



# VIETNAM DAILY NEWS



JAPAN SECURITIES INC.

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## Market Analysis

### 1. Shares edge down on selling pressure, foreign investors flee market

Shares ended lower on Monday as profit-taking activities weighed on the stock market, while foreign investors net sold more than a trillion Vietnamese dong on two main exchanges.

The market benchmark VN-Index fell 5.14 points, or 0.37 per cent, to 1,372.63 points. The index gained 1.93 per cent last week.

The market's breadth was negative as 232 stocks declined and 173 stocks rose.

The liquidity was still high with nearly 768.2 million shares traded on HoSE, worth VND22.66 trillion (US\$982.7 million).

The losses were driven by falls in pillar stocks. The VN30-index, which tracks the 30 biggest stocks in market capitalisation on the southern market, slid 0.2 per cent to 1,478.29 points. Seventeen of 30 stocks in the VN30 basket fell, while ten stocks climbed and three stocks ended flat.

Stocks in attractive sectors including banking, material and real estate led the market's losses.

JSC Bank for Investment and Development of Vietnam (BIDV, BID) lost the most, down 2.49 per cent. Other stocks posting big losses were Hoa Phat Group (HPG), Vietcombank (VCB), Techcombank (TCB), Vietinbank (CTG) and Vietnam Dairy Products JSC (Vinamilk, VNM). All these stocks plunged more than 1 per cent on Monday.

The index pared some losses on gains in utilities, real estate, retail and information technology (IT) including the Viet Nam National Petroleum Group (Petrolimex, PLX), Mobile World Investment Corporation (MWG), No Va Land Investment Group Corporation (Novaland, NVL) and FPT Corporation (FPT).

According to an analyst from Bao Viet Securities Company, the benchmark is expected to move sideways with some up and down sessions in ranges of 1,374 - 1,385 points in the upper bound and 1,300 - 1,330 points in the lower bound.

"The market continues to witness strong division between stock lines at the moment. And cash flows will shift alternatively among small/medium-cap stocks or large-cap stocks that haven't gained much in previous rallies," the company added.

On the Ha Noi Stock Exchange (HNX), the HNX-Index fell 0.78 per cent to 316.24 points, weighed by losses in large-cap stocks. The HNX30-Index decreased by 0.65 per cent to 502.24 points.

During the session, over 144.1 million shares were traded on the northern bourse, worth more than VND3.2 trillion.

Meanwhile, foreign investors were net sellers on both exchanges, with a total value of VND1.13 trillion. Of which, they net sold a value of nearly VND1.1 trillion on HoSE, and a value of VND33.72 billion on HNX.

## Macro & Policies

### 2. Demand for industrial land frozen amid Covid

HCMC chairman Nguyen Thanh Phong recently convened a meeting with industrial land developers to find out about the difficulties they face.

They told him that one of the challenges was the high cost of land which increased rents and made the market less attractive.

Nguyen Van Be, chairman of the HCMC Export Processing and Industrial Zones Authority, said the industrial real estate market has nearly been frozen since the latest wave began at the end of April, with prices not increasing and few companies renting new lands to expand.

In the southern industrial province of Long An, the number of industrial investments in the first five months fell by seven from the same period last year to 58.

Industry insiders there said in the last two months demand for industrial land has fallen by 50-60 percent.

John Campbell, head of industrial real estate at property consultancy Savills Vietnam, said the rising number of Covid cases, especially in HCMC, has contributed to the fall in demand as companies cannot visit locations to check them out due to social distancing.

But demand would recover just like it did after the previous Covid waves were contained.

Dozens of new industrial parks were approved in the first quarter, including five in the northern

province of Bac Ninh, each costing hundreds of millions of dollars to develop.

In Long An, around 1,500 hectares of lands are set to be cleared for industrial purposes this year to attract foreign investment, especially in the textile and garment, footwear and animal feed industries.

Dong Nai plans to build three new industrial parks with a total area of nearly 6,500 ha.

Other localities that have received approvals for new industrial parks are Vinh Phuc and Hai Duong in the north, Quang Tri and Quang Nam in the central region and Vinh Long in the south.

Foreign investors remain interested in developing industrial land thanks to Vietnam's success in containing Covid.

Several deals have been signed this year.

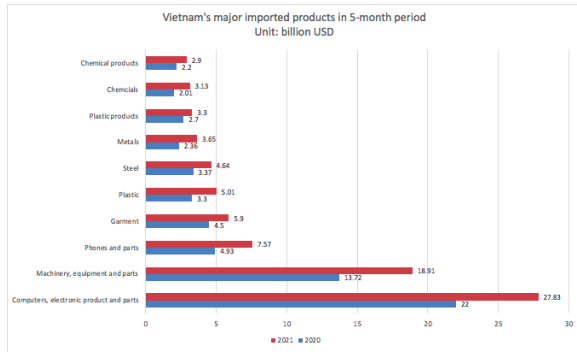
Singaporean real estate developer Boustead Projects paid US\$6.9 million to acquire a 49 percent stake in Khai Toan Industrial to develop its property at Yen Phong Industrial Park.

ESR Cayman Limited, a major developer in the Asia-Pacific, tied up with local player BW to develop 240,000 square meters of land at the My Phuoc 4 Industrial Park in the southern province of Binh Duong.

As of the end of the first quarter this year Vietnam had 370 industrial parks with 115,200 ha, according to the Ministry of Planning and Investment.

### 3. China surpasses South Korea as Vietnam's largest supplier of electronic products

China for the first time has surpassed South Korea as Vietnam's largest supplier of electronic products, parts, and computers for the past five months with a turnover of US\$8 billion, a surge of 54.6% year on year.

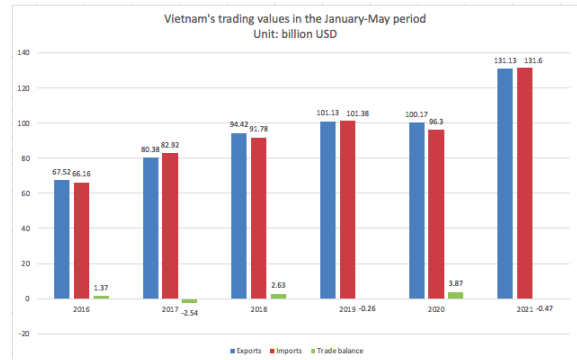


With such a result, South Korea was relegated to second place with a turnover of US\$7.3 billion during the period, or an increase of 11% year on year, according to the General Department of Vietnam Customs (GDVC).

In May, Vietnam imported US\$5.6-billion worth of computers, electronic products, and parts, down 1.4% against last month. This accumulated a total of US\$27.83 billion in imported such products for the five-month period, representing an increase of 26.5% year-on-year.

“Computers, electronic products, and parts have been the group of products with the highest import value since 2017,” stated the GDVC, with

machinery, equipment, and parts (US\$18.91 billion) and input materials for garment, and footwear (US\$11.05 billion) at the second and third places.



For the five-month period, Vietnam exported total goods and products worth US\$131.13 billion, up 30.9% year-on-year, while the country's imports stood at US\$131.6 billion, up 36.7%.

With a trade deficit of US\$2.07 billion in May, Vietnam recorded a deficit of US\$473 million in the January-May period.

The US, China, EU, South Korea, and ASEAN remained Vietnam's five major export markets for the period.

#### 4. Garment-textile exports hit 15.2 billion USD in five months: VITAS

Export revenue of the garment and textile sector surged 21.2 percent year on year in the first five months of 2021 to about 15.2 billion USD, according to the Vietnam Textile and Apparel Association (VITAS).

The association reported that fibre and yarn exports during January-May soared by 60.1 percent year-on-year to 2.1 billion USD, while that of fabrics also increased 26.4 percent to 947 million USD.

In the period, Vietnam spent more than 10.2 billion USD on importing materials for the garment and textile industry, representing a 33.4 percent increase over the same period in 2020.

The Ministry of Industry and Trade attributed the growth to positive signals from the country's major

export markets as well as domestic businesses' effective utilisation of opportunities from free trade agreements (FTAs) which have been signed and put in place.

The United States remained the largest importer of Vietnam's garment and textile products with a value of 6.02 billion USD, up 24.4 percent from the same period in 2020 and accounting for 49.2 percent of the sector's total revenue.

Japan was the second largest customer with 1.31 billion USD (down 6.3 percent), followed by the European Union with 1.21 billion USD (up 14.7 percent) and the Republic of Korea at 1.07 billion USD (up 4.2 percent).

#### 5. Many enterprises return to domestically-made raw materials

### **Back to domestic supply**

Mr. Tran Viet Anh, Vice Chairman of Ho Chi Minh City Union of Business Associations, said that the prices of imported plastic materials delivered in April rose by more than 30 percent compared to the end of last year. In May, the price of ABS plastic pellets set a record high after advancing for 12 consecutive months, up about 130 percent-145 percent, depending on the market. In addition, other plastic materials, such as GPPS and HIPS plastic pellets, also increased from 100 percent to 120 percent. This price increase has stunned many enterprises amid the context that the purchasing power is declining.

Mr. Nguyen Dang Hien, Vice Chairman of Ho Chi Minh City Food and Foodstuff Association, also informed similarly but said that there was good news. Previously, food processing enterprises had to import up to 60 percent of raw materials, but since the Covid-19 pandemic broke out in 2020, many enterprises have returned to seek domestically-made raw materials.

As one of the largest producers of milk and dairy products in Vietnam, Vietnam Dairy Products Joint Stock Company (Vinamilk) always needs a large amount of fresh milk for production. To take autonomy in the supply, the company has been cooperating with 6,000 dairy farmers and investing in building 13 dairy farms, along with the merger of Moc Chau Milk Company to have a total herd of 150,000 dairy cows.

Not stopping there, Vinamilk recently officially put into operation a dairy farm in Laos with up to 8,000 dairy cows. The farm can supply more than 120 tons of milk per day, equivalent to nearly 44,000 tons of milk per year, supplementing a large volume of raw materials for Vinamilk's factories in Vietnam and abroad, helping the company to be more proactive against the imported raw materials.

Along with Vinamilk, many enterprises producing food, foodstuff, and essential goods have also returned to search for available domestic raw materials. Before the pandemic, these enterprises often preferred to choose imported raw materials because of their low prices. Currently, the price of domestic raw materials is still high, but enterprises can save shipping costs.

Moreover, authorities and many localities have quickly supported farming households to link into cooperatives and joint ventures to stably supply raw materials in large quantities for enterprises. This is also an important factor for enterprises to return to domestic raw materials.

However, as for raw materials that cannot be produced domestically, enterprises are forced to import them at high prices. Those materials include preservatives and PVC film. Worryingly, the prices of these materials have soared by tens of percent compared to the same period last year. This is forecasted to negatively affect the purchasing power of the market, which is falling sharply due to the resurgence of the Covid-19 pandemic.

### **Switching products flexibly**

According to Dr. Huynh Thanh Dien from the University of Economics of Ho Chi Minh City, in case that enterprises are forced to import raw materials, the market must accept the price increase of goods. The disruption of the supply chain, along with the fact that countries strengthen trade remedy measures and increase anti-dumping duty, will also cause the raw material prices to escalate globally in the coming time. The increase in the selling prices due to rising raw material prices will trigger short-term shocks to the market. The current survey shows that raw materials supplied from the Chinese market are still cheaper than other markets. Therefore, besides looking for more sources of imported raw materials, enterprises need to have firmer negotiations and contract signings with suppliers from the Chinese market.

Dr. Huynh Thanh Dien also said that the Government and functional agencies need to have appropriate and timely support solutions for enterprises quickly. As for FDI enterprises operating in the supply chain, the increase in raw material prices always has a commitment roadmap, as well as strict regulations, so the level of damage in the market will not be significant.

For the remaining enterprises, according to Dr. Huynh Thanh Dien, authorities need to accelerate support packages, especially the loan package with incentive interest rates. On the other hand, tax rescheduling and tax reduction policies need to be implemented more effectively. Enterprises are longing for the State to reduce value-added tax and support vaccination for workers soon because it

decides the survival of enterprises. However, in the opposite direction, enterprises must also understand that the support resources from the Government are limited, and hard to support all enterprises amid the context that the budget revenue is also affected by the pandemic.

Therefore, enterprises need to actively reduce fixed costs, make the most of the policy that allows tax payment rescheduling and deferral. Most importantly, enterprises need to flexibly switch products to suit the current needs.

## 6. Vietnam's exports to EU surge amidst COVID-19

Trade in goods between Vietnam and the European Union (EU) has seen positive growth since the beginning of 2021, despite the impact of the COVID-19 pandemic.

According to statistics of the General Department of Customs, Vietnam exported 16.1 billion USD worth of goods to the EU during January-May, while importing commodities worth 6.7 billion USD from the bloc, up 20.1 percent and 16.8 percent compared to the same period last year, respectively.

The EU is currently Vietnam's fifth largest trade partner and second biggest importer of Vietnamese goods, following the US. Last year, two-way trade reached 49.8 billion USD, down 0.1 percent year-on-year, and accounting for 9.13 percent of Vietnam's total foreign trade.

With the EU-Vietnam Free Trade Agreement, Vietnam's export to the bloc has bounced back since the end of 2020, said Tran Thanh Hai, deputy head of the Ministry of Industry and Trade's Import-Export Department.

Thanks to the preferential tariffs under the deal, footwear exports to the bloc's 27 member countries increased by 19.2 percent year-on-year in the first quarter of 2021.

Countries that saw surges included Spain (39.2 percent), Belgium (37 percent), Czech Republic (36.5 percent) and Sweden (30.8 percent).

The agreement is also creating favourable conditions for the export of Vietnamese farm produce.

In recent days, batches of fresh lychees have been shipped to the Czech Republic, Germany, France and Belgium.

Tran Van Cong, Vietnam's agricultural counsellor in Europe, said that the first batch of lychee to Belgium marked an important milestone as a special "passport" proving the production capacity of the Vietnamese agricultural sector.

According to the Vietnam Association of Seafood Exporters and Producers (VASEP), European importers have shown more interest in Vietnamese seafood suppliers given tariff advantages from the EVFTA and the stable source of raw materials. Vietnam's seafood exports to the EU reached over 380 million USD in the first 5 months of this year, up 15 percent y-o-y, with half of which, nearly 199 million USD, coming from shrimp, up 22 percent y-o-y.

## 7. JICA intensifies collaboration with Vietnam in several fields in FY2021

The Japan International Cooperation Agency (JICA) plans to focus on health, public investment and human resource development in its activities in Vietnam in fiscal year 2021, which began on April 1, JICA's chief representative in Vietnam Shimizu Akira has confirmed.

According to Shimizu, in recent years, Vietnam has been among the countries that register the most successful cooperation with JICA in the health field,

reflected in the projects to upgrade Bach Mai hospital in Hanoi and Cho Ray hospital in Ho Chi Minh City, along with stepping up the implementation of preventive measures against infectious diseases.

JICA also offered assistance in improving the testing capacity of the National Institute of Hygiene and Epidemiology, the Pasteur Institute of Ho Chi Minh

City, as well as providing medical supplies for the fight against the COVID-19 pandemic.

Appreciating the country's performance in the pandemic fight, he expressed the hope that vaccines will be distributed fairly and quickly around the world, including Vietnam.

Regarding public investment, Shimizu said that the Japanese agency has helped Vietnam promote investment in socio-economic infrastructure projects, which is seen as an effective measure to boost the national economy and improve the people's living conditions.

He cited as examples projects to upgrade the Noi Bai international airport in Hanoi, Tan Son Nhat

international airport in Ho Chi Minh City, build the urban railway route No. 1 in HCM City, among others.

JICA also provided assistance to high-quality human resource development projects in several universities in Vietnam, while collaborating with localities in organising courses that connect Vietnamese and Japanese companies, he added.

The year 2023 marks the 50th anniversary of the establishment of diplomatic relations between Japan and Vietnam. In celebration, JICA will work closely with the Vietnamese Government to continue supporting the country in both building facilities and enhancing technical cooperation and developing a win-win relationship, he added.

## Corporate News

### 8. VRE: Vincom Retail to merge two real estate subsidiaries capitalised over \$264 million

↓ -2.15%

Specifically, Northern Vincom Retail LLC (VCRMB) will merge with Ha Thanh Real Estate Development and Investment Co., Ltd. (Ha Thanh).

After the merger, the charter capital of VCRMB is expected to increase to VND6.16 trillion (\$267.83 million). VCRMB will inherit all assets, legal rights, and interests, as well as unpaid debts and other obligations of Ha Thanh.

On June 23, VRE will hold its 2021 annual shareholders' general meeting. According to the published documents, the company's Board of Directors will present to shareholders a plan for 2021 with net revenue of about VND9 trillion (\$391.3 million), after-tax profit of about VND2.5 trillion (\$108.7 million), increases of 8 and 5 per cent compared to 2020.

If the plan is approved, VRE will have completed 24.7 per cent of its revenue target for the first quarter and 31.2 per cent of its net after-tax profit target for 2021.

According to its latest financial statement, as of March 31, the company currently owns four subsidiaries. In addition to VCRMB and Ha Thanh, VRE also owns all shares in Vincom Retail Southern Co., Ltd., and holds 97 per cent of Suoi Hoa Urban Development and Investment JSC.

Regarding its first-quarter business results, VRE recorded a consolidated revenue of VND2.2 trillion (\$95.65 million), up 32 per cent over the same period in 2020. Income from leasing property contributed VND1.7 trillion (\$73.9 million) of this, up 18.2 per cent. Revenue from real estate transfer reached VND452 billion (\$19.65 million), up 124.9 per cent, mainly from the handover of three large commercial townhouse projects, namely My Tho, Bac Lieu, and Uong Bi.

VRE stocks closed the June 18 session at VND32,500 (\$1.41), down 1 per cent against the previous day.

### 9. STB: Sacombank sets aside more than \$434 million for preferential loans to corporate customers

↑ 0.67%

The programme targets enterprises ranging in size from micro to large that use the bank's services like e-banking, salary payment, guarantee, international payment, and others.

The interest rate will be 4-6.7 per cent depending on the type of business, scale of operation, loan tenor, and the use of the bank's services.

The loans will be given until December 31 or the package is exhausted.

In addition to useful financial solutions, Sacombank also offers promotions to increase benefits for corporate customers.

From June 1 to August 31, all corporate customers can choose account numbers for free, have their annual fees for business cards exempted and payroll service fees waived for three years and get fee waivers or reductions on a number of services, while their staff are entitled to preferential treatment when using modern, full-package banking services.

New and existing corporate customers with increases in transactions or resume transactions at Sacombank and meeting certain conditions in terms of value of transactions and average balance in their current accounts will be eligible to participate in the lucky spin programme 'Tung bung xe sang – Trieu deal thang hang.'



It will offer one special prize of an Audi Q2 car worth VND1.8 billion (\$78,283), six first prizes of combos worth VND100 million each and 12 second prizes of combos worth VND50 million each.

Customers who win the first and second prizes can choose their gifts, which are combos of modern office equipment like interactive screens, projectors, laptops, printers, and tablets and office healthcare equipment like air purifiers, automatic hand washing equipment and thermometer.

There will be three spins each of the lucky wheel in the two programmes in July, August and September.

By offering promotions and modern financial solutions, Sacombank is actively supporting businesses in terms of providing funding and financial management, thereby optimising their cost efficiency and competitiveness.



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