



VIETNAM DAILY NEWS

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Table of content

Table of content

- 1. VN-Index ends six-session rally on high profit-taking pressure**
- 2. Rubber growers, enterprises joy as price rises**
- 3. Vietnam sees import-export value rise in Jan-May**
- 4. Drawing up plans to buttress recovery**
- 5. Foreign investors seek PPP guarantees to incite interest**
- 6. Vietnamese rice exports enjoy second quarter boost**
- 7. New COVID-19 outbreak puts a halt to more domestic flights**
- 8. HPG: Hoa Phat steel sales up despite higher raw material prices**
- 9. VHM: Vinhomes wins double awards for smart city project at Asia Pacific Property Awards**

Market Analysis

1. VN-Index ends six-session rally on high profit-taking pressure

Heavy profit-taking pressure put a brake on the recent winning stretch for Viet Nam's stock market on Monday while oil shares bucked the trend, driven by rising prices in the world market.

The VN-Index on the Ho Chi Minh Stock Exchange lost more than 15 points, or 1.11 per cent, to close Monday at 1,358.78 points. The southern bourse's index had risen 5.4 per cent in the previous six consecutive sessions.

On the Ha Noi Stock Exchange, the HNX-Index fell harder, giving up 3.38 per cent to end the trade at 318.63 points.

Liquidity remained high with more than 1.1 billion shares worth VND34.5 trillion (US\$1.5 billion) traded on the two markets.

Banking and securities stocks were among the biggest losers. After a long rally, investors increased sales in these groups to take profit, pushing them into the red.

Big influencers in the market included BIDV (BID), Vietcombank (VCB), Vietinbank (CTG), Techcombank (TCB), TienPhongBank (TPB), Military Bank (MBB), Sacombank (STB) and Asia Commercial Bank (ACB), all losing more than 1 per cent

No securities shares gained, some even hit the floor prices such as Bao Viet Securities (BVS), Wall Street Securities (WSS), Asia Pacific Securities (APS), BOS Securities (ART) and Vietnam Bank for Industry & Trade Securities (CTS).

Big broker houses such as Ho Chi Minh Securities (HCM), VNDriect Securities (VND) and FPT Securities (FTS) also decreased sharply by more than 5 per cent.

On the other end of spectrum, oil shares sustained their growth. Gainers included PetroVietnam Drilling & Well Services (PVD), Petroleum

Equipment Assembly & Metal Structure (PXS) and PetroVietnam Chemical and Service (PVC) with growth of between 4.7 per cent and 9.6 per cent.

Oil prices have climbed to more than two-year highs in the world.

Brent topped \$72 a barrel for the first time since 2019 last week while US crude gained 43 per cent this year to the highest since October 2018.

Foreign traders were net sellers on both exchanges on Monday, offloading shares worth a net sell value of VND704 billion.

In fact, foreign investors have been net sellers for a long time. Their net sell value in May reached VND11.5 trillion, lifting total net sell value in the first five months to VND25.8 trillion (\$1.1 billion).

According to Saigon Securities Inc (SSI), the current market size and quality have changed substantially, thus the impact of foreign capital inflows on the domestic market may be weakened. However, if foreign traders continue their net withdrawal trend, it should be a worrisome market indicator.

Many market insiders have warned the stock market is overheating and posing a downturn risk.

The VN-Index has climbed by 23.6 per cent and the HNX-Index has risen 40.5 per cent this year, which may trigger short-term profit-taking pressure.

"Investors should prioritise holding profits while the VN-Index moves toward the 1,400-point area and get back to find opportunity around the support zone of 1,350 points and 1,300 points when a correcting phase takes place," SSI's analysts said in a note.

Macro & Policies

2. Rubber growers, enterprises joy as price rises

Le Thanh Kien, owner of a 3 hectare rubber plantation in Phu Rieng District in the Southern Province of Binh Phuoc, said that one hectare has a yield of 1.8-1.9 tons.

The current price of latex increases to VND17,000 - VND18,000 per kg. Once every two days, workers are hired to harvest latex at VND250,000 - VND270,000 for half a day. Kien earns nearly VND30 million a month. He said owners of rubber farms had to switch to grow other trees before. After a long-drawn negative phase, the prospects of natural rubber seem to have brightened as prices have been rising; growers are joyful.

The prices of rubber latex have continuously increased since the beginning of the year. The productivity is high, the price of the "white gold" has increased, benefitting both farmers and businesses.

Traders have offered to purchase latex at farms in Ta Not, Ta Pet, Loc Ninh, Phu Rieng and Binh Long districts at VND16,000 to VND18,000 per kg.

Leaders of Dong Phu Rubber Company with an area of over 10,000 hectares of rubber said that from the

beginning of the year until now, prices of rubber have continuously increased and stabilized, helping businesses restore production and overcome difficulties because of the Covid-19 epidemic. The price of rubber latex fluctuates around VND46.3 million a ton, higher than last year's average price at VND 35.3 million a ton.

Le Thi Anh Tuyet, Deputy Director of Binh Phuoc Department of Agriculture and Rural Development, said that Binh Phuoc is considered the rubber capital of the country, with 246,267ha and output of over 269,000 tons a year. Latex is called "white gold", but for the last time, many rubber plantations have been converted to other crops when the price of latex dropped dramatically.

Currently, the price of rubber latex is continuously increasing, providing stable income, so many households and businesses that grow and process rubber are very excited. Binh Phuoc Province is focusing on assessing and granting certificates for sustainable rubber forests to ensure traceability standards for export; thereby, it will help improve the value of rubber products and encourage growers to apply science and technology in growing and harvesting rubber.

3. Vietnam sees import-export value rise in Jan-May

Between January and May, the country exported goods worth US\$130.94 billion, soaring by 30.7% year-on-year, while it spent US\$131.31 billion on imports, up 36.4%, resulting in the country incurring a trade deficit of US\$370 million.

Export and import activities were affected by the latest wave of Covid-19 in May, leaving the production process at many firms stagnant, the local media reported.

In May, the country earned some US\$26 billion from exports, down 2.1% month-on-month, with the export value of domestic firms reaching US\$6.9 billion and their export revenue hitting US\$19 billion.

In the five-month period, there were 22 items whose export revenue totaled over US\$1 billion each, including six products with export revenue of more than US\$5 billion each. Phones and phone parts remained the biggest export earner, posting a total export value of US\$21.9 billion, up 19.6% year-on-year.

Electronics, computers and accessories came second, with earnings of US\$19.5 billion, up 26% year-on-year.

In the January-May period, the domestic sector spent US\$45.8 billion on imports, a 30.2% year-on-year rise, while the foreign direct investment sector accounted for over US\$85.5 billion, up 39.9% against the year-ago period.

4. Drawing up plans to buttress recovery

For over a year now, the government has been deploying drastic measures to support businesses as the world struggled to get to grips with the coronavirus pandemic. The State Bank of Vietnam has deployed assistance worth VND180 trillion (\$7.82 billion) for enterprises and households, in the form of debt payment deferral and preferential loans.

On April 19 this year, the government signed and issued Decree No.52/2021/ND-CP on extension of time limits for payment of VAT, enterprise income tax, personal income tax, and land rental in 2021. The total size of the package was estimated at VND115 trillion (\$5 billion). The World Bank said if implemented well, this fresh policy could help businesses and households maintain their economic activities, particularly in tourism, which remains at a near standstill.

However, according to experts, such financial solutions are “never sufficient” because COVID-19 will continue causing incalculable damage to the economy, forcing the government to devise inclusive measures.

“There has not been sufficient fiscal support from the government. The support was mainly in the form of deferral of taxes and land rental, and the size of the support remained modest,” Andrew Jeffries, country director for Vietnam of the Asian Development Bank (ADB), told VIR. “For some businesses that were heavily affected by COVID-19 with revenue deterioration and no profit, deferral of VAT and corporate income tax have less impacts than the tax cuts.”

A helping hand

Consequences caused by COVID-19 have forced the country to pour a great deal of money into both eradicating the pandemic and spurring on economic recovery, especially given the limited state budget.

A number of high-profile international organisations have proposed support for the country to reach this target. Immediately after COVID-19 broke out in early 2020, the World Bank

Group shared a series of five policy notes with Vietnamese policymakers, especially the prime minister.

A World Bank source told VIR that best practices were shared with the government to shape its policy response, from health crisis management to stimulating the recovery of the economy and taking advantage of long-term opportunities emerging from COVID-19.

The first note proposed an early assessment of the pandemic on the economy, while the second developed a comprehensive strategy to cope with the crisis over time. The third focused on the fiscal package announced by the government in April 2020, with the ambition to alleviate the financial burden of the crisis on the most vulnerable businesses and people.

The fourth and fifth notes included suggestions on how to jumpstart the economy in the post-pandemic period, and offered concrete ideas on how to take advantage to reshape the economy in the longer term, through the adoption of “no-regret” policies.

A number of recommendations were taken into consideration by the government including the adoption of safety nets to protect the most affected businesses and people, the speeding up of the digitisation process by firms and government agencies, and the acceleration of the public investment programme that was viewed as the main instrument to jumpstart the economic recovery, leading to a positive GDP growth rate of 2.91 per cent in 2020, according to the World Bank.

On the financing front, in April last year, the World Bank Group announced a set of emergency support operations for developing countries around the world, using a dedicated, fast-track facility for COVID-19 response, and has set aside \$160 billion to support related measures to help countries respond to immediate health consequences of the pandemic and bolster economic recovery.

“As part of this package, an envelope of \$12 billion was earmarked for purchase and distribution of vaccines, in addition to regular financing to activities such as research and production of vaccines. Vietnam was eligible for \$50 million from this source,” said the World Bank source.

Meanwhile, the ADB has also been offering Vietnam its financial packages. “The ADB stands ready to disburse about \$400-500 million for loans already signed between it and the country,” a source from the ADB in Vietnam told VIR. “In the time to come, it is expected that the bank will offer Vietnam another package worth about \$500 million. However, the bank’s board of management has yet to approve this package, and the Vietnamese side has also yet to show its interest in it.”

Official negotiation about this package has not been conducted yet, and the bank will continue working with Vietnam about the package.

In March 2020, the ADB announced an initial \$6.5 billion package to address the immediate needs of its developing member countries as they respond to the pandemic. It is now proposing to expand its response by making available additional regular ordinary capital resources up to \$13 billion to finance countercyclical expenditures and allocate additional grant and technical resources, increasing the total scale of the response package to about \$20 billion.

Along with the World Bank and the ADB, the International Monetary Fund (IMF) is also providing financial assistance and debt service relief to its member countries facing the economic impact of the pandemic. So far, the IMF has provided financial assistance to 85 countries amounting to approximately \$110 billion. For Vietnam, it has continued to provide policy advice and technical assistance.

Adam Sitkoff, executive director of the American Chamber of Commerce in Hanoi, also told VIR, “I think the government has enough money to fight the pandemic. Many private companies will help pay for vaccines if the government can move forward quickly and get proven vaccines to the people.”

Balancing the state budget

According to the Ministry of Finance, the economy enjoyed a \$3.52 billion surplus in the state budget in the first four months of this year. Last year, the nation suffered from a total state budget deficit of \$11.87 billion.

This was due to the ongoing pandemic causing a decline in businesses' performance, making it difficult for them to contribute to the state coffers, and because of the government's application of policies on supporting healthcare, production, and social security.

Policies on deferred tax payments and directly supporting businesses and the public have also mounted to tens of billions of US dollars.

Last November, the National Assembly (NA) adopted a resolution on budget estimation for 2021. In which, total state budget revenue and total state budget spending will be over \$58.4 billion and \$73.34 billion, respectively. Total state budget deficit will be \$14.94 billion, accounting for 4 per cent of GDP.

Experts said if Vietnam has more policies to assist enterprises and the public, there will be a big dent in the state budget as the country would need tens of billions of US dollars for its fight against COVID-19 and supporting enterprises.

Thus, if Vietnam borrows more international loans, the country's efforts to control public debt will be affected.

The government recently sent a report on the national budget to the NA, stating that as of late 2020, the economy's public debt was equivalent to 55.3 per cent of GDP, in which foreign debt held 47.3 per cent of GDP.

The government's debt decreased from 52.7 per cent of GDP in 2016 to 49.6 per cent of GDP by late last year, creating a bigger room for fiscal policy.

“A lower debt level will require more fiscal consolidation. Looking ahead, Vietnam will need to create more fiscal space for infrastructure development, large demand for healthcare and education, climate change mitigation and adaptation, and demographic challenges,” said the ADB source.

In the context of tariff reduction from Vietnam's commitments within various free trade agreements and the decrease of revenue from oil which may affect the government's revenue, official development assistance and concessional lending therefore remain critical financing sources for

Vietnam to maintain the strong growth momentum, the source continued, which in turn provides more opportunities to reduce public debt and improve the quality of fiscal consolidation which would not have been carried out otherwise.

5. Foreign investors seek PPP guarantees to incite interest

Hanoi and the northern provinces of Hung Yen, Bac Ninh, Vinh Phuc, and Bac Giang are now waiting for the nod from the prime minister to develop a US\$5.9 billion road project, besides a sum of VND25 trillion (US\$1.1 billion) for site clearance.

The Belt Road No.4 project, thus enabling preparations for development, including calling for private investors to join public-private partnership (PPP) sections.

Experts said that private and foreign investors are interested in transport infrastructure, including beltways in Vietnam, where infrastructure covers more than roads and railways. However, investors are still concerned about some of the new regulations in Decree No.35/2021/ND-CP dated March 29, guiding the Law on Public-Private Partnership Investment that might affect their interests in PPP ventures.

Tony Foster, managing partner of the Vietnam offices at Freshfields Bruckhaus Deringer LLP told VIR, "The levels of foreign investor interest in PPPs will depend on the protections available. This is not because foreign investors do not take risks but because lenders do not. The lenders could push risks back onto the investors but when the size of the project is too large for the investor to take such risk, the PPP will not be completed."

However, as shown in Decree 35, it does not assist much in this allocation of risk and hence does not assist much in making PPPs more likely to be successfully project financed. One of the main risks that lenders are cautious of is termination risk. If a project ends and it is not as a result of a breach by the developer, lenders want the outstanding amount paid to them by the government. Nonetheless, Decree 35 does not state such a principle, or any lesser variation of it.

"Unless there is a clear policy on minimum protections, it is unlikely to be achieved in practice,

at least in the immediate future. Developers may not even spend the time and money required to test whether it is possible to negotiate the required protection," Foster explained.

Worse still, Decree 35 also fails to provide any protection to a developer against a change in law. Such a change can put up the costs for a PPP venture, even if the revenue is fixed. This reduces the amount that can be paid back to lenders or that can be retained as profits.

One lawyer told VIR that the PPP law does have some revenue risk protection in that if revenues from a project falls below 75 per cent of the agreed projections, the state will pay 50 per cent of the difference between actual revenue and 75 per cent of the amount agreed, subject to various conditions. But this alone may not be sufficient enough for overseas lenders in large projects.

Some of these investors have expressed interest in the eastern cluster of the North-South Expressway project, which was earlier planned to be split into 11 sub-projects with eight being PPPs. However, this interest went nowhere – indeed, there were no domestic takers for five of the eight sections. Of the three remaining, the first contract for the Nha Trang-Cam Lan section was signed recently with the Ministry of Transport (MoT). The state has to fund the other eight sub-projects.

Meanwhile it is unlikely that there will be significant foreign interest in railways, which have proven difficult for the PPP model in many parts of the world.

Vietnam is planning to develop a number of transport infrastructure in the future. The more concerns are solved; the more investors the country attracts to achieve their goals. By 2025, the country aims to complete the North-South Expressway's eastern cluster. And by 2030, the country strives to have around 5,000km of

expressways while also developing Long Thanh International Airport and expanding Noi Bai International Airport.

Vietnam will also invest in seaports to improve their capacity.

In the Mekong Delta, furthermore, the MoT is making preparations for development of nearly 40 new projects on roads, maritime, inland waterways, and aviation with the total investment capital of US\$5.14 billion, of which US\$4.29 billion is needed for the 2021-2025 period.

6. Vietnamese rice exports enjoy second quarter boost

Despite facing fierce competition, the export price of local rice in the international market remained at a high level throughout the weekend, according to data released by the Vietnam Food Association.

Most notably, the export price of the Vietnamese 5% broken white rice ranged between US\$488 and US\$492 per tonne.

Meanwhile, the export price of 5% broken rice coming from India, Pakistan, and Thailand stood at US\$388, US\$443, and US\$455 per tonne, respectively.

According to information provided by rice traders, the export price of the Vietnamese rice has fallen in comparison to the previous US\$500 per tonne mark recorded recently, due to a general decline in global demand.

Moreover, the Vietnamese rice continues to face tough competition in terms of price as some

regional peers such as India, Thailand, and Pakistan offer their products at a cheaper price.

Pham Thai Binh, general director of Trung An High-Tech Agriculture Joint Stock Company, says the current export price is roughly US\$30 - 40 per tonne lower compared to that from the first quarter.

Experts believe that there are bright prospects ahead for rice exports in the second quarter of the year thanks to its high quality along with an increasing number of orders placed by foreign importers.

Nguyen Trung Kien, vice president and general secretary of the Vietnam Food Association, says the supply source of ST25 rice which has been recognized as the best rice in the world will see improvements made over the course of the coming year as part of efforts aimed at meeting the huge demand that exists within the international market.

7. New COVID-19 outbreak puts a halt to more domestic flights

Given COVID-19 developments, the Ministry of Transport (MoT) has approved the suspension of passenger flights to Con Dao Island and those linking Quang Ninh and Gia Lai provinces with Ho Chi Minh City.

Accordingly, passenger flights to and from Con Dao Island of southern Ba Ria - Vung Tau province will be halted from 5pm on June 5, except for helicopter trips between Vung Tau city and the island.

On June 3, the provincial People's Committee proposed the MoT, the Civil Aviation Authority of Vietnam (CAAV), and airlines suspend flights to Con Dao, explaining that the island's healthcare capacity remains modest while Con Dao is located far away

from the mainland, which may hamper the delivery of assistance to this place if COVID-19 is detected there.

There are currently many direct flights carrying tourists from Ho Chi Minh City, Hanoi, Da Nang, Can Tho, Vinh, and Thanh Hoa to Con Dao, which has a population of 10,000.

Meanwhile, flights connecting the northern province of Quang Ninh and the Central Highlands province of Gia Lai with HCM City have been stopped temporarily since June 5 until further notice.

Earlier, leaders of these provinces also proposed the MoT allow the suspension, saying that recent COVID-19 outbreaks have forced HCM City to impose social distancing across the city in line with the Prime Minister's Directive 15/CT-TTg and lockdowns on Go Vap district and Thanh Loc ward of District 12 under Directive 16/CT-TTg.

Flights between northern Hai Phong city and HCM City have also been halted.

The MoT requested the CAAV to coordinate with the ministry's Health Administration of Transport and relevant agencies of the provinces' People's Committees to keep a close watch on the pandemic's developments so as to make timely adjustments to air transport plans.

Corporate News

8. HPG: Hoa Phat steel sales up despite higher raw material prices

↓ -3.30%

Vietnam's largest steelmaker, the Hoa Phat Group, sold a total of 3.7 million tonnes of steel products in the first five months of this year, up nearly 70 percent against the same period last year.

The sale of construction steel hit 1.6 million tonnes, an increase of 27.5 percent, while that of square steel billet reach 576,000 tonnes, more or less the same year-on-year.

Hoa Phat also produced nearly 3.4 million tonnes of pig iron in the first five months, surging 56.5 percent year-on-year.

It produced 1.1 million tonnes of hot rolled coil (HRC) for the domestic market, along with 334,000 tonnes of steel pipe and 123,000 tonnes of coated steel sheet, posting year-on-year rises of 21 percent and 270 percent, respectively.

Despite a rise in material prices in May, the sale of Hoa Phat's construction steel in the central region saw the highest growth in the country, of 45 percent, while in the northern region the growth hit 22 percent.

It sold 695,000 tonnes of steel products during the month, comprising 324,000 tonnes of construction steel, up 25 percent, and 225,000 tonnes of HRC.

The steelmaker shipped 70,000 tonnes of construction steel and 52,000 tonnes of billet abroad in the period.

Hoa Phat currently boasts a production capacity of 8 million tonnes annually. This year, it aims to produce 5 million tonnes of construction steel and billet, 2.7 million tonnes of HRC, 920,000 tonnes of pipe, and more than 300,000 tonnes of coated steel sheet.

9. VHM: Vinhomes wins double awards for smart city project at Asia Pacific Property Awards

↑ 1.44%

It is the first Vietnamese real estate project to grab the title in the sustainable residential development category. With the award, Vinhomes Smart City will represent the region at the 2021 International Property Awards (IPA).

Two other projects of Vinhomes - Vinhomes Grand Park and Grand World - also won the awards for Residential High Rise Development and Mixed Use Architecture.

According to APPA's Jury Council, Vinhomes Smart City makes an impression as it lies at a focus point, at the intersection of three key metro lines. This is a complex project with a record low construction density of only 14.7 percent with a trio of parks up to 16.3 hectares, stretching over three kilometres.

Vinhomes Grand Park in Ho Chi Minh City is also considered a great project with a unique design concept with a 36-hectare riverside large park and 15 recreation facilities with creative themes. The ecological and smart campus of Vinhomes Grand Park offers residents the most modern resort life in Vietnam right in the heart of the city.

Meanwhile, the newly launched Grand World, part of the supercomplex of resort - shopping - entertainment Phu Quoc United Centre, has been honoured for its splendid architectural beauty. With the planning of houses on both sides of the river and a busy scene on the marina operating 24/7 - Grand World is dubbed the first "Sleepless City" in Vietnam.

Nguyen Duc Quang, vice chairman of Vinhomes Joint Stock Company, said, "The fact that Vinhomes real estate projects continue to win

many prestigious awards at APPA 2021 shows the creativeness and sustainable development vision of Vinhomes in the real estate field.

“We have been and will move forward, continuously innovate and lead the trends to bring customers a higher quality of life.”

Previously, several projects of Vinhomes also grabbed awards in IPA system. Vinhomes Ocean Park won the mixed-use architecture category at the 2019 Asia Pacific Property while Vinhomes

Riverside was named the World's Best Urban Area Award in 2018.

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