



VIETNAM DAILY NEWS



March 29th, 2021

Table of content

Table of content

1. Shares narrow losses thanks to a surge in large-caps
2. Need for digital transformation personnel sees sharp rise: report
3. New phase on horizon for solar power development
4. Bridging the tech-led links in investment
5. Ministry aiming to collect taxes from e-commerce sellers
6. Credit growth may reach 12-13 per cent in 2021
7. Foreign capital injected in wood industry down 36 percent in 2020
8. AAA: Cancellation of record date for AGM 2021
9. FMC: Notice of the holding of Annual General Meeting 2021

Market Analysis

1. Shares narrow losses thanks to a surge in large-caps

Shares narrowed losses on Friday as a surge from large-cap stocks boosted indices but the market was still shaking due to strong selling pressure.

On the Ho Chi Minh Stock Exchange (HoSE), the benchmark VN-Index edged down 0.08 per cent to close at 1,162.21 points.

The index had risen 0.11 per cent to end Thursday 1,163.10 points.

The market's breadth was negative as 339 stocks declined while 122 increased.

Market liquidity was still high with a trading value of more than VND15.6 trillion (US675.3 million), equivalent to some 670.5 million shares traded on the southern market.

“VN-Index has kept the threshold of 1,160 points in today's session. The market corrected strongly to 1,137 points in the morning but quickly recovered back to 1,162.21 in the afternoon session,” said BIDV Securities Co.

“Such a fast rate of recovery reflects traders' bottom-fishing activity. Investment cash flow was almost unchanged from the previous session. Liquidity fell slightly and market breadth negatively reflected short-term profit-taking.

“Foreign investors turned to be net sellers on both HoSE and HNX. Although the index has kept 1,160 points, the VN-Index is still able to maintain the correction next week,” said BIDV Securities Co.

Foreign investors net sold VND283.66 billion on HOSE, including Vietinbank (CTG) (VND76.6 billion), Military Bank (MBB) (VND81.6 billion),

and Vingroup (VIC) (VND61.6 billion). They were net sellers on the HNX with the value of VND2.59 billion.

According to Bao Viet Securities Co, Investors should maintain stock exposure at 35-50 per cent.

“Investors with high stock exposure can consider lowering the proportion of stocks in the recovery phases of the market.

“Investors with a cash-rich position should consider disbursing with a low proportion and give priority to existing stocks in the portfolio if the index falls to the support zone of 1,150-1,155 points,” it said.

The VN30-Index, tracking the 30 biggest stocks in market value, increased 0.22 per cent to 1,167.19 points. Nineteen of the VN30 basket rose, while 11 stocks decreased.

In the VN-30 basket, notable gainers were Vingroup (VIC), steel maker Hoa Phat Group (HPG), Vietjet (VJC) and Becamex (BCM).

Some other pillar stocks suffered from correcting pressure such as Vinhomes (VHM), Vinamilk (VNM), PetroVietnam Gas JSC (GAS), Vincom Retail (VRE) and Vietinbank (CTG).

On the Ha Noi Stock Exchange (HNX), the HNX-Index rose 1.41 per cent to close at 270.96 points.

It had lost 0.56 per cent to end Thursday at 267.19 points.

More than 224.4 million shares were traded on the northern bourse, worth VND3.5 trillion.

Macro & Policies

2. Need for digital transformation personnel sees sharp rise: report

As firms are accelerating digital transformation, the need for information technology (IT)-related roles, namely data engineer, infrastructure engineer, or chief technology officer (CTO), is also rising significantly, according to the 2021 Salary Guide of payroll, recruitment and headhunting agency Adecco Vietnam.

“Businesses have been focusing on strengthening their existing workforce. Internal training, re-evaluation, and re-assign are the most common practices that were adopted to improve employee efficiency. As a result, sales force effectiveness and talent development professionals are highly sought after with a relatively high monthly salary, which is up to 80 million”, the report continued.

Other sectors that will seek more talents are manufacturing, financial technology (fintech), logistics, agriculture, and retail.

In the financial sector, the top positions are investment director for private equities; listed equities investment director, director of investment banking and head of equity research for FDI securities firms.

Merger and Acquisition (M&A) Director, group chief executive officer (CEO), and group chief financial officer (CFO) for companies funded by asset

managers from Japan, the Republic of Korea (RoK), the US, Europe, Hong Kong, and Singapore are also on the list.

The emerging demand for those vacancies can be considered a significant labour movement in the financial market in the fiscal years 2020 and 2021.

According to Adecco Vietnam, 2020 was a challenging year for the Vietnamese economy. The COVID-19 outbreak interrupted trade and manufacturing activities and the tourism and aviation industries are among the hardest hit.

However, thanks to the successful virus containment, Vietnam is considered a bright spot on the global economic map, it underlined.

The country continued to achieve a positive growth rate, which is among the highest in the world. Production and exportation sectors are strongly recovering from the initial impacts. More companies are reallocating their production chains to Vietnam as their factories in other countries are closing.

Besides, Vietnam is an attractive destination for foreign investors, including the US, Singapore, the RoK, China, and Japan. Vietnam's national brand is ranked 33rd in the latest list of the world's 100 most valuable nation brands, moved up nine places from 2019.

3. New phase on horizon for solar power development

Last year witnessed a boom for solar power development as the closing date for the second solar feed-in tariff (FiT) came near. A total of 9.3 gigawatt peak (GWp) of rooftop solar capacity was connected to the national power system, with more than 6.7GW of solar power units installed in December alone, according to Electricity of Vietnam (EVN).

Hoang Tien Dung, director general of the Ministry of Industry and Trade's (MoIT) Electricity and Renewable Energy Authority, stated that tariffs will be cut by 31-38 per cent to 5.2-5.8 US cents per kWh, depending on the system size.

Under the ministry's proposal, the bidding mechanism will be applied for ground-mounted and floating systems, while rooftop solar systems are to receive a fixed mechanism.

Under the previous FiT2, which closed its application period on December 31, Vietnam's rooftop solar installations skyrocketed dramatically. The respective prices of each kilowatt-hour generated from ground-mounted, floating, and rooftop solar initiatives were 7.09, 7.69, and 8.38 US cents that were not only a serious overload of the

existing power grid but also saw mischievous transactions between partaking investors.

The new proposed tariffs are set to come into effect from next month and have been designed to address pressures on Vietnam's power grid created by the surge in solar installations last year.

Deterring fraudsters

The MoIT confirmed at a meeting this month that it will set up a task group for the nationwide inspection of solar power projects since it suspects that some investors took advantage of the incentives between July 2019 and the end of 2020 offered by the FiT2. As such, the MoIT requested state-run EVN to list all solar power projects entitled to receive the FiT rates as well as all rooftop solar power systems with capacity of 100kWp or more which have been put into operation within the respective timeframe.

The movement is meant to prevent loopholes in future regulations and speculative projects, such as solar farms disguised as rooftop systems.

Following the request, EVN must certify all operating rooftop solar systems which comply with the regulations on development and grid connection. The electricity provider also has to clarify operation dates, power purchase agreements, and other legal regulations in electricity and supply sectors for the list.

Pham Que Phong, chairman of Inter Solar JSC, pointed out that loose management has led to the fact that the majority of solar rooftop projects are now solar farms disguised as rooftop solar units and enjoy the FiT2's rate of 8.38 US cents per kWh instead of 7.09 US cents for solar farms.

Agricultural production combined with the installation of solar power is a cyclic economic model that aims to create a value chain within the solar power system. However, this benefit has been misused with many “fake roofs” appearing on agricultural land aiming to receive the preferential rates, according to EVN.

In the three provinces of Dak Nong, Gia Lai, and Dak Lak, the number of solar power projects has increased five times in the past year, of which over 40 per cent of the connected capacity comes from the agricultural farms.

According to Dak Lak Department of Agriculture and Rural Development, recent inspections showed that many rooftop farming projects were established in the area, but only focus on selling electricity.

The heavy cut in incentives for solar rooftop power could reduce the interest of investors and developers. However, Dung said that the reduction in the purchase price of rooftop solar power still ensures benefits of parties such as EVN, investors, and the state.

The development of rooftop solar power has been incompatible with the demand and the available transmission grid. Last December, the operations of the national grid were hampered when the power demand saw a decline. Total produced and imported power of the national grid stood at about 245.9 billion kWh, up around 2.7 per cent against 2019 but down 15.6 billion kWh compared to the operation plan of the national electricity grid approved by the MoIT.

Investor challenges

Solar expert Mai Van Trung pointed out, “The intermittent nature of solar power has recently raised many technical and financial concerns, particularly in the context of the low demand and delays in the grid's frequency regulation projects.”

Even wind has become a victim of recent hot developments. Vietnam plans to cut 1.3 billion kWh of renewable energy in 2021 due to the oversupply and overloaded transmission lines, as Nguyen Duc Ninh, director of the National Load Dispatch Center, said at a meeting with EVN on January 13.

Overloads were reported in Ninh Thuan, Binh Thuan, and a few central areas, and the National Load Dispatch Center cut 365 million kWh of solar output last year due to these developments.

Investors and developers blamed the overload on solar power projects in some provinces – such as Binh Thuan and Ninh Thuan – as well as the lack of synchronisation between the planning and execution stages of power source and grid projects. Some argued that these factors have been severely overloading the local power grid and caused damage for investors.

The south-central region is the nation's treasure trove of renewable energy, but local conditions are not ready to accommodate the upcoming supply. It takes three years, on average, to build a power grid project, while a solar power plant needs only one year to put in place. As a result, grid development cannot catch up with the proliferation of solar and wind power projects.

Nguyen Minh Quang from the National Load Dispatch Centre explained in 2019 that renewable energy projects need to be integrated into electricity grids that are capable of managing new complexities such as unpredictable and intermittent supply and more distributed power generation. Grid operators may also need to expand and modernise their

infrastructure to ensure reliability, efficiency, and security of electricity supply.

In the latest movement, Trung Nam Group, which has been building energy projects in Ninh Thuan, Tra Vinh, Gia Lai, and Dak Lak, claimed that due to frequent reduction in capacity of solar and wind power projects, the group submitted a proposal to remove difficulties to the Standing Committee of the National Assembly and the government. According to Trung Nam Group, the frequent reduction in capacity reduces electricity generation revenue and disrupts the group's financial plan, and so it faces great pressure in paying off the bank loans due to unsecured revenue from electricity generation.

4. Bridging the tech-led links in investment

Currently, a good 50 Vietnamese enterprises have become top suppliers for Samsung Vietnam. The South Korean conglomerate has given the necessary support to help these companies improve their manufacturing processes and better meet global supply chain standards – but becoming one of its regular suppliers is no mean feat.

Hoang Minh Tri, general director of 4P – the first domestic company to supply electronic circuit boards to LG Electronics Vietnam – said that supplying Samsung with these products is especially difficult as the company has strict standards for quality, expertise, technical precision, and high professionalism.

4P was thus forced to reform its business according to Samsung's requirements, accepting technical standards and working conditions in the company, even for employees on how to use sterilised rooms and equipment properly. According to Samsung, these practices relate to the scientific stages in the production process and, if carried out correctly, can prevent risks as well as quality issues.

Vietnamese businesses must thus meet these criteria set by Samsung to become one of its suppliers. Kim Kyung Tae, senior expert at Samsung Vietnam, noticed that performance and management are the limitations of these companies.

Passing all those evaluation criteria, Kim said, is “a real challenge”. Vietnamese businesses must

prepare thoroughly in order to meet these criteria. And yet, Samsung also has other evaluation indicators related to the environment, the vendor's financial potential, and its documentation practices.

Samsung is close to its goal of increasing its localisation rate to 57 per cent, as well as fulfilling its commitment to the government to promote the development of supporting industries. But the addition of Vietnamese enterprises in the supply chain also helps Samsung reduce the cost of importing components, improve competitiveness, and increase profitability.

Samsung remains the largest foreign investor in Vietnam with the registered investment capital of \$17.5 billion. In 2020, the total export turnover of Samsung Vietnam reached about \$57 billion, a relatively positive result in the context of the complicated pandemic and its negative impacts on the global economy.

According to a VIR source, in Samsung's list of vendors, about 80 per cent are large-scale foreign-invested enterprises (FIE) from South Korea, China, and Japan. Among them are Samsung Electro-Mechanics, Samsung SDI Vietnam, and MCNEX Vina, which produces camera modules. Other suppliers include Power Logics Vina which delivers battery protection boards, CammSys Vietnam which provides camera modules, Goertek Vina that delivers headsets and mics, and more – and none of them are Vietnamese companies.

5. Ministry aiming to collect taxes from e-commerce sellers

Tax authorities have repeatedly asked e-commerce businesses to take responsibility for the tax registrations, declarations and payments of sellers via e-commerce and digital platforms.

The ministry is compiling a draft circular to provide detailed instructions for this regulation which was recently made public for comments.

Ta Thi Phuong Lan, Deputy Director of Tax Administration for Small, Medium and Household Business under the General Department of Taxation said under the circular, taxation authorities would change the management of household and individual businesses.

Instead of directly working with every household and individual, tax authorities will collect information about them from e-commerce businesses and supervise their cash flow of payments via online transactions.

Under the circular, e-commerce businesses must make information declarations about their sellers. E-commerce websites such as Tiki, Shopee, Lazada or Sendo and delivery service companies are responsible for providing information about sellers for tax authorities. This draft circular does not apply to foreign suppliers.

The move is expected to help tax authorities to determine the real revenues of sellers.

E-commerce businesses have said that they were currently studying the circular, so could not give any comment on it yet.

For any individual involved in doing business on social media sites such as Facebook, local tax authorities will collect information from their pages to identify who they are and then tax the sellers.

Nguyen Thi Cuc, Chairwoman of the Tax Consulting Association, said tax avoidance from digital-based businesses with higher profits and lower costs than traditional businesses was unfair. The new circular would ensure equality between traditional business and digital-based business, Cuc said.

The draft circular also stipulates the new tax collection method for large-scale household businesses.

In the past, all large-scale business households were subject to lump-sum tax payments. However, the draft circular will require them to pay taxes via self-declaration based on their accounting books.

Currently, large-scale business households account for about 6-7 per cent of the total of 2 million business households nationwide.

Tax authorities will also require banks to provide account holders' information to aid tax collection management."

6. Credit growth may reach 12-13 per cent in 2021

According to figures from Hanoi Statistical Office, credit only expanded by 0.6 per cent in the first two months of this year. The total outstanding balance reached VND2.217 quadrillion (\$96.06 billion), up 0.2 per cent on-month.

Banks share that usually the demand for credit in the first quarter tends to increase slower than in the remaining quarters, making it hard to raise deposit rates.

Interest rates have reduced despite good liquidity and idle money flowing into banks. The State Bank of Vietnam (SBV) said, in January-February, total mobilised capital volume in Ho Chi Minh City grew 0.3 per cent compared to the end of last year.

Financial analysts noted as credit growth is slow, banks will likely not raise deposit rates for some time.

Nguyen Dinh Tung, general director of Ho Chi Minh City-based Orient Commercial Joint Stock Bank

(OCB), shared that the appetite for capital is generally not high in the first quarter. In addition, credit institutions have reduced costs to cut interest rates based on the SBV's policy to assist borrowers in the context of COVID-19. As a result, the deposit interest rate remains stable.

As the pandemic is being gradually contained, banks expect on rising credit growth in the forthcoming quarters, with lending focusing on prioritised areas of production and business.

Banking expert Nguyen Tri Hieu commented that lending interest rates would only decrease slightly. Banks posted high profits last year due to high net profit margins and lower deposit interest rates. However, rising interest rates and promoting consumer lending at the same time will be challenging.

The State Bank has set the banking industry credit growth at about 12 per cent. The goal, however, is not fixed and may be adjusted if necessary.

As the pandemic is being gradually contained, banks expect credit growth in the forthcoming quarters, with lending focusing on priority areas of production and business.

SSI Securities Corporation (SSI)'s recent assessment shows that banks will continue to benefit from

lower-cost capital as the deposit interest rates have lowered by 2-2.5 per cent in 2020. The credit growth would reach 12-13 per cent this year.

Tung from OCB added that his bank would follow its retail strategy with loans prioritising small- and medium-sized enterprises and trading households. Besides, the bank will build separate products and services catering for each customer group.

Le Duc Tho, chairman of VietinBank, one of the four leading state commercial lenders, noted the bank targets credit growth at 8-11 per cent this year, but it also depends on market conditions and the SBV's monetary policy.

Meanwhile, privately-held LienVietPostBank said that the bank will continue implementing its retail strategy, concentrating on lending for priority areas such as agriculture and rural development, green and high-tech agriculture which are less affected by the COVID-19 epidemic, so the efficiency of lending would be high.

According to Tran Du Lich, a member of the National Financial and Monetary Policy Advisory Council, a sharp drop in interest rates would not boost credit as the aggregate demand remains declining. Besides, lending activities should be monitored carefully to limit bad debt emergence.

7. Foreign capital injected in wood industry down 36 percent in 2020

Vietnam's wood industry secured 63 new foreign direct investment (FDI) projects worth 372.68 million USD in 2020, down 36 percent and 49 percent on-year, respectively.

According to a research by a number of organisations, including the non-profit organisation Forest Trends and the Vietnam Timber and Forest Product Association (VIFOREST), these foreign projects came from 14 countries and territories such as China and the Republic of Korea.

Wood processing drew most of the foreign investments, with 274.81 million USD in 41 projects.

Meanwhile, a total of 193.64 million USD were added to existing foreign-funded projects, decreasing 3 percent on-year.

Regarding export, FDI enterprises continued to show their superiority compared to domestic ones, with 653 firms or 18 percent of the industry's total exporters. They posted a turnover of 6 billion USD, accounting for 51 percent of the industry's total. Meanwhile, 2,676 domestic companies recorded just 5.9 billion USD in export value.

According to To Xuan Phuc from the Forest Trends, the superiority can be the results of differences in production and capital scale, as well as technology and management.

Corporate News

8. AAA: Cancellation of record date for AGM 2021

↑ 0.31%

On March 24, 2021, the Hochiminh Stock Exchange issued Announcement No.600/TB-SGDHCM about the cancellation of record date (March 26, 2020)

for the holding of Annual General Meeting 2021 of An Phat Bioplastics Joint Stock Company due to the company needs more time to prepare documents and to organize the meeting carefully.

9. FMC: Notice of the holding of Annual General Meeting 2021

↑ 1.59%

Sao Ta Foods Joint Stock Company announces the holding of the 2021 Annual General Meeting of Shareholders as follows:

- Meeting time: 01:00pm, April 16, 2021
- Meeting venue: Sao Ta Foods Joint Stock Company.
- For meeting documents, please visit Company's website: <http://www.fimex.vn.com>.

Research Team:

Tsugami Shoji *Researcher*

jsi@japan-sec.vn

Disclaimer:

Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

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