



# VIETNAM DAILY NEWS



JAPAN SECURITIES INC.

February 24<sup>th</sup>, 2021

Table of content

## Table of content

1. Shares make gains, market experiences strong volatility
2. Vietnam's aquatic product exports forecast to reach 9.4 billion USD in 2021
3. Foreign tourists continue cancelling tours to Vietnam set for Q2
4. Vietnam growth prospects endure despite new Covid-19 outbreak: Fitch Ratings
5. Vietnam's economy to grow by 7pct in 2021: ASEAN+3 Macroeconomic Research Office
6. Foxconn to recruit 1,000 workers in Vietnam
7. Vietnam urged to increase added value for rice industry
8. VIC: Vingroup fails to acquire LG Electronics smartphone business
9. KDC: KIDO Group aims for profit of 800 billion VND in 2021

## Market Analysis

### 1. Shares make gains, market experiences strong volatility

Shares extended gains on Tuesday but the market experienced strong volatility with big variation among sectors.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 0.22 per cent to end the session at 1,177.64 points.

The index had risen 0.13 per cent to end Monday's session at 1,175.04 points.

Nearly 598.3 million shares were traded on the southern bourse, worth VND15.4 trillion (US\$669.8 million).

Market breadth was neutral with 233 gainers and 201 losers.

"VN-Index mainly struggled around the reference level Tuesday. In addition, foreign investors were net sellers on both HSX and HNX," said BIDV Securities Co.

"Market breadth turned to equilibrium with liquidity not much different from the previous session.

"According to our assessment, the VN-Index is likely to continue fluctuating with a narrow range in the next session," the company said.

Foreign investors net sold VND700 billion on HOSE, including dairy firm Vinamilk (VNM) (VND106.4 billion), Vietinbank (CTG) (VND77.3 billion) and Hoa Phat Group (HPG) (VND69.4 billion). They were net sellers on the HNX with a value of VND5.92 billion.

Among sectors, banking stocks differed. Techcombank (TCB), Military Bank (MBB) and Bank for Investment and Development of Vietnam (BID) were the stocks that contributed to the index's gain.

Vietcombank (VCB), VPbank (VPB), and Vietnam International Bank (VIB) were losers with negative effects.

The real estate group also witnessed disparity. Small and medium caps were the most negative group. Kinh Bac Corporation (KBC), Khang Dien House (KDH), Hai Phat Invest (HPX), Petroleum Industrial & Civil Construction JSC (PXI) and Industrial Urban Development JSC No 2 (D2D) recorded a significant decrease.

Aviation performed well with Airports Corporation Of Vietnam (ACV), Vietjet (VJC) and Vietnam Airlines JSC (HVN) all making gains.

The large-cap tracker VN30-Index gained 0.16 per cent to stay at 1,182.47 points.

Fourteen of the 30 large-cap stocks in the VN30 basket decreased while fifteen made gains.

On the Ha Noi Stock Exchange, the HNX-Index rose 0.34 per cent to end Tuesday at 238.78 points.

The index had risen 2.94 per cent to end Monday at 237.97 points.

Nearly 139.4 million shares were traded on the northern market, worth VND2.3 trillion.

## Macro & Policies

### 2. Vietnam's aquatic product exports forecast to reach 9.4 billion USD in 2021

Vietnam's aquatic product exports are expected to reach 9.4 billion USD this year, a surge from 8.5 billion USD in 2020, driven by a strong rebound in demand of export markets and the support of free trade agreements, according to the Vietnam Association of Seafood Producers and Exporters (VASEP).

Analysts of FPT Securities JSC (FPTS) predicted Vietnam to continue increasing shrimp output in 2021, reaching 730,000 tonnes, up 4 percent year-on-year.

Stable supply will be an advantage for Vietnamese shrimp exporters to expand their market shares in export markets.

The prices of exported shrimps are also forecast to rise slightly by 5 percent to an average of 9.6 USD per kg, according to an FPTS report.

Meanwhile, experts from BIDV Securities Company said that it is difficult for Vietnam's shrimp sector to enjoy high export growth in 2021, as the production of competitive countries such as India and Ecuador begin strong recovery, especially when the two

countries' shrimp prices are 10-15 percent lower than that of Vietnam.

However, the shipment of shrimps to the EU, which accounts for 21 percent of Vietnam's total shrimp export turnover, is expected to be supported by the EU-Vietnam Free Trade Agreement (EVFTA).

The tariffs imposed on frozen shrimps were slashed to zero percent immediately after the EVFTA became effective on August 1, 2020, while those on processed shrimps will reduce to zero percent from January 1, 2027.

The output of Vietnam's tra fish is also forecast to maintain uptrend this year.

FPTS expects that the export will bounce back thanks to increasing demand of Vietnam's main importers such as China, the US, and the EU.

Vietnamese businesses' efforts to focus on value added processed products which meet all requirements on food safety and origin traceability of products will be paid off, with the export value of processed tra fish to surge in 2021.

### 3. Foreign tourists continue cancelling tours to Vietnam set for Q2

The complicated development of Covid-19 has contradicted all predictions about when the international tourism segment would get back on track.

"All international tours to the country set for the end of the second quarter have been cancelled," said Bui Viet Thuy Tien, managing director of Asian Trails Co., Ltd, adding that the tours for the third and fourth quarters are also on hold.

Tien told The Saigon Times Online on February 21 that as for the European market, Thai Airways had announced that it would re-operate the air routes to the market in July, but the flight frequency would be limited to two or three flights per week. As such, the number of tours to Vietnam for the third and fourth quarters is expected to be limited.

"The production of Covid-19 vaccines and the connection of international air routes are being done slowly, affecting the tourism sector," said Tien.

Nguyen Ngoc Toan, director of Images Travel, said that its major partners in Europe had informed it of the cancellation of the Vietnam-France flight until the end of June.

The flights between the two countries in July will be limited, resulting in many tours being cancelled.

Before the Lunar New Year holiday, the firm had to refund deposits to some customers as they had been waiting for a long time for their trips, said Toan.

The Tourism Information Center at the Vietnam National Administration of Tourism has cited the

January report of the United Nations World Tourism Organization (UNWTO) as indicating that the international tourism confidence index of UNWTO experts remained low.

Some 30% of the experts assessed that the tourism sector would continue doing badly until April, while 55% feared it would do even worse.

Many entrepreneurs active in the tourism sector said that it was tough for the international tourism sector to restart this year.

“International tours will be rearranged only when the vaccination is conducted widely and the coronavirus pandemic is brought under control,” said Nguyen Son Thuy, director of Indochina Unique.

#### 4. Vietnam growth prospects endure despite new Covid-19 outbreak: Fitch Ratings

“The fact that the Covid-19 pandemic has been relatively well contained should help domestic demand and that will be a driver of growth going forward,” said Sagarika Chandra, a Vietnam lead analyst with credit rating company Fitch Ratings.

Although 791 local Covid-19 cases have been recorded since January 28, Fitch stands by its growth forecast, assessing that Vietnam's effectiveness in handling the outbreak has resulted in a relatively smaller number of cases.

The 2.9 percent GDP increase last year served as a base for this year's growth prediction, Chandra said.

Another factor that will contribute to growth is foreign direct investment, which is expected to remain strong and account for 4 percent of GDP this year and next. Vietnam and other Southeast Asian countries are set to continue benefiting from FDI inflows as companies shift manufacturing from China, she added.

A unit of Taiwanese electronics giant Foxconn received a license earlier this year to build a \$270 million plant in northern Vietnam to produce laptops and tablets.

This followed several moves by major companies like Panasonic, Samsung and Intel to expand their presence in Vietnam amid trade tensions between the U.S. and China.

Although it is not yet clear how relations between the new U.S. administration and Southeast Asia will evolve, it is likely that the U.S. will adopt a more predictable and multilateral approach, which bodes well for the region, Chandra said.

“The fact that Vietnam has recently been labelled a currency manipulator by the U.S. Treasury complicates its economic relationship with the U.S., but we expect the two sides to engage in discussions in the coming months to try and dial down the tensions.”

The Fitch analyst also highlighted several challenges facing Vietnam, including liability risks from state-owned enterprises and structural weaknesses in the banking sector. Vietnam is also vulnerable to shifts in external demand due to its high degree of openness, she said.

She also said greater policy flexibility in currency management and improvement in public finances, reflected in smaller budget deficits or a decline in the general government debt ratio, were factors that can boost Vietnam's ratings.

Meanwhile, factors that could lead to negative ratings include policy changes that result in macroeconomic instability via depletion of foreign exchange reserves and significant decline in foreign investment, she added.

#### 5. Vietnam's economy to grow by 7pct in 2021: ASEAN+3 Macroeconomic Research Office

Vietnam's GDP growth is expected to rebound to 7 percent in 2021, driven by a recovery in external

demand, a resilient domestic economy, and increased production capacity, according to the

preliminary assessment by the ASEAN 3 Macroeconomic Research Office (AMRO).

The office said that after a sharp drop in the second quarter, Vietnam's economic growth started to rebound in the third quarter of 2020, with a broad-based recovery.

Manufacturing activity was boosted by a robust export sector, which benefited from Vietnam's relatively resilient export mix, as well as trade diversion from the US-China trade tension. Meanwhile, domestic consumption recovered following the relaxation of mobility restrictions, a result of the authorities' effective COVID-19 containment efforts. Furthermore, the rebound benefited from an acceleration in the disbursement of public investment.

AMRO stressed that a protracted and uneven recovery of the global economy may jeopardise the recovery in external demand. While domestic demand has picked up after a relatively successful containment of the pandemic, it remains susceptible to the risk of further waves of COVID-19 infection. Moreover, scarring effects of the pandemic, such as the impairment of the balance sheets of the business sector, and the hit on labour market may undermine the prospect of recovery.

The office also highlighted the necessity for greater fiscal support through both revenue and expenditure measures in order to support the nascent economic recovery if the growth momentum are to weaken, while targeted support to micro, small and medium enterprises and low-income households needs to continue and be regularly reviewed for its relevance and effectiveness.

Enhancement of support programmes through simpler and better-targeted disbursement will facilitate the effective use of government funds, it added.

Given the benign inflation outlook, the office said that it is essential that monetary policy remains supportive of economic recovery, keeping financing costs affordable for households and businesses.

With more accommodative financial conditions, heightened supervision of lending to risky sectors remains warranted to mitigate the risk of an asset bubble. In addition, enhanced supervision in this sector is important in order to safeguard the quality of bank credit in the period ahead.

It is essential to ensure continued support for long-term development issues, such as infrastructure development, human capital development, social safety net, and particularly public health, while carefully managing risks to long-term fiscal sustainability, the AMRO said.

On a similar note, according to HSBC, tighter restrictions in early 2021 as a result of Covid-19 outbreak have weighed on Vietnam's economic activity, resulting a GDP growth forecast of 7% this year, lower than the previously estimated 7.6%, and then moderate to 6.5% in 2022.

**Table 1: HSBC GDP growth forecasts (%)**

|                    | 2019 | 2020 | 2021f<br>(old) | 2021f<br>(new) | 2021f<br>Consensus | 2022f<br>(old) | 2022f<br>(new) | 2022f<br>Consensus |
|--------------------|------|------|----------------|----------------|--------------------|----------------|----------------|--------------------|
| Australia          | 1.9  | -2.8 | 3.5            | 3.5            | 3.7                | 2.8            | 2.8            | 3.1                |
| New Zealand        | 2.4  | -2.7 | 4.4            | 4.4            | 5.1                | 3.3            | 3.3            | 2.7                |
| Bangladesh*        | 5.2  | 5.8  | 5.9            | 5.9            | 5.0                | 6.6            | 6.6            | 6.2                |
| Mainland China     | 6.0  | 2.3  | 8.5            | 8.5            | 8.4                | 5.6            | 5.6            | 5.5                |
| Hong Kong          | -1.2 | -6.1 | 4.4            | 4.4            | 4.5                | 2.9            | 2.9            | 3.8                |
| India*             | 4.2  | -6.3 | 9.0            | 11.2           | 11.1               | 5.0            | 5.8            | 8.2                |
| Indonesia          | 5.0  | -2.1 | 4.9            | 4.3            | 4.5                | 5.4            | 5.4            | 5.4                |
| Japan              | 0.3  | -4.8 | 3.2            | 3.8            | 2.3                | 1.0            | 1.3            | 2.3                |
| Korea              | 2.0  | -1.0 | 2.7            | 3.4            | 3.4                | 2.0            | 3.0            | 3.0                |
| Malaysia           | 4.3  | -5.6 | 6.7            | 5.2            | 6.0                | 5.1            | 5.1            | 5.6                |
| Philippines        | 6.0  | -9.5 | 6.5            | 6.3            | 7.3                | 6.5            | 6.5            | 7.0                |
| Singapore          | 1.3  | -5.4 | 6.5            | 6.5            | 6.0                | 3.5            | 3.5            | 4.4                |
| Sri Lanka          | 2.3  | -5.0 | 7.0            | 7.0            | 4.1                | 3.5            | 3.5            | 4.5                |
| Taiwan             | 3.0  | 3.0  | 3.5            | 4.0            | 4.2                | 2.7            | 2.7            | 2.9                |
| Thailand           | 2.3  | -6.1 | 3.6            | 3.0            | 3.4                | 3.9            | 3.9            | 5.0                |
| Vietnam            | 7.0  | 2.9  | 7.6            | 7.0            | 7.7                | 6.5            | 6.5            | 6.9                |
| Asia ex JN         | 5.0  | 0.1  | 7.5            | 7.8            | 7.8                | 5.1            | 5.3            | 5.3                |
| Asia ex JN & CN    | 3.5  | -3.4 | 6.0            | 6.6            | 6.7                | 4.3            | 4.7            | 5.1                |
| Asia ex JN CN & IN | 3.3  | -2.1 | 4.5            | 4.5            | 4.6                | 4.0            | 4.2            | 4.5                |

Source: CEIC, Consensus Economics, HSBC; \*denotes fiscal year; 'old' forecasts refer to those published in *Asia Economic Quarterly, Snapshot Backs*, 17 December 2020

## 6. Foxconn to recruit 1,000 workers in Vietnam

Taiwan-based Foxconn or Hon Hai Precision Industry, known as a major manufacturing partner of Apple, has announced its plan to recruit 1,000 workers for assembling electronic parts.

Under the announcement, workers are required to work at Dinh Tram, Quang Chau, and Van Trung industrial parks in Bac Giang province, and Que Vo



industrial park in Bac Ninh province, with an income of VND8-10 million (US\$348-435) per month.

In January, the firm received an investment license from the authority of Vietnam's northeastern province Bac Giang for a US\$270-million manufacturing project.

The plant would be specialized in manufacturing tablets and laptops for Apple with the production capacity of eight million units per year.

Making inroads into Vietnam in 2007 with the first two manufacturing plants in Bac Ninh and Bac Giang provinces, the country is currently Foxconn's largest production hub in Southeast Asia.

As of December 2020, total investment capital of the group stood at US\$1.5 billion and employed over

53,000 locals, in which the investment capital in Bac Giang province amounted to US\$900 million.

In 2021, the group would continue to invest another US\$700 million and create jobs for 10,000 people.

Foxconn is currently rushing to shift away from being overly dependent on Chinese production as reported by Nikkei, with the goal of making its production outside China total more than 30% of its overall production.

Rival companies such as Taiwanese electronics manufacturer Pegatron and contract manufacturer Wistron have also decided to expand into Vietnam, with the latter planning to invest US\$1 billion to build a manufacturing complex at the Nam Dinh Vu industrial park in the northern city of Haiphong.

## 7. Vietnam urged to increase added value for rice industry

Under the scheme, the local rice sector will boost restructuring, meet domestic consumption demand, constantly ensure national food security, improve the quality and nutritional value of products, and establish.

Furthermore, restructuring operations will aim to adapt to and mitigate climate change, whilst making use of natural resources in an effective manner, protecting the environment, increasing farmer income, and exporting high-quality rice.

With regards to rice exports, the sector has set the aim of exporting five million tonnes of rice by 2025 and four million tonnes by 2030, of which fragrant, specialty and japonica rice will account for the largest proportion with 40% and 45%, respectively.

Most notably, despite the rice export volume enduring a downward trajectory, the quality and price of rice has significantly improved in recent times.

According to experts, to take full advantage of free trade agreements (FTAs) such as the EU-Vietnam FTA (EVFTA), the Regional Comprehensive Economic Partnership (RCEP), and the UK-Vietnam FTA (UKVFTA), the rice sector will be required to improve product quality to meet the stringent requirements of importers.

They also emphasised the necessity of developing rice farming areas that grow high-quality rice varieties, with a specific focus on boosting connectivity among production, consumption, and export, whilst strictly controlling the maximum limit of pesticide residue and origin traceability.

The sector has been advised to apply preservation and processing technologies in the post-harvest period to churn out high-quality products that are in line with food hygiene and safety regulations..

## Corporate News

### 8. VIC: Vingroup fails to acquire LG Electronics smartphone business

↑ 0.27%

LG Electronics' recent discussions to sell its mobile phone factories to Vingroup fell through as the Vietnamese conglomerate's bid did not match the South Korean company's expectation, according to information from Korea Times.

"LG had been negotiating with Vingroup to sell its smartphone-manufacturing facilities in Vietnam and Brazil, however, the discussions recently collapsed mostly due to different price expectations," said an industry insider familiar with the matter.

Last month, the Asian media was in a huge stir over the rumoured take-over deal between Vingroup and LG Electronics, the fourth biggest "chaebol" in South Korea.

Accordingly, Vingroup has emerged as the most potential bidder to acquire LG Electronics' smartphone production line as an important milestone for the Vietnamese group to penetrate the US.

LG reportedly aims to withdraw from the smartphone business due to difficulties, with intentions announced around a month after CEO Kwon Bong-seok said there would be a significant change in operations. The mobile communications business has witnessed losses of around \$4.5 billion since 2015.

If the negotiation process was successful, Vingroup could take advantage of LG Electronics' reputation, innovation, and sales network.

However, with the two sides unable to agree on a mutually acceptable valuation, LG will move on to find another buyer. Also, the company's smartphone production lines in Vietnam and Brazil can be realigned to manufacture home appliances, noted an official from LG Electronics.

He also added there would be no more negotiations with Vingroup, and LG would seek a new buyer, according to Korea Times.

### 9. KDC: KIDO Group aims for profit of 800 billion VND in 2021

↑ 0.21%

Food producer KIDO Group (KDC) has set a goal of reeling in revenue of 11.5 trillion VND (501.1 million USD) this year, of which pre-tax profit stands at 800 billion VND. The figures are higher than those of 2020 by 38 and 91.5 percent respectively.

Accordingly, the group will diversify and strengthen the brands of its cooking oil products, while keeping its leading place and share in the ice cream market. Regarding snack production, research is underway for the launch of new snacks, moon cakes, and fresh bread.

KIDO is also studying the potential coffee market for the gain of a future foothold as soon as possible.

Recently, the group has announced that it is entering the beverage industry by setting up a joint venture with dairy giant Vinamilk. The two companies signed a memorandum of understanding to set up a joint venture - the Vinamilk-Kido Beverage Joint Venture Company Ltd (Vibev), with Vinamilk holding 51 percent and KDC 49 percent. The new brand is expected to debut in April.

In January alone, KIDO posted about 1.1 trillion VND in revenue, doubling the figure of the same period last year, and 90 billion VND in pre-tax profit, up 342 percent year-on-year.

**Research Team:** Tsugami Shoji    *Researcher*    [jsi@japan-sec.vn](mailto:jsi@japan-sec.vn)

**Disclaimer:**

*Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.*

***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](mailto:info@japan-sec.vn)*

*Website: [www.japan-sec.vn](http://www.japan-sec.vn)*