



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. VN-Index plummets 39 points

Vietnam's benchmark VN-Index plunged 2.86 percent to 1,319.88 points Tuesday with brokerages experiencing technical lapses that exerted selling pressure.

The index rose to 1,364 points in the first 30 minutes, but selling intensified after stocks trading board showed signs of delays in data delivery. The index plunged and stayed in the red for the rest of the trading session, closing with a near 39 point fall, the biggest loss since April 22.

Trading value on the Ho Chi Minh Stock Exchange (HoSE), on which the index is based, rose 4.7 percent to VND30.29 trillion (\$1.3 billion). The bourse saw 321 tickers lose and 94 gain.



The VN30 basket, comprising the 30 largest capped stocks, saw 26 stocks in the red with tickers of three lenders, VietinBank, Techcombank, and Vietcombank, pulling VN-Index down by 8.7 points.

CTG of state-owned lender VietinBank was the top contributor to the fall, dragging the index down by over 3 points as it slipped 5.8 percent.

TCB of the biggest private lender Techcombank experienced its second session in the red, dropping 5.5 percent. It has gained 57 percent this year.

VCB of state-owned lender Vietcombank ended a three session gaining streak with a 2.9 percent fall.

The biggest blue-chip losers this session were tickers of two private banks, HDB of HDBank and STB of Sacombank, both plunging 6.8 percent each.

Only four blue-chip tickers were in the green, led by VJC of budget carrier Vietjet, which rose 4.8 percent. The ticker has been in the green for the last five sessions.

It was followed by SBT of sugar producer Thanh Thanh Cong – Bien Hoa JSC, up 1.4 percent, REE of industrial appliance maker Refrigeration Electrical Engineering Corporation, up 0.4 percent, and VNM of dairy giant Vinamilk, up 0.3 percent.

Foreign investors were net sellers for the seventh session in a row to the tune of VND362.6 billion, with strongest selling pressures on DXG of real estate firm Dat Xanh Group, HPG of steelmaker Hoa Phat Group, and VIC of biggest private conglomerate Vingroup.

The HNX-Index for stocks on the Hanoi Stock Exchange, home to mid and small caps, fell 3.84 percent while the UPCoM-Index for the Unlisted Public Companies Market fell 2.99 percent.

## Macro & Policies

### 2. FDI inflows remains spotlight of Vietnam's economy

During the period, FDI commitments to the country also slightly rose by 0.8% year-on-year to nearly US\$14 billion.

In late May, local authorities in the southern province of Binh Duong issued investment licenses for five foreign projects with a combined investment capital of nearly US\$1 billion. Hanoi has also seen a surge in the number of new FDI projects with 16 in the month. The total capital poured into new and existing FDI projects in the capital city hit nearly US\$520 million, including US\$76.8 million for 139 projects.

Since early 2021, Long An province in the south of Vietnam has emerged as the magnet for large scale projects, including the Long An I and II liquefied natural gas plants worth a total of US\$3.1 billion from Singaporean investors, or the O Mon II Thermal Power Plant financed by Japanese investors with registered capital of US\$1.31 billion. In Haiphong, Intel (US) and LG (South Korea) have poured additional funds of US\$475 million and US\$750 million, respectively on their existing plans.

Foxconn, formally known as Hon Hai Precision Industry, is currently exploring an investment option at Thanh Hoa province to set up an industrial park of 150 hectares with a capital of US\$1.3 billion. AVG Capital Partners from Russia has also signed a memorandum of understanding with Thanh Hoa's authorities to develop a US\$1.4-billion pork processing complex.

Overall, 70 countries and territories have registered investment projects in Vietnam during the January-May period, a positive sign for the country as the UN Conference on Trade and Development (UNCTAD) predicted 2021 would be another difficult year for investment activities globally as a result of the pandemic.

Vice Minister of Planning and Investment Nguyen Thi Bich Ngoc attributed Vietnam's advantage in FDI attraction to the country's participation in a number of free trade agreements, including the Regional Comprehensive Economic Partnership (RCEP), the EU-Vietnam Free Trade Agreement (EVFTA) or the Comprehensive and Progressive

Agreement for Trans-Pacific Partnership (CPTPP), the so-called next-generation trade deals.

"FTAs give Vietnam a freeway to access markets of 55 countries, including 15 from the G20," Ngoc noted.

Kenneth Atkinson, board member of the British Chamber of Commerce Vietnam (Britcham) said the fact that Vietnam has been further integrating into the global community, including its mark as the Chair of ASEAN in 2020 and non-permanent member of the UN Security Council for the 2019-2020 period have elevated the country's status as an attractive destination for FDI inflows.

#### Efforts needed to stay competitive

With a volume of capital inflows to Vietnam in the five-month period much higher than the figure recorded in the same period last year, Minister of Planning and Investment Nguyen Chi Dung said at a recent conference that the country has been actively promoting high-quality FDI projects with environmentally friendly and modern technologies as key criteria.

"The government has set up an FDI task force to support multinationals and foreign businesses grasping investment opportunities in Vietnam, along with new laws and greater incentives for projects in priority fields," Dung said.

To further maintain Vietnam's status as an investment hub, Chairman of the Vietnam Chamber of Commerce and Industry (VCCI) Vu Tien Loc urged the country to have a long-term plan to promote the development of supporting industries.

"This would be the key step for Vietnam to transform its production industry from mainly assembling to creating higher value-added products," Loc stressed.

Professor Nguyen Thuong Lang from the National Economics University suggested while the government has put up efforts to improve the business environment, each locality should play a more active role in attracting FDI projects.

“Provinces/cities that can quickly address the concern of the businesses and invest substantially in infrastructure systems would have an upper hand in attracting large-scale FDI projects,” he added.

“A transparent and predictable legal environment would help investors settle down for long-term,” Lang said.

### 3. Inflation reined in as materials prices rise through year



Dang Duc Anh, vice director of the National Centre for Socio-Economic Information and Forecast, told VIR that in spite of some recovery in production in the economy causing a climb in the prices of many items in the market, the government may still keep the inflation target at about 4 per cent this year.

“Weak demand at home and in the global market are generally there. In the first five months, prices have increased, but not too strongly. COVID-19 has led to tightened spending,” Anh said.

According to the General Statistics Office (GSO), in the first five months of 2021, the average 5-month consumer price index expanded 1.29 per cent on-year, the lowest ascension in the period since 2016 (see chart).

Vietnam is using prices of 11 groups of items to measure the inflation rate in the country. In the period, the average price of the groups rose by about over 1 per cent on-year. Notably in the group of housing and materials, in which the average price rose 4.42 per cent on-year, the steel price has augmented strongly.

The Vietnam Steel Association was cited by the Ministry of Planning and Investment's Department of Industrial Economy as reporting that due to a rise in input material prices in the global market, the domestic price of steel products has also climbed strongly. In May the average steel billet price hovered at VND14,000 (60 US cents) per kg, up 30 per cent against that in early last December.

The price of construction steel in Vietnam in early May increased in parallel with the rise in steel material price. For example, the price of iron ores on May 5 was around \$190 per tonne at China's Tianjin Port, up by about \$50 per tonne or up 25-39 per cent as compared to that in early December. This has caused a big rise in the price of the domestic steel market in the first quarter and the beginning of the second quarter.

“The price of materials is likely to highly increase,” said department director Le Tuan Anh.

In the same vein, the price of oil globally has also increased. By late last week, oil prices rose by more than 3 per cent on renewed optimism about global demand as global vaccinations continue.

Goldman Sachs is expecting the price of global crude oil to rise to \$80 per barrel by the end of the year. “The case for higher oil prices therefore remains intact given the large vaccine-driven increase in demand in the face of inelastic supply,” Goldman analysts said.

So far this year, the number of enterprises halting operations was 59,800, up 23 per cent on-year. On average, each month has seen nearly 12,000 enterprises withdraw. This has also reduced demand for goods in the market.

Global analysts FocusEconomics told VIR in a statement that price pressures in Vietnam this year are expected to ease slightly compared to 2020 amid a projected appreciation of the VND, with panelists seeing inflation average well below the government's estimate of 4 per cent.

“FocusEconomics Consensus Forecast panelists expect inflation to average 2.9 per cent in 2021. For 2022, the panel projects inflation to average 3.6 per cent,” read the FocusEconomics statement.

#### 4. Vietnam a bright spot for foreign investors: experts

Vietnam has been chosen among leading destinations in Southeast Asia by Japanese investors, Nakajima Takeo, Chief Representative of the Japan External Trade Organisation (JETRO) in Hanoi, has said.

The country's population is forecast to hit 106 million by 2050 with the middle class on the rise, which turns the market into a favourable one for retail businesses, according to JETRO.

Vice Chairman of the European Chamber of Commerce in Vietnam (EuroCham) Torben Minko said that European firms are confident about Vietnam's efforts in COVID-19 prevention and control, as industrial parks maintain operations, the number of laid-off workers is kept to a minimum and the supply chain is maintained.

A recent survey by EuroCham revealed that the Business Climate Index (BCI) hit 73.9 points in the first quarter of this year, the highest level since the Q3 2019, before the pandemic broke out.

When asked about the prospects of Vietnam's business environment in the next quarter, 67 percent predicted either "excellent" or "good" - a 12 percent increase compared to the previous one.

EuroCham Chairman Alain Cany said that while COVID-19 wreaks havoc in countries around the world, Vietnam can be certain that companies can operate their business without interruptions.

For her part, Michele Wee, Chief Executive Officer at Standard Chartered Bank Vietnam, said that FDI influx to Vietnam will be maintained in the medium term.

The country posted a GDP growth rate of 2.91 percent in 2020, being among economies with the highest economic expansion in the year.

Foreign investors pumped nearly 14 billion USD into the country as of May 20, a year-on-year increase of 0.8 percent, according to the Ministry of Planning and Investment.

Disbursed FDI in Vietnam hit 7.15 billion USD in the first five months, an increase of 6.7 percent compared to the same period last year.

Global credit rating agencies of Moody's, S&P and Fitch recently revised Vietnam's outlook to "positive".

#### 5. Vietnamese goods able to expand presence in UK under trade deal

The UK-Vietnam Free Trade Agreement (UKVFTA), which officially took effect on May 1, is believed to herald a new era for Vietnamese goods to gain a foothold in a market with strong purchasing power, according to the Dau tu (Vietnam Investment Review) newspaper.

Vietnam's exports to the UK rose nearly 27.4 percent year-on-year in the opening four months of 2021, to 1.94 billion USD, data from the General Department of Vietnam Customs shows, which is considered an impressive result amid COVID-19's impact on global trade.

The UKVFTA, which temporarily came into force on January 1 this year, is hoped to create more

favourable conditions for exports to the UK now it is officially in effect.

During the first five months of this year, exports to the UK grew more than 20 percent year-on-year to about 2.4 billion USD.

The UK is currently Vietnam's third-largest trade partner in Europe.

Data from Vietnam Customs also shows that bilateral trade reached 6.6 billion USD in 2019, including 5.76 billion USD worth of exports from Vietnam, placing the UK ninth among the country's main export destinations.



Trade revenue fell slightly last year to 5.642 billion USD, due to COVID-19.

Vietnamese goods currently make up no more than 1 percent of the UK's total annual imports of over 700 billion USD, the newspaper pointed out.

For example, although Vietnam supplies the largest volume of coffee to the UK, the value accounts for just 10.9 percent of the UK's total imports, ranking Vietnam fourth after France, Germany, and Brazil.

Dau tu cited Nguyen Canh Cuong, Trade Counsellor of Vietnam to the UK, as recommending that businesses further tap into the market since Vietnamese coffee will become more competitive thanks to the UKVFTA, under which most coffee products from the country will benefit from an import tariff of zero percent.

Meanwhile, the UK imported over 1.6 billion USD worth of fruit and vegetables in 2019, with only some 10 million USD coming from Vietnam.

Under the new trade pact, fruit and vegetables from Vietnam will receive a considerable advantage, as 94 percent of the 547 tariff lines on fruit, vegetables, and related products will be slashed to zero percent.

Cuong said that to expand their market share, fruit and vegetable exporters should sustainably meet the UK's legal regulations on food safety, plant quarantine, and origin traceability.

Anh Dao Carrick, a trade specialist in the UK, suggested Vietnamese enterprises join hands with British distributors to develop their own brands and access the market, work to meet importers' strict technical and quality requirements, and pay due regard to labelling issues.

## **6. International organizations hold optimistic view on Vietnam economic outlook**

HSBC in its April report also expected the country's economic growth to stay at 6.5% in 2021, while Fitch Ratings even put it at 7%.

Tim Evans, CEO of HSBC Vietnam, highlighted the huge interests from foreign businesses in Vietnam when he addressed over 300 firms from the UK participating in a recent webinar jointly hosted between the bank and the Foreign Investment Agency to promote the trade opportunities between the two countries.

According to Evans, the strong participation of UK businesses is the evidence that many are considering Vietnam as an attractive investment destination, and the government would again put this fourth Covid-19 outbreak under control just like previous flare-ups.

Since the emergence of Covid-19, the brand of Vietnam has further been rising in the eyes of investors, he noted.

Sharing the same view, Director of Fitch Ratings in Asia Pacific Sagarika Chandra said the rating agency forecast a positive outlook for Vietnam's economy in the medium term despite the current Covid-19 situation in the country.

Chandra referred to Vietnam's strong export performance and growing foreign direct investment (FDI) inflows in the first five months of this year, adding Vietnam's business environment has been improved compared to those of countries in the same rating bracket.

These factors should drive Vietnam's economy going forward in the medium term, she added.

Meanwhile, General Director of Standard Chartered in Vietnam Michele Wee said the progress of the Covid-19 vaccination program should be the key factor influencing the country's economic performance in the near future.

Wee said a faster vaccine roll-out would reduce pressure on the banking sector as its program of freezing and waiving interest payments for customers is coming to an end by late 2021, in turn exposing weaknesses in the quality of banks assets.

Evans from HSBC Vietnam also warned slow vaccination program could limit foreign investors' access to Vietnam's market, especially as FDI attraction has been a strong point of the economy so far.

This year, the Vietnamese government set a growth target of 6.5%, a significant improvement from the

2.91% growth recorded in 2020.

## 7. Import-export activities likely to be vibrant over remainder of 2021: Expert

Bright prospects are likely to be seen in import-export activities over the rest of this year thanks to the effective and comprehensive implementation of free trade agreements (FTAs) and rising prices for strong export products of Vietnam, according to Deputy Director of the Import-Export Department at the Ministry of Industry and Trade (MoIT) Tran Thanh Hai.

Hai noted that demand in the global market has been recovering along with the gradual easing of lockdown measures in the US and Europe, which presents an opportunity for Vietnam to promote its exports.

However, he advised exporters to bolster their competitiveness and adaptive capacity in order to overcome the difficulties posed by the ongoing fourth COVID-19 outbreak in Vietnam, while actively adjusting their business strategy to seize opportunities in the new circumstances.

He asked MoIT agencies and Vietnamese Trade Offices abroad to provide up-to-date information on the COVID-19 situation in their host countries and propose measures to expand export markets, while supporting Vietnamese firms seeking input sources for production.

He said the MoIT is working with the Ministry of Transport and the Vietnam Logistics Business Association as well as shipping firms to provide consultancy to exporters on dealing with logistics issues.

In the first five months of 2021, despite the impact of COVID-19 on industrial parks in the northern industrial hubs of Bac Giang and Bac Ninh, Vietnam

still posted a year-on-year increase of 30.7 percent in export revenue, to 130.94 billion USD.

Of this, the domestic sector contributed 33.06 billion USD and the FDI sector (including crude oil) 97.88 billion USD, increases of 16.6 and 36.3 percent year-on-year, respectively.

During the period, 22 products recorded export value of over 1 billion USD each and together accounted for 87.3 percent of Vietnam's total exports.

Exports by the group of heavy industrial goods and minerals reeled in some 70.7 billion USD, up 33 percent against the same period last year. It was followed by the groups of light industrial goods and handicrafts, at 47.32 billion USD (up 33 percent), and agricultural and forestry products, at 9.69 billion USD (up 13.5 percent). The group of aquatic products posted 3.24 billion in export revenue, an annual increase of 12 percent.

The US remained Vietnam's largest export market, outlaying 37.6 billion USD on imports from the country, a year-on-year rise of 49.8 percent. China followed with 20.1 billion USD, up 26 percent, then the EU and ASEAN, with 16.1 billion USD and 11.5 billion USD, increases of 20.8 and 23.7 percent, respectively.

In May alone, Vietnam's exports were valued at 26 billion USD, down 2.1 percent against April but up 35.6 percent year-on-year.

Meanwhile, the country's imports in the five-month period hit 131.31 billion USD, for annual growth of 36.4 percent, with China the country's largest source market.

## Corporate News

### 8. SSI: SSI leaders buy one-third of new employee stock issue

↓ -6.68%

They purchased the shares at VND10,000 (\$0.44) each, nearly 80 percent lower than SSI's current price at the HoSE.

The employee stock ownership plan (ESOP) allows company leaders and staff to purchase its own shares at a discount.

SSI Chairman Nguyen Duy Hung was the top buyer with a 900,000 shares, increasing his ownership from 0.506 percent to 0.637 percent.

Hung's brother and son, who are also members of the board, bought another 900,000 shares.

This means Hung and his family members have spent VND18 billion to increase their stake in the company.

The company's leaders bought 2.34 million shares in total, worth, nearly VND110 billion on the market.

SSI is set to issue over 219 million shares at the price of VND10,000 to existing shareholders, with those who own six shares allowed to buy two more.

This issue is set to increase the company's charter capital by nearly 70 percent to VND11 trillion.

The company targets a pre-tax profit of VND1.87 trillion this year, up 20 percent from 2020.

### 9. VIC: Vingroup establishes drug firm

↓ -2.60%

According to the National Business Registration Portal, Vinbiocare was registered for establishment on June 3 and headquartered in the Techno Park office building of the Vinhomes Ocean Park in Hanoi's Gia Lam District, the local media reported.

Vingroup is the largest shareholder of Vinbiocare, contributing VND138 billion to own 69%. Meanwhile, Phan Quoc Viet and Phan Thu Huong own 30% and 1%, respectively.

Vinbiocare's legal representative is Mai Huong Noi, board chairwoman of the company. Noi is also deputy general director of Vingroup.

Vinbiocare registered to operate in 12 business areas but focus on medicine production and pharmaceutical chemistry.

Vinbiocare was established in the context that Vietnam is striving to accelerate the domestic

production of Covid-19 vaccines. A bottleneck in the vaccine development process is in the conversion from the research stage to the commercial production stage due to the lack of resources and difficulties in accessing technologies and necessary materials.

In late February, the Vingroup Innovation Foundation under Vingroup's Vingroup Big Data Institute committed to funding three projects to develop a Covid-19 vaccine and a national warning system and to study the epidemiological characteristics of the coronavirus.

Vinbiocare is not the first company of Vingroup in the pharmaceutical sector. In 2018, Vingroup officially entered the domestic medicine market by establishing Vinfa JSC and building the Vinfa Drug Research and Production Center in Gia Binh District, Bac Ninh Province.

However, the VinFa chain was gradually narrowed since late 2019.



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