



# VIETNAM DAILY NEWS



June 15th, 2021

Table of content

## Table of content

1. Shares gain on securities stocks
2. Steel market expected to cool until late 2021
3. Vietnamese rice faces competition from India in Philippines
4. Chinese port suspends import of frozen food from Vietnam to grapple with Covid
5. First-half GDP growth for Vietnam projected at 5.8%
6. Cement and clinker market in Vietnam predicted to develop in 2021
7. Fourth Covid-19 outbreak puts pressure on Vietnam strategic sectors: WB
8. MSN: Alibaba, Baring Private Equity Asia consortium complete \$400mm investment in The CrownX
9. OCB: OCB to increase charter capital and potentially lift FOL

## Market Analysis

### 1. Shares gain on securities stocks

Shares ended Monday on a positive note thanks to the prosperity of financial-securities stocks.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index jumped 9.98 points, or 0.74 per cent, to 1,361.72 points. The market's breadth was neutral with 202 stocks increasing while 184 stocks declined.

The market liquidity was also high as domestic investors poured over VND25.3 trillion (US\$1.1 million) into the southern market, equivalent to a trading volume of nearly 775.7 million shares.

The recovery was boosted by gains in large-cap stocks. The VN30-Index edged 0.53 per cent higher to 1,495.51 points. Of the VN30 basket, 21 stocks rose while eight slid and one stayed unchanged.

In the VN-30 group, SSI rose by 5.8 per cent, insurer Bao Viet Holdings (BVH) Phat Dat Real Estate (PDR) advanced over 4 per cent, Vinhomes (VHM) gained more than 3 per cent, and PetroVietnam Gas JSC (GAS) climbed nearly 3 per cent.

On the downside, VPBank (VPB), Novaland (NVL) and HDBank (HDB) were the worst performers, falling more than 1 per cent.

Stocks across all sectors bounced back as investors' risk appetite returned, with bank stocks still the most attractive investments.

Towards the end of the session, the VN-Index's gain was significantly strengthened as securities stocks gained strongly, such as FPT Securities Joint Stock Company (FPTS) and Ho Chi Minh City

Securities Corporation (HCM), soaring 7 per cent.

Viet Capital Incorporation (VCI), SSI Securities Incorporation (SSI), Agribank Securities Corporation (AGR) and APG Securities Joint Stock Company (APG) hit the daily limit rise of 7 per cent.

Petrovietnam Securities Incorporated (PSI) was the only loser of the group with a decline of 1 per cent.

"VN-Index stayed in uptrend for most of the trading time and is now back to the area above the threshold of 1,360 points," said BIDV Securities Co.

"Investment cash flow decreased slightly. Meanwhile, foreign investors are still net selling on both HoSE and HNX. Market breadth moved to equilibrium with liquidity not much different from the previous session.

"According to our assessment, VN-Index may appear wobbly when approaching the historical peak area in the next sessions," it said.

Foreign investors net sold VND80 billion on HOSE, including Kido Group (KDC) with VND150.4 billion and Military Bank (MBB) with VND102.9 billion. They were net sellers on the HNX with a value of VND95.04 billion.

On the Ha Noi Stock Exchange (HNX), the HNX-Index jumped 0.73 per cent to 319.01 points.

During the trading session, nearly 166.3 million shares were traded on the northern bourse, worth over VND4 trillion.

## Macro & Policies

### 2. Steel market expected to cool until late 2021

Vietnamese businesses are hoping to maintain stable prices of steel products from now on until the end of this year after the market has witnessed a decline in prices in recent weeks.

The cut of still prices announced by the local major steelmakers on June 9 is seen as a poke to push back the stagnancy of the steel market, which had had a price hike since late 2020.

Hoa Phat Group quoted the price of rolled steel model CB240 at VND17.2 million (US\$750) per ton, down by nearly VND1 million (US\$43) from the peak at VND18.3 million (US\$794) recorded one month ago, while the price of steel bar also decreased by VND500,000-700,000 (US\$21.7-30.3) per ton.

Prices of rolled steels produced by Viet Duc steel are also cut by VND960,000 (US\$42) per ton against early June to VND17 million (US\$738).

Vice Chairman of the Vietnam Steel Association (VSA) Do Xuan Chieu said lower steel prices in the domestic market was due to the decline in prices of input materials, including iron ore, steel ingots, which make up 70-80% of the list prices.

Chieu referred to the fact that most-traded September iron ore on China's Dalian Commodity Exchange ended at the lowest point since June at US\$173.03 per ton, while the July contract for iron ore on the Singapore Exchange also declined by 2% to US\$173.03.

"A stagnant in steel demand from the Chinese market has led to prices decline," said Chieu.

In the Vietnamese market, VSA Chairman Nghiem Xuan Da attributed freezing construction activities as in the rainy season in June and July to low demand for steel.

According to Da, the peak season for construction would normally fall in the first and fourth quarters of the year.

"The declines, however, remain modest at around 3-5%, as steel prices are expected to go up as construction activities heat up," he noted.

A recent report from Fitch Solutions suggested global steel prices would reach US\$800 per ton in the final half of this year, an increase of US\$140 per ton against its previous forecast, pointing out an imbalance between supply and demand.

Fitch Solutions experts have also said that the decline in steel prices would be insignificant as consumption demand is forecast to go up.

Steel prices are predicted to moderate to around US\$600 per ton by 2022, stated Fitch Solutions.

#### Halt on increasing steel prices

To further halt the steel price hiking, Da from the VSA noted that along with keeping operational costs at an efficient level, local steel producers should prioritize domestic markets as measures to prevent steel prices from surging.

"Policies from the government are needed to temporarily discourage steel exports," Da said.

At a recent meeting with local steel producers, Minister of Industry and Trade Nguyen Hong Dien stressed the necessity for local firms to focus on iron ore mining and processing, in turn creating stable supplies of input materials for steel production.

"Vietnamese steel producers should pay more attention to the R&D process to better ensure the supply sources and produce higher quality steel products," he added.

Economist Vu Dinh Anh told The Hanoi Times that as steel prices are driven by the market, construction companies should draft plans to keep a hold on steel supplies to minimize impacts from rising steel prices.

"The government can only intervene when there is a major disruption to the local market," Anh said.

### 3. Vietnamese rice faces competition from India in Philippines

A report by the Agricultural Products Processing and Development Department (Agrotrade) shows that in the first five months of this year, Vietnamese rice exports reached 2.7 million tons at \$1.48 billion, down 11.3 percent in volume and 5 percent in value over the same period last year.

There's no significant demand by foreign traders as they wait for the summer-autumn harvest season, the report said.

On the other hand, the price of Vietnamese rice is much higher than that of India and Thailand. A ton of Vietnamese rice is \$20 higher than that of Thai rice and over \$100 per ton over Indian rice.

On average, Vietnam's rice export price in the first four months of this year reached \$543 per ton, up 15.4 percent year-on-year. The Philippines is Vietnam's largest rice consuming market, accounting for 35.6 percent, but export to this market decreased 20.7 percent in volume and 4.9 percent in value over the same period last year. Similarly, rice exports to Indonesia also decreased sharply by 71.1 percent year-on-year.

According to Agrotrade, market demand in the coming time will be high, but Vietnamese rice will face competition in the international market when the prices of Thai and Indian rice are more attractive to buyers.

Recently, the Philippines eliminated import duties for ASEAN, non-ASEAN and "Most Favored Nation" (MFN) nations with the goal of increasing imports of cheaper rice from India and Pakistan.

Specifically, the Philippines has lowered import duties for MFN on rice to a single rate of 35 percent. It had previously imposed a 40 percent in-quota tariff rate and 50 percent out-of-quota tariff rate.

On June 7, Philippines Finance Minister Carlos Dominguez announced that the country would seek more rice from countries outside Southeast Asia with the goal of diversifying supplies and keeping import prices at a reasonable price. Accordingly, India is a country with cheaper rice that can become a main supplier.

Vietnam has been the main rice supplier to the Philippines so far. In addition, the Philippines also buys rice from Thailand and India, apart from other countries outside Southeast Asia.

Vietnam is set to produce 43 million tons of paddy and export 6.5 million tons of rice this year, according to the Ministry of Agriculture and Rural Development.

The nation was the world's second largest rice exporter last year at 6.25 million tons.

### 4. Chinese port suspends import of frozen food from Vietnam to grapple with Covid

Zhanjiang Port operator Zhanjiang Port Zhanjiang Port Group Co., Ltd, decided to suspend imports of frozen food, mostly seafood, from Vietnam, India, Pakistan, Bangladesh, Bhutan, Myanmar, Laos, Thailand, Cambodia, and Mongolia from June 20 to July 15.

Vietnam's National Agro-Forestry-Fisheries Quality Assurance Department (NAFIQAD) said: "Suspension of imports of frozen products from 11 Asian countries is a decision by the port operator. No such decision has been made by Guangdong Province or the Chinese government."

The port's cargo loading capacity has been affected by pandemic prevention measures for staff and workers, it said. Due to a surge in Covid in Guangdong since late May, many cities in the province, including Zhanjiang, have strengthened Covid-19 prevention measures at ports, it said.

It urged seafood processing and exporting firms to keep in touch with importers there to keep abreast of the situation.

It also called on the Vietnam Association of Seafood Exporters and Producers to notify its members of the port's frozen food ban.

Vietnam exported US\$2.49 billion worth of seafood in the first four months of 2021, up 11.6 percent year-on-year, according to the General Statistic Office.

Exports to China were worth \$253 million.

## 5. First-half GDP growth for Vietnam projected at 5.8%

The figure is 0.42% less than the target the Government set in its resolution 01/NQ-CP and 0.12% less than the Government target revised after quarter 1.

The MPI forecast agro, forestry and fishery sector would develop steadily in the first six months, but meet difficulties in consumption. The sector is projected to grow approximately 3% in the first half, 0.35% lower than expected.

Similarly, the industrial and construction sector is anticipated to increase 7.85%, 0.71% lower than the set target. The emergence of the SARS-CoV-2 virus has slowed its growth despite its recovery efforts in recent times.

Similarly, the services sector is likely to grow approximately 5%, or 0.33% lower than estimated.

The MPI also forecast consumption would continue to bounce back, with total retail sales of goods and services expected to increase about 7.1%. However, a number of services such as tourism and transportation would continue to experience

difficulties due to the impact of the COVID-19 pandemic.

It's worth remembering that the General Statistics Office, in an earlier issued report, announced Vietnam's GDP grew 4.48% in the first quarter of the year, or 0.8% higher than the figure recorded in the first quarter of 2020.

The high rate demonstrated the adaptation, resilience and recovery of the national economy despite the impact of the coronavirus outbreak in late January.

However, the latest COVID-19 outbreak, which started in late April and has since spread to 39 cities and provinces, seems to negatively impact the economy.

The MPI's calculations show the economy is yet to completely get back on track and are putting mounting pressure on ministries, sectors and localities in the second half of the year, aiming to meet the 6.5% GDP growth target which has been set by the Government and later approved by the National Assembly.

## 6. Cement and clinker market in Vietnam predicted to develop in 2021

Given weakened domestic demand and the rise in fuel costs, listed cement manufacturers recorded deteriorating average earnings before interest, taxes, depreciation and amortisation (EBITDA) from 17.0 per cent in 2019 to only 15.8 per cent in 2020.

Domestic cement consumption reached 62.1 million tonnes in 2020, declining by 5.6 per cent on-year due to a negative impact of COVID-19. By region, sales in the north and the south contracted by 8.2 and 6.5 per cent, respectively, while Central Vietnam recorded a slight increase by 1.8 per cent thanks to the rebuilding and reconstruction after

the heavy storms in the summer 2020 and a boost in the construction of industrial parks.

Meanwhile, clinker and cement export volume continued experiencing strong growth momentum with a surge by 14.9 per cent on-year in total export volume in 2020. The market is driven by high demand from traditional export markets including China and the Philippines as well as Vietnamese cement manufacturers' effort to tap on new markets.

Despite a supply surplus situation, leading private cement manufacturers continue to develop new facilities aggressively amid COVID-19 to meet

demand from the overseas market. Particularly, many expansion projects developed by local private groups including Vissai, Long Son, Thanh Thang, Fico-YTL, and SCC-VN are expected to launch commercial operations in the next five years, boosting Vietnam's production capacity to 149.3 million tonnes of cement per annum by 2025.

Local private manufacturers continued leading the market, accounting for 41 per cent of the market share of domestic cement sales volume in 2020. VICEM and leading private players such as Vissai and Long Son recorded a good performance with a full utilisation rate of 100 per cent in 2020 while foreign-owned players' figure slumped to 65 per cent in 2020.

The Vietnamese cement sector witnessed a deteriorating profit margin due to the rising fuel

costs and slow domestic cement consumption. Listed cement manufacturers recorded a deteriorating average EBITDA margin from 17.0 per cent in 2019 to only 15.8 per cent in 2020. This could be explained by a 6.3 per cent slump in net sales due to low demand in the domestic market and a surge by 20 per cent in coal price (which is driven by rising demand from China and reduction in the production of major suppliers such as Australia). In addition, given fierce competition due to low demand, cement manufacturers spent higher marketing and selling expense to boost sales, contributing to lower EBITDA margin for 2020.

The domestic cement market in Vietnam is forecast to have a neutral outlook in 2021 while cement and clinker export is projected for a positive outlook thanks to high demand from overseas buyers and local manufacturers to explore new markets.

## 7. Fourth Covid-19 outbreak puts pressure on Vietnam strategic sectors: WB

Most mobility indicators, especially in major urban centers, have already declined sharply in view of the fourth Covid-19 outbreak and some pressures have emerged on the value chains of strategic sectors, namely electronics and construction.

While the economy appears to have fared relatively well amid the latest outbreak, “several signs suggest a slowdown in economic activity if the pandemic is not contained in the short term,” said the World Bank in its monthly macro report.

The fourth Covid-19 outbreak that started in late April 2021 has led to the sharpest increase in locally transmitted infections since the onset of the pandemic.

In response, the authorities imposed stringent mobility restrictions in affected provinces, including in the country's three major cities – Ho Chi Minh City, Hanoi and Danang. The authorities also had to shut down several factories and industrial zones in Bac Giang and Bac Ninh provinces, two important industrial hubs in the North of Vietnam, which were the epicenters of the outbreak.

Industrial production, nevertheless, exhibited a remarkable overall resilience with an expansion by an estimated 1.6% month-on-month and by 11.2% year-on-year despite the recent developments of the Covid-19 pandemic, said the World Bank.

The PMI index remained comfortably expansionary at 53.1 in May but was slightly lower than the April value of 54.7. However, the interrupted operation of factories in Bac Giang and Bac Ninh has certainly affected the supply chains of some electronic products that could translate into lower production over the next few weeks.

**Figure 2: Mobility trends - 7 days moving average**  
(% change compared to baseline in the period Jan 3–Feb 6, 2020)



Figure 3: Industrial Production Index (% change, NSA)

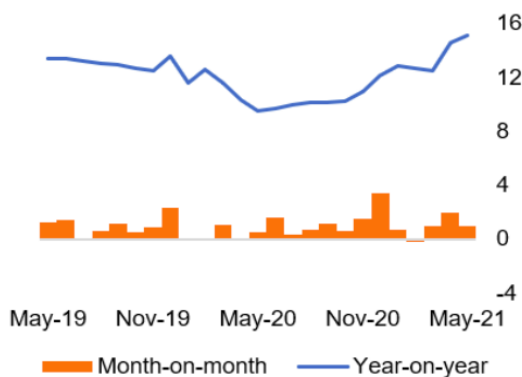


In fact, the overall industrial production index in Bac Giang dropped by 40.9% month-on-month and 33.3% year-on-year in May 2021, while its index for electronics manufacturing fell by 53.6% month-on-month and 46.9% year-on-year.

According to the World Bank, the restrictions imposed by the government to control the Covid-19 outbreak have also weakened domestic demand, in turn causing a drop in retail sales by 3.1% month-on-month in May.

A slowdown in economic activities due to the mobility restriction and social distancing measures has also resulted in a slight deceleration of credit expansion by 1.1% month-on-month in May, down from 2% in April.

Figure 8: Credit Growth (Percent, y/y)



Lower disbursement rates were observed at the central and subnational governments, and as well as in domestically and ODA-funded projects. Shortage of input materials, which resulted in higher prices, was cited by the government as one contributing factor to the slowdown in the implementation of public investment projects, noted the World Bank.

Meanwhile, exports and imports of goods fell by 6.7% and 9.4% month-on-month in May, respectively. The decline in exports was the steepest observed since June 2020. Yet, during the first five months of 2021, the values of merchandise exports and imports were the highest ever recorded by Vietnam, up by 29.1% and 35.4%, respectively, compared to the same period in 2020.

“This remarkable performance reflected robust growth in exports of computers and electronics, and machinery and equipment,” said the World Bank, adding it is also the result of a strong recovery in exports of phones (expanding by 19.5% year-on-year), textiles, and garment (16.1%), and footwear (27%) in the first five months of 2021.

This broad-based growth was driven by strong demand from the US and China as well as recovering demand from the EU, ASEAN, South Korea, and Japan.

As the government has consolidated its fiscal pace, the World Bank suggested it can consider switching to a more accommodative fiscal stance by providing supports to affected households and businesses as well as accelerating the execution of public investment programs to bolster domestic demand.

## Corporate News

### 8. MSN: Alibaba, Baring Private Equity Asia consortium complete \$400mm investment in The CrownX

↑0.85%

The deal was first announced on May 18.

The CrownX is Masan's integrated consumer retail arm that consolidates its interests in Masan Consumer Holdings and VinCommerce.

The transaction implies a pre-money valuation of \$6.9 billion for The CrownX, or \$93.5 per share. Masan now owns 80.2 per cent in it.

The formation of The CrownX last year brought together two industry leaders to form a consumer and retail powerhouse.

The transaction marks a shared vision across the company's shareholders that The CrownX has the potential to establish Việt Nam's first tech-enabled consumer ecosystem and expand its reach to serve consumers nationwide.

Danny Le, chief executive officer of Masan Group, said: "This strategic partnership will accelerate our ability to achieve our goal of transforming The CrownX into a one-stop shop to serve consumers' everyday needs, whether offline or online, 'Point of Life'.

"Our immediate priority is to modernise Việt Nam's grocery market and develop an unparalleled consumer proposition from assortment to shopping experience.

"I strongly believe that this partnership will reduce our learning curve and enable us to reach our endgame more efficiently and effectively."

Janice Leow, managing director at BPEA, said: "We are delighted to be partnering with Masan and Alibaba, and believe this strategic investment has the potential to supercharge The CrownX's growth in a nascent retail market and create the largest consumer ecosystem in Việt Nam.

"As a long-term investor in the country, we think Việt Nam has a long runway for growth supported by strong macroeconomic tailwinds and attractive demographics.

"The CrownX also has tremendous digital potential, particularly in e-commerce and data analytics. BPEA prioritises digital transformation in all of our portfolio companies, and we look forward to working with the company in its next stage of growth."

As part of Alibaba's investment, The CrownX will now partner with Lazada to build the company's digital presence and capabilities and accelerate the offline to online (O2O) market in Việt Nam.

VCM will enter a strategic cooperation agreement with Lazada, Alibaba's Southeast Asian e-commerce platform.

It will be the grocery retailer of choice on Lazada in Việt Nam.

The parties will share know-how, co-develop analytics to develop grocery as a key online category, transform VCM's offline stores into pick-up points for online orders, and explore synergies between the respective parties' logistics platforms for service and cost optimisation for consumers.

Grocery accounts for 50 per cent of Việt Nam's retail market and 25 per cent of consumer wallet share and is of essential daily use, but online penetration is still nascent.

Masan targets The CrownX's online gross merchandise accounting for at least 5 per cent of its total sales in the near future.

Masan is also in advanced discussions for a further strategic investment of \$300 - 400 million in The CrownX from other investors, and these are expected to be wrapped up in 2021.



## 9. OCB: OCB to increase charter capital and potentially lift FOL

↓ -2.22%

Accordingly, the bank's charter capital will reach VND13.698 trillion(\$595.57 million).

At its recent annual shareholders' meeting, OCB was also approved to offer five million shares under the Employee Stock Ownership Plan (ESOP) at the price of VND10,000 (43.5 US cents) per share. These shares are also restricted from being transferred within four years from the issuance date.

The bank also plans to offer 70 million shares to domestic and foreign investors. In case foreign investors show interest in purchasing OCB's shares issued privately, the bank will lift its the foreign ownership limit (FOL) to a maximum of 30 per cent.

With nearly \$119.1 million of additional capital, the bank would capitalise on around VND2.6 trillion (\$113 million) to supplement its businesses and boost investment activities.

Last year, Japan's Aozora Bank acquired a 15 per cent stake in OCB in a deal worth \$139 million. This was the first M&A deal by Aozora in a foreign market since 2001 and made Aozora OCB's largest shareholder.

The agreement was also rated by VIR as one of the top M&A deals in 2019-2020.

In May, OCB has been rated to have a “positive outlook” by international ratings agency Moody's thanks to its solid financial foundation, good capital adequacy ratio, and higher profitability than the banking industry average.



**Research Team:** Tsugami Shoji Researcher [jsi@japan-sec.vn](mailto: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](mailto:info@japan-sec.vn)

Website: [www.japan-sec.vn](http://www.japan-sec.vn)