



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Shares lose ground on heavyweights

Vietnamese shares dropped on Monday, weighed down by market heavyweights as profit-taking pressure increased significantly towards the closing minutes of trading.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) declined 0.60 per cent, or 7.66 points, to finish the trading day at 1,258.70 points.

The benchmark had increased 0.54 per cent last week.

The market breadth Monday was negative as 278 stocks declined while 141 rose and 41 ended flat.

The market's liquidity was high with over 758 million shares traded on the southern market, worth VND22.8 trillion (US\$992 million).

The market witnessed strong volatility at the end of the trading session. A series of large stocks dropped sharply, extending the decrease of the VN-Index.

Masan Group (MSN), Vietjet (VJC) and Thanh Thanh Cong Bien Hoa JSC (SBT) were among the decliners, down more than 3 per cent each. Vinamilk (VNM), Phat Dat Real Estate (PDR), Bao Viet Holdings (BVH) and Khang Dien House (KDH) were among those that lost more than 2 per cent.

On the other side, Vinhomes (VHM) continued to lead this group with a gain of more than 3 per cent, Novaland (NVL) and Tien Phong Bank (TPB) advanced by more than 2 per cent.

At the end of the session, plastic-chemical production and food and beverage were the two sectors that dropped sharply, down over 2 per cent.

Agriculture-forestry-fishery, household appliance, insurance and many other industries decreased by more than 1 per cent. Seafood processing was one of the growing industries in the market with a growth rate of more than 1 per cent.

Many investors were confused as the VN-Index still had not shown any clear trend. The strong demand appearing whenever the market shook was a sign that investors are still confident in the stock market's uptrend, said news site cafef.vn.

However, the selling pressure was still quite strong. As the VN-Index was hovering at its historic peak, selling pressure is inevitable. Investors needed to observe and analyse whether the demand would be strong enough to create a new price level, it said.

The 30 biggest stocks tracker, VN30-Index, lost 0.63 per cent to finish Monday at 1,371.36 points.

Of the VN30 basket, eight stocks increased while 22 decreased.

Meanwhile, on the Ha Noi Stock Exchange (HNX), the HNX-Index rose 0.70 per cent to close Monday at 296.79 points.

The index posted a significant rise of 5.2 per cent last week.

During the session, nearly 196 million shares were traded on HNX, worth VND4.3 trillion.

## Macro & Policies

### 2. Domestic consumption, exports of steel surge

Exports hit 2.1 million tons and local sales, 9.84 million tons, according to data from the Vietnam Steel Association (VSA).

Steel production rose 38 percent year-on-year to 10.48 million tons, enough to fully meet demand, but prices still surged 40-50 percent, which the Ministry of Construction said was "unusual."

The Ministry of Industry and Trade blamed the price rise on costlier imports of iron ore and raw steel after global prices saw double-digit growth since April.

According to VSA data, ore prices hit \$189.9 per ton at the beginning of May, up 12 percent from early April, while hot-rolled coil prices jumped 16 percent to \$925 per ton.

VSA expects steel prices to continue rising this month due to the surging input prices.

The Ministry of Industry and Trade said it would recommend that the government should temporarily limit the exports of products that are in high demand in the country to keep prices steady and increase steel production.

### 3. South Korean firms advised to weigh risks and challenges for Vietnam relocation plans

According to the latest report by Korea International Trade Association (KITA), a growing number of South Korean companies are relocating to Vietnam in a bid to diversify supply post pandemic and reduce impact from the US-China trade disputes. However, the market also poses trade and market risks as an alternative production base to China.

There has been a growing trend of South Korean investments and exports to Vietnam. Vietnam has been the third-largest export market for South Korea behind China and the United States. In 2020, around 3,324 and 2,233 South Korean companies were doing business in Vietnam and China, respectively.

In Vietnam, South Korea was the second-largest foreign investor in Vietnam last year with the total registered capital of over \$3.95 billion, behind Singapore, according to the Ministry of Planning and Investment.

However, Vietnam is now subject to the growing number of import regulations targeting "Made in Vietnam" products. In 2020 alone, 21 anti-dumping and six countervailing duty investigations were initiated against Vietnam.

The report also points another burden for Vietnam is its non-market economy status (NME), which means it is more vulnerable to dumping determinations and subject to higher dumping margins. The US and the EU have designated NMEs in accordance with their laws and applied Adverse Facts Available and NME rates to NME companies that have failed to prove their independence in relation to their governments.

The US have conducted eight countervailing duty investigations against Vietnam to impose countervailing duties in six cases. With more and more products made in China being exported via third countries in order to avoid trade restrictions, Vietnam had to face US and EU investigations.

Furthermore, the relocation wave has put more pressure on infrastructure like growing rent prices at industrial zones and overloaded container traffic.

"South Korean companies in Vietnam need to work more closely together with local partner firms, formulate raw material and component procurement plans against anti-dumping investigations, and prepare to prove their independence in relation to the Vietnamese government with regard to the NME rates," KITA advised.

#### 4. Companies worried about hiring foreign experts under new academic strictures

South Korean electronics giant Samsung, one of the largest foreign direct investors in Vietnam, is worried that the new decree will pose challenges for its recruitment process.

"In reality, there are many people whose academic majors are not related to their field of work, but who have become outstanding experts after a long time of learning and gaining experience," Samsung Vietnam said in an emailed statement to VnExpress International.

The company was referring to a labor decree which took effect in February that allows foreigners to get a work permit only if they have at least a bachelor's degree and three years of experience in their field or a practicing certificate with five years of experience in their own country.

Samsung Vietnam said that in the long run, the decree will rob experts with outstanding skills the opportunity to develop their own potentials.

The company said it has always prioritized the recruitment and training of its employees and guaranteed that foreign experts sent from the parent company in South Korea or recruited into Samsung Vietnam are all high-quality professionals with expertise in their fields.

Several foreign manufacturing companies in Vietnam have reported no immediate issue relating to the new decree, but are concerned that recruiting will become more difficult in the future.

The head of human resources at a South Korean manufacturer of air compressors in Hanoi, who asked not be named, said the decree will limit the company's chances of finding suitable candidates if those with less than five years of experience in the field and without a related bachelor's degree cannot be hired.

Several chambers of commerce in Vietnam have already voiced concerns about the decree.

The Canadian Chamber of Commerce Vietnam said last month that it is not uncommon these days for a person to have a career unrelated to their education, and the new regulation creates unnecessary difficulties by recognizing only overseas and not Vietnamese experience.

The American Chamber of Commerce Vietnam (AmCham) said it was nearly impossible to have someone with the right education background for a certain job since career paths can shift.

AmCham members have expressed concerns that the regulation, could disrupt hiring and called for equal recognition for work experience in Vietnam and abroad.

According to the Ministry of Labor, Invalids and Social Affairs, there were around 68,500 foreign workers in Vietnam in 2020.

#### 5. Coffee chains, foreign and local, keep expanding

It has said Viet Nam is one of its 10 important markets and it plans to spend a large amount of money in the next five years to expand in the country.

The US's Starbucks is another chain that plans to expand after opening six new stores last year despite the pandemic.

Trung Nguyen's E-Coffee, a small coffee franchise targeted at takeaway customers, plans to open 16 more stores nationwide.

The Coffee House, which opened 24 stores in the first quarter of this year, plans to open at least another 50 this year to increase its total number to nearly 230, and 1,000 by 2025.

King Coffee plans to have 105 stores this year, including 50 franchised outlets, from the current number of 40 stores.

Other brands such as Phuc Long, Ong Bau and Highlands Coffee have also announced expansion plans.

Phuc Long has said it will open stores all over the country though with a focus on downtown HCM City, Da Lat, Bao Loc, Vung Tau, Bien Hoa, Nha Trang, and Da Nang.

After recently opening the third The Bunny coffee shop in HCM City's District 3, Nguyen Dinh Tung, chairman and general director of Vina T&T Group, which owns the chain, said, "In the mid-priced segment and above, there are only a few brands, and so the epidemic period opens an opportunity for new investors because premises for opening coffee stores in prime locations have never been so easy to find or cheap.

"It is also easier to hire skilled human resources than before. Customers are now different from before, they need high-class cafes."

Launched amid the epidemic, The Bunny has been attracting a lot of customers, and revenues have been very good, he added.

### **Huge potential market**

According to Euromonitor Worldwide, the middle class is growing in Viet Nam, whose coffee and tea retail market is worth more than US\$1 billion.

According to the Viet Nam Coffee and Cocoa Association, the rapid increase in the number of coffee chains has boosted their consumption to over 10 per cent of the country's coffee output.

But the per capita coffee consumption in the country is only a third of the global average, which makes it a very attractive market for both domestic and foreign businesses, it said.

Another factor is the country's young population, Dinh Anh Quan, chairman of The Coffee House, said, adding that Gen Z (people born between 1997 and 2005) is becoming a large customer base since it always wants to try new and different things.

In the past, a number of foreign brands like NYDC - New York Dessert Cafe, Gloria Jean's Coffee, Caffe Bene, and the Kafe have pulled out of the country.

According to experts, there is fierce competition in the cafe chain market, and only brands that make methodical investments, differentiate in their products and are knowledgeable about Vietnamese coffee tastes and create unique customer experiences can attract and retain customers.

In addition to investing in expansion and making a difference in terms of products and services, many coffee chains are also stepping up co-operation with delivery platforms for online sales.

## **6. Vietnamese electronics industry still low in technology and value**

Vietnamese supporting industry enterprises for the electronics industry participate in the value chain, however, most of them only provide simple products with low technology and value.

The Industry Agency under the Ministry of Industry and Trade said that production and trading of electronic products has grown significantly.

Exports of the country's electronics industry have an average growth rate of over 50 percent in the period from 2010 to 2019, which is the highest in the world.

The group of mobile phones and components exported reached 50.9 billion USD last year, down 1 percent compared to 2019 due to the influence of the COVID-19 pandemic. Particularly, the group of exported electronics, computers and components reached 44.7 billion USD, up 24.4 percent compared to 2019.

Among 11 items with export turnover of over 1 billion USD, phones and components have the largest export value of 14.1 billion USD in the first quarter of this year, accounting for 18.2 percent of

total export turnover, up 9.3 percent over the same period last year.

Similarly, the group of electronic products, computers and components reached 12 billion USD, up 31.3 percent over the same period last year.

Nguyen Thi Thu Thuy, Deputy Director of the Export Promotion Center of the Vietnam Trade Promotion Agency under the Ministry of Industry and Trade, said that the Vietnamese economy continued to witness significant changes in its export structure in recent years.

From a country with major exports such as agricultural products and labour-intensive commodities, Vietnam is gradually moving towards products with higher technology and added value such as precision mechanical products and electronic products and components.

"With the experience of working and co-operating with the world's leading companies and corporations from the US, Europe, Japan and South Korea, Vietnamese businesses are fully capable to participate in the supply chains of large companies and corporations around the world," Thuy told VOV online newspaper.

However, the current localisation rate of the electronics industry is low, only about 5-10 percent.

Most of the electronic products on the Vietnamese market are completely imported or assembled domestically with a majority of imported components.

In order to develop the electronics industry proactively, quickly and sustainably, a representative of the Industry Agency emphasised the need to develop measures to protect the market, with measures such as defensive taxes, technical barriers and fight against commercial fraud, counterfeit and smuggled goods.

At the same time, the agency also noted the focus on supporting promising Vietnamese enterprises in the electronics field to create opportunities for them to develop and play a leading role in the domestic market, especially electrical products and appliances.

It is also necessary to review and complete legal policies, especially regulations on goods of Vietnamese origin; implement solutions to expand domestic and export markets.

In addition, the agency also noted that electronic enterprises should pay more attention to identify core and breakthrough products to promote the electronics industry and develop faster and more efficiently.

## 7. Aviation authority proposes removal of airfares' ceiling rates

The Civil Aviation Authority of Vietnam (CAAV) has recently proposed the removal of the cap for airfares on domestic routes operated by at least three carriers.

It made the request in a draft report reviewing the implementation of the 2006 Law on Civil Aviation of Vietnam and the revised edition in 2014.

In such domestic air routes, carriers will be able to set their prices.

At present, the ceiling rates of domestic air tickets are decided based on distance in accordance with State regulations.

The basic economy fares, applied since 2015 for five groups of air routes, stand between 1.6 million VND

and 3.75 million VND (70 USD - 163 USD), depending on distance and excluding additional costs.

The application of the ceiling rates is believed to restrict quality improvement, the CAAV explained.

Echoing its views, experts noted that the removal of the caps will help airlines become more flexible in adjusting airfares during peak time and maximise their revenues.

Vietnam is now home to six domestic airlines of national flag carrier Vietnam Airlines, Pacific Airlines, Vasco, Vietjet Air, Bamboo Airways and Vietravel Airlines.



## Corporate News

### 8. TCB: Techcombank figures pointing to strategic victories

↓ -1.64%

Drawing on its expertise as one of the most reputable lenders with deep local knowledge and international expertise, the Hanoi-based lender is continuously innovating and executing new propositions that upholds Techcombank's role as the top commercial bank in the country.

The bank has released its financial results for Q1, which had it beating analyst expectations with reported profits in the period reaching VND4.4 trillion (\$191.3 million), up 79 per cent year-on-year and an increase of 11 per cent quarter-on-quarter.

The bank has continued to be supported by world-class investors, and top analyst expectations, with JP Morgan, UBS, Morgan Stanley, SSI, Maybank among others noting Techcombank's deep knowledge of the local market, wide range of networks, product diversification, and high-calibre management team.

Most recently, JP Morgan reiterated its “overweight” rating on Techcombank. The bank's pre-provision operating profit witnessed a 58-per-cent increase year-on-year which was 26 per cent above JP Morgan's forecast thanks to the bank's strength across net interest income (NII) and non-interest income (non-II).

NII grew 45 per cent year-on-year and 12 per cent quarter-on-quarter, on robust 5.7 per cent quarter-on-quarter loan growth and lower cost of funds which led to net interest margin (NIM) expansion.

“While treasury gains contributed to non-II, fee income grew 54 per cent year-on-year led by settlement and cash services, suggesting a degree of sustainability,” JP Morgan noted. “Further, asset quality held up well, with the non-performing loan (NPL) ratio declining 8 basis points quarter-on-quarter to 0.38 per cent, while credit costs were broadly in-line. Costs were up 20 per cent year-on-year, which is in line with estimates. The broad-based revenue strength suggests potential upward revisions from our forecasts for this year.”

These upbeat results indicate the bank's robust operating trends and also reaffirms its agility to expand its business scale given its capital of 16.1 per cent. JP Morgan also noted the case for a re-rating, on top of 20 per cent earnings-per-share in compound annual growth rate from 2020-2023.

UBS, a Swiss multinational investment bank and financial services company, also named Techcombank as their top pick, with a strong “buy” recommendation. “Techcombank reported its Q1 pre-tax profit of VND5.5 trillion (\$240 million), up 77 per cent year-on-year and 16 per cent ahead of UBS expectations, respectively driven by NIM expansion, a solid loan growth, and robust non-interest income on the back of solid fee growth and gain from bad debt recovery,” noted UBS analyst Worawat Saisuphatphol.

Although NPL formation increased, the ratio fell further to a record low of just 0.38 per cent helped largely by provision of loans sold. This effort to contain the detrimental impact of potential problem loans has brought about an all-time-high NPL coverage ratio of 219 per cent, as the bank has successfully built a solid provision buffer.

“We see some upside risk to our earnings estimates and expect the market to react positively. Techcombank is our top pick, and we maintain our opinion to buy for this leading, most active Vietnamese lender,” Saisuphatphol added.

According to JP Morgan, Techcombank is one of the rare banks across the region that is making money on both sides of the balance sheet, as well as on fee income, adjusted for all allocated costs, allowing for longer-term visibility on returns.

Techcombank has proven its vast potential as the most profitable bank in the country on return on assets despite having a low deposit market share of 3 per cent.

“The bank has the distinctive ability to manage its loan growth within a system that regulates total

credit. This is due to a large corporate bond book and a 63-per-cent loan/asset ratio. Further, high capital and low NPLs allow for credit quotas in the 20 per cent range for the next three years,” JP Morgan noted.

The bank's zero-fee programme and 1-per-cent cashback debit card have led to sharp improvement in current account saving accounts, to 44 per cent of deposits in 2020 from 22 per cent in 2017.

“We expect further improvement to 50 per cent by 2023, leading to higher NIM. Moreover, we expect Techcombank to be on a self-sustained capital level, given its return on equity/growth combination,” JP Morgan said.

Techcombank CEO Jens Lottner told VIR, “Techcombank's ultimate goal is to become a top 10 bank in the Southeast Asian region, to have scale

and capacity to deliver the best customer journey.” In order to get there, Lottner asserted that Techcombank will focus on sustaining its current account/savings account growth, and investing into its tech and data infrastructure as well as its people.

Previously, Maybank Kim Eng Securities (MKE) applauded the lender's strategy to focus on top private sector companies, upper small- and medium-sized enterprises, and affluent retailers. Similar to analysts from JP Morgan and UBS, MKE analyst Thanh Quan reiterated his strong conviction in Techcombank citing “more room for further re-rating” as the stock as of May 4 traded below the local peer average despite its banking platform, earnings power, and quality being superior as revealed in industry-top operating metrics.

## 9. HNG: HAGL Agrico plans revenue down by 20% this year

↓ -2.87%

Pre-tax profit is expected to be modest at VND16 billion, down 66.7 per cent compared to last year.

Regarding the investment plan, HAGL Agrico plans to plant 1,000ha of banana trees in Attapeu province in Laos, in addition to maintaining good care of its fruit tree cultivation areas in Viet Nam, focusing on management to increase productivity and ensure quality.

In the first quarter, HAGL Agrico's net revenue reached VND259.8 billion, down 61 per cent over the same period in 2020. Profit after tax reached VND6.6 billion, up 136 per cent from VND2.8 billion in the first quarter of 2020. With this result, HAGL Agrico completed 13.7 per cent of the revenue plan and 31 per cent of the profit plan.

In 2020, HAGL Agrico's net revenue reached VND2.38 trillion, up 31.14 per cent compared to 2019. Profit after tax reached VND21 billion.

According to a report on investment and project implementation in 2020, HAGL Agrico said that since 2016, the company had focused its business strategy towards growing fruit trees with the

advantages of short harvest time, large consumer market and high economic efficiency.

The company still maintained a rubber garden for long-term goals, it said.

By the end of 2020, HAGL Agrico had planted fruit trees on 19,700 hectares, of which 8,794 hectares have been harvested with the main products being banana with 195,694 tonnes, mango with 1,250 tonnes and jackfruit with 536 tonnes. Rubber tree exploitation output in 2020 reached 7,913 tonnes.

In HAGL Agrico's Extraordinary General Meeting of Shareholders held in January, the company announced plans for a private placement of shares to swap debt and supplement working capital.

The company plans to issue 550 million new shares to its creditor - Truong Hai Agriculture Joint Stock Company (Thagrigo). Debt swap ratio is VND10,000 for each share. Along with that, HAGL Agrico also plan to issue more than 191 million shares to Thagrigo to supplement capital for production activities and financial restructuring.

After completing the issuance of new shares, Thagrigo will become the parent company of HAGL Agrico.



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