



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. VN-Index drops as blue chips plunge to monthly low

Vietnam's benchmark index slipped 0.04 percent to 1,168.27 points Monday with several blue-chips hitting their lowest prices since early February.

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The index started off with a surge to the 1,180 range but fell quickly and fluctuated around 1,170 points throughout the day before ending with a 0.42-point fall. This is the third session in a row that it has closed at 1,168 points.

Trading value on the Ho Chi Minh Stock Exchange (HoSE), on which the index is based, rose nearly 4 percent to VND15.58 trillion (\$674 million). The bourse saw 274 stocks gain and 183 lose.

The VN30 basket, comprising the 30 largest capped stocks on the HoSE, saw 17 stocks lose, led by MSN of conglomerate Masan Group, down 2 percent and reaching its lowest price in a month.

It was followed by VCB of state-owned lender Vietcombank, and VHM of real estate giant

Vinhomes, both down 1.2 percent to reach similar lows.

KDH of real estate firm Khang Dien House fell 1.1 percent, its third losing session in a row. A 3.86-percent loss in upcoming sessions will bring it down to this year's bottom on February 1.

POW of electricity distributor PetroVietnam Power Corporation bucked the trend with a 5.2 percent gain, followed by GAS of the state-owned PetroVietnam Gas Jsc, up 2.7 percent.

Foreigners were net sellers for the 12th session in a row to the tune of VND1.25 trillion. Strongest selling pressures were seen on POW of electricity distributor PetroVietnam Power Corporation, VNM of dairy giant Vinamilk and HPG of steelmaker Hoa Phat Group.

In contrast to the main index, the HNX-Index for stocks on the Hanoi Stock Exchange, home to mid and small caps, gained 1.39 percent, while the UPM-Index for stocks on the Unlisted Public Companies Market rose 1.09 percent.

## Macro & Policies

### 2. Vietnamese textile industry sees huge export opportunities

The textile and apparel industry, which managed to survive three waves of COVID-19 thanks to its decision to produce face masks and personal protective equipment, will focus on sportswear and yarn, according to the Vietnam National Textile and Garment Group.

Le Tien Truong, its general director, said demand for face masks and personal protective equipment will shrink rapidly.

Armed with their experience of coping with the pandemic, many textile and footwear enterprises are quietly confident of altering plans when required and finding new markets to cope with new situation after COVID-19 is under control.

Sportswear has arguably been the most successful segment during the pandemic as awareness of physical exercise rose.

According to Euromonitor International, in 2020 the demand for sportswear world-wide decreased only about 8 percent, the lowest in an industry which saw an overall decline of 16 percent.

The compounded annual growth rate for the sportswear market in the last five years was 6.5 percent, 1.5 times the industry average, and it is expected to be worth 479 billion USD globally by 2025.

The Thanh Cong Textile Garment Investment Trading JSC is considered one of the most successful businesses in 2020 thanks to seizing opportunities to export COVID-19 related apparel products such as fabric masks and PPE.

But Tran Nhu Tung, its deputy general director, said the demand for cloth masks and protective gear is returning to pre-COVID levels with the advent of vaccines. This year his company has stopped taking orders for medical protective gear and antibacterial masks.

It is focusing on traditional products such as T-shirts and sportswear, demand for which would continue to increase, and there are already enough orders for sportswear for the first 6 months of the year, he said.

According to the Vietnam Textile and Apparel Association, many businesses now have orders for until the end of April, mainly for sportswear.

Dang Trieu Hoa, general director of the The Ky Yarn Joint Stock Company, said his company plans to focus on yarns with high quality and competitive prices.

The EU-Vietnam Free Trade Agreement (EVFTA) that took effect on August 1 last year has reduced tariffs on Vietnam's garment exports by more than 70 percentage points.

The footwear and textile sectors also benefit significantly from tariff cuts, according to Bao Viet Securities Joint Stock Company.

With most other countries that export textile and garment to the EU not having a trade deal with the bloc, the EVFTA has opened up a great opportunity for Vietnam's footwear, textile and garment exports if companies meet origin requirements, it added.

### 3. Bright prospects ahead for wood and handicraft exports to US

Addressing the event, Nguyen Hoai Bao, member of the HAWA executive board, emphasised that despite export activities facing numerous difficulties caused by the impact of the novel coronavirus (COVID-19) epidemic, the Vietnamese wood industry raked in over US\$13 billion last year.

Most notably, exports to the US market enjoyed a surge of 34% to over US\$7 billion compared to 2019, meaning the US has become the leading export market of the domestic wood and handicraft sector.

Despite these positives, Bao explained that the US is one of the markets that has set the strictest standards in terms of origin traceability and legality of wood products, thereby forcing local businesses to regularly update the legal system and related regulations as a means of avoiding trade risks and to fully tap into the fastidious market.

Julie Hundersmarck, a specialist at the US Forest Service International Programs, emphasised that despite facing fierce competition from a variety of regions, US importers have a preference to do business with suppliers from Asia, including Vietnam. Indeed, moving forward the US Forest Service has initiated plans to assist the country in controlling the origin and legality of wood products

which are exported to the US in order to ensure sustainable development.

Last year saw the sales of furniture products in the US reach US\$115 billion, with this figure forecast to hit US\$143 billion over the next five years.

Experts have also pointed out that the level of consumer spending on furniture products is projected to increase moving forward, despite the outbreak of COVID-19, noting that local manufacturing firms must be sensitive when selecting investments. As such, they should regularly be introducing fresh products and developing additional trade channels in order to attract customers in an effective manner.

#### 4. Iron and steel exports witness big leap

The nation exported a total of 1,568 million tonnes of iron and steel worth US\$1.123 billion during the reviewed period, marking a sharp rise of 71.9% compared to last year's corresponding period, according to data released by the General Department of Vietnam Customs.

January saw Hoa Phat Group, the country's leading steel maker, export roughly 10,000 tonnes of galvanized sheet partners to Belgium and Spain, while it also shipped more than 12,000 tonnes of cold galvanized steel to the Americas in February.

Along with construction steel, Hoa Phat Group has also ramped up its export of steel pipes, galvanized steel, and galvanized steel wire to foreign markets.

Furthermore, Hoa Sen Group Joint Stock Company shipped high-value batches of galvanized steel sheet to the United States, Mexico, Europe, and Southeast Asia, with export volume exceeding 100,000 tonnes per month.

Nghiem Xuan Da, chairman of the Vietnam Steel Association, said domestic steel consumption throughout the reviewed period was estimated to have decreased by 30% compared to the same period from last year.

Da believes that although a series of free trade agreements (FTAs) have come into force, such as the EU-Vietnam Free Trade Agreement (EVFTA) and the Vietnam-UK Free Trade Agreement (UKVFTA), not many local firms have the capacity to increase exports to the EU market.

In general, the local steel industry faces a number of obstacles due to five further countries, including Malaysia and Philippines which are two of the country's major markets, conducting anti-dumping investigations into Vietnamese galvanized steel and steel pipes.

Moreover, the European Commission (EC) has recently announced plans to consider extending safeguard measures for imported steel. This comes after the EU on February 1, 2019, applied a safeguard measure against imported steel in the form of tariff quotas, with three groups of steel products from the nation being levied.

Experts have therefore advised local businesses to strive to fully tap into high-value markets such as China and Cambodia moving forward, with China expected to become a billion-dollar export market with many product lines.

#### 5. Overseas packaging groups expand towards Vietnam

Thailand's Siam Cement Group PLC (SCG) last month made a big splash in the market by entering into a 70-per-cent share purchase agreement with Duy Tan Plastics JSC. The former's subsidiary SCG Packaging (SCGP) is to work with its Vietnamese partners under a 10-billion-baht (\$332 million) investment to expand its packaging solution business in Vietnam, where demand for such products is growing.

The investment is part of a 20-billion-baht (\$664 million) budget for business expansion and merger and acquisition (M&A) plans. SCGP chief executive Wichan Jitpukdee told The Bangkok Post that the company has been expanding its operations in Vietnam and generated a revenue growth of more than 10 per cent annually.

Last year, SCGP announced the closing of its consolidation with Sovi Packaging JSC in the southern province of Dong Nai's Bien Hoa city, a company specialising in corrugated boxes and offset laminated packaging. In 2015, SCGP expanded its flexible packaging business by acquiring an 80 per cent stake in Tin Thanh Packing JSC, one of the top five manufacturers of such wares in Vietnam.

SCGP also invested in its packaging paper production base at Vina Kraft Paper Co., Ltd. to meet the rapid demand in the country. The enterprise has holdings in a clutch of other domestic producers including Alcamax Packaging, Packamex Packaging, AP Packaging, and New Asia Industries.

Besides this, global investors like SCGP are also shifting their focus to the market, thus driving their sustainability agenda forward. The company has been implementing its environmental social governance strategy in the past few years, thereby focusing on corporate social responsibility towards the environment and society.

SCGP is also a pioneer in green manufacturing, with various innovations ranging from paper to flexible packaging. With the latest expansion in Vietnam, SCGP is looking forward to partnering with local players to grow its market share in Vietnam sustainably.

"Through all our recent expansion projects, we are expecting to increase sales to an additional 8.5

billion baht (\$282.38 million) per year," Wichan said.

Ong Tiong Hooi, transaction services partner of PwC Vietnam cited the Bank of Thailand's 2019 data that shows that about 30 per cent of Thai investments in the manufacturing sector have been within the ASEAN region, including Vietnam.

"This is mainly due to active expansion strategies from corporate investors with surplus cash that needs to be deployed," said Hooi, "as these look into areas and sectors that complement both their growth plans and overall value chain."

"As Vietnam takes the position of a favoured manufacturing hub, I am not surprised that selected corporate clients have been snapping up packaging companies over the past few years to cater to their manufacturing capabilities as well as provide ancillary services to other companies within Vietnam," he added.

In addition to Thai investors, the packaging industry has drawn attention of other foreign investors. Last year, the International Finance Corporation (IFC) announced a \$20-million debt investment in An Phat Holdings to fund its first compostable material manufacturing plant in the northern province of Hai Duong. South Korea's Dongwon Systems also completed the takeover of Tan Tien Packaging (TTP) for \$97.08 million, and fully acquired Minh Viet Packaging (MVP) for \$21 million.

Japanese investors are also keen on the local packaging market. In 2018, Sojitz Pla-Net Corporation entered into the packaging material business in Vietnam through equity participation in Rang Dong Long An Plastic JSC (RLP), a subsidiary of major Vietnamese plastics manufacturer Rang Dong Plastic JSC. Previously, Sojitz Pla-Net spent around \$4-5 million to scoop up a 20 per cent stake in RLP. In 2017, Sekisui Chemical acquired 15 per cent of outstanding shares of Tien Phong Plastic JSC, a plastic pipe manufacturer in the northern city of Haiphong. Another Japanese investor, Oji Holdings Corporation, also bought major shares at United Packaging in 2013. Meanwhile, Japan's Meiwa Pax took over 93 per cent of Saigon Trading and Packaging (Sapaco) for \$16.5 million in 2014.



## 6. Vietnam GDP growth projected to strengthen to 6.5% in 2021: IMF

Vietnam's GDP growth is projected to strengthen to 6.5% as normalization of economic activity continues, businesses recover, and private consumption and business investment rebound.

	2016	2017	2018	2019	Projections 2020	2021
<b>Output</b>						
Real GDP (percent change)	6.7	6.9	7.1	7.0	2.9	6.5
<b>Prices (percent change)</b>						
CPI (period average)	2.7	3.5	3.5	2.8	3.2	4.0
CPI (end of period)	4.7	2.6	3.0	5.2	0.2	3.7
Core inflation (end of period)	1.9	1.3	1.7	2.8	1.0	2.3
<b>Saving and investment (in percent of GDP)</b>						
Gross national saving	26.6	25.7	28.2	30.4	28.6	29.3
Gross investment	26.3	26.3	26.3	26.6	26.4	27.0
Private	20.4	20.5	20.8	21.0	20.2	21.4
Public	5.9	5.8	5.5	5.6	6.2	5.6
<b>State budget finances (in percent of GDP) 2/</b>						
Revenue and grants	19.1	19.6	19.5	19.5	16.2	15.8
Of which: Oil revenue	0.7	0.8	0.9	0.6	0.4	0.4
Expenditure	22.2	21.5	20.5	22.8	21.6	20.5
Expense	16.3	15.7	15.0	17.2	15.4	14.9
Net acquisition of nonfinancial assets	5.9	5.8	5.5	5.6	6.2	5.6
Net lending (+)/borrowing(-) 3/	-3.2	-2.0	-1.0	-3.3	-5.4	-4.7
Net lending /borrowing including EBFs	...	-0.5	0.4	-2.6	-4.3	-3.8
Public and publicly guaranteed debt (end of period)	47.6	46.3	43.6	43.4	46.6	47.1

*Vietnam's major economic indicators. Source: IMF*

The assessment was given by the International Monetary Fund (IMF) in its 2020 Article IV Consultation report with Vietnam, expecting the upward trend in economic growth would continue to 2022 as the country's economic growth may reach 7.2%.

“Manufacturing and retail sales are expected to lead the recovery, while the travel and hospitality services will remain subdued,” noted the report, but saying net exports will continue making positive contribution to growth as external demand picks up.

Looking back in 2020, Vietnam began the year following a prolonged period of high growth. The last three decades of market-oriented reform supported a structural transformation from

agriculture to a modern economy based on FDI-led manufacturing, lifting Vietnam from one of the poorest countries in the world to lower middle-income status.

According to the report, in recent years, growth averaged 7%, and the emphasis on “leaving no one behind” boosted living standards, contributing to notable progress towards the Sustainable Development Goals.

Economic activity remained strong with stable inflation in 2019, as the rate of new business creation reached a six-year high. Fiscal consolidation efforts helped contain public and publicly guaranteed debt to 43% of GDP, well below the 65% statutory limit.

Despite moderating trade flows on account of US-China trade tensions, the current account surplus rose to 3.8% of GDP as a result of sharply slowing imports of raw materials and intermediate goods, record tourist arrivals, and large remittance flows. Vietnam's external position in 2019 was assessed to be substantially stronger than warranted by fundamentals due to structural features.

Following the onset of the Covid-19 crisis, decisive measures were taken to limit the health and economic fallout. Early and concerted efforts helped ease lockdown restrictions and contain the associated policy support package relative to other countries.

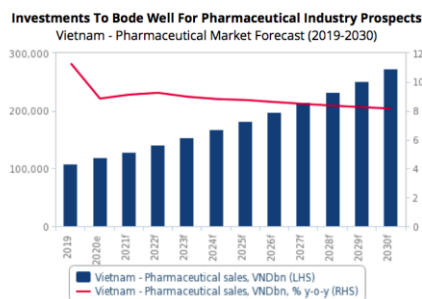
Fiscal policy focused on temporary support to firms and vulnerable households, while monetary policy was eased to maintain abundant liquidity in the banking system. Real GDP growth in 2020 was 2.9%, among the highest in the world, noted the report.

## 7. Vietnam pharmaceutical production to become more research-based industry: Fitch Solutions

A shift from pharmaceutical production to a more research-based industry in Vietnam is likely, according to Fitch Solutions, a subsidiary of Fitch Group.

“While we expect the government's efforts will go some way towards improving Vietnam's manufacturing base, the vast majority of local production will remain focused on cheap generic drugs given their limited technological capabilities,” Fitch Solutions said in a note.

Taking this into account, Fitch Solutions expected it will be a long time before the country can be classed as self-sufficient with regards to its pharmaceutical supply.



eff = Fitch Solutions estimate/forecast. Source: Source: DESA/UNSD United Nations Comtrade Database, ITC, Fitch Solutions

With 160 factories meeting World Health Organization-Good Manufacturing Practice standards, the domestic drug output is able to meet 45% of the demand, while the rest must be imported.

Although foreign medicines are likely to dominate in the near future, domestic companies have begun investing in research & development (R&D) activities to build up infrastructures that meet international standards. According to a national survey of local pharmaceutical firms conducted in 2017, 83% of those surveyed ranked the research of new drugs as their predominant strategy.

Meanwhile, the ongoing community transmission outbreak has sped up the vaccine timeline for Vietnam.

On February 18, Vietnam's health ministry approved the import of 204,000 doses of the Oxford/AstraZeneca Covid-19 vaccine to stem the spread of Covid-19. This would be the first batch out of 30 million doses of vaccine that Vietnam had previously ordered to buy.

The Drug Administration of Vietnam under the Ministry of Health allowed AstraZeneca Vietnam Company to import the doses under emergent

circumstances to help fight Covid-19 pandemic which has turned more complicated in Vietnam.

Vietnam is also expected to receive 4.9 million vaccine doses by the end of February 2021, provided via COVAX. The ministry reported that doctors and other staff in frequent contact with Covid-19 patients will be among the first to be vaccinated. Other people on the priority list will be the elderly and those with chronic diseases that make them more vulnerable if they get infected, and officials in the diplomatic service.

Prime Minister Nguyen Xuan Phuc stated that, 'importing Covid-19 vaccines should be a foremost priority of the government', while calling for research progress on domestic Covid-19 vaccines as well.

Vietnam has four domestic Covid-19 vaccine candidates developed by Nanogen Pharmaceutical Biotechnology JSC, the Institute of Vaccines and Medical Biologicals, Vabiotech and the Center for Research and Production of Vaccines and Biologicals.

According to Fitch Solutions, the Vietnamese government's support for the local pharmaceutical industry will remain steadfast. This is in part driven by the authorities' push to meet domestic healthcare needs.

The country now able to produce 11 of the 12 vaccines included in the national expanded immunization program. The government is further gearing up to self-finance its vaccine program and reducing its reliance on international funding.

The aim is to achieve mass vaccine production in the country through government-supported investments in manufacturing infrastructure and technology. In addition, the economic potential of the pharmaceutical sector will incentivize continued government support for the domestic industry.

## Corporate News

### 8. TDH: Thuduc House denies connection with companies to commit tax fraud

↓ -1.72%

In response to the customs agency's report on some southern firms' appropriation of value added tax (VAT) refunds, smuggling and illegal cross-border cargo transport, Thuduc House said it had no connection with Saigon Southwest Trading JSC, a subsidiary of Saigon Trading Group, as well.

As for the trade of electronic accessories, from 2018 to 2019, Thuduc House purchased the products from a domestic partner, An Lanh Phat Co., Ltd, through its subsidiary--Thuduc House Wood Trading JSC--and exported them to other countries.

Thuduc House, Thuduc House Wood Trading and An Lanh Phat are operating legally, with seals, legal representatives and headquarters and have sufficiently paid VAT as well.

Regarding the news that one of the importers of the products of Thuduc House could not import the products to Hong Kong and two others in Cambodia had no import data in 2018 and 2019, Thuduc House explained that it did not know if its partners had complied with their countries' regulations and had no jurisdiction to ask them to prove their compliance with the law.

According to Thuduc House, KGL Vietnam Company, which transports the products of Thuduc House, confirmed that it had transported the products to the Phnom-Penh International Airport in Cambodia and the Hong Kong International Airport in Hong Kong and handed them over to the importers.

The conclusions of the inspectors of the HCMC Tax Department and the report of the General Department of Vietnam Customs are being verified. Courts and investigative agencies have yet to conclude that Thuduc House falsified documents to get VAT refunds.

Earlier, the HCMC Tax Department had ordered Thuduc House to pay more than VND451.3 billion in the tax refunds the firm is alleged to have illegally received from the tax authorities by asking banks to extract money from the company's accounts and block all of its accounts.

The firm later opposed the HCMC Tax Department's decision and filed a lawsuit against the taxman to the municipal People's Court.

The court temporarily suspended the tax agency's decision but withdrew its decision several days later.

According to the General Department of Vietnam Customs, Thuduc House exported nearly VND5.3 trillion worth of electronic accessories from February 17, 2017, to August 2, 2019. It later received VAT refunds valued at VND261 billion.

Enterprises selling the products to Thuduc House regularly changed their information about their headquarters, owners and legal representatives.

According to the customs agency, Thuduc House and its partners established subsidiaries to purchase local products at low prices, then exported them at much higher prices and appropriated tax refunds of hundreds of Vietnamese dong, causing huge losses for the State budget.

The Investigative Police Department for Corruption, Smuggling and Economic Crimes under the Ministry of Public Security has detained 20 people and seized 200 seals of local and foreign units involved in the case.

### 9. POW: PV Power to organise shareholders' meeting on April 27



↑ 5.20%

The Petro Vietnam Power Corporation (PV Power) plans to organise its annual shareholders' meeting for 2021 on April 27.

The meeting will be held in Yen Hoa ward, Cau Giay district of Hanoi. Shareholders are advised to register for the meeting by March 26.

During the meeting, the participants will discuss a report on its performance in 2020, plans for 2021 and a financial report, among others.

In the first two months of 2021, PV Power produced 2.8 billion kWh of power, with estimated revenue of over 4.67 trillion VND (202.51 million USD) and pre-tax profit of 410 billion VND (17.77 million USD).

In 2021, the firm aims to produce over 21.2 billion kWh of power.

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