



VIETNAM DAILY NEWS

March 19th, 2021



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Market Analysis

1. VN-Index jumps past 1,200 points

The VN-Index of the Hochiminh Stock Exchange successfully surpassed the 1,200-point level mostly thanks to the surge of bank stocks today, March 18.

The benchmark index added 14.85 points, or 1.25%, from the session earlier to close at 1,200.94 points, with winning stocks outnumbering losers by 250 to 178. The southern market saw 628.6 million shares worth over VND15.4 trillion change hands, decreasing 10% in volume and 3% in value compared with the previous session. Some 58.3 million shares worth nearly VND1.88 trillion were traded in block deals.

Bank stocks were the main driver of the local stock market, with TCB being the biggest gainer, soaring 4.1% to VND41,950, followed by BID, which went up 3.9% to VND45,000. VPB, CTG and VCB rose 2% or more, closing the day up 2.8% to VND45,850, 2.4% to VND40,500 and 2% to VND97,500, respectively. MSB, ACB and TPB increased 1% or more, while MBB, STB and LPB inched up less than 1%.

Other contributors were housing developer KDH, going up 2.2% to VND32,200, dairy producer VNM, up 2% to VND102,500 and consumer goods producer MSN, up 1.9% to VND89,700. Both insurer BVH and property stock VIC rose 1.8%, ending at VND60,700 and VND106,600, respectively. HPG, NVL, VJC, PDR and PNJ increased between 0.6% and 1.6%.

Among the bluechips, only some lost ground, including petroleum stocks GAS and PLX,

electricity firm POW and financial services company TCH.

Bank stocks were also the cash magnets. STB, TCB and CTG had 20 million, 16.4 million and 16 million shares changing hands, respectively. CTG, MBB, MSB and ACB also had more than 10 million shares traded each.

In the group of speculative stocks, real estate corporation HQC and agricultural company HNG led the southern bourse in terms of liquidity. HQC had 25 million shares changing hands and that of HNG was 23.3 million. However, HQC fell 2.3% to VND2,900 and HNG fell 2.8% to VND12,000.

Many small and medium stocks shot up to the ceiling prices, including HAP, TGG, TSC, PAN, ELC, VNE, NHA, SGR, SAV and TVB.

In contrast, RIC of Royal International Corporation dropped to the floor price at VND22,500 for the 10th straight session.

On the Hanoi Stock Exchange, the HNX-Index went up 0.34%, or 0.93 point, to close at 277.48 points, with 87 winning stocks and 91 losing ones. There were more than 143 million shares worth some VND1.64 trillion changing hands on the northern bourse.

Lender SHB was the biggest gainer, soaring 3.2% to VND19,500, followed by securities company SHS, which rose 2.9% to VND28,800. SHB also took the lead in terms of liquidity with 62.4 million shares changing hands.

Macro & Policies

2. Vietnam's dairy industry to reach out to the world

Despite the COVID-19 pandemic wreaking havoc on all sectors, Vietnam's dairy industry has made efforts to win over customers and solidified its foothold in the domestic market while reaching out to global markets.

The Ministry of Industry and Trade said Vietnam shipped 302.7 million USD worth of dairy products in 2020, a 10.5 percent increase against 2019. This was the first time the country's dairy export revenue has exceeded 300 million USD.

According to the Vietnam Dairy Association (VDA), many enterprises have spent heavily on advanced technologies and developed cattle farms under Global GAP, VietGAP, and organic standards to improve productivity and food safety and to diversify products.

After showing their capacity to supply foreign markets with quality products, Vietnamese enterprises have enjoyed strong sales in the recent time. Despite the pandemic, Vinamilk and Vinasoy exported products to major markets such as China, the Middle East, the Republic of Korea, and Japan.

Vinamilk signed a deal worth 20 million USD with a distributor in Dubai last year to supply dairy products, and also shipped its nut milk and milk tea to the Republic of Korea. Meanwhile, Vinasoy's products have been sold on 11 e-commerce platforms and at six supermarket chains in China.

The VDA said the dairy sector earned more than 113.71 trillion VND (4.95 billion USD) in revenue in 2020, or 5 percent higher than in 2019, thanks to an abundance of raw materials, high demand, and solid maintenance of distribution channels.

Securities firms expect that the dairy sector will grow some 7 percent in 2021 on the back of an increasing need for high-value products.

Exports exhibited robust signs in the first two months of the year, with ten containers of Vinamilk's nut milk and five containers of sweetened condensed milk shipped to China.

Meanwhile, the Chinese General Administration of Customs (GAC) recently announced the granting of transaction codes to two Vietnamese companies to ship dairy products to the country, the Ministry of Industry and Trade's Department of Asia-Africa Markets has said.

Accordingly, the FrieslandCampina Hanam Company Limited is allowed to ship pasteurised and fermented milk, while the FrieslandCampina Vietnam Company Limited can export pasteurised and fermented milk, sweetened condensed milk, and other dairy products.

China has so far granted transaction codes to nine Vietnamese companies and plants. Others include TH True Milk, with sterilised and modified milk, Hanoimilk, with fermented milk, Bel Vietnam, with cheese, Nutifood, with sterilised, modified, and flavoured fermented milk, Vinamilk's three plants, with condensed milk, flavoured fermented milk, sterilised and modified milk, and sweetened condensed milk, and many other kinds of condensed milk products.

Besides China, Vietnam's dairy products have also won over customers in the US, Japan, the Republic of Korea, and the Middle East.

Dairy producers said they have paid due regard to improving product quality and packaging design, to better meet customer requirements.

TH True Milk, Vinasoy, and Moc Chau Milk are all making investment in material zones, plants, and state-of-the-art technologies to produce international-standard products.

According to Vinamilk International Business Director Vo Trung Hieu, together with strong markets like the Middle East, Southeast Asia, and the US, it is also promoting exports to markets of potential such as the Republic of Korea and several countries in Africa.

Entering into fastidious markets has affirmed the position of Vietnamese enterprises in the world's dairy industry, he added.

3. Moody's affirms Vietnam's Ba3 rating, changes outlook to 'positive'

The drivers of the positive outlook include signs of improvements in fiscal strength and potential improvements in economic strength that may strengthen Vietnam's credit profile over time. Sustained fiscal consolidation has led to improvements in fiscal and debt metrics, which Moody's expects to be only briefly interrupted by the pandemic. Moreover, Vietnam's economic strength may benefit from global shifts in production, trade and consumption following the coronavirus pandemic and support Vietnam's economy. Over time, indications of higher fiscal and economic strength may point to improving policy effectiveness, also putting upward pressure on Vietnam's credit profile.

The affirmation of the Ba3 rating is underpinned by ongoing credit strengths and weaknesses, including a large, diversified economy with high growth potential offering resilience to shocks, and increasing capacity in the domestic financial system to finance government borrowing at low costs. At the same time, ongoing risks stem from persistent governance weaknesses related to the lack of transparency of the management of state-owned enterprises (SOEs) and lingering risks in the banking system.

Vietnam's local- and foreign-currency ceilings are unchanged at Baa3 and Ba2, respectively. The Baa3 local currency ceiling, three notches above the sovereign rating, reflects relatively opaque government decision-making and the significant - albeit shrinking - government footprint in the economy, balanced by moderate political risks and low external imbalances. The foreign currency ceiling at Ba2, two notches below the local-currency ceiling, reflects constraints to capital flows that point to possible transfer and convertibility restrictions being imposed at times of perceived need.

IMPROVED GOVERNMENT MONITORING OF GUARANTEES REDUCES RISK OF FUTURE INDIRECT DEBT PAYMENT DELAYS

In December 2019, Moody's changed the outlook on Vietnam's credit rating to negative, reflecting concerns around administrative deficiencies that

had led to the delayed payment of an indirect debt obligation.

Moody's now assesses that guaranteed debt payment management practices have been strengthened within the administration, with greater scrutiny to the range of guaranteed debt payments coming due. The government monitors a full list of direct and indirect debt obligations and has instituted an administrative process whereby relevant ministries set aside funding in advance to fulfill these obligations. With a coordinated focus on ensuring that the payments are planned for and processed promptly, Moody's assesses that the risk of renewed delays has diminished.

GRADUAL FISCAL CONSOLIDATION TO CONTINUE

Fiscal consolidation in effect before the pandemic is likely to continue supporting fiscal strength, especially if fiscal policy becomes more effective and growth is increasingly less reliant on fiscal incentives.

Moody's expects public debt to rise slightly to 39% of GDP in 2020, as the pandemic hit revenue and raised expenditure albeit materially less than for most other sovereigns, before declining steadily in the next few years.

Effective management of the pandemic supports a rapid resumption of domestic economic activity and cross-border trade, supporting tax revenue. Over the longer term, the government aims to improve tax compliance with increased attention to tax arrears, taxation of digital businesses, and greater inclusion of informal sector businesses in the revenue base, although the effectiveness of these measures has yet to be seen.

Fiscal strength will be supported by stable debt affordability, thanks to a lengthened debt maturity profile. Low domestic borrowing costs have allowed the government to increasingly source budget financing from local sources and increase the average maturity of new government borrowings to nearly 14 years, bringing the average term to maturity on all outstanding domestic government debt to 7.5 years. The government also implements

a rolling three-year debt management plan, although regular bond auction schedules are not yet the norm.

RATIONALE FOR THE AFFIRMATION OF THE Ba3 RATING

The Ba3 rating balances Vietnam's robust economic strength, low liquidity and external risks, and relatively weak institutional and governance strength and ongoing risks of crystallization of contingent liabilities.

In particular, an improved debt financing and maturity strategy, which increasingly draws on domestic borrowing but still includes concessional external borrowing from official creditors, drives low government liquidity risk.

Meanwhile, a robust export sector and investment inflows support external buffers. The central bank, the State Bank of Vietnam (SBV), has accumulated a record high \$89 billion in foreign exchange reserves through September 2020 while maintaining a stable exchange rate around the 3% trading band for the dong, a key ingredient of Vietnam's foreign direct investment-driven export sector. Policies to attract investment have resulted in high levels of FDI and trade integration within Asia and other major economic blocs, supporting increased export dynamism, robust external balances and the buildup of foreign exchange reserves. Geopolitical tensions related to trade protectionism or tensions in the South China Sea may pose challenges for Vietnam's trade-reliant economy.

These strengths are balanced against constraints in institutional capacity and the ongoing risks of the crystallization of contingent liabilities on the government's balance sheet, given the limited

visibility into the state-owned enterprises. Though evolving, policy effectiveness remains below that of peers. Fiscal planning remains opaque and susceptible to a narrow revenue base. Furthermore, the SBV also continues to manage monetary aggregates through quantity-based targets and rigid controls on lending and deposit interest rates. Opacity in the large, state-owned sector drives contingent liability risks.

Banking system oversight also remains weaker than peers, driving Moody's assessment of susceptibility to event risk. Despite recent improvements in profitability, capitalization and asset quality, overall capitalization remains at relatively weak levels and constrained by the government's limited fiscal capacity to inject capital, particularly given the scale of banking credit to GDP (163% in 2019). In particular, several state-owned banks remain undercapitalized and represent a contingent liability to the government. These strains could also result in a re-emergence of financial instability, leading to higher inflation, a rise in debt-servicing costs or a worsening of the country's external payments position.

- GDP per capita (PPP basis, US\$): 10,755 (2020 Estimate) (also known as Per Capita Income)
- Real GDP growth (% change): 2.9% (2020 Actual) (also known as GDP Growth)
- Inflation Rate (CPI, % change Dec/Dec): 0.2% (2020 Actual)
- Gen. Gov. Financial Balance/GDP: -3.5% (2020 Estimate) (also known as Fiscal Balance)
- Current Account Balance/GDP: 5.0% (2020 Estimate) (also known as External Balance)
- External debt/GDP: 34.9% (2020 Estimate)
- Economic resiliency: baa3
- Default history: No default events (on bonds or loans) have been recorded since 1983

4. Phone and component exports on the rise despite COVID-19 threat

The opening two months of the year saw Vietnam report nine commodities with export turnover reaching over US\$1 billion each, making up 73.8% of the country's total export turnover.

Most notably, the export value of phones and components hit US\$9.3 billion, accounting for one fifth of the total export turnover, and representing a

sharp increase of 22.8% compared to the same period from last year.

Some major importers of Vietnamese phones and components include the European Union, the United States, and China, with the two-month export value to China alone surging 103.9% to approximately US\$2.5 billion.

The United Arab Emirates (UAE) also favours the Vietnamese phones and components, importing US\$551 million worth of the products, witnessing an increase of roughly 108% and representing two-thirds of its total imports from Vietnam.

The good news comes after several leading tech giants have noted their intentions to shift their production chain to Vietnam from China, or alternatively to expand their operations which are already present in the country, with Apple's manufacturing partner Foxconn, Luxshare, GoerTek, and Compal building their factories locally.

Moreover, the launch of the latest version of mobile phones by the Republic of Korea's Samsung Electronics Co. contributed to high growth being recorded in export turnover during the reviewed period.

Do Thi Thuy Huong, a member of the executive board of the Vietnam Electronic Industries Association (VEIA), said the shift in production chains by FDI enterprises in the electronics sector is anticipated to create greater opportunities for Vietnamese firms to become satellite enterprises and suppliers for foreign firms.

5. Vietnam's garment sector's overseas orders rise again

Hung Yen Garment Corporation's revenue fell by about 5 per cent in 2020 compared to 2019. However, orders were back in early 2021, according to a report in Vietnamese newspaper.

Nguyen Xuan Duong, chairman of the Hung Yen Garment Corporation Nguyen Xuan Duong said his company now has orders to fulfill until the end of July, focusing on the US market, Europe and Japan.

In the yarn sector, although the beginning of the year is not the usual time demand for textiles goes up, orders made for the first six months of 2021 at the DalatWorsted Spinning Company have been nearly equivalent to the last six months of 2020.

Statistics from the Ministry of Industry and Trade show that total export turnover of textiles and garments reached \$5.954 billion in the first two

months of 2021, while import turnover reached \$3.167 billion. Thus, the industry reported a trade surplus of \$3.299 billion, while the added value of the industry has been quite high at 55.4 per cent.

Chairman of the Vietnam National Textile and Garment Group (Vinatex) Le Tien Truong said that despite the presence of the pandemic, the world textile and garment market has gradually returned to a vibrant state. Although the number and prices of products have yet to return to the levels seen in 2019, market signals in the first quarter of 2021 show the industry's targets set for entire 2021 is feasible.

The country's textile and garment industry aims to achieve an export revenue of about \$39 billion in 2021.

6. FDI firms enjoy 5.5 billion USD in trade surplus in two months

Foreign direct investment (FDI) firms' import-export value reached 68.52 billion USD in the first two months of 2021, a surge of 31.5 percent from the same period last year, according to the General Department of Vietnam Customs.

In January-February, the FDI sector enjoyed nearly 5.5 billion USD in trade surplus, with exports exceeding 37 billion USD, up 32 percent year on year, while imports totalling 31.51 billion USD, up 30.8 percent.

Among sub-sectors, the machinery, tools and parts posted the largest export growth 77 percent, increasing 2.44 billion USD. It was followed by phones and spare parts (2.2 billion USD, or 29 percent), and electronics and parts (1.85 billion USD, or 34 percent).

As of February 20, 5.46 billion USD worth of FDI was injected into Vietnam, equivalent to 84.4 percent of the figure recorded in the same time last year, according to the Ministry of Planning and Investment.

As many as 126 foreign projects were granted investment licences with total registered capital of 3.31 billion USD, a year-on-year fall of 33.9 percent.

Meanwhile, 115 existing projects adjusted their investment capital with a total additional sum of 1.61 billion USD, or 2.5 times higher than the same time last year.

Capital contributions and shares purchases by foreign investors stood at 543.1 million USD, down 34.4 percent.

Foreign investors pumped capital in 17 sectors, with processing and manufacturing holding the lead with over 3 billion USD or 55.7 percent, followed by power production and distribution with 1.44 billion USD (26.5 percent), real estate 485 million USD, and science-technology nearly 153 million USD.

7. Vietnam dominates list of top Southeast Asian e-commerce sites

Thegioididong, the e-commerce website run by retail giant Mobile World, ranked fifth with average web visits in 2020 reaching 28.6 million a month, according to a report released by Malaysia-based market research firm iPrice, covering six countries in Southeast Asia.

Tiki, the second largest e-commerce site in Vietnam, was in sixth place with 22.4 million visits a month.

Homegrown e-commerce platform Sendo secured eighth place with 14.3 million web visits a month, followed by Bach Hoa Xanh (8.8 million) and FPT Shop (7.2 million).

Singapore-based Shopee and Lazada topped the list, followed by Indonesian sites Tokopedia and Bukalapak.

The report said that the overall website traffic of online shopping platforms increased positively across all countries year-over-year.

The growth was highest in Singapore, which experienced a surge of 35 percent, compared to 2019, followed by the Philippines (21 percent), Vietnam (19 percent), Malaysia (17 percent), Thailand (15 percent), and Indonesia (6 percent).

Consumers in Vietnam spent an overall average of \$17 per order in 2020 and electronics was the most

sought item by Vietnamese consumers, the report said.

In terms of traffic numbers, Vietnam was the second highest in the region, only after Indonesia, the report noted.

"This strongly affirms the development potential of Vietnam's e-commerce market in competing with international players."

2020 has signified strong customer confidence in e-commerce retail despite mobility restrictions and mounting concerns over the global pandemic.

"Major e-commerce companies across the region have also rolled out other marketing campaigns drawing customers through gamified features on the app, as well as free shipping and discounts," the report said.

Vietnam's e-commerce market expanded 18 percent year-on-year last year to \$11.8 billion, the only country in Southeast Asia to record double-digit growth in the sector amidst the Covid-19 pandemic.

According to an e-commerce development plan approved by the Vietnamese government last year, the sector's revenues should reach \$35 billion by 2025 and account for 10 percent of the total. The government also targets having 55 percent of the population shopping online by 2025.

Corporate News

8. VJC: Vietjet offering millions of vouchers

↑ 1.05%

Vietjet is offering millions of vouchers worth 100,000 VND and 50,000 VND in appreciation of passengers who return to the sky and fly safely with the carrier.

From now to April 15, passengers will immediately receive 100,000 VND voucher upon successful booking and registering the full information at <https://evoucher.vietjetair.com/>, the voucher is available to use for the next flight booking before June 30, 2021.

Especially, during the golden hours from 12:00 to 14:00 daily from now until April 15, 200 lucky customers can receive a voucher worth 50,000 VND when registering their information at <https://evoucher.vietjetair.com/> and using the voucher to book the flight before April 15, 2021.

The new-age carrier Vietjet has not only revolutionised the aviation industry in Vietnam but

also been a pioneering airline across the region and around the world. With a focus on cost management ability, effective operations and performance, Vietjet offers flying opportunities with cost-saving and flexible fares as well as diversified services to meet customers' demands.

Vietjet is a fully-fledged member of International Air Transport Association (IATA) with the IATA Operational Safety Audit (IOSA) certificate. As Vietnam's largest private carrier, the airline was awarded the highest ranking for safety with 7 stars in 2018 and 2019 by the world's only safety and product rating website airlineratings.com and listed as one of the world's 50 best airlines for healthy financing and operations by Airfinance Journal in 2018 and 2019. The airline has also been named as Best Low-Cost Carrier by renowned organisations such as Skytrax, CAPA, Airline Ratings, and many others.

9. BBC: Announcement of trading switch to HNX

↓ -1.66%

On March 16, 2021, HOSE issued Announcement No.503/TB-SGDHCM regarding the transfer of listing to Hanoi Stock Exchange (HNX) as follows:

- Listed firm: BIBICA Corporation
- Stock code: BBC
- Stock type: common stock
- Par value: VND10,000
- Charter capital: VND154,207,820,000
- Listing volume: 15,420,782 shares
- Last trading date on HOSE: March 23, 2021
- Purpose: to switch stock exchange listing to HNX as guided in Official Dispatch No.713/UBCK-

PTTT dated March 03, 2021 by the State Securities Commission.

To ensure the stability and continuity of VNX Allshare, Hochiminh Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX) will still maintain the stock of BIBICA Corporation (code: BBC) in VNX Allshare during the period of trading halt (from March 23, 2021 to the day before the first trading day on HNX) in order to effect the trading transfer from HOSE to HNX.

The price, outstanding volume for index calculation, free-float and capping ratio of the stock during this period will be similar to the information at the end of the last trading day on HOSE (March 23, 2021) before trading switching.

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