



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. VN-Index plunges to two-week low

Vietnam's benchmark VN-Index plunged 1.83 percent to 1,161.81 points Wednesday, the lowest since Mar. 9, receding further from breaking the historic 2018 peak.

The index remained in the red throughout the day and fell to the 1,150 range before rebounding in the last hour of trading to end on a near 22-point drop. This is its biggest loss in a day in over six weeks.

VN-Index has lost nearly 33 points in the last two sessions. It needs to gain more than 42 points to break the all-time high of 1,204 points recorded in April 2018.

Trading value on the Ho Chi Minh Stock Exchange (HoSE), on which the index is based, jumped over 14 percent to VND17.65 trillion (\$761 million), the highest in the last 10 sessions. The bourse saw 408 stocks lose and 75 gain.

The VN30 basket, comprising the 30 largest capped stocks, was a sea of red with only VIC of biggest conglomerate Vingroup gaining 1.3 percent.

SSI of leading brokerage SSI Securities Corporation led the blue chip fall with a 4.9 percent drop to a six-week low. This is the biggest loss in a day for the ticker since hitting this year's bottom on Feb. 1.

TPB of private TPBank followed with a 4.8 percent loss, also hitting a six-week low. This is its fourth losing session in a row.

POW of electricity distributor Petrovietnam Power Corporation fell 4.1 percent to a 20-day low.

Other major losers included HDB of HDBank, down 3.8 percent, CTG of state-owned lender VietinBank, down 3.7 percent, and BVH of insurance company Bao Viet Holdings, down 3.6 percent.

Outside the VN30 basket, SSB of Southeast Asia Commercial Bank (SeABank) started off the first trading day on the HoSE with a 19.9 percent gain.

FLC of real estate developer FLC also bucked the trend with a 6.6 percent increase, its fifth gaining session in a row.

Foreign investors continued to be net sellers for the 23rd session in a row to the tune of VND364 billion, up 29 percent.

Selling pressure was strongest on KBC of industrial real estate developer Kinh Bac, POW and HPG of steelmaker Hoa Phat Group.

The HNX-Index for stocks on the Hanoi Stock Exchange, home to mid and small caps, fell 1.34 percent, while the UPCoM-Index for the Unlisted Public Companies Market dropped 0.79 percent.

## Macro & Policies

### 2. Luxury brands remain optimistic towards Vietnam despite pandemic

The first Porsche Studio in Vietnam and second in Southeast Asia opened earlier this month in Hanoi.

The vibrant young population in Hanoi is the inspiration for the store, especially since Vietnam is one of the German brand's fastest growing markets, Arthur Willmann, managing director of Porsche Asia Pacific, said.

In December, U.K. auto brand Rolls-Royce found a new distributor in Vietnam two months after ending its partnership with the previous one.

Paul Harris, director of Roll-Royce Asia Pacific, had spoken to VnExpress at the time about Vietnam's strong growth in recent years and great potential. Vietnam has the youngest demographic among Rolls-Royce's markets, he said.

Luxury brands remain extremely hopeful despite the blip caused by the Covid-19 pandemic.

The number of ultra-high net worth individuals, or those with a net worth of at least US\$30 million, in Vietnam fell by 4 percent last year to 390, according to U.K. property consultant Knight Frank.

The number with a net worth of \$1-30 million was down 6 percent to 19,491.

Swiss watch brand Audemars Piguet last September introduced a new collection in the country after having opened a store in Ho Chi Minh City in October 2019.

The 140-year-old brand, whose products cost up to VND4.5 billion (\$194,400), continues to be well patronized despite Covid.

DAFC, which distributes over 60 international brands including Rolex, said sales rose by 35 percent last year.

Tien Nguyen, its deputy director in charge of luxury fashion brands, said demand from middle-class and wealthy clientele remained strong last year.

She pointed out that Vietnam was the only Southeast Asian country whose economy grew last year.

"The Vietnam market is at an ideal time for the entry of global luxury brands."

A major factor in keeping demand for luxury goods strong was the restriction on travel, which prevented people from shopping internationally and also meant they had a bigger disposable income.

Italian luxury accessories brand Bvlgari last month returned to Vietnam with a store in HCMC's District 1.

Like Porsche and Rolls-Royce, Bvlgari also sees young Vietnamese driving demand for its products.

The country's luxury goods market is set to grow to \$1.14 billion this year and grow at an average of 7.17 percent a year in 2021-25, according to German statistics portal Statista.

Knight Frank forecast the number of people with a net worth of \$1-30 million to rise by 32 percent to over 25,800 by 2025, among the fastest rates in the world, thanks to the government's success in controlling the pandemic.

### 3. Garment sector set for full recovery in second half of next year

Last year witnessed Vietnamese textile and garment exports grow by minus 10.5% due to the impact of the COVID-19 pandemic, just raking in US\$35 billion, in contrast to regional peers who endured a decline of between 15% and 20%.

This is the first major setback the sector has suffered after 25 years of penetrating the global market says Truong, adding though the global market is showing signs of recovery, the number of orders and prices remain modest.

The executive reveals several local enterprises, including Vinatex, have received orders up until the end of April or even July and August for some commodities such as knitwear and other popular items.

The sector is poised to fully recover from the COVID-19 crisis in the third quarter of 2022 at the earliest possible time, says the CEO.

Truong speaks of disadvantages that the garment sector addresses during the COVID-19 pandemic time, noting garment firms are unlikely to fulfil signed contracts and more importantly the sector's position in the global supply chain is also threatened.

Experiencing three coronavirus waves, the Vinatex representative therefore advises businesses to strictly take drastic COVID-19 prevention measures at work, with workers from epidemic hit areas being subject to a 21-day quarantine period.

During the course of the year ahead the domestic textile and garment sector is forecast to achieve an export turnover of approximately US\$39 billion.

To meet the target, local firms will strive to expand into fresh markets while the implementation of various free trade agreements (FTAs) is anticipated to create a wealth of opportunities which will serve to boost exports.

The Vinatex leader also says as a means of taking full advantage of the tariff reduction and benefits from recently-signed FTAs, local firms are required to prove their origin of production, either in Vietnam or in intra-bloc countries. This is in line with the rule of yarn and fabric set out within both the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA).

#### 4. HCM City hopes to become Southeast Asia start-up hub

The plan envisages enabling 3,000 businesses to improve their innovation capacity and help 100 access venture capital by 2025.

To achieve the targets, the city will develop infrastructure and an eco-system that would enable start-ups to improve productivity and competitiveness and develop higher-quality products in order to go regional and, later, global.

In 2016 - 20 it assisted 650-700 businesses annually with improving their innovation capacity.

Last year, Việt Nam jumped 13 positions to rank 59th out of 100 economies with the best start-up ecosystems in the world, according to a ranking by StartupBlink, a global start-up ecosystem map and research centre.

According to Robert Trần, CEO of consulting firm RBNC for North America and Asia Pacific, Việt Nam has great potential to become a start-up hub in Southeast Asia due to a number of "good entrepreneurship ideas" that could be expanded regionally and even globally.

Việt Nam also has a population large enough for start-ups to experiment locally first before reaching out to the world.

But the success rate of start-ups remains low (at roughly 3 per cent) since many fail to clearly identify their long-term business goals.

He said the Government should put in place a comprehensive legal framework to ensure protection for investors and assistance and support for start-ups.

In 2016 the Government approved a plan to build a start-up eco-system for innovative and sustainable development of entrepreneurship by 2025.

In February this year it decided to build a network of innovation centres in Hà Nội, Đà Nẵng and HCM City to support research and development by start-ups.

It wants to make the national start-up eco-system the 15th best in the Asia-Pacific in the near future.

According to Do Ventures, a HCM City-based venture capital firm, in the first half of last year the country accounted for 16 per cent of the total investment in tech start-ups in Southeast Asia to rank third behind only Singapore (37 per cent) and Indonesia (30 per cent).

HCM City accounts for more than 50 per cent of the country's start-ups.

Located in the heart of Southeast Asia and Việt Nam's most economically dynamic city, HCM City has also been chosen by expats as a base to build start-ups.

It is also an attractive destination for foreign entrepreneurs, experts have said.

It has a well developed infrastructure for online business, its online payment system works efficiently and its internet is reliable.

It has a high concentration of talented young people, who are ambitious, well educated, open-minded, and comfortable with trying new ideas and sharing experiences.

The city has a population of some 13 million, more than half under 35 years of age. Many young people are influenced by western culture and appreciate international brands with good quality.

The city contributes 20 per cent to national GDP.

It is home to more than 3,000 foreign representative offices from 60 countries and territories.

## 5. Private sector still struggling to gain strength

Some private enterprises have also been great image builders for the country, such as the Sungroup who built the Van Don airport, and Vingroup who gave the country the Vinfast brand. Despite all this success, the private sector is still struggling to gain in strength.

### Output of enterprises

In recent years, the number of business enterprises have increased significantly, contributing to promoting socio-economic development in Vietnam. For strategic development in the last five years, the role of private enterprises is clear in every annual term towards summarizing, evaluating, and identifying bottlenecks of previous phase. An important channel to identify bottlenecks is through the responses of businesses, investors, and the market. It is their output, information and feedback that puts pressure on state agencies to resolve and find breakthrough solutions.

Private enterprises have now entered areas previously monopolized by the state, such as aviation with Vietjet Air and Bamboo Airway, making the market more competitive and benefiting more people. Some large private corporations have invested in regional and international markets, created healthy competition, more supply of products and services, and affirmed their image and

brands. Internationally, enterprises such as Vingroup, Vietjet, Truong Hai, Masan, Vinamilk, TH, and Loc Troi have made a strong mark.

Some other large private firms have also implemented many large and complex projects in construction, real estate, wharves, and airports, making an important contribution to the development of the country. This is especially seen in the changing face of infrastructure such as the Van Don airport, road tunnel of Deo Ca, Hai Van tunnel, Hanoi-Hai Phong expressway, and the Bach Dang bridge.

Therefore, it is clear that private enterprises are vital for the socio-economic development structure of the country because they contribute towards the implementation of strategies required as per need. Private enterprises, together with the business sector in general, have now affirmed their role and position in the implementation of a crucial socio-economic strategy in the country.

### Types of enterprises

However, there are still issues that need to be posed to private firms. For instance, the contribution of these businesses to GDP is less than 50%, although the number of enterprises have increased rapidly in last ten years. In the same period, the proportion of



Foreign Direct Investment (FDI) companies have increased by nearly 5%, from 15.66% to 20.34%.

Private firms are mostly small, with 98.8% being medium, small, or even very small enterprises. The number of small to medium-sized enterprises and from medium to large scale is still very low. There are not many private firms that are really strong and most lack uniform development compared to other economic sectors. In other words, Vietnamese businesses lack large and medium-sized international enterprises. The reason could be that mechanisms and policies to promote the development of large scale private enterprises have not been focused, and there is still discrimination between classification of enterprises not large, or not wanting to be large.

In fact, the technological level and competitiveness of Vietnamese private enterprises is still weak. Most private enterprises have a low level of science, technology, and innovation output. Many enterprises are using old and outdated technology, almost two to three generations behind world average. It is easy to see that over a long period of time, the efficiency of private enterprises cannot be high, and profitability will remain low. The pre-tax profit margin ratio of private enterprises is much lower than the general level of all enterprises, namely, state-owned enterprises (SOEs), and FDI enterprises. On an average, in the 2016 to 2018 period, the rate of profit before tax on assets of private enterprises was only 1.6%, lower than the general level of all enterprises.

In addition, the resilience of private enterprises is still weak. The number of enterprises temporarily ceasing operations or dissolving is large and tends to increase over the years. In the period 2011 to 2019, the average annual number of enterprises that stopped doing business or were dissolved was about 73.2%. In particular, in the first nine months of 2020,

before the impact of the Covid-19 pandemic, the lack of resilience of private firms was becoming evident.

### Role of private sector

In order to promote the role of the private sector in the development and implementation of socio-economic strategy, it is necessary to continue to affirm that the private enterprise is the backbone of the economy. It is the key to socio-economic development, and creates all conditions for private enterprises to develop and form a strong economic group.

From the perspective of state management, it is necessary to focus on resolving bottlenecks that prevent private enterprises from investing, producing, and developing. It is essential to improve the business investment environment, create conditions for enterprises to compete and grow, especially in property rights, land-use rights, intellectual property rights, and fair competition. The speed of reform now needs to be accelerated, and administrative procedures made more transparent, so as to cut costs for production and business activities.

At the same time, there is a need to step by step improve mechanisms, policies, and laws, while also eliminating discrimination between types of businesses. It is important to encourage and create favorable conditions for private firms to develop, and compete in a healthy manner to participate in global and regional value chains. Private enterprises must be encouraged to invest in research and development, and support must be given for them to link with FDI enterprises in business activities as well as for technology transfer.

Dr. Nguyen Thi Luyen, Head of Research Reform & Development Department Central Institute for Economic Management.

## 6. Despite decreasing rice-growing area, farmers still earn profits

Mr. Le Thanh Tung, Deputy Director of Department of Crop Production under MARD, said that farmers in the Mekong Delta had harvested more than 1 million hectares of winter-spring rice, accounting for more than 60 percent of the total rice-growing area, without being damaged by saltwater intrusion

and drought, and the profits of rice farmers were above 45 percent.

According to the MARD, in the winter-spring rice crop, provinces in the Mekong Delta sowed over 1.51 million hectares of rice, down 27,210 hectares.

Due to drought and saline intrusion, Tien Giang, Tra Vinh, Kien Giang, and Soc Trang provinces actively reduced the cultivation area. However, thanks to the application of many effective methods in production, rice productivity exceeded 7 tons per hectare, an increase of 0.2 tons per hectare, the highest in the past five years. Rice production is estimated at 10.7 million tons, up 144,000 tons compared to the last winter-spring rice crop.

Mr. Nguyen Ngoc He, Vice Chairman of the People's Committee of Can Tho City, said that the rice yield of the winter-spring crop in 2021 reached 7.6 tons per hectare. This is the year in which local farmers saw the best rice production and the highest yield. The farmer's profits were above 50 percent.

According to the Department of Crop Production, the proportion of farmers using high-quality seeds, providing for the high-end rice export segment is increasing. Accordingly, the fragrant and specialty rice groups accounted for 22 percent of the total rice-growing area, up 0.2 percent; the high-quality rice group accounted for 55.5 percent, up 1 percent compared to last winter-spring rice crop.

According to the MARD, in the summer-autumn rice crop of this year, Mekong Delta provinces will grow 1.52 million hectares of rice with estimated productivity at 5.62 tons per hectare and estimated output at 8.55 million tons of rice. Currently, farmers have sowed rice on 300,000 hectares.

At the conference, representatives of the Directorate of Water Resources and the Southern Regional Hydro-meteorological Center forecasted the upcoming developments of saltwater intrusion and drought, recommending that provinces in the Mekong Delta need to develop water supply plans following the possible scenarios, mobilize resources to proactively implement appropriate solutions to ensure irrigation for agricultural production.

Besides, localities need to direct the units exploiting local irrigation works to monitor the weather changes, water sources inside and outside the sewer system, operate and regulate water according to the operating process, and ensure fair, rational, and efficient water distribution. The harvested rice cultivated areas need to get water to carry out desalination, preparing for the summer-autumn rice crop when the source of freshwater is stable.

## 7. Ba Ria – Vung Tau industrial parks await FDI post-pandemic

The 500ha Dat Do 1 Industrial Park in Dat Do District wants FDI to account for 70 per cent of all investment and domestic projects for only 30 per cent, with priority given to supporting industries and hi-tech projects.

This year it attracted six local investors but no foreign investment.

Due to the ongoing COVID-19 pandemic, foreign investment had been severely impacted, Nguyen Khac Thanh, general director of Tin Nghia - Phuong Dong Industrial Park JSC, the developer of Dat Do 1 Industrial Park, said.

Many foreign investors hadve rented land in the park but delayed their projects since it was impossible for them to enter the country due to the travel restrictions and border closure, he said.

But his company had maintained contact with global customers and resorted to online marketing to

introduce the opportunities and the procedures they have to complete to invest in the park, he said.

As a result, it managed to sign memorandums of understanding and took deposits for leases from 11 foreign investors, he revealed.

The park had helped foreign investors with investment procedures as part of efforts to attract them, he added.

The 999ha Phu My 3 Specialized Industrial Park in the province's Phu My Town has not attracted a single foreign project for more than a year due to the pandemic.

It has signed lease agreements with 10 foreign customers thanks to webinars and online marketing.

Nguyen Anh Triet, head of the Ba Ria – Vung Tau Province Industrial Park Authority, said there were

incentives for industrial parks to attract investment, and administrative and land clearance procedures were being streamlined to develop industrial infrastructure.

Nearly 50 potential investors had signed MoUs and registered to lease more than 1,000 hectares of industrial land, he said.

The province planned to build eight industrial zones with more than 8,000ha by 2030 to meet the huge demand, he added.



## Corporate News

### 8. DXG: Dat Xanh Group reports first loss in 15 years

↑ 0.84%

The Ho Chi Minh City-based developer of apartment and officetel projects saw revenues halve to VND2.9 trillion. Costs quadrupled to VND858 billion.



The company said the poor figures were mainly due to the Covid-19 outbreak, which caused delays in cash flows from some projects.

The value of its over 20 unfinished projects rose by 49 percent as of the end of the year to VND9.6 trillion.

Debts rose 35 percent to VND5.9 trillion.

Its DXG shares on the Ho Chi Minh Stock Exchange gained 268 percent since the end of July last year, but has given up nearly 8 percent this week.

### 9. HVN: Vietnam Airlines pioneers to roll out Covid-19 vaccine passports

↓ -3.37%

Accordingly, the airline has worked with the International Air Transport Association (IATA) to introduce the IATA Travel Pass, a global app which ensures the trustworthiness of passengers' testing results and the safety and consistency of the information among Governments, testing facilities, airlines and passengers, the local media reported.

The app can be used on smartphones, providing users with the requirements on pandemic prevention and control in countries, the list of eligible testing labs, and passengers' Covid-19 testing results and vaccination certificates. The app will also help provide the information to Governments and air carriers to facilitate their jobs.

To create health passports, passengers must integrate their personal information from their identity cards or passports and fill in the information of flights to learn about the requirements in destinations, Tuan added.

IATA general director Alexandre de Juniac said the launch of the IATA Travel Pass proves that technologies can help air passengers and Governments manage medical and tourism information safely, conveniently and effectively. This is an important foundation to resume international aviation activities.

The IATA Travel Pass has been assessed positively by the Governments of more than 70 countries and territories and is being piloted by over 20 airlines, including five-star ones such as Singapore Airlines and Qatar Airways.

At a recent meeting of the Government's Standing Board, the national steering committee for Covid-19 infection prevention and control and localities, Prime Minister Nguyen Xuan Phuc asked the relevant ministries and agencies to consider and study the resumption of international flights and to prepare well to launch the Covid-19 vaccine passport.

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