



VIETNAM DAILY NEWS



June 25th, 2021

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Market Analysis

1. VN-Index bounces back on some large-caps

Shares ended mixed on Thursday as selling pressure continued to weigh on the market, while the VN-Index rebounded.

The benchmark VN-Index on the Ho Chi Minh Stock exchange (HoSE) inched 2.85 points higher, or 0.21 per cent, to 1,379.72 points. However the market breadth was still negative with 274 stocks falling while 112 increased.

The market liquidity also kept running from the market as 591.7 million shares were traded on the southern bourse, worth nearly VND18.5 trillion (US\$676.8 million).

The index recovered on the back of some large-cap stocks despite selling forces persisting across the market in general.

The VN30-Index, which tracks 30 biggest stocks in market capitalisation on HoSE, declined 0.17 per cent to 1,486.96 points. Sixteen of the biggest stocks in the VN30 basket still plunged while twelve bounced back and two ended flat.

Accordingly, Vietnam Rubber Group (GVR) was the biggest gainer in the market yesterday, up 3.88 per cent.

It was followed by stocks in real estate, banking and utilities stocks. These stocks were No Va Land Investment Group Corporation (Novaland, NVL), Vietcombank (VCB), VietnamPetro Gas JSC (PVGAS, GAS), and Vinhomes JSC (VHM). They rose in a range of 0.72 - 2.68 per cent.

Other stocks posting big gains of more than 1 per cent included Saigon Beer - Alcohol - Beverage Corporation (SAB), up 1 per cent, Vietinbank (CTG), up 1.33 per cent, Asia Commercial Bank (ACB), up 1.12 per cent and Vincom Retail JSC (VRE), up 1.59 per cent.

Meanwhile, losses in many big stocks capped the index's recovery. Hoa Phat Group (HPG) was leading the losses, down 1.56 per cent. Vietnam Dairy Products JSC (Vinamilk, VNM) and Sacombank (STB) also posted losses of 1.44 per cent and 2.52 per cent, respectively.

On the Ha Noi Stock Exchange (HNX), the HNX-Index still lost 0.23 per cent to 315.08 points. The HNX30-Index, tracking 30 biggest stocks on the northern market, plummeted 0.27 per cent to 496.74 points.

During the trading session, nearly 93 million stocks were traded on the exchange, worth VND2.16 trillion.

Analysts from Saigon - Hanoi Securities JSC (SHS) said that the market needs a strong volatile session with rising liquidity to get out of the current pullback and sideways trend.

On the contrary, foreign investors continued to flock back to the market as they net bought a total value of VND177.56 billion on both exchanges. Of which, they net bought a value of VND182.67 billion on HoSE, while net sold a value of VND5.11 billion on HNX.

Macro & Policies

2. EuroCham supports Vietnam to improve competitiveness

On June 23, an EuroCham delegation headed by chairman Alain Cany visited the headquarters of the Ministry of Planning and Investment (MPI) to discuss cooperation plans in the time to come.

Cany highlighted this as an important time for Vietnam and the EU to boost the implementation of the EU-Vietnam Free Trade Agreement (EVFTA), adding that the agreement would benefit both sides.

European businesses that are working in Vietnam can mobilise more investment from their partners, suppliers, and other European investors into the country, while Vietnamese businesses can approach the European and global market.

The EuroCham chairman highly commended the Vietnamese government for managing the COVID-19 pandemic and believed that Vietnam would remain the leading destination for foreign investors in the time coming.

However, he said that as vaccination in the country has been somewhat slower, EuroCham has been collaborating with the Vietnamese government to secure vaccine sources into the country as soon as possible to support mass vaccination. He hoped that vaccine coverage would improve in Vietnam

and fully-vaccinated foreign experts will be subject to minimal isolation procedures upon arrival to Vietnam.

In order to boost investment into Vietnam, EuroCham proposed organising an online conference to connect all European businesses and Vietnam.

Minister Dung said calling for more investment and vaccination are also high on the agenda of the Vietnamese government.

The minister suggested that the EuroCham build an effective action plan by supporting local businesses to improve their capacity and competitiveness so that they can collaborate with European corporations, as well as enhance the quality of human resources.

The MPI proposed EuroCham to remain a bridge and encourage European businesses to come to Vietnam through annual dialogues and discussions with the government. The minister also welcomed the sharing and recommendations of European businesses via EuroCham to consult and propose effective solutions, and breakthrough mechanisms and policies to the government on building a favourable and transparent investment and business environment.

3. Seafood companies expect higher revenue on brighter prospects

Rising demand

According to the Viet Nam Association of Seafood Exporters and Producers (VASEP), seafood exports have rebounded with the figure for the first five months of 2021 reaching US\$3.27 billion, up 14 per cent over the same period last year.

Shrimp exports in May totalled \$375 million, up 25 per cent year-on-year, while that in the first five months reached \$1.34 billion, up 14 per cent. Similarly, pangasius brought in \$134 million in May, up 26 per cent and that for five months reached \$623 million, up 12 per cent. Other seafood

products such as tuna, squid and octopus also witnessed growth.

Vietnamese seafood has the opportunity to increase its market share in the US market as India is heavily affected by the COVID-19 pandemic and Chinese enterprises reduce exports due to the US-China trade war.

Vietnamese shrimp is currently in the most consumed among Viet Nam's seafood export products to US market, accounting for 21 per cent of seafood exports. The US opened 50 states from May 20 after a long lockdown due to COVID-19, which was a factor promoting imports.

Pangasius exports to the US are also on the rise in the first five months of 2021, reaching \$135 million, an increase of 57 per cent compared to the same period last year.

As for tuna, the US is now the largest import markets of Viet Nam's tuna, accounting for 42 per cent of the proportion.

Besides the US market, businesses expect the EU to be the growth engine this year as the demand for shrimp and seafood products increases in the context of the COVID-19 pandemic being gradually controlled.

EU importers are now more interested in Vietnamese seafood suppliers thanks to tariff cuts from the EU-Vietnam Free Trade Agreement and stable source of raw materials.

By the end of May 2021, Viet Nam's seafood exports to the EU reached \$380 million, up 15 per cent, in which shrimp accounted for nearly \$199 million, an increase of 22 per cent over the same period last year.

Higher revenue

Minh Phu Seafood Joint Stock Company (MPC), Viet Nam's biggest shrimp company, targets revenue and post-tax profit of VND15.77 trillion (US\$683.4 million) and VND1.1 trillion this year, up 10 per cent and 62 per cent, respectively compared to last year.

Le Van Quang, Chairman of MPC's Board of Directors, said that in 2021, the company will maintain export markets of the US, the EU, Japan and expand to new markets, developing a high-tech industrial shrimp farming complex. MPC's goal by 2045 is to capture 25 per cent of the world shrimp market.

Nam Viet Seafood Joint Stock Company (ANV) plans to earn VND4.5 trillion in revenue and VND360 billion in profit after tax this year, up 30.8 per cent and 80 per cent, respectively compared to 2020. The company will boost exports to China, the EU, the US and Russia.

Vinh Hoan Joint Stock Company (VHC) targets to achieve revenue of VND8.6 trillion this year, up 22 per cent, but the profit target is forecast at VND700 billion, down 3 per cent compared to 2020. The company's total revenue in the first four months of 2021 increased by 61 per cent over the same period last year.

VHC's pangasius products increased by 54 per cent. The company's export value grew in most markets, China by 246 per cent, the US 130 per cent, Europe 3 per cent, other regions 12 per cent.

This year, VHC plans to invest VND1.3 trillion, of which VND700 billion will be to build an animal feed factory, a hatchery and a new farming area, VND200 billion to renovate factories and VND400 billion for other investments.

Overcome challenges

According to MPC, in the first quarter of 2021, due to the impact of the COVID-19 pandemic, the prices of some raw materials, inputs and essential services for production and business all increased, especially cargo ship fees rising over 30 per cent over the same period in 2020, affecting the company's profit, down 56 per cent.

The first quarter has not yet entered the shrimp harvest season, thus the supply is scarce, causing the price of raw shrimp to increase, leading to the rise of costs.

At VHC, increased costs caused the profit in the first quarter of 2021 to decrease by more than 13 per cent compared to the same period last year, to VND131 billion. Selling expenses rose mainly due to increased freight costs.

ACB Securities Company said that the inventory of raw pangasius in Viet Nam is decreasing, while the demand for fish in the world recovers, so the price of raw pangasius may increase.

According to CSI Securities, seafood exporters are still facing challenges from high sea transportation costs due to a shortage of containers, which hinders exports to the US and EU. Meanwhile, some markets have adopted non-tariff barriers to limit and tighten controls on imported goods.

4. Would withholding tax on e-commerce be possible?

A new circular released by the Vietnamese Ministry of Finance has been criticized for affecting the operation of e-commerce platforms and their hundreds of thousands of sellers.

Under Circular No. 40, which will take effect on August 1, e-commerce platforms are required to declare and pay tax on behalf of third-party sellers on the platforms.

The circular on value-added tax, personal income tax, and tax administration for business households and individuals are expected to collect tax from some people who obtain income on electronic commerce platforms but for years have not paid taxes.

The tax authorities have asked e-commerce and delivery companies to take responsibility for the tax registrations, declarations, and payments of sellers.

Confusion over the new rules

Some local major e-commerce players, including Sendo, Shopee, Tiki, and Chotot, told The Hanoi Times that they are confused about the Circular.

A representative from Sendo, who wanted to be anonymous, told that it has only provided a technology infrastructure for sellers and buyers to make transactions.

He said the implementation of the Circular requires an investment in infrastructure including software to determine sales of the seller as well as a team of tax professionals to classify taxable revenue and tax rates applied, calculate the amount of tax to be paid, fill out tax returns.

The e-commerce companies said it is difficult for them to declare tax on behalf of sellers on the e-commerce site when they reside in different localities.

According to Article No. 45 of the Law on Tax Administration, sellers have to declare and pay tax at the local tax departments where their office is registered and e-commerce platforms and third-

party sellers have their offices registered at different places.

Nguyen Ngoc Dung, Vice Chairman of the Vietnam e-Commerce Association (VECOM), had the same view with e-commerce players, adding: "The above-mentioned requirement will lead to conflicts with another current regulation."

Nguyen Thi Thanh Huyen, Deputy General Director of Ernst & Young Vietnam (E&Y Vietnam) said Circular No. 40 will put great pressure on businesses because there has never been a specific regulation on the declaration and payment of tax on behalf of e-commerce transactions.

"With about 35 million transactions per day, the workload for the e-commerce sites is huge. Moreover, e-commerce companies do not have a database to control sellers who are subject to pay tax," she told The Hanoi Times.

Doan Thi Ngan, a Ho Chi Minh City-based clothing seller on Shopee, was unhappy about the circular. According to the regulations, she will have to pay more than 5% of total annual revenue instead of 2% currently, according to personal income tax rules. "I don't know how and when to pay the tax," she told The Hanoi Times.

Recommendations

Sendo said the enforcement of the regulations is very complicated. It recommended the tax authorities give specific and consistent information about the application and roadmap before applying this circular. "Especially, time for the application of the Circular should be postponed because it is impossible to apply the circular on August 1," he said.

Tiki said it takes time for the e-commerce enterprise to guide and agree with brand partners and sellers about the implementation of the regulations. "We need more time to prepare our infrastructure and system for data collection, as well as ensuring security when implementing the regulations," a representative from Tiki told The Hanoi Times.

Huyen from E&Y Vietnam suggested, tax authorities should consider not applying the regulations for some e-commerce sites (chotot.vn, batdongsan.com.vn) as they are not directly involved in e-commerce transactions between buyers and sellers and only provide online business premises and transaction matching services.

According to lawyer Nguyen Tien Hoa, the new regulation will weaken the e-commerce site's competitiveness with other platforms such as Facebook, which are not currently not regulated by the law on electronic transactions.

According to him, e-commerce platform operators are not subject to the obligation to declare and

withhold income tax of the seller according to the provisions of Clause 1, Article 24 of the Law on Personal Income Tax.

"The provisions of Decree No. 52 on e-commerce stipulate sellers on e-commerce platforms are responsible for fulfilling tax obligations in accordance with the law, not the e-commerce operators," Hoa told The Hanoi Times.

He referred to the practice of other countries including Thailand, Indonesia, China, Singapore, Malaysia, and the Philippines where sellers are responsible for declaring and paying their taxes. Such regulations are perfectly applicable and feasible in Vietnam.

5. 120,000 workers in Bac Giang province slated to return in November

As planned, the total number of employees returning to work by the end of July will reach about 30,000 people and 50,000 by the end of August before reaching 100,000 in October. From the end of November, the current plans expect over 120,000 people returning to work.

Nguyen Xuan Ngoc, deputy manager of Bac Giang Industrial Zones Authority, said the province plans to bring about 400 enterprises back to production by July 1.

Bac Giang has appraised and approved 153 enterprises with nearly 24,000 employees. There have been 86 companies with approximately 16,000 workers who have officially returned to work so far. The number of working employees accounts for nearly 11.4 per cent of the total number of about 140,000 workers in this region.

The province will work with enterprises to arrange accommodation for workers inside and outside the production area. Expenses for renting shelters are covered by enterprises. People who work on the same line and factory will stay together. If there is any suspected case of COVID-19, the authority can easily control the situation.

Localities will arrange backup scenarios for isolation areas, and enterprises will pay the costs if workers have to go into concentrated isolation.

Regarding labour recruitment, enterprises are asked to give priority to workers living in the province to create jobs for workers staying in the area. If the production recovers smoothly, and requires more workers, Bac Giang could consider recruiting labour outside the province.

"In the beginning, it may be difficult to arrange a large number of workers. But the province is planning to support enterprises as much as possible," Ngoc explained.

Moreover, Bac Giang asked mobile checkpoints in the province not to obstruct transport. Pandemic prevention forces are asked to only require the drivers to declare their health, measure body temperatures, record travel schedules, and note down contact phone numbers.

For trucks carrying goods from Bac Giang to other provinces, enterprises will need to make COVID-19 safety records for both people and vehicles. Testing results will be returned to drivers within 24 hours..

6. 90% of tourism workers in Hanoi lose jobs in first half of 2021

Under the impact of the Covid-19 pandemic, the number of tourists in Hanoi fell 25% year-on-year to 2.9 million in the first half of 2021. Most of them were domestic tourists as the country has not yet reopened its doors to international tourists. The number of foreigners visiting the country during this time was modest, comprising mainly experts and workers.

The city has earned only VND8.1 trillion (US\$353 million) from tourism, falling 57% compared with the same period last year.

In June, the average occupancy rate of hotels in the city is estimated at 25.7%, falling 0.7% from the previous month and 3.5% from the same period last year.

To attract more domestic tourists, the city has launched a number of new tourism products such as the night tour to the Thang Long Imperial Citadel, which is a world cultural heritage site recognized by the UNESCO, the folk experience tour to the Museum of Ethnology and the night tour to the Hoa Lo Prison relic site.

The city has drawn up three growth scenarios for the tourism sector in 2021. According to the best scenario, an early recovery will enable the city of Hanoi to attract over 15 million domestic tourists, equivalent to 70% of the pre-Covid-19 level in 2019.

Phung Quang Thang, chairman of the Hanoi Travel Association, said travel companies in the city should restructure their products, offer more attractive tours and apply new technologies to provide tourists with better and safer experiences.

He suggested travel companies and the local authorities work together to unleash the potential of night tourism in the city. Two pedestrian areas in the Old Quarter around Hoan Kiem Lake and on Trinh Cong Son Street near West Lake have become popular night attractions for tourists in Hanoi.

The city attracted some 8.65 million tourists in 2020, equivalent to 30% of the figure in 2019. Of them, foreign arrivals were estimated at 1.11 million, equivalent to only 15.8% as compared with the previous year.

7. Vietnam attracts over 15 billion USD of FDI in six months

Foreign investors have poured 15.27 billion USD of investment in Vietnam so far this year, equivalent to 97.4 percent of the amount recorded in the same period last year, according to the Ministry of Planning and Investment (MPI).

The ministry reported that as of June 20, 9.55 billion USD had been injected into 804 newly-licensed projects, up 13.2 percent year on year.

Meanwhile, 4.12 billion USD had been added into 460 underway projects, a year on year rise of 10.6 percent. Foreign investors also poured 1.61 billion USD in share purchase deals in Vietnam, according to the ministry.

Meanwhile, the disbursement of FDI in the period rose 6.8 percent year on year to 9.24 billion USD.

Among the 18 sectors attracting FDI, manufacturing-processing lured the highest amount at 6.98 billion USD, accounting for 45.7 percent of the total investment, followed by power

production and distribution with 5.34 billion USD, making up nearly 35 percent of the total investment.

Singapore leads the 80 countries and territories investing in Vietnam with investment of 5.64 billion USD, followed by Japan with 2.44 billion USD, and the Republic of Korea with 2.05 billion USD.

As of June 20, the country had hosted 33,787 FDI projects worth 397.89 billion USD totally, of which 241.1 billion USD, or 60 percent, had been disbursed.

The export revenue of the foreign-invested sector has continued to rise at 32.2 percent to 116 billion USD (including crude oil), accounting for 74.1 percent of the country's total export revenue. The sector's revenue excluding crude oil reached 115.3 billion USD, up 32.6 percent year on year.

The sector imported 102.6 billion USD worth of goods in the period, up 38.7 percent year on year.



As a result, in the first half of this year, it enjoyed a trade surplus of 13.4 billion USD including revenue from crude oil.

The MPI also reported a trade deficit of 14.9 billion USD by domestic businesses.

Corporate News

8. LPB: Thaiholdings to buy 20 mln shares of LienVietPostBank

↑ 2.26%

The transaction will be done between June 29 and July 28.

With the LPB share trading at around VND30,000 (\$1.30), it is estimated the deal will cost Thaiholdings VND600 billion.

The company was founded by Nguyen Duc Thuy, now the vice chairman of LienVietPostBank, and he owns a 20 percent stake in it.

He previously registered to buy 32.5 million LPB shares. The transaction started early June and will end in early July.

9. HPG: Hoa Phat charter capital highest on Vietnam stock exchange

↓ -1.56%

The 1.16 billion shares were issued to pay dividend to its shareholders.

The issuance hiked its charter capital by nearly 35 percent to VND44.7 trillion(\$1.9 billion). The group's charter capital has risen by 34 percent since its initial public offering on the Ho Chi Minh Stock Exchange (HoSE) at the end of 2007.

It is also the enterprise with the fourth largest market capitalization on HoSE at VND230 trillion and, the highest among steel enterprises.

Its HPG ticker is among the best performing stocks this year, having risen 68 percent so far.

For this year, the group targets selling five million tons of steel and steel billet.

It is also targeting a 33 percent year-on-year growth in both revenue and post-tax profit this year to VND120 trillion and VND18 trillion respectively.



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