



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Shares rise for eight consecutive sessions, VN-Index hits new high

Shares gained for the eighth consecutive trading session Wednesday thanks to increased buying force as market sentiment improved when the VN-Index hit a new high.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index climbed 0.20 per cent to 1,242.38 points with the market breadth turning positive.

The southern market index gained a total 6.9 per cent during the last eight sessions.

During the session, 155 stocks decreased while 267 stocks increased.

The market's liquidity stayed high with over 727.8 million shares traded, worth over VND16.5 trillion.

The gain of the 30 large-cap trackers was the main driving force for the market's rally. The VN30-Index increased 0.19 per cent to 1,257.77 points. Of the VN30 basket, 17 stocks gained while seven slid.

Thanks to the continuous increase of the market and no deep corrections, investors boldly entered buying orders, pushing many stocks to rise sharply.

Vingroup (VIC) and Masan Group (MSN) were the two leading stocks in the top ten that have the most positive impact on the VN-Index's gain. They were followed by Novaland (NVL), insurer Bao Viet Holdings (BVH), PVPower (POW), Military Bank

(MBB), Vincom Retail (VRE), Ha Noi Export-Import Company (GEX).

Meanwhile, real estate company Vinhomes (VHM) and dairy firm Vinamilk (VNM) led the group of stocks that had negative impacts on the VN-Index.

"Despite the pressure of short-term profit-taking in the morning, VN-Index still surpassed 1,240 points in the afternoon session. Investment cash continued flowing into the market," said BIDV Securities Co.

"Liquidity decreased slightly but remained at a stable level with positive market breadth, showing that cash flow is spreading to the market.

"Foreign investors turned to be net sellers again with the cash flow differentiating to mid-cap stocks, reflecting that the upturn momentum of the VN-Index may slow down and accumulate in the 1,230-1,250 range," it said.

On the Ha Noi Stock Exchange (HNX), the HNX-Index rose 0.40 per cent to close Wednesday at 292.84 points.

It had risen 0.15 per cent to close Tuesday at 291.68 points.

In Wednesday's trade, some 164 million shares were traded on the northern bourse, worth nearly VND2.8 trillion.

## Macro & Policies

### 2. Container shortage compounds Vietnamese exporters' shipping woes

Bui Thi Ngoc Tuyen, deputy director of Bich Chi Food Company in the southern province of Dong Thap, said as empty containers have become scarcer, prices have tripled.

"We struggle to get enough containers for our goods, and even if we do, there is no ship to transport them."

Duy Tan Plastics, which gets one-fifth of its revenues from exports, is also caught in a similar struggle, with logistics costs on some main routes rising 95–231 percent year-on-year.

The company has seen the number of orders decline by around 10 percent due to higher shipping costs, its deputy director Le Anh said.

Tran Thanh Hai, deputy director of the Agency of Foreign Trade under the Ministry of Industry and Trade, said sea shipment costs have risen because container costs have surged seven or eight times.

Vietnamese companies had already faced a container shortage towards the end of last year and earlier this year as global trade rebooted after months of limited activities caused by the Covid-19 pandemic, but the recent Suez Canal blockage has once again triggered shortages which could severely hurt exporters.

Although the mega ship Ever Given has been freed from the canal, some ships had been forced to reroute on a longer journey, and a two- or three-week delay of shipments is expected.

This means Vietnamese exporters will have to wait a couple of weeks or even a month to receive empty containers for the next shipment, and they will have to bear higher costs due to shortage of the metal boxes, said Ho Van Hiet, CEO of Prime Logistics Vietnam, which transports around 200 containers a month.

Container rents in December and January had surged 5-10 times from earlier due to a global shortage of containers. Although prices dropped by 10-20 percent last month, they could return to the previous peak in this and the next month due to the Suez blockage, Hiet told VnExpress International.

His company has been urging customers to make quick deliveries now, before prices climbed again.

Lam Thi Thanh Bong, CEO of Karl Gross Logistics Vietnam, said that after a period of limited trade activities last year caused by the Covid-19 pandemic, many Western countries are having an oversupply of empty containers while some Asian ones are seeing shortages.

"This imbalance in supply and demand will have major impacts on Vietnamese exporters," she said.

For now, exporters need to book their shipment between two and four weeks prior to ensure they have slots on the vessels and they should negotiate sharing higher logistics costs with their partners, she added.

### 3. Vietnam eyes services sector to make up 60% of GDP by 2030

With an estimated growth rate of 7-8% in the next ten years, Vietnam's services sector is expected to make up 60% of the country's GDP by 2030.

The figures were revealed in Vietnam's strategy for the development of services sector in 2021-2030, with vision to 2050.

To realize the target, the plan expects the government to push for a more drastic institutional reform and promote greater transparency, efficiency and competitiveness of services sector during the Industry 4.0, which is essential as the country is expanding integration into the global economy.

In addition, Vietnam would restructure the sector based on modern technologies under the Industry 4.0, especially in fields of finance-banking, insurance, healthcare, education, transportation, trade and tourism.

A tailor-made solution would be used for certain service products and sectors with high knowledge, technological content and competitive advantages, including logistics, tourism, IT, finance-banking, education and healthcare.

For the coming time, Vietnam plans to form tourism-, finance-, logistics- and trade centers in major cities of Hanoi, Haiphong, Danang, Ho Chi Minh City, and Cantho with high quality products capable of competing at regional and international levels.

Meanwhile, the country would mobilize investment funds from domestic and foreign sources to upgrade and build new infrastructure to create favorable conditions for the development of services sector.

“Public funding is set to allocate for major infrastructure system with high spillover effects, such as airports, seaports, telecommunication, finance-banking and tourism,” it stated.

In the first quarter of this year, the service sector witnessed positive growth of 3.34% as the Covid-19 pandemic is gradually contained, contributing 35.7% to the overall economic growth of 4.48%.

#### 4. Vietnam to attract more foreign investment in high-tech industry

Việt Nam's high-tech industry has seen a new investment wave. Last week, the northern coastal province of Quảng Ninh held a ceremony to grant a licence for Jinko Solar Technology Ltd of Hong Kong to invest in a photovoltaic cell technology project worth US\$500 million.

Austrian printed circuit board manufacturer AT&S has been studying several locations in Việt Nam to build two factories worth 1.5 billion euros (\$1.78 billion).

The company will make a decision on the location in mid-April and start construction at the end of this year. It expects to complete work within a year.

Đỗ Nhất Hoàng, Director of the Foreign Investment Agency (Ministry of Planning and Investment), said the new investment wave in the high-tech sector was because tech giants like Samsung, Foxconn, Luxshare, and Intel had ramped up their investment and production capacity in Việt Nam.

Hoàng said most of the global tech giants already had invested or sought investment opportunities in Việt Nam.

He said to welcome this new investment wave, the Vietnamese Government had worked out a series of important requirements. In the middle of last month, Prime Minister Nguyễn Xuân Phúc officially

issued the new requirements for high-tech enterprises.

Accordingly, high-tech enterprises with a total investment capital of VNĐ6 trillion (\$260 million) and a number of 3,000 employees or more must commit to spend at least 0.5 per cent of their capital for research and development (R&D). Enterprises with a total capital of VNĐ100 billion and 200 employees or more must commit to at least one per cent of their total net revenue.

An anonymous investor said under the new requirements, foreign investors would avoid the “heavy burden” of commitments for R&D activities. Under the new requirements, spending for R&D will also include depreciation of infrastructure investment, fixed assets, vocational training, recurrent expenditures and royalties.

In the past, after the High-technology Law took effect on July 1, 2009, investors increasingly complained about the high requirements for investment projects to be recognised as “high-technology projects.” Commonly cited complaints include the limited number of products that were listed as high-technology products, that high-technology enterprises must commit at least one per cent of their annual revenue towards (R&D), and that at least five per cent of total workers must be involved in R&D activities.

Hoàng said the Ministry of Planning and Investment (MPI) was collecting comments from ministries and agencies before submitting to the Government for approval on special investment policies.

Hoàng said under the new regulations, special incentives will be given to innovation hub projects, including National Innovation Centre, R&D projects, and large-scale projects.

“We have proposed four criteria to determine those eligible to enjoy special incentives or not that include technology, technology transfer, participation of Vietnamese businesses in value chains and value added in Việt Nam,” said Hoàng.

With special incentives, preparation of premises, energy, high-quality human resources, and improvements in the business climate, Việt Nam would attract more investment in high-tech projects in the future, said Hoàng.

## 5. Proposals for Phu Quoc dream of a second Singapore

The new construction plan for Phu Quoc will adjust tens of hectares of its protective forest land to tourism land to strengthen the island's eco-luxury and sea tourism, as well as resort and entertainment services, to become an international tourism hub in Asia.

According to the decision, the total area of the adjusted plan is about 675 hectares, accounting for 1.14 per cent of the total area under the approved general planning. Of which, residential land increases by 168ha, resettlement land by 54ha, and land for transportation by 6.7ha, while protective forest land decreases by 71.9ha.

Under the master plan to create an island metropolis for premier high-end tourism, Phu Quoc city itself will become the gateway for international exchanges to promote development of the whole region. According to the proposals, Phu Quoc is ready to welcome tens of thousands of people migrating from the mainland to the island. In recent years, the population growth rate of Phu Quoc has been over 18 per cent, including a large number of highly-skilled personnel and foreign experts working in real estate projects, hotels, and resorts.

Since Phu Quoc initially began to build up tourism, the real estate industry has seen land prices hiking to several new heights.

According to Nguyen Manh Ha, vice chairman of the Vietnam Real Estate Association, tourism and premier high-end real estate properties are still the most attractive investments, typically in potential markets like Phu Quoc. Thus, the approved master plan and the new partial adjustment are creating a new boost for the pearl island's real estate.

Ha also noted, “The land price on Phu Quoc is rather reasonable, but in only a few years it might hit new heights of VND500-600 million (\$22,000-26,000) per square metre like in Nha Trang at present. At some locations, land prices could be as expensive as the golden land plots in Hanoi and Ho Chi Minh City with costs of up to millions of VND per square metre as the island attempts to become the second Singapore in Asia.”

However, in order to turn a wild deserted island into a gold mine, leading real estate developers such as Sun Group, Vingroup, CEO Group, BIM Group, and BRG Group are among those that might work together with international hospitality groups such as IHG, Marriott, and Accor.

According to Ha, with the strategy to invest and operate in premier high-end real estate projects along the coast, after five years developers like Sun Group have transformed the southern part of Phu Quoc Island from a wild desert area into a luxury destination.

This has also helped attract a large number of tourists over the last few years. Even during the pandemic, Phu Quoc welcomed more than 3 million visitors last year. In the first two months of 2021, the island served 656,000 tourists and now plans to welcome 2 million “staycation” travellers this year.

Adding to the potential investment in the island real estate market, Ha evaluated that Vietnam is stepping into a golden development period, and so Phu Quoc could be an ideal choice for long-term investments.



## 6. Banks make huge profits in Q1

At the 2021 annual shareholder meeting of Asia Commercial Bank (ACB) on April 6, Do Minh Toan, general director of the bank, said that it achieved a pre-tax profit of an estimated VND3.1 trillion in the first quarter of the year, surging 61% year-on-year and meeting 29.2% of its full-year target.

In 2021, ACB has set targets of raising capital mobilization by 9% and credit by 9.5% and earning pre-tax profit of over VND10.6 trillion, Nguoi Lao Dong Online reported.

At its meeting, ACB shareholders approved a plan to allocate profits, including spending some VND5.4 trillion on dividend payments with shares.

On the same day, Military Commercial Joint Stock Bank (MB) said that the bank recorded VND4.6 trillion in consolidated profit between January and March, up 50% year-on-year.

One of the factors driving up its revenue was digital banking. In the year to March 31, current account savings accounts deposits rose by 1.5-fold against the growth seen at the end of last year.

This year, MB booked a pre-tax profit of over VND14.6 trillion, up some 20%-30% from the 2020 figure.

Other major banks such as the Bank for Foreign Trade of Vietnam (Vietcombank) and the Vietnam Bank for Industry and Trade (VietinBank) also posted hefty profits in the first quarter of the year.

Vietcombank reaped a pre-tax profit of some VND7 trillion during the three-month period, meeting 28% of its full-year target, while VietinBank's before-tax profit was an estimated VND7-8 trillion.

## 7. Stable supporting industries crucial to local manufacturing

VCCI has worked out a plan to develop appropriate policies for supporting industries towards minimising reliance on imports of raw materials as well as reducing prolonged, simple and low-value-added processes, like packaging, production of manuals, and plastic components.

This will enable Việt Nam to not only create more value and put the country in a better position in the global supply chain, but will create more opportunities for Việt Nam in terms of free trade agreements (FTAs).

According to VCCI, high dependence on imports for supporting industries will lead to higher risks and increase the costs for enterprises.

Đậu Anh Tuấn, VCCI's head of Legal Department, said Việt Nam's COVID-19 response could make it an attractive investment destination as economies seek to make their supply chains less dependent on China.

Foreign investors were considering shifting investments to Việt Nam due to their trust in Việt Nam's safety amid the pandemic. With a number of new generation FTAs, Việt Nam would have more opportunities if the Government could offer better policies and clear targets to encourage and create favourable conditions for Vietnamese businesses and attract foreign investment into prioritised manufacturing sectors.

Deputy Minister of Industry and Trade Đỗ Thắng Hải said that from March, the ministry was asking businesses to promote production and boost the construction of large-scale energy and industrial projects to ensure sufficient electricity supply, contributing to the country's economic growth.

The ministry also planned to conduct appropriate solutions and generate incentives for businesses relating to raw materials, production plans, processing, markets and distributions as well, he said.

### Economic recovery

Việt Nam's industrial sector still grew 6.5 per cent year-on-year in the first three months of 2021, with the manufacturing and processing sector expanding 9.45 per cent and remaining the main engine of economic growth.

Despite the effects of COVID-19, local manufacturers have sought new ways to do business. In the first quarter of this year, textile, garment and footwear manufacturers showed more positive signals compared to the same period last year.

Lê Tiến Trường, CEO of Vietnam Textile and Garment Group (Vinatex), said while many firms involved in industrial production were concerned about the lack of orders due to the influence of the COVID-19 pandemic, textile and garment businesses were enjoying a surge in orders.

He said that at present, Vietnamese textile and apparel enterprises, including those of the group, had orders until the end of April 2021.

Notably, items such as knitwear and popular goods have orders until July and August of 2021.

"It is a good signal for the recovery process of Việt Nam's garment and textile sector, especially when Việt Nam is in a good position in the global supply chain after the COVID-19 crisis," said Trường.

Many manufacturing industries have experienced difficulties and challenges over the last year.

According to the Vietnam Steel Association, from the beginning of this year, Việt Nam's steel market has seen a low sales volume with stagnant production due to decreasing demand from construction businesses.

Nguyễn Chi Sáng, General Secretary of the Vietnam Association of Mechanical Industry (VAMI), said the biggest problem for enterprises was a lack of orders.

## Corporate News

### 8. ACB: ACB targets pre-tax profit of 461.5 million USD in 2021

↓ -1.01%

The Asia Commercial Joint Stock Bank (ACB) has set a growth target of over 10 percent in pre-tax profit to more than 10.6 trillion VND (461.5 million USD) this year.

ACB also expects its total assets, customers' deposits and credit growth to rise 10 percent, 9 percent and 9.5 percent, respectively, while strives to keep its bad debts under 2 percent.

More than 540 million bonds will be issued, with the aim of lifting the bank's charter capital to over 27 trillion VND from the current level of 21.61 trillion VND.

According to ACB Chairman Tran Hung Huy, this year, ACB will continue to implement its operation strategy in the 2019-2024 period to become a leading retail bank with high growth in total incomes and positive growth in ROE (return on equity) of at least 20 percent per year, and bring good experiences to customers.

The bank will focus on investment in technology and changing its operation method to keep up with customers' need and behavior, Huy said.

By the end of the first quarter of 2021, ACB's pre-tax profit was estimated to hit over 3.1 trillion VND, posting a year-on-year surge of more than 61 percent, equivalent to 29.2 percent of the target set for the year.

Last year, the bank's total assets rose by 15.9 percent to 445 trillion VND.

It mobilised 353 trillion VND from customers, up 14.6 percent year on year, while its total credit outstanding balance stood at 311 trillion VND, up 15.9 percent. Meanwhile, bad debts were kept at 0.59 percent.

ACB's consolidated pre-tax profit reached nearly 9.6 trillion VND last year, up 28 percent year-on-year.

### 9. HVN: Vietnam Airlines' lenders get \$173-million refinancing loan

↓ -0.15%

The State Bank of Vietnam (SBV), the country's central bank, has given permission for lenders of the national flag carrier Vietnam Airlines to access a refinancing loan worth VND4 trillion (US\$173 million) at a 0% interest rate before December 31, 2021.

Such interest rate is also applicable for any extension for such loans, if any.

The bailout was materialized through the circular No.04/2021/TT-NHNN issued by the SBV to help the state-owned airline mitigate impacts of the Covid-19 pandemic as stated in a resolution adopted by the National Assembly last year.

Under the circular, the SBV's refinancing loan is provided for credit institutions without

requirement for guarantee assets, while the refinancing period would be upon the request from credit institutions in subject, but would not exceed 364 days, and the extension period is expected to be within 1,092 days.

Meanwhile, Vietnam Airlines, in which the state currently holds an 86.19% stake via the Commission for State Capital Management (CSCM), gets the permission to sell additional shares worth VND8 trillion (US\$345.68 million) to existing shareholders to raise its registered capital. As such, the government would assign its investment arm State Capital Investment Corporation (SCIC) to buy Vietnam Airlines shares.

Setting price floor for air ticket

In a recent meeting with the Civil Aviation Authority of Vietnam (CAA), representative of the



Vietnam Airlines proposed setting price floor and a hike for price ceiling for air tickets.

Under its proposal, the airline called for raising price ceiling by up to VND250,000 (US\$11) for flight distance from 500 – 1,280 kilometers, while the minimum price for flight route of less than 500 kilometers would be VND414,000 (US\$18) and up to VND917,000 (US\$40) for those from at least 1,280 kilometers.

In another alternative, Vietnam Airlines suggested price ceiling should be at 35% of the price floor, ranging from VND560,000 (US\$24.44) for flight of less than 500 kilometers to VND1.4 million (US\$61) for over 1,280 kilometers.

If such proposal is materialized, airlines would not be allowed to offer promotion sales of super cheap air ticket or even with VND0.

“The move would help airlines to overcome this difficult period, while prices of air tickets in certain times have reached its bottom,” said the representative.

This is the second time that Vietnam Airlines proposed the use of price floor. In March 2017, the airline called for price floor of VND1.54 million (US\$67) and price ceiling of VND4.2 million (US\$183.25) for domestic flight routes.

The suggestion, however, met with rejection from the Ministry of Transport and cause heat discussion in the public.

Bao Viet Securities Company (BVSC) in a recent report expected the price for air ticket in 2021 could continue to be cheaper.

In the Covid-19 ravaged year of 2020, Vietnam Airlines posted a pre-tax profit of nearly VND11.1 trillion (US\$482 million). The figure was significantly encouraging as the airline estimated loss of VND14.4 trillion (US\$626.3 million).

As the aviation industry was among the hardest-hit sectors by the pandemic, Vietnam Airlines operated around 96,500 flights in 2020, down 48% year-on-year. This resulted in decline of 51% year-on-year in the number of passengers to 14.23 million and a fall of 47% in the amount of cargo for transportation to 195,000 tons.

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