



VIETNAM DAILY NEWS



June 30th, 2021

Table of content

Table of content

1. Shares gain on financial stocks and heavy-weights
2. Six-month core inflation drops to lowest level since 2011: GSO
3. Vietnam offers best opportunities for European companies
4. Vietnam GDP grows 6.6% in the second quarter
5. Vietnam's largest airport set to start operation in late 2025
6. Local fruit and vegetable sector sets export target of US\$3.6 billion
7. Vietnam Q2 GDP growth quickens, but COVID-19 outbreak raises risks
8. VIC: Vingroup targets \$7.4 billion in revenue
9. HSG: Hoa Sen profits increase five-fold

Market Analysis

1. Shares gain on financial stocks and heavy-weights

Vietnamese stock markets ended Tuesday on a positive note, largely led by gains in financial shares and heavy-weight stocks.

On the Ho Chi Minh Stock Exchange, the VN-Index increased 0.30 per cent to close at 1,410.04 points.

It had risen 1.13 per cent to close Monday at 1,405.81 points.

More than 647 million shares worth VND21.3 trillion (\$295.2 million) were traded on the southern exchange on Tuesday.

The VN30 which tracks the top 30 largest shares by market value and liquidity successfully reached a new milestone of 1,529.97 points as half of the stocks in the basket gained value.

Bank stocks led the market's trend, with gainers including Sacombank (STB), Vietinbank (CTG), Tien Phong Bank (TPB), Bank for Investment and Development (BID), VPBank (VPB), MBBank (MBB), Asia Commercial Bank (ACB) and Vietnam International Commercial Joint Stock Bank (VIB).

Pillar stocks rose strongly, such as Vinhomes (VHM), increasing by 2.6 per cent to VND118,500 per share, Vinamilk (VNM) rising by 2.2 per cent to VND91,200 per share, Vietjet (VJC) gaining by 2.3 per cent to VND118,200 per share, Vingroup (VIC) increasing by 1.7 per cent to VND118,700 per share.

“VN-Index was in uptrend for most of the trading time and closed above 1,410 points. Investment cash flow declined while foreign investors were

net buyers on the HoSE and net sellers on the HNX,” said BIDV Securities Co.

“Market breadth turned negative with liquidity dropping compared to the previous session. According to our assessment, VN-Index may have a slight correction in the next sessions to retest the area around 1,400 points,” it said.

Foreign investors net bought VND40.18 billion on HOSE, including Vinhomes (VHM) with VND165.2 billion, Vinamilk (VNM) with VND94 billion and Vietcombank (VCB) with VND92.4 billion. They were net sellers on the HNX with a value of VND12.48 billion.

On a sector basis, 11 out of 25 sectors gained ground, including real estate, securities, information and technology, retail, banking, agriculture, food and beverage, seafood and logistics.

On the opposite side, losers were wholesale, insurance, healthcare, oil and gas, rubber production, construction materials and construction.

On the Ha Noi Stock Exchange, the HNX-Index advanced 0.21 per cent to close Tuesday at 323.79 points

It had gained 1.53 per cent to close Monday at 323.10 points.

More than 132 million shares worth VND3.2 trillion were traded in the northern market.

Macro & Policies

2. Six-month core inflation drops to lowest level since 2011: GSO

The Consumer Price Index (CPI) rose 1.47 percent year-on-year in the first half of 2021, the lowest since 2016, according to the General Statistics Office (GSO).

The index in June edged up 0.19 percent month-on-month, 1.62 percent against last December and 2.41 percent year-on-year, GSO General Director Nguyen Thi Huong told a press conference in Hanoi on June 29.

The rises are largely due to increases in prices of materials, fuels, electricity and fresh water, Huong explained.

She said core inflation in June inched up 0.07 percent compared to May and 1.14 percent from the same period last year. The figure in the first half of the year rose by 0.87 percent year-on-year. Both June's and six-month figures are the lowest since 2011.

Based on these figures, it is completely feasible to keep the inflation below 4 percent this year, Huong stressed.

The average fuel price in H1 surged 17.01 percent year-on-year, pushing the CPI up 0.61 percentage

point, while rice prices grew 6.97 percent, contributing to a rise of 0.18 percentage point in the CPI, she said.

Prices of construction materials, such as cement, iron, steel, and sand, jumped 5.03 percent, adding 0.1 percentage point to the CPI.

In contrast, H1 prices of food declined 0.39 percent from the same period last year, contributing to a 0.08-percentage-point slide of the six-month CPI. It is because of drops in prices of staples, for example, pork (down 4.15 percent), and chicken (down 2.04 percent).

A decrease of 3.06 percent in electricity price in H1 also made the CPI to edge down 0.1 percentage point.

The COVID-19 resurgence has been curbing travel during the first six months of the year, causing rail tickets and fares to fall 3.41 percent and 17.05 percent, respectively.

The average gold price spurred 18.06 percent year-on-year between January and June.

3. Vietnam offers best opportunities for European companies

"The ASEAN markets continue to offer huge opportunities for European companies, both for those looking to diversify and expand their investment and trade activities, and those who are well aware of the deep technological expertise and significant consumer base across the markets," Robert Newell, managing director for European Global Corporates at Standard Chartered.

According to the survey, Vietnam, Malaysia, and Thailand feature as the most attractive markets in terms of sales or expansion opportunities for the majority of respondents. With almost half of the respondents expanding into ASEAN to diversify their production footprint – likely as part of a 'China Plus One' strategy – many are turning towards countries like Vietnam for the

geographical proximity and comparable or lower manufacturing costs vis-à-vis China or Malaysia and Thailand for their strong manufacturing capabilities.

Around 88 per cent of respondents expect business to go up in the next 12 months, on drivers such as a growing consumer market; free trade agreements; and a reliable supply base. Among them, Vietnam is the most attractive destination within the region with 60 per cent of the companies focusing on expanding in the country to capture sales and production opportunities. This is followed by Malaysia (53 per cent) and Thailand (48 per cent).

The survey also pointed out that Vietnam has become a prominent destination for trade in recent years, with imports from Europe growing at a compound average growth rate (CAGR) of 8.5 per cent between 2015 and 2020. The EU-Vietnam Free Trade Agreement coming in force since August 2020, seeks to increase trade by eliminating up to 99 per cent of tariffs and reducing regulatory barriers. Furthermore, the EU's growing trade connections with signatories of the Regional Comprehensive Economic Partnership (RCEP), in particular Singapore and Vietnam, will enhance European exporters' access to the ASEAN market.

Sectors such as infrastructure, manufacturing, renewable energy, and e-commerce present strong growth opportunities for European businesses in ASEAN. In particular, growing urbanisation and government efforts to expand healthcare access are driving the development of the pharmaceutical sector in Vietnam. The sector is seeing increasing activity of foreign firms acquiring local firms to gain

market access. In 2020, German pharmaceutical giant Stada announced plans to raise its stake and takeover Vietnam-based Pymepharco.

Likewise, solar and wind energy also shows the highest growth potential in Vietnam. The offshore wind sector is being emphasised by the government under Vietnam's National Energy Development Strategy. Copenhagen Infrastructure Partners signed an MoU in 2020 for the development of a \$10 billion offshore wind project in Binh Thuan, Vietnam.

Meanwhile, the government's National E-commerce Development Plan 2021-2025 focused on boosting e-commerce adoption, envisioning that 55 per cent of the population will shop online by 2025 with average annual consumer spending online rising to \$600 by 2025, up from \$202 in 2018. Estonia-based MetaPlanet (backed by Skype cofounder Jaan Tallinn) invested in Vietnam's fast-growing food delivery startup Loship in 2021.

4. Vietnam GDP grows 6.6% in the second quarter

Vietnam's export and industrial production focused economy benefited from a global rebound in demand to drive the country's GDP growth for the second quarter to 6.6% from the same period a year ago.

These figures were ahead of the 4.65% pace of growth in the first quarter, according to the government's General Statistics Office (GSO) on Tuesday (29 June).

Global trade

According to Reuters, the government body pointed to a rebound in global trade as the reason for its strong GDP numbers.

Vietnam's exports in the first half of this year rose 28.4% from a year earlier to \$157.63bn, while industrial production increased 9.3%, according to the data reported by Reuters.

If the strong economic growth continues it would see Vietnam's economy return to its pre-pandemic pattern. According to World Bank figures, the

country's rate of GDP growth hovered between 6.2% and 7% from 2015 to 2019.

Second wave

But the government statistics office warned that an ongoing Covid-19 outbreak is posing a threat to Vietnam's economic recovery.

Vietnam escaped the first wave of COVID-19 outbreaks, but it has recently experienced a massive increase in cases which have been traced to people illegally crossing the country's porous borders with Cambodia and Laos.

Of the 16,136 COVID-19 infections Vietnam has recorded since the start of the pandemic, nearly 13,000 were registered in the last two months.

Growth cut

Despite this upswing in COVID 19 cases, Vietnam is still coping better with the pandemic than near neighbour Thailand, which last week kept interest rates at a record lows as it cut 2021 growth.

5. Vietnam's largest airport set to start operation in late 2025

Contractors are tasked with completing the construction process for Long Thanh International Airport in the southern province of Dong Nai, the largest of its kind in Vietnam, before March 31, 2025, before being put into operation in the fourth quarter.

Minister of Transport Nguyen Van The gave the conclusion following a recent meeting to review the progress of the Long Thanh airport Phase 1, including a runway, passenger, and cargo terminals.

The requested the Civil Aviation of Vietnam (CAAV) to work with units under the Ministry of Transport (MoT) in finalizing construction and site clearance plans for four sub-component projects of the airport before July 8, 2021, at the latest.

“Contractors and related units are expected to closely cooperate with Dong Nai's authorities to complete the site clearance process in 2021 as instructed by the government and National Assembly,” The said.

For the second component that includes facilities for air navigation management with an investment capital of VND3.43 trillion (US\$149 million), the Vietnam Air Traffic Management Corporation (VATM) expected the work to start in June 2023 and operate around July-December, 2025.

The construction of the third project component, carried out by the Airports Corporation of Vietnam

(ACV), has started this January with the removal of landmines and unexploded ordnance and is scheduled for completion in December 2025.

Meanwhile, the CAA is in the process of selecting a contractor for the fourth phase of the project, consisting of the remaining works of the airport.

Total investment capital for Long Thanh International Airport is estimated at VND336.6 trillion (US\$14.6 billion). Once completed, the project would have a capacity of serving 100 million passengers and handling five million tons of goods a year.

The short-term target of Long Thanh International Airport is to ease the overloading of Tan Son Nhat International Airport, and in long term to become one of the region's air transportation hubs.

During the first phase with an investment capital of US\$4.77 billion, the project is set to build a runway, taxiways, a passenger terminal with a capacity of 25 million passengers, and a cargo terminal of 1.2 million tons of goods in a year, along with other supporting facilities.

Under Vietnam's socio-economic development plan in the 2021 – 2025 period, the country would need around US\$150 – 200 billion to finance infrastructure development projects, including airports, seaports, railways, and expressways, among others.

6. Local fruit and vegetable sector sets export target of US\$3.6 billion

The country raked in a total of US\$1.77 billion from exporting fruit and vegetables during the opening five months of the year, representing an annual increase of 18%.

In terms of the Asian market, China continues to be the largest consumer of Vietnamese fruit and vegetables, accounting for over 60% of the market share, followed by the Republic of Korea (RoK), Japan, and ASEAN member countries.

Local fruit and vegetable exports to these markets therefore enjoy numerous advantages, including a large market size, huge consumption power, similar consumption habits, and a convenient geographical location for transportation.

Furthermore, the import tax rate placed on Vietnamese fruit and vegetable products has also been slashed to 0% due to the enforcement of various Free Trade Agreements (FTAs).

With regard to the European and American market, tariff commitments set out in new-generation FTAs such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam FTA (EVFTA) state that import tariffs placed on fruit and vegetables will be completely abolished.

This move is expected to create greater opportunities for Vietnamese fruit and vegetable exports moving forward due to the country's fruit and vegetable products in these markets still only accounting for a small proportion.

Nguyen Quoc Toan, director of Agrottrade, said that the export of fruit products such as durians, lychees, mangoes, and dragon fruit will prosper in the near future thanks to the recovery of the consumption demand in the post-pandemic period, coupled with the impact of the implementation of FTAs and trade promotion schemes.

According to expectations set out by the Ministry of Industry and Trade, Vietnamese fruit and vegetable exports are expected to face plenty of hurdles ahead in the third quarter due to the fourth outbreak of the COVID-19 pandemic in the country.

Furthermore, China has just entered their seasonal fruit harvest season, thereby causing a decrease in import demand which may hinder the growth momentum of Vietnamese vegetables and fruits being exported to this market.

Especially, the sector will face numerous challenges due to limited processing capacity, high transportation costs and stringent requirements in terms of Good Agricultural Practices (GAP) certification and planting area codes set by demanding markets such as the EU, the US, Japan, the RoK, Australia, and New Zealand.

7. Vietnam Q2 GDP growth quickens, but COVID-19 outbreak raises risks

Gross domestic product is estimated to have expanded 6.61% in the second quarter from a year earlier, faster than a revised gain of 4.65% in the first quarter, the government's General Statistics Office (GSO) said on Tuesday.

"Global trade continued to recover," the GSO said in a statement, adding "domestically, macroeconomic stability has been maintained, while production and trade have seen decent results."

Vietnam has been one of the fastest growing economies in Southeast Asia through the pandemic, though after successfully containing the virus for most of last year it is grappling with a rise in infections since April.

The GSO said the outbreak is posing a threat to Vietnam's recovery, while some analysts warned that efforts to control the virus are already taking an economic toll.

"With sporadic outbreaks continuing, the economy is likely to suffer further in the months ahead," Capital Economics said in a note.

Vietnam's exports in the first half of this year rose 28.4% from a year earlier to \$157.63 billion, while

industrial production increased 9.3%, according to the GSO.

Since late April, the outbreak of coronavirus infections has accounted for more than three quarter of the total 16,136 registered cases. So far, there have been 76 deaths.

The outbreak is "evolving in a complicated manner, challenging the management and administration to develop the economy and ensure social security," the GSO said.

The new outbreak, which forced global giants like Samsung Electronics and Foxconn to temporarily curb their production in northern Vietnam last month, is now spreading rapidly in the country's southern business hub Ho Chi Minh City and its neighbouring industrial provinces.

The industrial and construction sector in the April-June period grew 10.28% from a year earlier, the GSO said. The services sector expanded 4.30%, while the agricultural sector grew by 4.11%.

Vietnam's consumer prices in June rose 2.41% from a year earlier and were up 1.62% from December, the GSO Said.

Corporate News

8. VIC: Vingroup targets \$7.4 billion in revenue

↑ 1.11%

Vingroup will focus on developing three key sectors, namely technology, industry, and commerce-service. Notably, in the technology-industry segment, its subsidiary VinFast plans to launch new electric cars and motorcycles. The new models will help VinFast to reinforce its already solid position in the domestic market and take its products overseas.

For the production of smart equipment, VinSmart will focus on developing Internet of Things (IoT) products for VinFast's automobiles and the group's smart ecosystem including smart city, smart home, and smart services.

Regarding the real estate sector, Vinhomes will continue to develop a great metropolis and implement omnichannel distribution for its real estate projects.

Besides, Vincom Retail will continue to develop 100,000 square metres to serve the retail sector, increase the total area of its retail system to 1.8 million sq.m, keeping its leading position in this sector.

Vinpearl will accelerate the implementation of marketing activities in the tourism-entertainment segment to welcome tourists once the pandemic is controlled.

In 2020, Vingroup earned VND110.49 trillion (\$4.8 billion) in net revenue, with VND72.16 trillion (\$3.14 trillion) from the transfer of real estate projects and VND4.86 trillion (\$211.3 million) from tourism-entertainment services.

Vingroup will pour an additional \$300 million into the US market to prepare for the sale of its new electric car models and smartphones.

Vietnam's overseas investment in the first four months of the years increased sharply thanks to the expansion of Vingroup to markets like France, the Netherlands, Canada, Singapore, Germany, and especially the United States.

According to the Ministry of Planning and Investment's Foreign Investment Agency, 18 overseas investment projects were granted certificates with \$142.8 million in total investment in the first four months of the year, up 2.7-fold against the corresponding period last year, while \$403.2 million was poured into nine existing projects, up 25.5 times.

Vingroup contributed one-third of the total newly-registered capital, with three new projects in France, the Netherlands, and Canada with the total investment capital of \$32 million and a \$20.5 million new project in Singapore to export and import telecommunications equipment, electronics, home appliances, and cars.

9. HSG: Hoa Sen profits increase five-fold

↓ -1.75%

Revenues rose 85 percent to VND4.6 trillion.

It attributed the results to rising steel prices, efficient distribution, low inventory, and low logistic costs. It has 10 plants located near ports, which enable it to export with low overheads.

For the first eight months of fiscal year 2020-21, which started on October 1, it reported revenues of VND29.1 trillion and post-tax profits of VND2.8

trillion, equivalent to 88 percent and 187 percent of its full-year targets. Its steel sales during the period were 1.6 million tons.

It targets revenues of VND33 trillion and post-tax profits of VND1.5 trillion for the full year, up 20 and 30 percent.

Hoa Sen is the leading steel sheet manufacturer with its market share in the first five months of 2021 being 37.2 percent, according to the Vietnam Steel Association. Its steel pipe market share has

grown by 3.5 percentage points since last year to 20.3 percent.

It plans to expand its supermarket chain, Hoa Sen Home, which sells building materials and furniture, from the current 28 outlets to 40 by next month.

Its chairman, Le Phuoc Vu, expected to have 1,200 outlets within the next three-five years, when it targets \$3 billion in revenues and VND3 trillion (\$130 million) in profits.



Research Team:

Tsugami Shoji

Researcher

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

Website: www.japan-sec.vn