



VIETNAM DAILY NEWS

May 11th, 2021



JAPAN SECURITIES INC.

Table of content

Table of content

1. Market reverses course, VN-Index up nearly 18 points
2. Vietnam maps out plan to develop collective economy, cooperatives
3. Vietnam becomes more attractive to foreign investors
4. Local enterprises must deal with challenges in FTA implementation
5. Vietnam's retailers accelerate shopping experiences to meet consumer demand
6. Enterprises start increasing waste recycling
7. Construction materials prices surge as demand recovers
8. VPB: VPBank posts 173.2 million USD pre-tax profit in Q1
9. HPG: Hoa Phat's steel export volume increases 3.5 fold in April

Market Analysis

1. Market reverses course, VN-Index up nearly 18 points

The market benchmark VN-Index finished higher on Monday, up 17.77 points, or 1.43 per cent, to 1,259.58 points. The index lost 0.7 per cent last Friday.

The market breadth turned positive as 214 stocks rose while 207 stocks decreased and 43 stayed unchanged.

During the session, domestic investors poured over VND23.13 trillion into the southern market, equivalent to a trading volume of 773 million shares.

The move was contrary to experts' expectation as they forecast that the market will continue to fall this week.

"This week, the market is expected to witness corrections from the beginning of the week, and is likely to bounce back in last sessions of the week," Bao Viet Securities said in a daily report to investors.

Similarly, analysts from Saigon-Hanoi Securities JSC (SHS) said that the market might fall to lower levels this week to find a bottom-fishing force.

The main reason for Monday's recovery was gains in large-cap stocks, especially in material and banking sectors.

The VN30-Index posted an increase of 29.93 points, or 2.23 per cent, to 1,370.66 points. 23 of 30 biggest stocks in the VN30 basket climbed on Monday, while only seven stocks dropped.

Material stocks dominated the market's rally with Vietnam Dairy Products JSC (Vinamilk, VNM) and Masan Group (MSN) all posting a maximum daily gain of 7 per cent. Another material stock reporting great performance was Hoa Phat Group (HPG), up 3.62 per cent.

Bank stocks also had a positive influence on the stock market with many registering gains of more than 1 per cent like Vietcombank (VCB), Techcombank (TCB), Vietinbank (CTG), VPBank (VPB) and MBBank (MBB).

On the other hand, losses in No Va Land Investment Group Corporation (NVL) limited the market's rally. The company shares edged 5.38 per cent lower in Monday's trade.

On the Ha Noi Stock Exchange (HNX), the HNX-Index also closed higher, up 0.15 per cent to 280.27 points on large-cap stocks. The HNX30-Index, tracking 30 biggest stocks in market capitalisation on HNX, jumped 0.36 per cent to 418.48 points. The HNX-Index lost 0.44 per cent last Friday.

In Monday's trade, nearly 116 million shares were traded on the northern bourse, worth nearly VND2.3 trillion.

Meanwhile, foreign investors returned to the market as they net bought a total value of VND94.38 billion on both the exchanges.

Of which, they net bought a value of VND89.82 billion on HoSE and a value of VND4.56 billion on HNX. In the morning session, they net sold a value of VND715.84 million on HNX.

Macro & Policies

2. Vietnam maps out plan to develop collective economy, cooperatives

The Ministry of Planning and Investment (MoPI) has submitted a plan on developing the collective economy and cooperatives for the 2021-2025 period to the Prime Minister for approval.

The plan is part of efforts to carry out the strategy on developing the collective economy and cooperatives for the 2021-2030 period, thus laying a ground for ministries, agencies and localities to devise annual programmes and schemes in fields under their management.

It comprises goals, development orientations, measures, costs and ways of implementation.

The MoPI's Agency for Cooperative Development said amid the global integration era in the next decade, cooperatives enjoy many chances to access new technologies, attract foreign investment, especially from major partners in farm produce processing and export.

However, they will face increasingly intense competition both at home and abroad due to climate change, growing population, and rapid urbanisation which fuel stronger demand for safe and quality products.

In order to develop the collective economy and cooperatives sustainably, the agency suggested raising public awareness and their role and position in the new situation.

According to the agency, there were over 26,000 cooperatives nationwide last year, with 6.1 million members. Up to 100 cooperative alliances group more than 630 cooperatives and over 119,000 cooperative groups with about 1.6 million members.

Due to small scale and uneven development among regions, their growth remained low and contributions to the country's gross domestic product fail to meet demand.

Linkages between collective economic entities and cooperatives, and other economic sectors remains weak while coordination among State management agencies, socio-political and mass organisations in the effort is limited and ineffective/.A new report finds that 43 percent of US-based respondents cited Vietnam among their top three buying geographies as of early 2021, doubled from 2019, according to Material Handling & Logistics, a US website.

3. Vietnam becomes more attractive to foreign investors

According to the latest survey data, the rate of foreign direct investment (FDI) enterprises reporting losses increased from 34.3 percent in 2019 to 47.1 percent in 2020 - the highest level in history. The median revenue of FDI enterprises declined from US\$0.93 million in 2019 to only \$0.67 million - the lowest level since 2012. The proportion of enterprises planning to expand production and business also decreased from 53 percent in 2019 to 41 percent in 2020.

The data on the FDI enterprise “thermometers” surveyed by the Vietnam Chamber of Commerce and Industry are clear evidence of the negative impacts of the Covid-19 pandemic on business performance and efficiency of enterprises. The FDI sector has mainly encountered difficulties involving access to

international markets (50 percent), the decline in cash flow (42 percent), and the disruption of supply chains (42 percent). Enterprises operating in the information, communication, and computer production, electronic devices, motor vehicles, leather goods, and garment industries were most affected in terms of revenue and labor.

However, it seems that the current difficulties are temporary. The political stability of Vietnam continues to have a strong attraction to them (over 90 percent). After the Land Law 2013 was enacted, the proportion of FDI enterprises that assess the risk of site acquisition as “low” increased from 64 percent to 80 percent. The proportion of FDI enterprises that believe that Vietnam has a lower

risk of policy instability also rose from 60 percent in 2013 to 82 percent in 2020.

In the eyes of foreign investors, Vietnam also has some other important advantages, with nearly 40 percent of FDI enterprises considering anti-corruption as one of the strengths of Vietnam in 2020 from approximately 30 percent in 2014; the proportion of FDI enterprises having to pay unofficial fees while implementing land procedures, inspections, investigations, and import and export procedures all decreased over time; the proportion of FDI enterprises having to spend 10 percent or more of their revenue to pay the unofficial expenses decreased from more than 2 percent in the years of 2016 and 2017 to 1.2 percent in 2020; the quality of public services had also improved significantly, with satisfaction climbing from the 29 percent in 2014 to nearly 46 percent in 2020.

However, noticeably, in the field of system of procedures and regulations and infrastructure, there have not been significant improvements in recent years. According to FDI enterprises, Vietnam needs to continue to improve more drastically. The proportion of FDI enterprises encountering difficulties with administrative procedures in the fields of customs, taxation, fire safety, business establishment, and social insurance remained quite high, around 23-24 percent.

Besides, Vietnam needs to continue to simplify the process of business establishment, digitization, and administrative procedures in the fields of customs, taxation, and social insurance, thereby improving further the national competitiveness and comparative advantage with other countries in the region.

4. Local enterprises must deal with challenges in FTA implementation

The negotiation, signing, and implementation of a series of FTAs in recent years has offered positive conditions for local firms to promote their exports and connections, whilst enjoying deeper participation in the global value chain and production network.

In the context of the novel coronavirus (COVID-19) pandemic both last year and in the early months of this year, FTAs have increasingly emerged as a bright spot in the overall picture of the nation's economic growth.

The Ministry of Industry and Trade reports that as of April, authorised agencies and organisations have issued more than 127,296 sets of C/O form EUR.1 (Certificate of Origin), with a turnover of more than US\$4.78 billion to 27 EU countries. In addition, enterprises exporting goods to the EU market also self-certify the origin for roughly 3,585 consignments worth over US\$10.88 million in order to enjoy tariff preferences in line with the EU-Vietnam Free Trade Agreement (EVFTA).

Tran Thanh Hai, deputy director of the Import and Export Department under the Ministry of Industry and Trade (MoIT), says that goods with C/O form EUR.1 mainly consist of footwear, seafood, garments and textiles, agricultural products, and products such as cereals and electronics. Import markets are

mostly based in countries that have seaports, distribution hubs, and transshipment centres within the EU, such as Belgium, Germany, the Netherlands, and France.

Alongside the EVFTA, the Regional Comprehensive Economic Partnership (RCEP) will cover a vast market with 2.2 billion consumers, thereby accounting for approximately 30% of global GDP and being the largest free trade area in the world.

Furthermore, the UK-Vietnam Free Trade Agreement (UKVFTA) also appears to have shown many positive signs in recent times, with Vietnamese exports to the UK during the first half of the year increasing by 22.1% over the same period from last year.

In terms of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), in just two years since the implementation of the deal, trade turnover between the nation and the other 10 CPTPP countries has reached US\$77.4 and US\$78.2 billion, up by 3.9% and 5%, respectively compared to 2018.

Nguyen Thi Cam Trang, deputy director of the Import and Export Department under the Ministry of Industry and Trade, says that in the context of almost all CPTPP partners reducing imports, the

country has still achieved growth which indicates that the CPTPP has been creating a range of positive effects.

Enterprises need to swiftly fix "holes" and weaknesses

There is no denying that participating in new generation FTAs is benefiting the nation in terms of tariff reduction. However, the implementation of these trade deals also poses numerous challenges to many industries, especially in relation to quality and standards.

Nguyen Khanh Ngoc, deputy director of the Europe - America Market Department under the MoIT, commented that FTAs are also contributing to increasing competition pressure for the national economy and local enterprises. This thereby requires local businesses to comply with high standards of rules as a means of taking full advantage of opportunities and limit commercial disputes.

"Non-tariff barriers to imported goods in the markets of FTA participating countries with Vietnam will tend to increase with the high trend of protection and application of technical, labor and protection standards. This is seen as a big challenge for businesses, affecting the ability to capitalize on tariffs," Ngoc states.

Various economic experts believe that in order to make the most of opportunities from FTAs and to minimise the challenges faced, domestic businesses need to be proactive in grasping the advantages that FTAs bring, whilst also dealing with their "holes" and weakness.

To increase opportunities enjoyed by Vietnamese businesses to expand their export markets through the CPTPP, Do Thi Thu Huong, Vietnam Trade Counselor in Canada, notes that local firms must be more proactive in terms of grasping the advantages in the framework of the trade deal. In particular, import tax incentives can have a direct impact on the price mechanism between both buyers and sellers, therefore it can be considered as a basis for negotiation with partners.

5. Vietnam's retailers accelerate shopping experiences to meet consumer demand

Vietnam's retailers have focused on accelerating shopping experiences to meet consumer demand both in-store and online.

The latest Zebra's annual study revealed the finding after analyzing the attitudinal behavior of shoppers, retail associates and retail executives, and examining the retail and technology trends impacting shoppers' purchasing behavior in North America, Latin America, Asia-Pacific, Europe and the Middle East.

The study found that, in Asia Pacific including Vietnam, retail decision-makers and store associates have seen a dramatic increase in the need for convenience and efficiency as the pandemic has catapulted shoppers' usage and affinity for mobile ordering and smart checkout solutions.

Mobile orders from smartphones and tablets have seen tremendous growth and been instrumental in helping maintain social distancing and adherence to local guidelines. "Seventy-two per cent of surveyed shoppers have ordered from mobile devices and

82% of them are highly likely to continue using it," the study wrote.

Millennials (88%) and Gen X (79%) shoppers were the primary users of mobile ordering but nearly half of Boomers (47%) used it too, and 74% of them are likely to continue using it in the future.

Half of surveyed shoppers have interacted with self-checkouts in the last six months and more than 60% agreed the self-checkout solutions provide an improved customer experience. While agreement is highest among Millennials at 73%, 66% of Gen X shoppers and 50% of Boomers have also realized an improved customer experience from self-checkout solutions in 2020.

"Meanwhile, 86% of retail decision-makers and 71% of store associates agree self-checkouts improve the customer experience. Almost nine-in-10 decision-makers and more than seven-in-10 associates believe self-checkouts freed employees up to do higher priority tasks and better serve customers

while helping meet health and safety mandates and protocols,” the study wrote.

Changing to be winner

In Vietnam, retailers in the food & beverage (F&B) market have changed to adapt to the new normal period as well as the shopping behavior. F&B retailers have closed a series of large-scale outlets in big cities including Golden Gate - the Vietnamese owner of restaurant chains, Tokyo Deli and Daruma - the Japanese restaurant chains, and the Vietnamese organic soya chain Soya Garden.

Instead, the chains have focused on providing online services to accelerate shopping experiences for customers. Soya Garden is shaking hand with its tech partners to boost take-away orders as well as plans to develop new small outlets or kiosk, and remains best outlets meeting the consumer demand.

According to Hoang Tung, Founder & CEO of Pizza Home, Covid-19 made the sector difficult but many large retailers in Vietnam had quickly adapted to the new situation. “However, they need to focus on improvement of experience and convenience in their long-term strategy,” he told Hanoitimes.

“Retailers in Vietnam are aware the success hinges on elevating the shopper experience,” said Tracy Yeo, Country Lead for Vietnam, Zebra Technologies Asia Pacific.

She added that investments in analytics, mobile ordering and smart checkout will provide a more seamless and satisfying omnichannel experience. The Zebra study found that shoppers' in-store and online satisfaction significantly declined in 2020 due to out-of-stocks, product variety, online delivery cost and timing and returns.

6. Enterprises start increasing waste recycling

Many practical benefits

If wastes, by-products, and defective products during the production process are not handled scientifically and thoroughly, they will cause environmental pollution. To solve this problem, currently, many enterprises have been promoting the reuse and recycling of defective products and by-products into useful products.

For instance, HCMC-based Nestlé Vietnam is implementing a model of developing biomass energy from coffee grounds after the coffee production process. Accordingly, the coffee grounds extracted after processing will be used as biomass energy for the boiler.

This action will contribute to reducing carbon dioxide emissions which cause environmental pollution. After a period of use, it is estimated that biomass energy has helped the company reduce gas emissions by 22,600 tons of carbon dioxide per year, and thereby also helped to replace 73 percent of raw materials each year that the company used to use as fuel.

The waste of coffee grounds after being used for the boiler is non-hazardous. After being internally treated, it can also be used to produce fertilizer. Besides, used Nestlé's milk cartons are also recycled into ecological roofing sheets.

Developing towards this trend, La Vie Co., Ltd. in Long An Province is also promoting the model of "Zero Waste Disposal". Here, waste is sorted at the source. Wastes that can be processed into useful materials for production then will be transported to the recyclers.

The rest is treated by heat recovery and zero-emission technology. Heat energy is recovered to serve the production activities of the company. All the ash is used for cement production. The gas is treated following the prescribed standards. This process has created a circular economy, helping waste to be fully utilized, instead of ending up in landfills or being discharged into the environment.

Earlier, La Vie used to cooperate with a third party to produce bricks from wastes. Currently, this project is converted to utilize ash after heat recovery technology to produce cement. The application of circular economic models with the highest

standards in waste treatment contributes to supporting La Vie to achieve the goals of sustainable development and environmental protection.

Ms. Le Thi Tuyet Mai, Director of Mai Anh Dong Thap Company in Dong Thap Province, said Dong Thap is one of the major rice granaries of the country. Therefore, the source of rice husks collected from rice milling is fairly plentiful and stable. Grasping the development trend of the market and moving towards a green revolution for the economy, her company has chosen rice husks as the main source of raw materials for all of its products.

From the collected rice husks, with advanced technology, this unit has produced products for both agriculture and industry. Typically, rice husk biochar is produced by pyrolysis of biomass in the absence of oxygen. Rice husks produce biochar with a biomass carbon ratio of 35-40 percent.

Rice husk biochar is mixed with raw materials to produce safe bio-organic fertilizers, which helps to improve the soil. Moreover, rice husks are also used to produce environmentally friendly biomass, such as rice husk pellets, chopped rice husk briquettes, and silica.

Inevitable development trend

The promotion of recycling and reuse of wastes and by-products after production has brought many benefits to enterprises themselves and the environment. For enterprises, it will help reduce costs and increase the competitiveness of products. For the environment, it will also reduce a large amount of wastes from production activities.

According to many experts, this is an inevitable development trend in the context that Vietnam is a

country with deep integration into the global economy. Most of the free trade agreements that Vietnam has signed have regulations and agreements on sustainable development, environmental protection, climate change response, and waste and emission standards.

Therefore, the fact that enterprises increase recycling and reusing wastes will be an important factor for Vietnam to meet the environmental protection requirements in these agreements. This is also a premise to urge Vietnam to accelerate its transition to a circular economic model and protect the environment.

Associate Professor-Dr. Nguyen Hong Quan, Director of the Institute of Circular Economy Development in Vietnam under the Vietnam National University Ho Chi Minh City, added that in Vietnam, so far, economic activities have been mainly based on a traditional approach that does not pay much attention to the recycling and reuse of wastes. This is also one of the basic causes leading to a shortage of natural resources and serious environmental pollution.

By increasing recycling and reusing wastes, Vietnam is heading to a circular economic model (green economy) - an efficient and environmentally friendly economic model - in which, the output wastes of one industry can be the input materials of another. The circular economic model brings a part or all of the wastes to the old production cycle to restructure and reuse them. Thus, it helps to reduce raw material consumption and recover wastes.

For enterprises, the circular economy contributes to reducing the risk of scarcity of natural resources, creating the driving force for investing and innovating technology, reducing production costs, and increasing the value of the supply chain.

7. Construction materials prices surge as demand recovers

Duc Chien in Hanoi's downtown Ba Dinh District recently completed the construction of a new house, but the cost ended up 30 percent higher than his original estimate.

"The contractor asked to hike prices several times during the course of four months, and I have no

choice but to accept so that the construction could finish in time," he said.

The contractor had cited rising construction material prices, including 50 percent for sand and 35 percent for steel.

"Several other contractors in my neighborhood complained about the same issue, and so I guess it is the norm."

A group 40 construction companies in the southern province of Ca Mau have recently petitioned provincial authorities to review and make adjustments to prices of materials such as steel, stone and sand, which have been rising sharply.

They said sand prices have tripled in recent months and steel prices doubled amid shortages, which have also led to construction delays.

"Contractors are at risk of going bankrupt," one company in the group said.

In the southern province of Bac Lieu, Nguyen Van Duc, the chief of a construction company, said sand prices in the province have nearly doubled to VND210,000 (\$9) per cubic meter from earlier this year.

Lu Gia Mechanical Electric, a manufacturer of lamp posts and lights in HCMC, had to increase prices after the prices of steel plates rose by 70 percent.

Nguyen Tuan Em, the CEO of a small construction firm in Ho Chi Minh City, said the company's four projects currently underway are set to lose since the contracts were signed in February with fixed prices.

"My only hope is that the customers will agree to change the contract to flexible pricing."

The surge in the construction material prices comes amid increased demand for construction and manufacturing as countries recover from Covid-19.

The Ministry of Industry and Trade said recently that prices of intermediate goods have risen because of long shipping times as the supply chain is hindered by the ongoing pandemic.

Local steel prices depend on the prices of intermediate goods needed for production, most of which are imported, it added.

Steel prices have risen by 40-50 percent since the end of 2020, according to the Vietnam Steel Association (VSA), which forecast prices to continue rising until the end of the third quarter.

The international media has reported that strong demand in China, Europe and the U.S., thanks to their recovery after Covid-19, has pushed up prices of materials such as iron ore, copper and timber.

In the case of sand, construction companies said prices have been rising because of increased demand for public infrastructure works such as the Trung Luong – My Thuan Expressway and My Thuan Bridge 2.

Nguyen Thanh Hai, CEO of a construction firm in the southern province of Tien Giang where many sand mines are located, said output is dwindling in mines in the Mekong Delta, and contractors are struggling to source sand.

For now contractors and their customers have little option but to pay higher prices.

Nguyen Tai Anh, deputy director in charge of investment at Vietnam Electricity, said his company is having trouble awarding contracts for its projects since raw material prices have risen by 30-40 percent.

Anh hopes prices to start falling as late as next year otherwise many projects won't meet their deadlines.

Corporate News

8. VPB: VPBank posts 173.2 million USD pre-tax profit in Q1

↑ 1.30%

VPBank recorded pre-tax profit of more than 4 trillion VND (173.2 million USD) in the first quarter of the year, an increase of 38 percent over the same period last year.

According to its recent financial statements, VPBank saw positive changes in risk management and asset quality, optimising cost of capital and good growth in the proportion of CASA (Current Account and Savings Account) deposits. In addition, the fee income increased the growth driver for profit and the safety indicators were strengthened.

By the end of March 31, 2021, VPBank's total assets were 436.2 trillion VND, up 4.1 percent from the end of 2020. Of which, loan balance was 301.1 trillion VND, posting a 3.6 percent year-on-year increase. Consolidated non-performing loans (NPLs) on outstanding loans are at 3.46 percent.

In terms of capital, equity of the bank by the end of March 31 reached 55.9 trillion VND, up 6.1 percent from the same period last year. Deposits from customers reached 232.4 trillion VND, down 0.4 percent while deposits and loans from financial institutions and other credit institutions sharply increased by 25 percent in the three-month period.

With this result, VPBank's efficiency ratios continued to be enhanced and ranked at the top of the market, with return on asset (ROA) and return on equity (ROE) reaching 3 percent and 23.5 percent, respectively.

In the first quarter of 2021, fee income continued to make a major contribution to the bank's revenue with consolidated growth of 42 percent. The main growth driver in the period came from the promotion of credit card issuance, insurance services and payment activities.

To achieve high profit growth, VPBank has saved surprising operating costs. In the first quarter of 2021, the bank only recorded 2.5 trillion VND in operating expenses, down 21 percent year-on-year. The cost to income ratio (CIR) accordingly dropped to 23.5 percent from 33 percent in the same period last year, most likely the bank with the lowest CIR in the system in the first quarter of the year.

The digitalisation and customer experience improvement have continued to be promoted by VPBank and yielded very positive results. VPBank reached 9 million transactions a month in March 2021, 2.25 times more than the same period in 2020 in terms of the number of transactions. The value of online transactions reached 128 trillion VND in March, 2.2 times higher than the same period of 2020.

In addition to the value of enhancing customer experience, increasing utilities and benefits in using products and services, the digital transformation also helps the bank optimise the process system and operations, streamlining human resources and improving labour productivity./.

9. HPG: Hoa Phat's steel export volume increases 3.5 fold in April

↑ 3.62%

Steel manufacturer Hoa Phat Group sold a total of 869,000 tonnes of steel in April, a surge of 65 percent compared to the same month last year.

The sales of construction steel rose by over 59 percent against a year earlier to 428,000 tonnes; some 73,000 tonnes of which were exported, a 3.5-fold increase year-on-year.

The surge was partly thanks to the fact that Hoa Phat has entered a new market, Peru, and continued securing orders of large volume from major markets, such as Australia, Japan, Canada and ASEAN nations.

Last month, the steel maker also supplied 212,000 tonnes of hot-rolled coil (HRC) to the market and shipped 121,000 tonnes of steel billets overseas, mostly to China.

In the first four months of 2021, the company sold a total of 2.66 million tonnes of steel billets, construction steel and HRC. Total sales of construction steel reached 1.28 million tonnes, up 28 percent year-on-year; its export of finished products hit 220,000 tonnes, up 42 percent.

The firm aims to produce about 5 million tonnes of construction steel and steel billets, 2.7 million tonnes of HRC and 920,000 tonnes of steel pipe this year./.

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