



VIETNAM DAILY NEWS

March 18th, 2021



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Market Analysis

1. Market reverses course, VN-Index rebounds

Viet Nam's stock market finished higher on Wednesday as a recovery of bank stocks supported the market.

On the Ho Chi Minh Stock Exchange (HoSE), the benchmark VN-Index rose 6.19 points, equivalent to 0.52 per cent, to 1,186.09 points. The index completely recovered from the losses sustained on Tuesday.

The market's breadth turned positive as 257 stocks climbed while 190 stocks fell and 68 stocks ended flat. More than 701.09 million shares were traded on the market, worth over VND5.8 trillion.

Tran Xuan Bach, an analyst from Bao Viet Securities, said the VN-Index is expected to continue to fluctuate around the territory limited by the upper bound of 1,185 - 1,200 points, which is also a resistance level, and lower bound of 1,150 - 1,155 points.

"The market might stay in this sideways territory for a while. Blue-chip stocks are unlikely to have any unexpected moves during this week as any relevant events, which might affect these stocks like future contracts expiring, will occur in later sessions," Bach added.

The gain of the market was due to the bank sector as many large-cap stocks surged. The VN30-Index posted an increase of 5.61 points, equivalent to 0.47 per cent, to 1,193.45 points.

Sixteen of 30 biggest stocks in market value rose, while 10 declined. In the morning session, 13 stocks of the VN30 basket rose.

Many big bank stocks contributed to the market's rally, including Vietinbank (CTG), up 4.91 per cent, JSC Bank For Investment And Development of Viet Nam (BID) up 2.12 per cent, Vietnam International Commercial Joint Stock Bank (VIB), up 5.75 per cent and Techcombank (TCB), up 1.13 per cent.

Other stocks from utilities and materials sectors also influenced the market's trend. There stocks were PetroVietnam Gas Joint Stock Corporation (GAS), up 2.77 per cent, Vietnam Rubber Group - JSC (GVR), up 0.85 per cent, and PetroVietnam Power Corporation (POW), up 2.57 per cent.

Meanwhile, stocks that capped the market's gain were mostly in real estate and construction sectors like Vingroup JSC (VIC), Vinhomes JSC (VHM), No Va Land Investment Group Corporation (NVL) and FLC Group JSC (FLC).

On the Ha Noi Stock Exchange (HNX), the HNX-Index climbed 0.24 per cent, equivalent to 0.67 points, to 276.55 points. The HNX30-Index also rose 1.8 per cent to 399.71 points.

On the northern bourse, more than 149.5 million shares were traded, worth over VND1.46 trillion.

In contrast, foreign investors were still net sellers on both exchanges as they net sold a value of more than VND1.01 trillion on HoSE and a net value of VND19.68 billion on HNX.

Macro & Policies

2. Animal feed imports soar in first two months

While Vietnam's agricultural production and livestock sectors have been growing from strength to strength, it has been largely ignoring securing local material sources to produce animal feed. Thus, about 70-80 per cent of materials are imported from overseas. The import turnover of these goods ranked first among the import goods in the agricultural sector.

The reasons for this are the lack of supply sources and the higher price of domestic materials compared to import goods.

In 2020, Vietnam's total import turnover of these goods was \$3.84 billion, up 3.75 per cent on-year, while export turnover was only \$800 million.

The two main import markets of Vietnam are Brazil and Argentina with sweet corn (\$584 million) in 2020 and animal feed (\$391 million).

The lack of proactivity in meeting the demand for these materials opens the industry up to potential price fluctuations.

In general, animal feed makes up 70 per cent of the production cost of livestock, thus an increase in material prices will push the price of domestic livestock products over imported products.

Statistics published by the Ministry of Agriculture and Rural Development showed that Vietnam currently has 265 animal feed manufacturing factories, 85 of which are invested by foreign enterprises.

3. Retailers enduring mixed bag of results

After 22 years of operating in Vietnam, in early March, leading Thai retail group Central Retail officially announced the removal of the Big C brand, renaming its stores to GO! or Tops Market, which it uses across Thailand.

"This is part of our rebranding plan," confirmed a representative.

Five years ago, Central Group forked out more than \$1 billion for the Big C chain. However, despite accelerating growth in the retail market, Central Retail's performance in the country began to slip after the deal. Most of the key branches in big cities reported a decrease or no growth in revenue.

Big C An Lac's revenue reduced to VND1.3 trillion (\$56.5 million) in 2017, half of the figure in 2012, while Big C Thang Long shrunk by around \$35 million to VND2.7 trillion (\$117.4 million) in the same time frame. Results were better in the years since, but not enough to deter a rebrand.

Big C is not the only brand in retail to fade away in recent times. In 2017, Germany's Metro Cash &

Carry sold its wholesale chain to Thailand's Berli Jucker Pcl. for \$776 million.

Just before the pandemic broke out, French multinational retail group Auchan transferred its portfolio of 18 stores in to Saigon Co.op as it had not found an economic model matching the Vietnamese market.

Malaysian retail giant Parkson Retail Asia also disposed of its stores in Vietnam due to its inappropriate retail concept. Parkson currently keeps one store in District 1 of Ho Chi Minh City.

Challenges for expansion

The withdrawal of foreign retailers showed that Vietnam's retail market is not easy to get to grips with. In addition to competition, retailers are hard-pressed to find land sites and expand chains.

In December, it was reported that Emart wanted to pull out of the Vietnamese market. While general director of the Vietnamese arm Chun Byung Ki denied the news, Emart has been facing difficulties in expanding its footprint in Vietnam. At its debut in

Vietnam in 2015, it planned to open 10 hypermarkets within five years. At present, the retailer has only one hypermarket in Go Vap district of Ho Chi Minh City.

Commenting on this latest move from Central Group, Richard Burrage, CEO of market research firm Cimigo Vietnam, said that segmenting the retail environment to different segments will help better meet customers' expectations. Along with great people, technology, processes, and capital, Central Group still has the experience required to scale up in Vietnam.

"Meanwhile, the real issue for Emart has been the poor execution of their stores and not an outdated model. There is still room for Emart to offer retail customers unique and wonderful experiences," he added.

Some players expanding

Despite challenges, other retailers are continuing to announce expansion plans.

Central Retail plans to expand to 300 locations across 55 cities and provinces by 2025, including 106 new GO! shopping centres, 134 Mini GO! markets, and 21 Tops markets. This year, it will launch 10 GO! stores, three Tops market, and seven branches renamed Tops from Big C.

At present, Central Retail operates 66 retail locations across 29 cities and provinces, including 41 GO! supermarkets and hypermarkets, 24 Lan Chi Marts, and a single Mini GO!.

In February, Japan's AEON Mall Vietnam signed an MoU with the central province of Thua Thien-Hue on the investment study of AEON Mall Commercial Centre. The total investment capital for the new centre is estimated around \$150-160 million. The

move is part of AEON Mall's plan to open 20 shopping malls in Vietnam by 2025. Since its local debut in 2013, AEON Mall has launched six shopping malls in the country.

Tetsuyuki Nakagawa, general director of AEON Mall Vietnam, expressed optimism about the country's business environment, saying his company will also survey a third shopping mall in Ho Chi Minh City in 2021.

Other local players are also scaling up their presence. Over 60 BRG Mart and Hapro Food shops under the management of BRG Group were launched last year and the figure is expected to rise to 102 by the end of this year, 228 next year, and 558 in 2024.

Nguyen Anh Dung, executive director for Retail Intelligence at Nielsen Vietnam, said that the retail landscape will experience drastic changes, especially the portrait of consumers. A Nielsen Vietnam survey showed that consumers with moderate and lower income tend to adjust their spending, shifting from high-end products to more affordable items, mainly falling into the food and beverage sector. Only the high-income group will increase budgets for shopping when they spend less on tourism due to the pandemic.

"Small supermarkets have become places for everyday food shopping. Meanwhile, hypermarkets looking to attract customers must combine both shopping and entertainment," he added.

Meanwhile, Cimigo's Burrage suggested that new entrants into the local retail market this year need to get grounded in local shopping habits. "They need to recognise that independent retailers offer many benefits, trust with the owner, convenience, service, and pricing. Just simply having a central point of sale and air conditioning does not make a new retailer better," he said.

4. Renewable energy capacity to be cut due to oversupply of power: MOIT

Significant investments from social resources have been poured into developing renewable energy, particularly solar energy, in recent years, according to the ministry.

However, a boom in high-capacity renewable energy projects, mainly in central and southern Viet Nam, has overloaded inter-regional transmission lines and caused oversupply at times, the ministry said in Document No 1226/BCT-DTDL sent to the National Assembly's committees for Science, Technology and

Environment, and Economic Affairs and the Office of the Government explaining its stance on the power capacity cut.

Additionally, domestic demand for power has fallen below normal levels due to the impact of COVID-19, which led to an oversupply of electricity during off-peak times such as holidays, weekends, and at noon, the ministry said.

According to the ministry, this is a very dangerous situation that adversely affects the safe operation of the national grid.

Though the National Load Dispatch Centre (A0) has reduced the output of traditional energy to the minimum, the oversupply remains, so the centre had to make another cut to renewable energy capacity to prevent the electricity system from collapsing.

The ministry has ordered Vietnam Electricity (EVN) and A0 to calculate the required reduction of capacity at all renewable power plants in a transparent and fair manner, regardless of who their investors are.

The ministry added that it has received Government approval to supplement various power transmission line projects into planning while urging EVN to fast-track the progress of existing projects to raise the capacity of the national electricity network.

New solar power price

The MoIT will issue a new price mechanism for rooftop solar power this month, with prices likely to fall to below 6 US cents per kWh, according to Hoang Tien Dung, Director of the ministry's Electricity and Renewable Energy Department.

Rooftop solar power would fetch only 5.2-5.8 US cents per kWh, depending on each project, Dung told the media.

The new rates had been calculated based on an assessment by foreign consultants on the changes to and development of renewable energy and the price of solar power equipment in Viet Nam and around the world, he said.

Dung added that an estimate of various costs like the initial investment, operations and maintenance,

installation and connection were also taken into account.

The lower price was partly due to the recent sharp decline in solar power equipment prices.

"Solar panels are now far more efficient, allowing more electricity to be produced than previously," he noted, adding that this would be beneficial to investors while the Government could take advantage of the increasing supply of clean energy at affordable prices and the falling level of investment required to develop national electricity networks.

He went on to say that, for end-users, the new rates would be much lower than those of Vietnam Electricity (EVN). People and businesses would be encouraged to install rooftop solar panels for their own use, instead of selling all power generated to the national grid to enjoy high returns, he said. Viet Nam expects to produce 25,000-26,000 MW of solar power by 2030.

The reduction of 20-30 per cent in the purchase price of rooftop solar power still ensures benefits of parties such as EVN, investors and the State, according to Dung.

However, Nguyen Van Be, Chairman of the Association of HCM City Industrial Park Enterprises, said the price reduction to 5.3-5.8 US cents/kWh was a big drop. That would make investors uninterested in investing in rooftop solar power projects.

The export processing zones and industrial zones in HCM City have the advantage that the roofs of factories are very large and suitable for the development of rooftop solar power projects. With the old purchasing price at 8.38 cents/kWh, many enterprises wished to invest in those projects.

With this price, the investor could make their money back within 5-7 years, but with the new price in the draft, they would take more than 10 years.

Tran Van Nhon, Director of Intech Vietnam Green Energy Development Joint Stock Company, said to ensure that businesses have investment motivation, the State should issue incentives based on actual conditions. Those who want to invest in rooftop solar power projects for their own use could sell the

rest of 60-70 per cent of power output at the old price.

Meanwhile, producers that want to produce rooftop solar power only for sale, must sell power at the lower price in the draft.

In addition, the pricing mechanism could be zoned to promote investment in solar power projects in low radiation regions to avoid investment being concentrated in certain areas.

5. Banks about to raise deposit interest rates

Particularly, Techcombank increased by 0.2-0.5 percentage points of the interest rate at all terms from one to eight months. The interest rate of the 36-month term also soared sharply from 4.8 percent per annum to 5.2 percent per annum.

Similarly, the deposit interest rate of ACB for the two-month term inched up by 0.1 percentage point per annum. VPBank also uplifted the deposit interest rates for terms from two to five months by 0.2 percentage points for customers with savings from over VND300 million to below VND10 billion.

The deposit interest rates for savings from VND3 billion to below VND10 billion increased by 0.15 percent per annum for the two-month term and 0.1 percent per annum for the three to five-month terms. With the deposits of VND50 billion or more, the interest rates for the two to five-month terms

also surged by 0.05-0.2 percent per annum, depending on each term.

However, the market record showed that this wave of the interest-rate hike has not spread widely because many lenders said that in the first few months of the year, credit demand is usually not high, and liquidity is still quite abundant, so many banks have not embarked in the race to increase interest rates to attract capital yet.

However, experts assessed that in the coming time, other commercial banks would also increase deposit interest rates to keep customers under the pressure of increasing interest rates of the market.

Along with that, in the context that the Covid-19 pandemic is under control, and the consumer price index in February rose sharply, the deposit interest rate will likely climb again shortly.

6. Index for administrative procedure compliance costs in 2020 released

An annual report on the index for administrative procedure compliance costs in 2020 (APCI 2020) was released at a press conference on March 17 chaired by Minister and Chairman of the Government Office Mai Tien Dung, who is also Chairman of the Prime Minister's Advisory Council for Administrative Procedure Reform.

The group of taxation procedures ranked first in the APCI, with its overall improvement rate assessed at the highest level, up 5.6 points compared to 2019.

Companies currently need 3.8 hours and 11,600 VND to carry out one taxation procedure on average.

Thai Binh province was the best performer in carrying out taxation administrative procedures, with an average of 0.9 hours.

Second place went to administrative procedures for specialised inspections, which improved 5 points compared to 2019.

It was followed by administrative procedures relating to the environment and business conditions, which were up 0.5 points and 0.2 points, respectively, compared to 2019.

Conversely, the five remaining groups of starting a business, investment, construction, land, and cross-border trade recorded lower scores than in APCI 2019.

Speaking at the press conference, Minister Dung pointed out four reform lessons from APCI 2020, emphasising that the top priority for the Government, ministries, sectors, and localities is promoting the application of information technology and processing administrative procedures via electronic platforms in order to save costs for businesses.

Built on a standard cost model and surveys at businesses in Vietnam's 63 cities and provinces, since 2018, when it was released for the first time, the APCI annual report has been considered an important tool that objectively reflects the level of administrative reform, improvements to the business environment, and enforcement of policies and laws through analysing costs enterprises must pay to conduct administrative procedures in line with the law.

7. New international port in Mekong River Delta on the cards

On March 13, at the third meeting on the sustainable development of the Mekong River Delta and adapting to climate change, Minister of Transport Nguyen Van The emphasised that transport is the core of the economy. The more convenient transport is, the more developed the economy is, he explained, as transport development paves the way for the economy.

Thereby, over numerous tenures, especially in 2016-2020, the government poured a lot of resources into developing the transport system of the Mekong River Delta. In Resolution No.120/NQ-CP dated November 17, 2017 on the sustainable and climate-resilient development of the Mekong Delta, the government highlighted the disadvantages of the local transport system that cannot accommodate the potential of the province.

"The government assigned the Ministry of Transport (MoT) and localities two tasks. First, adjusting the master plans of the regional transport system and building a mid-term plan for 2021-2025 for further investment in the regional transport system. Second, concentrating all resources to accomplish all major projects and developing projects in the region. Thereby, the MoT has worked closely with localities to carry out these tasks," the minister said.

So the minister proposed developing a deep-water port in the Mekong River Delta to receive vessels of 100,000 DWT and connect Vietnam to the world.

"We will call for investors to develop this port. Along with Can Tho International Airport, the port and

airport will enable the Mekong River Delta to develop and change the economic structure from a salinised region to an industrial region," Minister The said.

Additionally, a number of projects are being accelerated. Over the last three years, Cao Lanh Bridge, Vam Cong Bridge, and Cao Lanh-Rang Soi Boulevard have already connected Cao Lanh and Kien Giang. Moreover, VND5 trillion (\$217.4 million) of public investment will be disbursed to develop the three expressways connecting Trung Luong, My Thuan, and Can Tho, which have just started construction. Of this, My Thuan-Can Tho Expressway will be finished in 2022.

"In the public investment plan for 2021-2025 for the transport system of the Mekong River Delta, the MoT and the Ministry of Planning and Investment have agreed to disburse VND57 trillion (\$2.5 billion), far more than the VND29 trillion (\$1.26 billion) of the last development period. We hope the transport system of the region will be improved significantly by 2025 in a sustainable direction," Minister Nguyen Van The said.

The Mekong River Delta includes one centrally-run city Can Tho, and 12 other provinces as Long An, Tien Giang, Ben Tre, Vinh Long, Tra Vinh, Hau Giang, Soc Trang, Dong Thap, An Giang, Kien Giang, Bac Lieu, and Ca Mau. It has a total area of 3.94 million hectares and a population of 17.5 million, accounting for 12 per cent of Vietnam's natural land area and 19 per cent of its population.

Corporate News

8. CTS: Board resolution on borrowing

↑ 2.44%

The Board of Directors of Vietnam Bank for Industry and Trade Securities Joint Stock Company (CTS) approves the proposals by the Acting CEO regarding the credit limit at Vietcombank (VCB) and borrowing at banks: Union Bank of Taiwan; Taichung Commercial Bank Co., Limited – Labuan Branch; Taishin International Bank Co.,ltd and Hua Nan Commercial Bank, ltd.

1) Short-term credit limit at Vietcombank – Tay Ho Branch: VND600,000,000,000;

2) Loan agreements with Union Bank of Taiwan; Taichung Commercial Bank Co., Limited – Labuan Branch; Taishin International Bank Co.,ltd and Hua Nan Commercial Bank, ltd.:

- Loan limit: US\$30,000,000
- Purpose: to increase the working capital.

9. BBC: Board resolution on the transfer of listing to HNX

↓ -4.89%

On March 11, 2021, the Board of Directors of BIBICA Corporation (HOSE: BBC) approved the transfer of listing from the Hochiminh Stock Exchange to the Hanoi Stock Exchange (HNX) as guided in Official Dispatch No.713/UBCK-PTTT

dated March 03, 2021 of the State Securities Commission.

Research Team:**Tsugami Shoji**

Researcher

jsi@japan-sec.vn**Disclaimer:**

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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

Website: www.japan-sec.vn