



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. VN-Index finishes lower as selling pressure weighs

Viet Nam's stock market ended mixed on Thursday as the VN-Index continued its downward trend in the afternoon session while the HNX-Index reversed its morning course.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) finished at 1,168.52 points, down 1.55 per cent. The index posted a loss of 26.52 points, equivalent to 2.23 per cent, in the morning session.

Today's result ended the index's current movements that fell in the morning but still finished higher at the end of the session.

The market breadth stayed negative till the end of the session with 362 stocks falling, while 95 stocks climbed. And the market's liquidity was high as VND16.8 billion was poured into the southern bourse, equivalent to a trading volume of over 673.4 million shares.

Rising selling pressure and trading issues made many big stocks across all sectors fall sharply today, with the VN30-Index, which tracks the performance of the 30 biggest stocks on HoSE, down 1.78 per cent to 1,174.29 points.

Besides Vingroup JSC (VIC) ending flat, the rest of the VN30 basket posted poor performance. In the morning session, VIC was the only stock in the basket to witness a gain.

Top five stocks dominating the market's trend were in real estate, banking and materials sectors, including Vinhomes JSC (VHM), down 1.48 per cent, Techcombank (TCB), down 3.22 per cent, JSC Bank For Investment And Development of Viet Nam (BID), down 2.4 per cent, Vietcombank (VCB), down 1.12 per cent and Vietnam Rubber Group - JSC (GVR), down 2.87 per cent.

Meanwhile, gains in stocks from materials, gas and oil, and fertiliser sectors helped limit the losses. Pomina Steel Corporation (POM) climbed 6.02 per cent, PetroVietnam Drilling & Well Services Corporation (PVD) rose 2.76 per cent, Duc Giang Chemicals Group JSC (DGC) rose 2.61 per cent, and Petro Viet Nam Ca Mau Fertiliser JSC (DCM) rose 2.51 per cent.

On the Ha Noi Stock Exchange (HNX), the HNX-Index reversed the morning's course, up 0.66 per cent to 255.77 points. Finishing the morning session, the HNX-Index dropped 0.48 per cent. The HNX30-Index also climbed 0.22 per cent to 376.42 points.

Nearly 176.1 million shares were traded on the northern market during the session, worth over VND2.79 trillion.

Foreign investors continue to net sell on HoSE and HNX. While the investors withdrew VND229.65 billion out of the southern market, they net sold a net value of VND13.51 billion on HNX.

## Macro & Policies

### 2. Mixed fortunes for seafood sector in unpredictable year

According to the Vietnam Association of Seafood Exporters and Producers (VASEP), by the end of 2020, the total value of Vietnam's seafood exports reached \$8.41 billion, down 1.9 per cent on year.

Of these, exports of basa fish was \$1.49 billion, down by 26 per cent, and shrimp accounted for \$3.73 billion, up 11 per cent on year.

Basa fish farmers in Vietnam, China, and India all have been affected to different degrees by the COVID-19 pandemic. Prices for basa from the Mekong Delta region fell below VND20,000 (\$0.90) per kilogramme and its export value to some major markets like China, Hong Kong, the US, ASEAN, and the EU decreased compared to the previous year.

However, thanks to the government's pandemic prevention efforts, Vietnam's shrimp production and export activities have stayed competitive against rival suppliers. Shrimp businesses tried to maintain production, flexibly adjust to the market, and take advantage of the given opportunities, and so export value to major markets grew positively, such as to the US (up 33 per cent), the EU (up 6 per cent), and South Korea (up 3 per cent), compared to 2019.

According to data from VietstockFinance, as of the beginning of February, there are 14 listed seafood enterprises that have generated nearly VND40 trillion (\$1.7 billion) in revenue and more than VND1.7 trillion (\$73 million) in net profit in 2020, down 10 and 48 per cent, respectively, compared to 2019.

Contrary to the gloomy atmosphere of the basa industry, shrimp businesses recorded an increase in revenue. Although its net profit reached a similar level of the previous year with nearly VND226 billion (\$9.8 million), 2020 revenues of Sao Ta Food (FMC) reached VND4.4 trillion (\$191 million) – a record high after 15 years of listing on the stock exchange.

According to Ho Quoc Luc, president of food processing group FMC, the pandemic has created good opportunities for Vietnamese shrimp farmers. Production of safely farmed shrimp increased compared to 2019, even if just by a mere one-digit figure. Meanwhile, other major shrimp farming countries were severely affected by COVID-19 and were seeing interrupted or broken supply chains in the likes of India, Ecuador, and Indonesia.

#### FTAs to boost growth

According to VASEP, the fishery sector has a lot of opportunities from new-generation free trade agreements (FTA) such as the Regional Comprehensive Economic Partnership (RCEP) and the EU-Vietnam FTA. These FTAs have a good impact on Vietnam's seafood exports and contribute to improving the competitiveness in regional and global markets.

It is forecasted that Vietnam's seafood export in 2021 will increase by 10 per cent, reaching over \$9.4 billion. In which, shrimp export may grow the strongest at up to 15 per cent, reaching \$4.4 billion. Meanwhile, the growth of basa fish farming is expected to increase by 5 per cent, reaching about \$1.6 billion.

The RCEP allows its members to pool originating materials across the bloc, which is an advantage over the current FTA with ASEAN members, and is helping Vietnam to take advantage of the diversified input supplies throughout the bloc. The EVFTA, on the other hand, allows the tax for frozen basa to be gradually reduced to zero according to a 4-year schedule.

As such, Vietnamese shrimp has decent opportunities to penetrate high-end consumption systems with good prices. Meanwhile, information about supply and demand of basa is a prerequisite for its success or failure

### 3. Private investments reach new peak

Private investments in Vietnam have reached a new peak in contrast to the trend towards decline around the world and in the ASEAN region due to the impact of COVID-19.

Thanks to its success in containing the pandemic, Vietnam has emerged as a bright spot, with economic growth reaching 2.91 percent in 2020 - a positive rate given the gloomy global picture.

The International Monetary Fund (IMF) forecast that its GDP will grow 6.7 percent this year. Goldman Sachs and HSBC are even more optimistic about the economy, which, they said, will expand 8.1 percent in 2021.

Vietnam's middle and upper class is expected to grow substantially, from 25 percent of the national population in 2017 to 45 percent in 2030.

Moreover, free trade agreements to which Vietnam is a signatory have benefited the country regarding tariffs and exports, especially smartphones and electronic products, garments and textiles, footwear, and agricultural products.

Adjustments to the Law on Enterprises and the Law on Investment have also played a part in the country's positive outlook.

In private investment, a total of 59 transactions worth 1.14 billion USD were conducted in 2020, with technology retaining its leading role over the last five years.

Local retail and service firms associated with technological solutions have caught the eye of investors, with notable investments including 100 million USD by Warburg Pincus in Momo e-wallet and the Northstar Group's 130 million USD in Tiki - one of the three leading e-commerce platforms in the country.

Conglomerate Vingroup posted a record in this regard after GIC injected 500 million USD into Vincommerce in 2019 and KKR funnelled 650 million USD in Temasek and Vinhomes in 2020.

Investments in healthcare have also increased rapidly, as Mekong Capital and VinaCapital have poured 31.8 million USD into Pharmacy and 26.7 million USD into Thu Cuc Hospital, respectively.

Sectors such as transportation, education, healthcare, and technology are expected to become magnets for investors this year.

#### 4. Positive signs from textile and apparel export

Recent figures by the Vietnam General Department of Customs show that as of February 15, Vietnam raked in \$3.77 billion from textile and apparel exports, up \$270 million compared to the same period in 2020.

Le Tien Truong, deputy chairman of the Vietnam Textile and Apparel Association (Vitas) and chairman of state-run group Vinatex noted that with the COVID-19 situation still intense and consumption declining in Vietnam's major export markets like the US, EU, and Japan, many local firms have adopted smartly by shifting to producing items for common use with reasonable price tags.

"In fact, the textile and clothing sector has been trending in this direction from the second half of last year, helping to ensure continuous work for labourers with stable order placement. This helped

the sector to reach an export turnover of \$35.2 billion last year, which, albeit lower than in 2019, was much better than other major exporters like India and Bangladesh," Truong said.

Due to the pandemic, total aggregate demand for textile and apparel products shed more than 22 per cent globally, going from \$740 billion to \$600 billion. Competing countries all saw 15-20 per cent decreases. The reduction of Vietnam's textile and apparel sector was far less than the world average.

A Vinatexsource certified that many firms in the sector, including Vinatex members, have signed orders until the end of April. Significantly, orders have been placed for several product lines such as knitwear and items for common use until July and August.

Hung Yen Garment Corporation (Hugaco) – a major member belonging to Vinatex group – posted a revenue of \$15.7 million and after-tax profit of \$1.07 million in January 2021, up 83 and 160 per cent compared to January 2020.

The company has signed export orders until the end of this year's second quarter, ensuring stable work for its labourers in the upcoming months.

In 2020, COVID-19 has adversely impacted firms across the board, and Hugaco was not an exception. Its total revenue shed 5 per cent to VND2.6 trillion (\$113 million) and profit sank 20 per cent due to declining orders and price rates.

Nguyen Xuan Duong, chairman of Hugaco, said that after a challenging year like 2020, this year, Hugaco's prime goal in the short term is to sign more export orders and expand its market to ensure employment for its labourers.

According to Vitas, in the best case scenario, the sector would recover 2019 consumption level by the third quarter of 2022, while under a slower recovery scenario it would take until the end of 2023.

Under the current market conditions, the sector has set forth the target of achieving \$39 billion in export value this year, equivalent to the 2019 performance.

## 5. Steel industry expected to recover this year

Market leader Hoa Phat Group last month exported over 12,000 tonnes of products, mostly cold-galvanized steel, to North and South America.

This followed an export of 10,000 tonnes in January to Belgium and Spain.

The company targets producing 300,000-400,000 tonnes of steel products this year, 30-40 percent of which are likely to be exported.

Its competitor Hoa Sen Group last month set a new export record of 121,000 tonnes of galvanized steel worth more than \$100 million. The group has a network of over 85 countries and territories, with main markets being the U.S, Mexico, Europe and Southeast Asia.

Vietnam's steel industry is expected to see growth of 5-6 percent this year, with global demand set to rise by 4.1 percent thanks to recovery in developed markets, according to the Vietnam Steel Association (VSA).

Other drivers for growth include expectations of rising public investment in infrastructure, the recovery of the real estate market and more foreign direct investment, said VSA deputy chairman Trinh Khoi Nguyen.

The industry started 2021 strongly, with a 61 percent year-on-year rise in production volume to 2.65 million tonnes.

Domestic sales in the period rose 55 percent to 2.12 million tonnes, while exports rose 53 percent in value to \$553 million.

These figures indicate robust recovery prospects this year after VSA saw half of its members reporting plunging revenues last year, especially in the first and second quarter, due to Covid-19 impacts.

However, trade officials have warned that rising safeguard measures could hurt the industry.

Last month, Indonesia imposed an anti-dumping duty of 3.01-49.2 percent on Vietnam cold steel sheets.

In January, Malaysia revised duties on cold-rolled coils of alloy and non-alloy steel from Vietnam to 7.42-33.7 percent for the period between January 24 and May 23.

The U.S. and Canada have also slapped anti-dumping duties on Vietnam's steel products in recent years.

The Trade Remedies Authorities of Vietnam has advised local steelmakers to diversify their markets to avoid being punished with such duties.

Nguyen Thi Thu Trang, director of the Vietnam Chamber of Commerce and Industry's (VCCI) WTO Center, said that steel producers need to prepare themselves with knowledge of regulations on international safeguard measures and cooperate



with other countries' trade authorities to resolve issues.

## 6. Rubber companies set lower profit targets for 2021

As a bear market for rubber is anticipated in 2021, Vietnamese rubber companies have edged down their profit targets for the year.

In its business plan announced at an extraordinary shareholders' meeting at the end of February, the Vietnam Rubber Group (VRG) targets 4.6 trillion VND (199.68 million USD) in after-tax profit in 2021, a year-on-year fall of 12 percent.

It forecast another tough year, particularly for rubber latex, with blame being placed on lower prices. The group's rubber wood and rubber products will both face fierce competition.

Gross revenue topped 25.99 trillion VND last year and after-tax profit 5.23 trillion VND, up 5.67 percent and 29.8 percent, respectively. Growth was mainly spurred by its divestment from the Sai Gon VRG Investment JSC.

Experts from the Viet Capital Securities JSC said that VRG pocketed some 1.1 trillion VND from the divestment, and without this its profit would scarcely have reached such a high level.

It is understandable that VRG has adjusted its profit target downwards this year, they said, in the context of unanticipated changes in the global market.

Other rubber firms like the Tay Ninh Rubber JSC (TRC) and the Phuoc Hoa Rubber JSC (PHC) also remained prudent in setting targets for 2021.

TRC aimed at 301 billion VND in revenue and 57 billion VND in pre-tax profit, down 29.6 percent and 48.8 percent year-on-year.

Meanwhile, PHR, who holds a huge advantage in developing industrial real estate, lowered its revenue target by 15 percent to 1.92 trillion VND and after-tax profit target by 35 percent to 751 billion VND.

Along with gloomy prospects for material rubber demand this year, PHR is also facing other difficulties, including stunted rubber plantations, a shortage of workers, unfavourable climate conditions, and disease in its rubber trees. Revenue and profit will also be critically affected by weakening investment in industrial zones due to the COVID-19 pandemic.

According to a report from the FPT Securities JSC (FPTS), rubber prices will remain low in 2021, at around 32-33 million VND per tonne, leaving a negative impact on the sector's latex business.

## 7. Binh Duong tops wood export nationwide

Wood and wooden product exports in the southern province of Binh Duong fetched 5.6 billion USD in 2020, accounting for 47.3 percent of the nation's total wood export value, according to the Binh Duong Furniture Association (BIFA).

The US, Japan, and Hong Kong and Taiwan remained the largest importers of the locality's wood and wooden products.

Benefiting from the EU-Vietnam Free Trade Agreement (EVFTA), which took effect from August 1 last year, Binh Duong's wood industry has expanded exports to EU member nations.

Many multinational companies have started shifting their production bases from other countries to Vietnam, while Vietnamese businesses have also began their restructuring and participated in global supply chains.

The strong development of the wood industry in the year was attributed to these, BIFA said.

Dien Quang Hiep, Chairman of BIFA, said enterprises tend to promote the application of technologies in production and management, adding that Binh Duong's wood industry is mapping out sustainable strategies to further develop its market.

He noted that the sector has experienced many fluctuations in the context of trade tensions between

major powers, and faced difficulties related to materials for production.

Support industries serving the sector have not yet developed, he added.

In particular, the requirement to strictly comply with commitments related to trade and technical barriers, rules on origin and environment within the EVFTA also puts pressure on local wood producers.

## Corporate News

### 8. HPG: Hoa Phat's imports from Australia to reach 1.44 billion USD this year

↓ -1.92%

Hoa Phat Group plans to import 1.44 billion USD worth of commodities from Australia in 2021, more than doubling last year's figure.

The imports will include around 4 million tonnes of iron ore, 3.5 million tonnes of coal of different types and 145,000 cows.

The group's imports of machines, equipment, and materials for production reportedly hit nearly 2 billion USD last year. Of the total, some 35 percent, or 700 million USD, came from Australia, also over double the figure from 2019 and making the industrial manufacturer the largest Vietnamese client of the country.

More than half of the total import value, or 364 million USD, came from coal, compared to just 115 million USD in 2019.

The group's purchases of iron ore leapt a whopping 19-times to 123 million USD in the first eleven months of 2020.

Hoa Phat bought more coal and iron ore last year to serve production at its iron and steel integrated complexes in the northern province of Hai Duong and the central province of Quang Ngai's Dung Quat Economic Zone.

Meanwhile, it annually purchases hundreds of thousands of cows from Australia, with its herd accounting for 50 percent of all Australian-imported cows in Vietnam.

With such soaring import numbers, Hoa Phat was estimated to account for 17 percent of Australia's total export value to Vietnam in 2020, compared to 7.4 percent in 2018 and 7.6 percent in 2019.

According to Global Trade Atlas, Australia's exports to Vietnam reached 4.4 billion USD in 2020, 16 percent of which was imported by Hoa Phat.

Last year, the group's exports exceeded 1 billion USD, including 966 million USD worth of high-quality and construction steel.

### 9. VJC: Vietjet certified with highest global rating for COVID-19 compliance

↓ -0.29%

Vietjet's Vice President Tô Việt Thắng said: "Our modern fleet is equipped with HEPA (high-efficiency particulate air system), which can filter up to 99.7 per cent of dust, bacterias and viruses.

"Also, Vietjet's full compliance with safety standards together with staff's co-operation has contributed to our safe transportation of millions of passengers during the escalating COVID-19 outbreak in Việt Nam. Especially, none of our employees have been infected with COVID-19 so far."

In addition to providing mask and protection equipment for pilots, flight attendants, ground staff and technicians, the airline also quickly installed isolation shields with sanitiser at all of its check-in

counters. Aircraft disinfection and sterilisation are carried out daily. Vietjet also plans to vaccinate all staff in the near future.

AirlineRatings, the world's famous airline safety and product rating website, is the first website with COVID-19 ratings for airlines. The seven-star list also includes other renowned airlines such as Emirates, Etihad Airways, British Airways, Qatar Airways, Delta Air Lines, Jetblue, Lufthansa, Southwest and Air New Zealand, KLM.

For full compliance, airlines must have seven criteria in place, including website information on COVID-19 procedures; face masks for passengers; deep clean of aircraft and protection equipment for



the crew. The criteria also focus on social distancing and modified meal services.

In another move, Vietjet Air has resumed flights to Vân Đồn International Airport in the northern province of Quảng Ninh from Wednesday after the airport was allowed to reopen.

The Vân Đồn airport was temporarily shut down from January 29 after an airport security staff was confirmed positive for the coronavirus.

The Vietjet flight that travelled from HCM City to Vân Đồn airport on Wednesday was the first flight to land since the temporary closure.

Đinh Việt Phương, Vietjet Managing Director, said he believed Vân Đồn International Airport would quickly return to its busy self.

"We are committed to doing our best to bring people and tourists back to Vân Đồn in particular and Quảng Ninh in general in the safest way possible," Phương said.

Vietjet has resumed flights on the HCM City-Vân Đồn route with a frequency of up to four return flights per week from March.

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