



# VIETNAM DAILY NEWS

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JAPAN SECURITIES INC.

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## Market Analysis

### 1. Market rises as investors' risk-appetite returns

The market closed higher on strong cash inflows, with the market benchmark VN-Index up nearly 17 points.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index jumped 16.89 points, or 1.3 per cent, to 1,320.46 points. The market breadth was positive with 290 stocks climbing, while 124 stocks fell and 47 stocks ended flat.

The liquidity was also high as local investors poured nearly VND24.8 trillion into the southern market, equivalent to a trading volume of over 768.8 million shares.

Gains in large-cap stocks were still the main driving force for the market's rally. The VN30-Index, which tracks 30 biggest stocks on HoSE, settled 1.49 per cent higher to finish the week at 1,458.78 points.

Of the VN30 basket, twenty-three stocks increased while only six dropped and one stayed unchanged.

"The VN-index is still heading toward the strong resistance territory of 1,350 - 1,380 points after breaking over the resistance zone of around 1,285 points," Tran Xuan Bach, senior stock analyst from Bao Viet Securities Company, said in a daily report to investors.

However, the market may face corrections during its upward path to the target zone. It is still likely to witness strong divisions between stock lines and sectors will alternately gain points during this period, Bach added.

He recommended investors should keep the stock proportion in their portfolios at 55 - 65 per cent. Investors may consider opening long positions in

the short term when the market fluctuates.

Bank stocks were still leading the market's trend yesterday. Of which, JSC Bank For Investment and Development of Vietnam (BIDV, BID) was the biggest gainer with a rise of 3.85 per cent.

It was followed by Techcombank (TCB), Sacombank (STB) and Vietinbank (CTG). These stocks all posted increases of more than 1 per cent, with STB hitting the maximum daily gain of 7 per cent.

Many other bank stocks also jumped more than 1 per cent such as VPBank (VPB), MBBank (MBB), Asia Commercial Bank (ACB) and Vietnam International Commercial Joint Stock Bank (VIB).

Stocks in material and utilities sectors also contributed to the market's bullish sentiment. Masan Group (MSN), Vietnam Rubber Group JSC (GVR) and PetroVietnam Gas Joint Stock Corporation (GAS) all inched up more than 2 per cent.

On Ha Noi Stock Exchange (HNX), the HNX-Index rose 1.97 per cent to close Friday at 310.46 points. It was also supported by big stocks' appeal. The HNX30-Index, tracking 30 biggest stocks on HNX, climbed 3.25 per cent to 476.11 points.

During the session, nearly 171.4 million shares were traded on the northern market, worth over VND4 trillion.

Foreign investors were still net buyers on both exchanges as they net bought a value of VND17.21 billion on HoSE and a value of VND11.32 billion on HNX.

## Macro & Policies

### 2. Rice exporter to benefit from the Philippines' tariff reduction

According to Vietnam's Ministry of Industry and Trade (MoIT), this move will help the country stabilize the domestic market amid the serious development of the Covid-19 pandemic.

Exporters must seriously learn Philippine regulations on rice imports and comply with them. In particular, businesses need to have a plan to prevent risks, develop a transaction plan, and honor contracts, the MoIT requested.

The MoIT has suggested that companies should strengthen cooperation with large farmers in crucial rice growing areas to minimize costs,

improve competitiveness against the world's leading rice producers, including India and China.

It has also emphasized the enhancement of rice quality to ensure the prestige of Vietnamese products.

The Philippines is one of the most important Vietnam's rice buyer. In the first four months of 2021, Vietnam's rice exports to the Philippines reached more than 715 thousand tons, worth more than US\$380 million, accounting for 36.27% of the total rice export of the country, according to the General Department of Vietnam Customs.

### 3. Canadian firms seek trade, investment opportunities in Vietnam

Canada's westernmost province of British Columbia and the Asia-Pacific Foundation of Canada (APFC) held a webinar on May 27 to discuss opportunities for local firms in investing in Vietnam under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

The event drew representatives from various Vietnamese and Canadian authorised agencies and more than 200 British Columbia firms.

Addressing the event, George Chow, British Columbia's Minister of State for Trade, spoke highly of the Vietnamese economy's dynamism, underlining that Vietnam is among the most open economies in terms of trade in the world.

He highlighted the important position of Vietnam in the Canadian province's economic partnership.

In 2019 when the CPTPP took effect officially for Vietnam, the Southeast Asian country became the 10th largest export market of British Columbia with total export value of 359 million CAD, Chow said.

The CPTPP has created favourable conditions for Canadian businesses to access the Vietnamese

market, facilitating exports of goods and services as well as investment in various fields, he added.

For his part, Vietnamese Consul General in Vancouver Nguyen Quang Trung underscored the growing comprehensive partnership between Vietnam and Canada and British Columbia in particular, even amid the COVID-19 pandemic.

However, the diplomat said that the bilateral economic cooperation has remained modest compared to the two sides' potential.

Trung lauded the participation of experienced Canadian organisations operating in Vietnam in the workshop to provide objective information for businesses in British Columbia. He hoped Canadian firms of Vietnamese origin will work as bridges to connect businesses from the two sides.

At the event, participants gave specific information about the Vietnamese market and the advantages that the CPTPP has created for Canadian firms to do business and invest in Vietnam. They also discussed a wide range of issues, including the role of Canadian representative agencies in Vietnam.

### 4. Seafood exports to US market soar over four-month period

VASEP data shows seafood exports to the demanding market in April alone skyrocketed by 64% to US\$149 million. The export value of shrimp, pangasius, tuna, squid, and octopus climbed by 47%, 136%, 56%, and 83%, respectively.

According to industry experts, local seafood exports to the US in May and June are anticipated to witness a sharp increase following the full reopening of the market from May 20.

During the reviewed period, Vietnamese shrimp exports to the US surged by 25% to US\$198 million, making up 21% of the country's total exports.

Vietnam also raked in US\$102 million from exporting pangasius, representing an annual rise of 37%, whilst simultaneously making up 21% of total pangasius exports.

The US accounted for approximately 42% of Vietnam's total tuna exports with US\$94.5 million throughout the reviewed period, an increase of 15% on-year.

It currently represents the leading consumer of Vietnamese shrimp, pangasius, tuna, and crab.

Throughout the past four months, roughly 220 local seafood enterprises were involved in exporting aquatic products to the US, of which 67 companies earned revenue of US\$1 million or more each.

With the US moving to reopen its door and recording a recovery in recent times, it is projected to become a crucial export market for Vietnam, India, Ecuador, Indonesia, Thailand and others in the second half of the year, according to economists.

## 5. Vietnam among Taiwan-based firms' first choices for relocation to Southeast Asia

Vietnam, along with Thailand, is considered the first choice for suppliers based in Taiwan planning to move into Southeast Asia to address increasing capacity demand, Digitimes Asia has reported.

In a story published on May 26, the news platform said many Taiwan-based suppliers intend to meet increasing capacity demand by relocating manufacturing to Southeast Asia and building new industrial clusters there to tap the demographic and geographic advantages as well as rapidly growing market demand in the region.

"They look to replicate their experiences in China and make Southeast Asia the next world factory that will support rising needs as the global supply chain makes transitions to accommodate "G2" (US vs China) developments."

Some suppliers note that manufacturers choose to build new production bases in Vietnam and Thailand in part for their transport infrastructure, it explained. Being able to transport goods via their road networks will make up for the incomplete supply chain ecosystems in Vietnam or Thailand.

It also added that the shift to regional manufacturing has given rise to the new trend –

short supply chains. The supply chains in Vietnam and Thailand are near completion after years of effort. Furthermore, component suppliers' added demand in recent years are largely for automotive and home appliance parts, rather than ICT devices and applications, which allows them to better connect with Thailand's local industry development.

Vietnam and Thailand are therefore the ideal choices for Taiwan-based suppliers foraying into Southeast Asia, followed by Malaysia, Indonesia, and the Philippines, the article said.

Many suppliers indicate that the COVID-19 pandemic has forced them to put off or suspend their plans to move into Southeast Asia.

Digitimes Asia cited industry observers as saying that when the suppliers strategize about building new production bases in Southeast Asia, aside from customer requirements and supply chain considerations, they should also gain an understanding of what preferential treatments and investment incentives Southeast Asian governments may be putting forward to attract manufacturers looking to set up production outside of China.

## 6. Inflation inevitable for economic growth

**Speaking in an interview with Saigon Investment, Dr. NGUYEN TRI HIEU, a banking expert, expressed his views on this issue.**

Dr. NGUYEN TRI HIEU: - Since the beginning of the year, experts have warned that the risk of inflation is very high for many economies around the world. The increase in world commodity prices from the beginning of 2021 to now, along with loosening fiscal and monetary policies of many countries, is raising global inflation. The increase in the price of world goods, especially the price of input materials such as iron and steel, and kerosene, is primarily due to a disrupted supply chain. Next, in context of the pandemic, facilities that exploit raw materials such as crude oil, coal, and metals, such as iron and steel, are also affected in terms of human resources, causing prices to rise. At the same time, there is the serious problem of intercontinental transportation of goods by sea and air, which is still facing many difficulties.

Regarding fiscal and monetary policies in countries, the Governments of many countries still keep low-interest rates and have huge economic support packages. More recently, the US had an additional economic relief package of US\$ 1,900 bn, equivalent to nearly 10% of the total GDP. A large amount of government money in circulation combined with the optimistic expectation of a global economic recovery this year has increased the expectation of improving global demand for goods. Seeing this, manufacturers and distributors have been ahead of the market by increasing the price of goods.

This leads to a lot of negative forecasts about this year's inflation. In fact, the rate of inflation in the US has increased sharply. Thus, Vietnam's concern about the risk of inflation is well-founded. In my opinion, keeping the inflation rate below 4% this year as the target will be very difficult.

**JOURNALIST: According to the General Statistics Office, the average Consumer Price Index (CPI) in the first four months of 2021 increased the lowest since 2016, and the core inflation in the first four months of 2021 is the lowest level in the last five years. What is your comment on this?**

- In the first months of the year, the domestic situation was not affected much, but in the second quarter, the price of gasoline, raw materials, and food increased, which will increasingly push up prices and inflation. I think that from the second quarter, inflation will increase, especially in the second half of the year it will increase much more sharply. As currently the price of domestic goods has increased, and with Vietnam importing raw materials from around the world, prices will go up even higher, so inflation will be pushed up this year. Of course, the evolution of inflation in world economies as well as in Vietnam will depend on whether the pandemic is controlled or not in coming months.

According to my forecast, in case the pandemic is well controlled from now until the end of the year, Vietnam's economy will still develop and inflation may be higher than the target set by 1%. In the event that the pandemic cannot be controlled, all production and business activities will be affected, as the supply chain is broken, and gasoline prices and electricity prices will increase, and inflation can reach 6%. In such context, the solution to reduce inflationary pressure this year is that the Government control the price of some commodities in the market through a price stabilization fund, and at the same time apply fiscal discipline to prevent inflation in order to limit the increase in gasoline or electricity prices. That can prevent the price spike that causes inflation.

**- There is an opinion that in Vietnam, price-related inflation is more worrisome than monetary-related inflation. What is your opinion on this?**

- In my opinion, it is necessary to pay attention to both price and currency inflation factors. In a pandemic situation, the supply chain is broken and there is import inflation due to purchase of goods from abroad, which is a price increase. However, monetary policy also plays an important part in pushing up inflation. In Vietnam, lower interest rates are also favorable for banks to push money out. At the same time, the Government also has policies to support businesses through support packages to boost the economy.

It must be said that the monetary policy of Vietnam to reduce interest rates and push a large amount of money into circulation is necessary because the economy is being strongly affected by the ongoing Covid-19 pandemic. A dose of monetary policy to stimulate growth in the economy is needed.

However, when a large amount of money goes into circulation, it creates the risk of inflation. It must be remembered that if you stimulate the economy with money, you must also accept rising inflation.

Also, monetary policy has two goals of supporting economic development and protecting the value of the dong, which is to fight inflation. In the long run, these two factors support each other and go together. However, in the short term, these two factors are opposite and contrasting with each other. If you want to have economic stability, you

must allow inflation to occur, and on the contrary, if you want to control inflation, you may have to sacrifice economic growth. In the current pandemic situation as was during the economic crisis in the past, it is very important to let the economy develop. Therefore, the goal of controlling inflation is very important, but maybe at this point, the issue of promoting the economy should take precedence.

However, there is one point to note. The cash flow is currently rotating faster, but it is going through the stock market, real estate, and commodity spending. Thus, in addition to increase in commodity prices, this rapid cash flow combined with the acceleration of cheap cash flow into real estate and securities may become synergistic factors causing inflation. We need to pay attention to occurrence of such inflation.

## 7. Vietnamese wood furniture exports to US remain on rapid growth path

Despite the COVID-19 pandemic, Viet Nam has become the world's second largest furniture exporter (behind only China) from fifth, and overtaken China to become the largest exporter to the US.

In 2020, despite the disruptions to trade, Viet Nam exported US\$7.4 billion worth of furniture to the US, an increase of 31 per cent from 2019. China's exports were worth \$7.33 billion, down 25 per cent.

The shift has happened over the past two and a half years with the US imposing tariffs as high as 25 per cent on almost all furniture categories from China, US magazine Furniture Today said.

At a recent webinar with Vietnamese businesses, representatives of US furniture distributors said since Chinese furniture tariffs are too high, they are looking for new suppliers and Viet Nam is the most suitable.

Many distributors source all of their wooden furniture from Viet Nam, including for the bedroom, dining room, office, and home, they said.

Viet Nam's furniture sales to the US have increased rapidly in recent times, and if there had been no shipping constraints due to COVID-19, Viet Nam's exports would be even higher, they added.

Tran Lam Son, deputy general director of Thien Minh Production-Trading and Export and Import Co., Ltd., said, "Three years ago, when international buyers visited furniture producing countries in Asia, they chose to visit China first and then Viet Nam.

"But now they do opposite and come to Viet Nam first."

He explained that it is because Vietnamese firms have made great strides in terms of design and sales methods by actively marketing their products.

According to the Handicraft and Wood Industry Association of HCM City, the US is Viet Nam's largest market, accounting for more than 50 per cent of the industry's exports.

But Viet Nam only accounted for a modest \$7 billion of \$115 billion US market last year, and so opportunities to export remain huge, it said.

Nguyen Hoai Bao, a member of HAWA's executive board, said the US has among the strictest standards in terms of origin traceability and legality of wood products, which forces Vietnamese businesses on their toes to avoid risks and tap the market.

Le Xuan Quan, chairman of the Handicrafts and Wood Industry Association of Dong Nai Province, said wood industry business groups need to enhance their members' awareness of international regulations and standards.

The Government must have more efficient mechanisms to control raw materials and investment to avoid trade fraud and tax evasion, he warned.

Julie Hundersmarck, a specialist in the US Forest Service, emphasised despite the fierce global competition, US importers prefer to do business with suppliers from Asia.

The US Forest Service has initiated plans to help Viet Nam control the origins and ensure legality of its wood products to ensure sustainable development, she added.

## Corporate News

### 8. HPG: Steelmaker proposes building power plant for iron and steel complex

↑ 0.45%

The steel giant has asked the province administration to obtain permission from the Ministry of Industry and Trade to build the power plant.

Speaking to VnExpress, Hoang Tien Dung, director general of the Electricity and Renewable Energy Authority, said the proposal being considered by his agency is for building the 300-MW plant inside the steel complex.

It would not be connected with the national grid, he said.

Construction is expected to begin next year and finish in 2024.

Hoa Phat Group is set to complete the Hoa Phat Dung Quat 2 Iron and Steel Complex with a capacity of 5.6 million tons a year at a cost of VND62 trillion (\$2.7 billion) next year.

### 9. BID: BIDV signs green credit agreement with French Development Agency

↑ 3.85%

The Bank for Investment and Development of Vietnam (BIDV) announced on May 27 that it has signed an agreement on the SUNREF green credit line with the French Development Agency (AFD) to finance businesses investing in the fields of environmental protection, climate change response, and green growth.

The AFD will provide a long-term loan of 100 million USD to BIDV and technical assistance worth 300,000 EUR (366,000 USD) to the bank and its customers.

BIDV General Director Le Ngoc Lam said the agreement will help create new opportunities in relations between BIDV and AFD in many fields, especially green credit.

He reaffirmed that the application of comprehensive international standards on green credit has helped BIDV better its operations and strictly control credit risks.

AFD Director in Vietnam Fabrice Richy said the loan is the first SUNREF credit quota it has implemented in Vietnam in the form of a concessional loan without government guarantee.

SUNREF is a green finance label deployed by AFD with nearly 70 partner banks in 30 countries and territories.

AFD hopes that, through BIDV, it can continue to grant preferential loans and non-refundable aid to Vietnamese businesses, thus contributing to promoting green growth and climate change adaptation in the country, Richy said.

The agency has previously entrusted BIDV to implement a number of projects, such as the northern power transmission project worth 40 million EUR and a project on housing development for people in floodplains in the Mekong Delta region worth 25 million EUR.

AFD is a non-profit international financial institution operating for the French Government by providing loans and non-refundable aid to organisations and State-owned enterprises, with a main target of reducing emissions and coping with climate change.

It has so far financed more than 90 projects in Vietnam with total funding of nearly 2.3 billion EUR, in the fields of infrastructure, transport, energy, and agriculture, in line with France's cooperation priorities in Vietnam.





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