilleke & Gibbins, argued that many businesses will have to

report on economic concentration, as the threshold is quite low. The risk for relevant parties who “forget reporting” is they will be penalized by State agencies.

Nguyen Thi Vinh Ha, deputy general director and head of the corporate advisory division of Grant Thornton Vietnam, told the Saigon Times that she has seen a number of cases where businesses are impacted by the regulation for economic concentration. Though their M&A deals are small, those businesses operate in the niche market (providing a certain product) within a larger market. In view of the niche market for that product, they hold a relatively large share. However, viewed from the larger market, they are completely out of the scope of economic concentration. Nevertheless, with the current regulation, they still have to submit a report on economic concentration, which has significantly obstructed the progress and the likelihood of success of the M&A deal.

Ms. Ha said the regulation has also caused difficulties for other cases of M&A activities. For instance, parties who have reached the threshold of economic concentration for the shares auctioned by divested State-owned enterprises must do the reporting. What matters is the compliance will cost businesses a lot but the success in the auction is still uncertain. Further, the time for assessment of economic concentration by the National Committee for Competition may be longer than the maximum time when the businesses joining the auction must make a public offer.

At the present time, Ms. Ha stressed, the fact that the National Committee for Competition is not yet established, concrete guidelines are not yet available, competent agencies do not have experience in assessment and interpretations about the concept of “the market for relevant products” are not yet clear is causing many difficulties for M&A activities. Businesses are at a loss to determine whether their deals are subject to reporting and they may have to wait for a long time for feedback from competent agencies. “We observed that under the new regulation, the combined market share is not the only factor to determine whether an M&A deal is prohibited or not, as it needs assessment of many other factors. All has created a heavier obligation for demonstration for parties to M&A deals,” Ms. Ha said.

## Boom or standstill?

At the seminar, Dinh Anh Tuyet, director of the law firm IDVN, said businesses may feel uneasy to do reporting on economic concentration, but this is a necessary and not so fearful job. Besides criteria for assets, revenue from sale and purchase, and market share expressed by numbers, there are also other analyses. With a complicated M&A deal which takes a lot of time for completion, it's regretful if it is subject to the regulation for abolishment due to failure to complete the procedure for reporting on economic concentration. In addition, the fine for violation by the business concerned amounts to 5% of its revenue in the relevant market in the year before the year of the violation.

A concrete example is Grab's acquisition of Uber in Singapore. The two parties determined that they were not at the threshold to report on economic concentration and did not do the reporting. Afterwards, competent authorities in Singapore determined that they were at the threshold and fined them several million Singapore dollars.

Nevertheless, Ms. Tuyet commented that regardless of the new regulation, M&A activities will continue, as investors will consider the market prospect and M&A parties have strong legal teams to ensure compliance.

Justin Gizs, member of the legal council under the European Chamber of Commerce in Vietnam (Eurocham), said the legal factor must be attended to because it is the decisive factor to facilitate M&A deals, especially those with foreign involvement. EU investors highly appreciate the Vietnamese market and want to enjoy appropriate, favorable policies under the Vietnamese legal framework to boost M&A activities.

Ms. Ha from Grant Thornton Vietnam noted that apart from the legal factors, a more important factor is the market. Vietnam now has a significant position and advantages when the country has duly coped with Covid-19, maintaining safety for her economic activities. Further, Vietnam is emerging as a convincing alternative destination for foreign enterprises seeking to move their operations out of China. Therefore, she thought that M&A activities will continue to be buoyant in 2021.

## Corporate News

### 8. VNM: Vinamilk boosts overseas investment and forms joint venture in Philippines

↓ -0.46%

Specifically, Vinamilk will contribute 50 per cent of the total investment capital of the joint venture in the first phase, equivalent to around \$6 million. The major activities of the new entity will be to import milk as well as promote and distribute milk and dairy products in the Philippines market.

Besides domestic business operations, Vinamilk also increases its footprint in other nations.

By the end of 2020, Vinamilk owned 100 per cent of Driftwood Dairy Holding Corporation in the US, Angkor Dairy Products Co., Ltd. in Cambodia, and

Vinamilk Europe Spółka Z Organiczną Odpowiedzialnością in Poland.

In addition, Vinamilk also owns a 80.29 per cent stake in a company in Laos and contributed 22.81 per cent of capital to a company in New Zealand.

The Vietnamese dairy behemoth also revealed ambitions to tap into new and potential markets, along with expanding in its existing markets. Vinamilk exports to markets like South Korea, China, Singapore, and many countries in Southeast Asia. Moreover, Africa is appearing as one of the company's targets in the future.

### 9. HSG: The estimated revenue and profit in Quarter I of 2021

↑ 2.39%

Hoa Sen Group announces its estimated consolidated business performance in Quarter I of fiscal year 2020 – 2021 as follows:

No.	Item	Estimated in Quarter I of 2021	Estimated in the first 04 months of 2021	Plan for FS 2020 -2021	Ratio
	(1)	(2)	(3)	(4)	(5) = (3)/(4)
1	Revenue (billion dongs)	3,108	12,208	33,000	37%
2	Profit after tax (billion dongs)	175	747	1,500	49.8%



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