# VIETNAM DAILY NEWS

**May 5th, 2021**

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# Market Analysis

## 1. Shares mixed on resurgence of COVID-19

The stock market closed the first session of May on a mixed note as the growth of banking shares rescued the VN-Index from a fall while the HNX-Index slumped due to the resurgence of COVID-19 in Viet Nam.

On the Ho Chi Minh Stock Exchange, the VN-Index closed Tuesday up 0.23 per cent at 1,242.2 points.

Market breadth was negative with 252 shares falling, 140 rising and 50 closing flat.

Viet Nam's benchmark index had traded below the threshold for most of the day but the recovery of many banks cushioned the market.

Seven of the nine listed banks in the VN30 climbed, including Vietinbank (CTG, up 2.2 per cent), Techcombank (TCB, up 2.4 per cent), Vietnam Prosperity Bank (VBP, up 1 per cent), Military Bank (MBB, up 0.9 per cent), Tien Phong Bank (TPB, up 0.6 per cent) and the Bank for the Investment and Development of Vietnam (BID, up 0.3 per cent).

Other gainers included Vingroup (VIC), steelmaker Hoa Phat Group (HPG), FPT Group (FPT), Khang Dien House Trading and Investment (KDH), with a growth of between 1.7 per cent and 2.4 per cent.

However, a number of blue chips slumped and dragged the market such as Vinamilk (VNM), insurer Bao Viet (BVH), Masan Group (MSN), PV Gas (GAS) and Mobile World (MWG).

Liquidity remained good with 798.5 million shares worth VND21.5 trillion (US928 million) traded in the southern market.

According to analysts, investors are still influenced by "sell in May" psychological factors and the resurgence of COVID-19 in several cities.

Although some firms reported positive business results in the first quarter, their stock prices are still going down. For example, sugarmaker Thanh Thanh Cong-Bien Hoa JSC reported its Q1 net profit climbed 225 per cent but its stock price fell 0.3 per cent on Tuesday.

According to Bao Viet Securities Co, the socio-economic report in April and the first four months of the year announced by the General Statistics Office last week with the CPI in April decreasing by 0.04 per cent from the previous month showed the rather good condition of the economy.

The VN-Index is forecasted to challenge the resistance zone of 1,268-1,275 points in the first week of May. This is still the resistance zone that might create fluctuations, adjusting the index when approached, analysts said.

On the Ha Noi Stock Exchange, the HNX-Index fell 1.43 per cent to close at 277.71 points.

More than 102 million shares worth nearly VND2 trillion were exchanged in the northern bourse.

# Macro & Policies

## 2. Vietnam posts positive signs in FDI attraction

Vietnam's success in the fight against COVID-19 and its overall stability have increased its competitiveness and resulted in positive outcomes in foreign direct investment (FDI) attraction since the start of the year, Director of the Foreign Investment Agency under the Ministry of Planning and Investment, Do Nhat Hoang, has said.

The country needs to further capitalise on its strengths, potential, and opportunities to absorb future investment, he added.

Vietnam clearly exhibits stability in its macro-economic and political situations and boasts a high level of prestige in investment attraction, as the number of large-scale energy and processing-manufacturing projects applying high technology in key sectors has been on the rise.

As of April 20, foreign investors had pumped 12.25 billion USD into Vietnam this year, equal to 99.3 percent of the amount recorded in the same period last year.

Among the 67 countries and territories with investment projects during the period, Singapore led with 4.8 billion USD, followed by Japan with more than 2.5 billion USD and the Republic of Korea with 1.5 billion USD.

The country is also working to attract projects from Europe and the US.

Various incentives for FDI investors have been launched, along with opportunities brought about by new generation free trade agreements Vietnam has signed. The Government has also exerted efforts in administrative reforms and in improving the investment climate.

Meanwhile, relevant agencies have been advised to call for investment from multinational corporations with strengths in capital and technology, thus helping domestic companies access modern technologies and work with foreign counterparts in further joining global value chains.

Localities must revise their legal documents and investment policies to address any inconsistencies and should take the initiative in choosing projects that match their own potential and investment orientation.

Priority should be given to hi-tech, energy and space-saving, and environmentally-friendly projects.

## 3. Prices of consumer goods about to climb

**Purchasing power increased fairly high**

Although there have not any official statistics from the authorities yet, according to some retailers and enterprises, the purchasing power in the last holidays increased by two times compared to normal days. Many retailers reduced prices sharply on thousands of products. Particularly, fresh food discounted 10-20 percent, kitchen utensils dropped 21-47 percent, and health care products offered a discount of 50 percent for the second item.

According to the representative of Co.opmart supermarkets, because the holiday of the Reunification Day and the International Workers' Day this year lasted for four days, the purchasing power at Co.opmart supermarket network, on average, rose two to four times higher compared to normal days. The highest increase in the purchasing power focused on fresh foods, some types of processed foods, frozen goods, beer, and soft drinks. Other products, such as household appliances and garments, were being strongly discounted, so the purchasing power also doubled compared to before.

Similarly, at Lotte Mart, Emart, and MM Mega Market An Phu, in recent days, the purchasing power has also increased significantly and increased drastically in the afternoons and evenings of the holiday, focusing on fresh food products, including meat, fish, seafood, fruits, and vegetables. Items, such as confectionery, canned food, and garments, were also interested by consumers. Ms. Nguyen An Nhien, a resident in Thu Duc City said that the holiday is a "golden" opportunity for her family to buy many items at the best prices. For instance, Emart currently offers promotions for hundreds of essential items with attractive combo gift packages applicable to food, beverages, cosmetics, clothing, and household appliances. To meet the increasing shopping demand on the occasion of the holiday, supermarkets have also enhanced their staff of all stages, at the same time, increased the source of goods to best ensure the demand of customers.

Shopping centers in Ho Chi Minh City, especially Vincom Center, Takashimaya, and Giga Mall, were always highly patronized. Besides the need for window shopping, entertainment, shopping, and dining, a large number of visitors go to the shopping centers to escape the heat, contributing to making the atmosphere of these places bustling during the holiday.

In terms of prices during the holiday, retailers had worked closely with suppliers to reduce prices by up to 50 percent for various products to stimulate consumer demand, so they have created a stable common ground of selling prices. The supply of goods for the market is plentiful and diverse. At traditional wet markets, many small traders said that the selling prices of all kinds of goods were fairly stable. The groups of items that were bought heavily at the markets included fresh food, fruits, and ready-made clothes.

**Many products will adjust prices**

According to forecasts of the domestic market management unit, in May and the coming time, the market of essential goods will not have any major fluctuation in supply and demand. However, the impacts of the global prices or the increase in import duties on some input materials in the first months of the year will affect the prices of some commodities, such as agricultural products, milk, and processed foods.

It is recorded that the prices of some items retailed at grocery stores, such as instant noodles, seasoning powder, spice powder, cooking oil, and cake flour, increased by 7-10 percent compared to those at the end of last year. Some cake flour producers explained that the prices of many input materials increased by up to 20 percent. Currently, the purchasing power in the market remains weak, if they increase the selling prices of finished products based on the prices of raw materials, it will be difficult to convince consumers. Therefore, for these manufacturing enterprises, increasing the selling prices at this time is a necessary evil.

The group of fresh food products, such as poultry meat and eggs, also increased by 10-15 percent compared to the beginning of 2021. This situation is because the price of animal feed surged by more than 20 percent and that of packaging went up by about 15 percent. Besides, the pressure to increase the selling prices of many fresh foods also comes from the increasing gasoline prices, which affected freight rates from provinces to HCMC.

A representative of the purchasing department of one of the major distribution network in HCMC said that although suppliers sent requests to increase the selling prices, mainly the group of fast-moving consumer goods, from May, to harmonize the interests of all parties, the supermarket will carefully consider the possibility of increasing the selling price of each item, as well as the group of goods, avoiding causing a disturbance in the general price level of commodities, affecting consumer psychology. Besides the increase in the prices of input materials, the prices of many product groups are higher than before because the promotional program has ended.

The selling prices of some products may increase slightly, but essential goods will certainly be plentiful and diverse. Even the group of items serving the prevention of the Covid-19 pandemic, such as hand sanitizers and masks, are also fully prepared.

To continue stabilizing the goods and services market, the domestic market management unit recommended ministries, industries, and localities to continue to closely coordinate in the management of market and prices of goods and propaganda to create consensus in public opinion with the State's administration, and stabilize the commodity market.

## 4. Capital injections loom in finance M&A

Japanese financial group Sumitomo Mitsui Financial Group (SMFG) – parent of Sumitomo Mitsui Banking Corporation (SMBC) and consumer arm SMBCCF – was last week reportedly to acquire 49 per cent in FE Credit, Vietnam's largest consumer finance company under VPBank.

Deputy Prime Minister Pham Binh Minh told Masahiro Yoshimura, general manager of Business Development Department at SMFG, at a reception last week that he welcomed SMBC's investment in FE Credit, and noted his belief that the cooperation will be a success.

SMFG will pay $1.4 billion to buy 49 per cent at FE Credit, making it the largest deal conducted by a Japanese bank in Vietnam's financial institution landscape. "The looming acquisition comes as Vietnam's consumer loan market rapidly expands on the back of strong and sustained economic growth," reported Nikkei Asia. "Sumitomo is aiming to widen its business in Asia by leveraging its digitalisation and customer management expertise." FE Credit, after the deal, is now valued at $2.8 billion.

A representative of VPBank told VIR, "Through this transaction, FE Credit is expected to receive additional support and international expertise in capital resources, as well as management skills from SMFG, especially from SMBCCF.

"At the same time, this transaction will inject a large amount of capital to VPBank, bolstering the bank's solid growth fundamentals and enhancing its financial capabilities to explore its huge potential as well as capitalise on the emerging financial industry in Vietnam," the representative added.

VPBank's Board of Directors initially forecast that a successful initial public offering could triple FE Credit's share price compared to the book value after equitisation.

The $1.4 billion bet on FE Credit is part of SMFG's strategy to increase its footprint in Asia. The mega deal will offer mutual benefits, where the Japanese lender fund could jump on the lucrative consumer finance bandwagon in Vietnam, and FE Credit could enhance its operations to international standards.

SMBC Group is one of the three biggest banking and financial groups in Japan, with total assets of over $2.1 trillion as of December 31 last year. The group operates in retail banking, corporate banking, and investment banking worldwide, and is present in over 40 countries.

Last December, SMFG was allegedly planning to acquire an Asian lender, specifically in Vietnam, the Philippines, and India. Accordingly, the bank would cooperate with a global investment bank on US deal-making activities.

Elsewhere, international banks including DBS Group, Mitsubishi UFJ Financial Group, OCBC, and Standard Chartered are allegedly vying to each other to buy Citibank's retail banking business in Asia after the latter's announcement to shut down this arm in 13 markets a fortnight ago.

"The sale process will start within a couple of weeks, they added, declining to be named as they were not authorised to speak to media. Potential bids from the regional banks and Standard Chartered, which makes most of its profit in Asia, underscores their growing appetite for businesses like credit cards and mortgages in a push to lock in long-term income growth," Reuters noted.

"Asia is critical to our group's strategy, and we will allocate resources to drive profitable growth," a Citi spokesman in Hong Kong said.

At the same time, Japanese banks MUFG and Sumitomo Mitsui Financial Group, along with Brit-based Standard Chartered, are mentioned as other potential bidders. In South Korea, financial institutions OK Financial Group and DGB Financial Group are strong candidates if a bidding war to acquire Citibank's retail subsidiary takes place.

Specifically, DBS – the Singaporean multinational banking and financial services corporation – is reportedly mulling over buying Citibank's retail business in India, according to The Hindu Times.

"DBS has always been open to exploring sensible bolt-on opportunities in markets where we have a consumer banking franchise and where we can overlay our digital capabilities," DBS said in a statement.

Besides DBS, Standard Chartered and Kotak Mahindra Bank and Axis Bank also show their interest in the deal in India. Meanwhile, Bloomberg reported the Bank of the Philippines – the country's oldest lender – is mulling over acquiring Citibank's retail arm domestically.

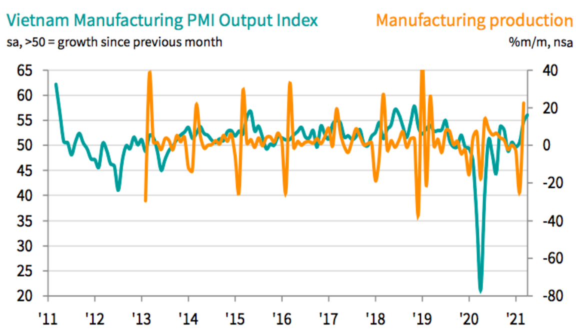
“We have told them that as soon as there is any information, we will take a look at it and most likely, we will be interested,” the bank's president TG Limcaoco said, referring to Citigroup's retail banking business.

In Vietnam, Citibank has been one of the most prestigious foreign lenders for years, providing a wide range of services from credit cards to wealth management, among others.

Citibank's representative in Vietnam previously said that the withdrawal will not affect to its long-term commitment in this country. Citigroup's consumer banking business in 13 markets made up for $4.2 billion of the bank's revenue in 2020 of $74.3 billion.

## 5. Industrial production rises at fastest pace since late 2018

The Vietnam Manufacturing Purchasing Managers' Index (PMI) rose for the third month running, posting 54.7 in April following a reading of 53.6 in March and was the strongest since November 2018, according to Nikkei and IHS Markit.



Sources: IHS Markit, General Statistics Office of Vietnam.

“Output and new orders each rose to the greatest extent since late-2018, and there were encouraging reports that customers were often happy to place larger orders amid greater confidence in the sustainability of the current expansion,” said Andrew Harker, associate director at IHS Markit, which compiles the survey.

"Inflationary pressures remained elevated, with output prices increasing at the fastest pace for almost a decade. There were some signs, however, that the severity of the difficulties in supply chains may be easing, which will hopefully reduce some of the upward pressure on prices," he noted.

The industrial sector was boosted in April by signs that customers were willing to commit to larger orders than previously, given general improvements in demand and control over the Covid-19 pandemic. Total new orders increased for the eighth month running, and at the fastest pace in close to two-and-a-half years.

New export orders also continued to rise amid an improving international demand climate.

Higher new orders fed through to a similarly-sized expansion of manufacturing output, with production also up at the fastest pace since November 2018. Consumer goods firms posted the sharpest rise in output of the three broad categories covered.

Firms were aided in their efforts to boost production by increasing workforce numbers. Staffing levels were expanded for the third month running, and to the greatest extent since December 2018. This increased capacity, however, was not sufficient to prevent a first rise in backlogs of work in 15 months due to the strength of new order growth.

As well as raising staffing levels, firms also posted a sharp and accelerated expansion of purchasing activity. Respondents indicated that the increase in input buying was both in response to higher new orders and as part of efforts to build reserves to support production growth in the months ahead.

Efforts to expand inventory holdings were generally successful in April, with both stocks of purchases and finished goods increasing. In both cases, the rate of accumulation was solid and faster than at the end of the first quarter.

There were some signs that recent severe disruption to supply chains eased in April. While suppliers' delivery times continued to lengthen, the latest deterioration in vendor performance was modest and the softest since last September. Where lead times did lengthen, there were ongoing reports of raw material shortages and global shipping difficulties.

Supply shortages and rising shipping costs continued to feed through to higher input prices. The rate of cost inflation remained substantial and was only slightly slower than that seen in March. In turn, firms raised their selling prices sharply, with the rate of inflation quickening to the fastest for close to a decade.

Expectations that the Covid-19 pandemic will remain under control leading to higher demand, and the introduction of new product lines, supported ongoing confidence among firms regarding the 12-month outlook for production.

## 6. Export-import growth hits 10-year high

Vietnam witnessed the growth of exports and imports in the first four months of 2021 hitting 10-year record high, data of the General Statistics Office (GSO) shows.

From January-April, exports totalled 103.9 billion USD, an increase of 28.3 percent against the same period last year.

The domestic sector exported 25.76 billion USD worth of goods and services, up 12.8 percent year-on-year and accounting for 24.8 percent of the total overseas shipments, while the foreign-invested sector contributed 78.14 billion USD, up 34.4 percent and representing 75.2 percent of the total.

Highest growth was seen in the heavy industry and mining sector, which generated 57.58 billion USD in export revenue, a year-on-year rise of 33 percent. It was followed by the light and craft industries, 27.5 percent; and agriculture and forestry, 8.8 percent.

The US was Vietnam's largest buyer during the period, with a value of 30.3 billion USD, up 50.1 percent year-on-year. China came second, purchasing 16.8 billion USD worth of goods and services from Vietnam, up 32.4 percent; followed by the EU, 12.6 billion USD and 18.1 percent.

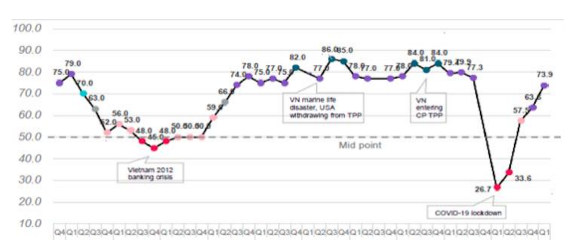
Four-month imports rose by 30.8 percent from a year earlier to 102.6 billion USD. Some 93.9 percent of the imports were capital goods, worth a total of 96.31 billion USD, up 31.4 percent. The remainder was consumer goods, valued at 6.3 billion USD, up 22.5 percent.

China remained as Vietnam's biggest seller with 33.1 billion USD worth of goods and services shipped to Vietnam, up 47.8 percent year-on-year, followed by the Republic of Korea (16.9 billion USD), ASEAN (14.1 billion USD), and Japan (7.2 billion USD).

The GSO also reported trade surplus of 1.29 billion USD and total retail sales of goods and services of close to 1.7 quadrillion VND (73.5 billion USD) in the first four month of the year, up 10 percent year-on-year.

## 7. European businesses' confidence on Vietnam outlook reaches highest since Covid-19 emergent

Business Climate Index (BCI) measuring sentiment of European enterprises in Vietnam hit 73.9 points in the first quarter of 2021, the highest score recorded since the third quarter of 2019, before the Covid-19 pandemic took toll on global trade and investment.




*EuroCham's BCI movement.*

The EuroCham revealed the latest data, saying this continues a positive upward trend in the index, with the score rising more than 47 points over the last 12 months.

“The BCI confirms once again that Vietnam is open for businesses. While countries continue to struggle with the impact of Covid-19, Vietnam has ensured that companies here can continue their operations as close to normal as possible. This is helping to drive economic growth and fuel the confidence of European business leaders,” EuroCham Chairman Alain Cany said.

“Therefore, it is no surprise that EuroCham members are positive about the future of their own companies and optimistic about the prospects for Vietnam's trade and investment environment. The BCI has now almost climbed back to pre-Covid levels – this is a remarkable achievement and further evidence that Vietnam is on the right path to achieving its twin goals of protecting health and promoting economic growth,” he added.

The data came after Vietnam recorded strong economic growth of 4.48% at the start of 2021, and this is reflected in the optimistic outlook of European enterprises. When asked about the prospects of Vietnam's business environment in the next quarter, 67% predicted either ‘excellent' or ‘good' – a 12% increase compared to the previous quarter.

Meanwhile, business leaders are also more optimistic about their own companies. More than two-thirds (68%) predict that their orders and revenue will ‘maintain or increase' over the next three months. That's a 25% increase compared to the fourth quarter of 2020.

EuroCham members are also seeing a positive effect from the EU-Vietnam Free Trade Agreement (EVFTA) which entered into force on August 1, 2020. Since it was implemented, more than 60% have benefited from the agreement. However, business leaders continue to report that ‘administrative procedures' are the biggest barrier preventing them from utilizing the EVFTA.

Thue Quist Thomasen, CEO of YouGov Vietnam, the agency conducting the BCI survey, said the fact that more business leaders are anticipating a rise in their headcounts and investment plan is – in itself – a vote of confidence in Vietnam's long-term prospects. It shows that companies are investing in their workforce and their businesses now in anticipation of a strong and prosperous 2021.”.

# Corporate News

## 8. VIC: Vingroup Q1 revenues surge to $1 bln

↑ 1.98%

Its consolidated post-tax profits were up 72 percent to VND868 billion ($37.6 million).

Nearly half the revenues, VND10.65 trillion ($461 million), came from real estate thanks to sales at some major projects such as Ocean Park, Grand Park and Smart City in Hanoi.

Revenues from smartphones, cars and electric motorbikes increased by 48 percent to VND4.8 trillion.

Auto subsidiary VinFast in January introduced three self-driving cars that are expected to hit the market later this year.

VinBus Transport Service Co. launched the nation's first smart electric bus service in Hanoi last month. Initially the buses will only run within the Vinhomes Ocean Park urban area in Gia Lam District.

Revenues from tourism and entertainment, however, fell by almost half to VND933 billion because of the Covid-19 pandemic that resulted in a closure of Vietnam's borders and suspension of international flights.

Vingroup last month announced plans to build an auto and parts manufacturing complex in central Ha Tinh Province. It already has one such a complex in Hai Phong City.

## 9. VJC: Vietjet reports positive performance in 2020

↓ -0.72%

Vietjet Aviation Joint Stock Company (HOSE: VJC) has released its audited annual financial statements for the year 2020.

The audited revenue of Vietjet's parent company in 2020 was reported at 15,203 billion VND (approx. 657.9 million USD). Its consolidated revenue and post-tax profit after audit were 18,220 billion VND (approx. 788.4 million USD) and 69 billion VND (approx. 2.99 million USD) respectively.

Regarding earnings by sector, Vietjet recorded a loss of 1,453 billion VND (approx. 62.9 million USD) in air transport, remarkably lower by 31 percent than those previously reported in its own financial statements.

It has made Vietjet among few airlines in the world being able to keep their core business afloat and turning a profit in 2020.

Vietjet's total assets reached 45,197 billion VND (approx. 1.96 billion USD) while its owner equity was at 17,325 billion VND (approx. 749.7 million USD) including treasury shares. Its debt-to-equity ratio stayed as low as 0.66 while the liquidity ratio remained at 1.28, which is considered a good performance in aviation industry.

Vietjet has made drastic cuts to operating expenses by optimizing fleet operations with a 50 percent cost reduction, negotiating a 20 percent – 25 percent discounts with suppliers while bringing down at least 10 percent of daily operating costs. The airline also successfully hedged jet fuel which helped save 25 percent of fuel costs compared to buying at market price.

The airline was the first one in Vietnam being approved to deploy cargo operations in the passenger cabin (CIPC) in 2020. By optimising freight capacity and expanding the international network, Vietjet has since delivered more than 60,000 tons of cargo on nearly 1,200 international flights during 2020. Thanks to its outstanding cargo transportation, Vietjet has won the "Belly carrier of the year" and the "Low-cost carrier of the year" awards by cargo magazine Payload Asia.

The year 2020 also marked the launch of Vietjet Ground Services Center (VJGS) at Noi Bai

International Airport in Hanoi last year. It has helped the airline greatly improve its services quality while slashing costs of outsourcing.

Vietjet has reported very positive operating indexes last year, for example its load factor was at over 80 percent while on-time performance rate stayed at a global high 90 percent. Vietjet's technical reliability rate stood at 99.64 percent and received the highest safety ranking of 7 stars. It was also listed in the top 10 safest and best low-cost airlines in the world in 2020 by Airlineratings.

The airline has further invested in the aircraft maintenance system and sustained training for pilots and cabin crew to meet the highest demand of the domestic market while being on standby for the resumption of international flights.

The Vietjet Aviation Academy (VJAA) has stayed open throughout 2020, offering a total of 47,386 training hours for employees of all units, of whom many attended online classes for the sake of social distancing.

VJAA plans to kick off a series of technical and physical infrastructure projects in 2021, including installing a new flight simulator (SIM) to make VJAA an aviation training center at regional level.

According to the carrier, the domestic market now has been back in full swing, even surpassing the 2019 level. Vietjet projects a recovery of international market in the fourth quarter of 2021 as the Government is expected to keep its tax and fee reliefs while considering possible financial assistance and loan interest deduction for the airlines in the coming time.

Vietjet has so far resumed its entire domestic network and even opened more new routes in 2020. Putting customers at the centre of business, Vietjet will kick-off a comprehensive digital transformation which will apply a technology touch onto every service available in 2021.

Apart from air transport business, Vietjet has expanded its investments in aviation services, financial investments and many projects to ensure its business strategy is done effectively and sustainably.

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