VIETNAM DAILY NEWS

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Table of content

Table of content

Market Analysis

1. VN market stays positive amid regional downturn

Vietnamese shares stayed positive on Friday on the back of strong buying demand, contrasting the downturn of regional stock markets.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 0.26 per cent to close at 1,168.47 points.

It had gained 0.29 per cent to close Thursday at 1,165.43 points.

More than 554.5 million shares were traded on the southern bourse, worth VND14.9 trillion (US$642.3 million).

Market breadth was neutral with 216 gainers and 209 losers.

The recent sharp increase in US Treasury bond yields had a negative impact on Asian stock markets, causing many indices to fall deeply, said financial news site cafef.vn.

The Japan's Nikkei 225 lost 3.99 per cent on Friday, South Korea's Kospi was down 2.8 per cent, Shanghai Composite declined 2.12 per cent and Hong Kong's Hangseng Index dropped 3.64 per cent.

Vietnamese stock market also suffered strong selling pressure in the opening minutes on Friday as it decreased by 17 points. However, the strong bottom-fishing demand from domestic investors helped the VN-Index recover dramatically toward the end of the trading session.

The large-cap tracker VN30-Index gained 0.32 per cent to stay at 1,173.60 points.

Fourteen of the 30 large-cap stocks in the VN30 basket increased while 14 lost ground. Two stayed unchanged.

Notable gainers included steel maker Hoa Phat Group (HPG) with a large gain of more than 3 per cent.

Bank for Investment and Development of Vietnam (BID), Military Bank (MBB), Phat Dat Real Estate Development Joint Stock Company (PDR), Phu Nhuan Jewelry (PNJ) and VPBank (VPB) all climbed more than 1 per cent.

On the other side, Vincom Retail (VRE), Khang Dien House (KDH), HDBank (HDB), Vinhomes (VHM) and Thanh Thanh Cong Bien Hoa JSC (SBT) were the stocks that maintained the downtrend of more than 1 per cent decrease.

On the Ha Noi Stock Exchange, the HNX-Index rallied 1.23 per cent to end Friday at 249.22 points.

The northern market index had rallied 3.49 per cent to end Thursday at 246.20 points.

More than 123.3 million shares were traded on the northern market, worth VND2.1 trillion.

"VN-Index remained in downtrend in most of the trading time, but MSCI's increasing the proportion of Vietnamese stocks in its portfolio helped the index gain at the end of the session," said BIDV Securities Co.

"Foreign investors continued to be net sellers on the HSX and net buyers on the HNX. Market breadth turned to equilibrium with increased liquidity compared to the previous session.

"According to our assessment, VN-Index is likely to continue fluctuating in the first week of March," it said.

Foreign investors net sold VND472.77 billion on HOSE, including Vinamilk (VNM) (VND137.1 billion), Vincom Retail (VRE) (VND75.4 billion) and Dat Xanh Group (DXG) (VND46.1 billion). Foreigners were net buyers on the HNX with a value of VND25.18 billion.

Macro & Policies

2. Disbursement of FDI projects increases by 2% over two-month period

As of February 20, the total newly registered and adjusted capital and the value of capital contributions, and shares purchases made by foreign financiers reached US$5.46 billion, equivalent to 84.4% in comparison to the same period from last year.

February saw the country grant investment licenses to 126 new projects worth US$3.31 billion, a decline of 33.9% from the same period last year.

Most notably, a total of 115 existing projects registered to adjust their capital, marking a 2.5-fold increase compared to the corresponding period from last year, with total additional registered capital reaching US$1.61 billion.

Furthermore, the value of capital contributions and shares purchases by foreign investors dropped to US$543.1 million, a drop of 34.4 % compared to last year's corresponding period.

Foreign financiers have invested in 17 local industries, of which the processing and manufacturing sectors took the lead with total investment capital reaching more than US$3billion, accounting for 55.7% of overall registered investment capital.

Moreover, electricity generation and distribution ranked second with total investment capital of US$1.44 billion, making up 26.5% of total registered investment capital, followed by real estate, along with science and technology.

Japan tops the list of the 46 countries and territories currently investing in the nation with total investment capital of US$1.64 billion, holding approximately 30% of the country's FDI, trailed by Singapore, the Republic of Korea, China, Hong Kong and the United States.

Can Tho represents the most attractive location among 43 provinces and cities after receiving US$1.31 billion in FDI, constituting for 24.1% of the overall, followed by Hai Phong, Bac Giang, Binh Duong, Tay Ninh, and Ho Chi Minh City.

3. Vietnam offers numerous investment opportunities for Indian businesses

The increasing importance of Vietnam in global supply chains is great potential helping to enhance the Vietnam-India relations, particularly between small- and medium-sized enterprises (SME) that are considered the main drivers for economic growth in each country, heard an online conference on February 25.

The bilateral trade-investment promotion conference titled "Boosting trade-investment cooperation opportunities between Vietnamese and Indian SMEs" was jointly organised by the Trade Office of the Vietnamese Embassy in India, Uttar Pradesh state government, the Indian Industries Association (IIA) and the Hanoi SME Association.

IIA President Pankaj Gupta said that several major enterprises of India such as Adani Group, Mahindra, SRF and Suzlon have shown interest in investing in Vietnam.

He suggesting Indian enterprises invest in Vietnam in the fields of energy, mineral exploration, agricultural chemicals, sugar production, tea, coffee, information technology, and automobile components.

Vietnam is currently holding a lot of advantages for investors such as favourable investment policies, numerous free trade agreements, rapid economic growth, stable political situation, cheap labour costs, and young labour force, he stated.

However, participants pointed to several challenges for foreign investors in Vietnam, including high corporate tax rates of 32-50 percent for companies operating in oil and gas exploration and exploitation and other valuable natural resources, complicated administrative procedures, and dependence on cash transactions.

Meanwhile, Vietnamese Ambassador to India Pham Sanh Chau proposed the two countries' enterprises expand cooperation in supporting industry, automobile and motorbike spare parts, garment and footwear materials and household appliances.

According to the Vietnam Foreign Investment Agency, as of December 2020, India had nearly 300 valid projects in Vietnam with total investment of nearly 900 million USD, ranking 26th among countries and territories pouring capital into the Southeast Asian nation.

4. Fruit & vegetable exporters should tap into Northern Europe's niche market: Newspaper

Vietnamese businesses are believed to possess opportunities, especially in niche markets, when exporting fruit and vegetables to Northern Europe, according to the Cong Thuong (Industry & Trade) newspaper.

The Vietnamese trade office in Sweden said that due to unfavourable weather conditions, Northern European countries very much depend on imported fruit and vegetables, with over 90 percent of fruit and 40 percent of vegetables coming from foreign sources.

The importation of tropical fruit has been growing quickly in recent years, opening up opportunities for both existing and new exporters from developing countries, including Vietnam.

Developing countries account for more than 50 percent of the supply of fruit such as papaya, mango, pineapple, dates, tamarind, and passionfruit imported to the market, and 30 percent of avocado, figs, melons, and grapes.

The EU-Vietnam Free Trade Agreement (EVFTA), which took effect on August 1, 2020, has also generated considerable advantages for Vietnamese firms, as most tariffs on fresh fruit and vegetables have been slashed to zero percent, the trade office noted.

Despite the optimistic outlook, Cong Thuong wrote, the market is relatively small compared to others in Europe. It's also not easy for new exporters to compete with multilateral fruit and vegetable providers, logistics firms, and packaging companies with a long presence there.

Vegetables grown in Europe now account for 90 percent of those imported into Northern Europe, while those from developing nations stand at less than 10 percent.

Off-season produce like tomatoes and bell peppers are often provided by countries near Northern Europe. Geographical distance and a lack of direct air routes to the region also pose certain difficulties for Vietnam's fruit and vegetable exports.

The newspaper suggested Vietnamese companies consider producing organic and convenience products, pointing out European consumers' increasing preference for healthy diets with clean and natural food, as well as those that serve their busy lifestyles.

To make use of this trend, they should ensure that product quality meets requirements, the article said.

It also noted that more attention needs to be paid to sustainable and responsible production and business practices, adding that products will be accepted by Northern European consumers if they comply with sustainability standards.

Brand building and product storytelling are also tools necessary for marketing new products, particularly those for niche markets, according to the paper.

5. Workers in high demand as factories expand production

In some industrial parks in the southern provinces of Dong Nai and Binh Duong, hundreds of companies have put up hiring notices this week.

South Korean textile firm Taekwang Vina in Dong Nai is looking for 3,000 workers as it plans to establish four more production chains this year.

The company offers a minimum monthly salary of minimum VND7 million ($304). Anyone with basic literacy can apply.

Another South Korean textile firm in the province, the Chang Shin Vietnam Company, which has 35,000 workers, is also recruiting an unspecified number of new workers as the number of orders received by the end of this year has already exceeded capacity, prompting it to build two new workshops.

In Binh Duong, official data shows local companies are looking for nearly 40,000 workers in several sectors including textiles, wood processing and household products manufacturing.

Companies are sending recruiters to sit near main roads to increase chances of contacting candidates.

"Businesses are struggling to find workers even though they are offering high salaries of VND7-13 million a month plus benefits," Nguyen Kim Loan, chairwoman of the Binh Duong Labor Federation, told local media.

In the northern province of Bac Ninh, where many multinational manufacturers have set up plants, the demand for workers is estimated at 15,000.

Foxconn, a major supplier for Apple, is hiring 1,000 workers in Bac Ninh and the neighboring province of Bac Giang. It received a license in January to build a $270-million plant produce laptops and tablets in Bac Giang.

Nguyen The Quyet, chairman of the union of workers at industrial parks in Bac Ninh, said that many companies were unable to complete orders last year due to disruptions caused by the Covid-19 pandemic and were seeking to make up now.

Another reason is a surge in new orders this year from many countries, pushing factories to expand production and employ more people, he added.

Recruitment demand was highest among electronics and vehicle parts producers, he said.

Vietnam's industrial production index rose over 22 percent year-on-year in January as the economy recovered from Covid-19 impacts, according to the General Statistics Office.

The country's GDP growth could hit 7.5 percent this year, compared to 2.9 percent last year, according to credit rating company Fitch Ratings.

6. UK investors keen to participate in renewable energy in VN

British Ambassador to Viet Nam Gareth Ward said at the UK – Viet Nam Renewable Energy Dialogue on Wednesday that clean energy was becoming a global trend, adding that every US$1 investment in clean energy would help generate from $3-8.

The Vietnamese Government in 2015 approved the renewable energy development strategy to 2030 with a vision to 2050 which aimed to increase the percentage of renewable power from 35 per cent in 2015 to 38 per cent in 2020 and 43 per cent in 2050.

The Government also introduced incentive policies to encourage the development of wind power, biomass energy, energy from waste and solar power.

Hoang Tien Dung, Director of the Ministry of Industry and Trade's Electricity and Renewable Energy Authority, said developing renewable energy was important in the context that sources for hydropower were being exhausted, thermopower was limited due to commitments to global climate change and gas-fired power had high production costs.

According to the draft national power development planning for 2021-30 period with a vision to 2045, Viet Nam had large potential for renewable energy development which was estimated to amount up to 855GW, mostly solar power (434GW), and wind power (375GW). The potential for off-shore wind power was estimated at 158GW.

Off-shore power was attracting increasing interest from foreign organisations and investors, Nguyen Ninh Hai, Head of the Renewable Energy Department under the Electricity and Renewable Energy Authority, said.

Hai said that as off-shore wind power was a new thing to Viet Nam, the Ministry of Industry and Trade was cooperating with some research organisations to have a comprehensive evaluation about the off-shore wind power development potental in the country.

Bui Vinh Thang, director of Mainstream Renewable Power Viet Nam, said that the Government's planning and policies played a very important role for renewable energy investors, especially in wind power and off-shore wind power.

Benjamin Dubas, a representative from Lightsource BP, said that renewable energy investors expected the transparency and stability of policies in the long term to invest in Viet Nam, especially feed-in tariffs (FIT).

According to Dung, FIT pricing was applied to accelerate investment in renewable energy in the first stage in Viet Nam but this mechanism would not be maintained for a long period and be replaced by competitive bidding when the technology development helped push down prices of solar and wind power.

He added that the national power development planning which was being completed would give priority to renewable energy on the basis of ensuring balance of power sources and the power transmission between regions.

The ministry expected to continue receiving support from the UK in renewable energy, especially off-shore wind power which the UK had experience in and Viet Nam had large potential.

By the end of 2020, the total renewable energy output accounted for around 25 per cent of the total output worth 69,000MW of the Viet Nam's power system. There were 148 solar power projects with a total capacity of more than 8,800MW, 100,000 rooftop solar power projects with a total capacity of 9,300MW, and 11 wind power projects with a total capacity of 511MW.

7. Investment funds in Viet Nam remain optimistic despite poor performance

Viet Nam Enterprise Investments Limited (VEIL), a closed-end investment trust managed by Dragon Capital and the biggest investment fund in Viet Nam's stock market, recorded negative growth during the period.

The fund's performance was negative 3.61 per cent in January. VEIL manages assets worth US$1.7 billion.

As of the end of January, VEIL's biggest investments were in banking sectors, accounting for 27.13 per cent of its investment value. Followed by investments in real estate (26.43 per cent) and food and beverage (10.17 per cent). However all investing sectors had poor performance with banking and real estate sectors posting the biggest losses.

After gaining points in the first half of January, the stock market witnessed some strong corrections as profit booking dragged down the VN-Index. The profit taking was magnified by panic over margin calls.

The market benchmark VN-Index declined 4.28 per cent in the first month of 2021.

Dragon Capital said that recently, the fund restructured its investment process with the number of target stocks cutting down to 28 – 32 from 35 – 40.

Finnish equity fund PYN Elite also witnessed is its net asset value (NAV) drop 5.39 per cent in January, mostly due to losses in Viet Nam Engine and Agricultural Machinery Corporation (VEA), Vietnam JSC Bank for Industry and Trade (CTG) and PetroVietnam Power Corporation (POW). It marked the worst performance of PYN Elite since 2017.

The fund manages total assets worth US$572 million.

In a letter to investors in February, Petri Deryng, portfolio manager of PYN Elite, said that Viet Nam's stock market began 2021 on a negative note, but the prospects for the whole year are still very positive.

Viet Nam's economy, which has obtained some achievements, rising profits of listed companies and appealing stocks' valuation are factors contributing to the bright prospects of the market.

The market saw strong fluctuations after the VN-Index surged quickly from 900 points to 1,200 points in just ten weeks.

During the turbulent month, PYN Elite used all of its resources to buy Vinhomes JSC (VHM) shares, making it the biggest investment of its portfolio. At the moment, VHM shares account for 9.82 per cent of its portfolio, worth VND1.5 trillion.

Another investment fund posting negative performance in January was AFC Vietnam Fund, with growth of negative 1.9 per cent.

The fund assessed the plunge of the market after rising over 20 per cent in the fourth quarter of 2020 and gaining 8 per cent in the first seven trading sessions of 2021 was a healthy movement. And reaching the 1,200 point level by the VN-Index was really attractive, luring new strong inflows to the market.

Top five investments of AFC Vietnam Fund were Agriculture Bank Insurance JSC (ABI), accounting for 8.1 per cent of its investment value, LienVietPost Joint Stock Commercial Bank (LPB), Dinh Vu Port Investment and Development JSC (DVP), VNDirect Securities Corporation (VND) and Phu Tai JSC (PTB).

As of the end of January, the fund invested most in the financial sector (35 per cent of its portfolio) and industrial sector (23.5 per cent).

Corporate News

8. BID: Banks launch bailout packages for coronavirus affected firms

↑ 1.51%

The Bank for Investment and Development of Vietnam (BIDV) has launched a short-term preferential credit package worth VND10,000 billion which will run from February 24 to September 30 in support of those affected by the latest COVID-19 outbreak.

This comes after BIDV also deployed preferential short-term and medium-long-term credit measures worth over VND100,000 billion for SMEs, while also supporting them in digital transformation.

Meanwhile, the Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) reduced interest rates to loans from February 22, 2020, to May 22, 2020, for 105,000 existing clients with credit package worth VND350,000 billion.

Moreover, the Vietnam Bank for Agriculture and Rural Development (Agribank) has pledged to offer additional credit packages aimed at bolstering production of businesses, especially those operating in priority areas over the year ahead.

With regard to the real estate sector, Nguyen Tuan Anh, director general of the Department of Credit for Economic Sectors under the State Bank of Vietnam, has stated that SBV will continue to reduce lending rates to help property firms and individuals purchase houses with the aim of developing the local real estate market.

The Vietnamese economy is projected to enjoy a rapid recovery over the course of the coming year by many international organisations, with an anticipated growth rate of between 6.7% and 6.8%. Due to this, SBV is keen to keep interest rates at a stable level to support the macro-economy and boost businesses amid the complicated developments of COVID-19.

9. HPG: Steel maker Hoa Phat to manufacture cargo containers

↑ 3.28%

Steel maker Hoa Phat Group is recruiting experienced personnel for a cargo container manufacturing project expected to start production in the second quarter of next year, according to the company. The new shipping container plant will have a designed capacity of 500,000 twenty-foot equivalent unit (TEU) per year.

Global demand for cargo containers is on the rise as a result of growing e-commerce and foreign trade, said Nguyen Manh Tuan, Vice Chairman of the Hoa Phat Group.

According to Hoa Phat, shipping containers are made from weather-resistant and expensive SPA-H steel. Steel currently accounts for about 55 percent of the production cost.

In Vietnam, only the Hoa Phat Dung Quat Complex has the technology to produce this type of steel at a reasonable cost, Tuan said.

Hoa Phat has estimated it will need to produce 1 million tonnes of Hot-Rolled Coil (HRC) steel to reach an annual capacity of half a million TEUs. The group manufactured nearly 700,000 tonnes of HRC and more than 5 million tonnes of billet and construction steel last year. Its Dung Quat 2 project is scheduled to be operational in early 2022. Set to manufacture HRC steel using the latest advanced technology, it has a designed capacity of 5 million tonnes per year.

Though the shipping container market is growing 5 percent annually, there has been a shortage of supply. In previous years, China had produced 90 percent of the world's containers. The country, however, has cut output by 40 percent over the last two years, despite growing domestic demand.

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