



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Shares nosedive on panic sell-off

Vietnamese shares plunged on Monday as panic selling flooded the market, following surging COVID-19 cases, reinforcing fears of further economic pain from restrictions induced by the virus.

On the Ho Chi Minh Stock Exchange (HoSE), the market benchmark VN-Index fell 3.77 per cent, to 1,296.30 points.

The southern market index lost more than 4.5 per cent last week.

The market's breadth was negative with 374 stocks declining while only 36 stocks rose.

The market liquidity was high as over VND31.6 trillion was poured into the southern bourse, equivalent to a trading volume of more than 961.7 million shares.

Starting last Friday, HCM City halted all lottery services, either via retailers or street vendors, as well as food and drink takeaways for 15 days.

The rules are part of social distancing measures for the city to curb the COVID-19 spread. It also suspended all motorcycle taxi drivers, either traditional or ride-hailing, for the 15-day period, but shipping services are to continue.

Following fears about restriction measures pressuring economic development, selling pressure weighing on most sectors was the main reason for the fall.

The VN30-Index, tracking 30 biggest stocks in market capitalisation on HoSE, dropped 3.43 per cent to 1,443.10 points.

There were only four advancers in the VN-30 basket. Masan Group (MSN) advanced over 2 per cent, Novaland (NVL) gained more than 1 per cent, Vietjet (VJC) and Mobile World Group (MWG) rose 0.93 per cent and 0.06 per cent, respectively.

In the opposite direction, losers included Bank for Investment and Development of Vietnam (BID) and PVPower (POW), falling more than 6 per cent. Techcombank (TCB), Tien Phong Bank (TPB), Bao Viet Holdings (BVH) and Hoa Phat Group (HPG) were the ones that fell over 5 per cent. Those that lost more than 4 per cent were Vingroup (VIC), Vinhomes (VHM), PetroVietnam Gas JSC (GAS) and FPT Corporation (FPT).

VPBank (VPB), Thanh Thanh Cong Bien Hoa JSC (SBT) and Vietinbank (CTG) even hit the daily limit decline of 7 per cent.

"Market liquidity increased again and market breadth remained negative, reflecting the sell-off sentiment of investors. With the trend, VN-Index may move in the range of 1,320 -1,380 points next week," said BIDV Securities Co.

Meanwhile, on the Ha Noi Stock Exchange (HNX), the HNX-Index lost 4.48 per cent to close at 292.98 points.

## Macro & Policies

### 2. Banks lending big to keep agriculture sector ticking

Banks have prioritised agricultural projects that are involved in value chains and adopt high technologies for lending.

Analysts said loans given to such projects are worth hundreds of thousands of billions, mainly by State-owned lenders.

Agribank leads in this regard, providing credit to 29 hi-tech agricultural parks licensed by the Government and 20 technology-based farm companies.

The state-owned bank has also lent thousands of billions of đồng to companies and farms in value chains to expand production.

Vietcombank is another major lender to the agricultural sector.

For instance, this state-owned bank has lent VNĐ550 billion (US\$24 million) to the Dabaco Group, which specialises in identifying and restoring domestic chicken breeds and runs research centres having a modern, closed circle using advanced AI technology, VNĐ575 billion for the Hoà Phát Group's agricultural project and VNĐ46 billion to the Đà Lạt Flower Forest Biotechnology Corporation.

Another State-owned bank, BIDV, has lent thousands of billions of đồng to agricultural companies' value chains.

Among the beneficiaries are Hoàng Anh Gia Lai Agricultural Joint Stock Company, which grows orchards (VNĐ721 billion) and the Agricultural Technology Joint Stock Company (VNĐ11.3 billion).

Analysts said banks keen to lend to enterprises in agricultural value chains this is because it has enabled them to reduce risks thanks to effective cash flow management.

Though the risk of bad debts is not completely eliminated, non-performing loans in this area are quite low, they said.

Moreover, Government policies require them to support the development of the agricultural sector, they pointed out.

Dr Cấn Văn Lực, a member of the National Monetary and Financial Advisory Council, said developing hi-tech agriculture is an inevitable trend since it has created a new impetus for the sector amid the context of climate change, industry 4.0 and international integration.

To sustain this, the Government has issued a number of mechanisms and policies to encourage the flow of capital and technologies into rural and agricultural development, and this has already begun to show results, he said.

Analysts suggested however that the Government should soon issue regulations governing implementation of agreements along agricultural value chains with clear sanctions for violations to minimise risks and ensure their stability.

#### Agriculture firms' stocks gain on rising food prices

The prices of rice and sugar have risen by 18.6 per cent and 31.8 per cent this year, and according to VNDirect Securities Joint Stock Company, the uptrend is likely to continue.

Market observers blamed this on rising global prices.

According to the Food and Agriculture Organisation of the United Nations, the global food price index in March rose to its highest level since June 2014, and experts said the Covid-19 pandemic is one of the main reasons for this.

The outbreak has forced many countries to stockpile food amid limited supply, which has pushed up prices.

Việt Nam's rice export enterprises have benefited from the Government's new anti-dumping tax thanks to which the export rice price was up 1.16 per cent compared to the last quarter of 2020 due to the price increase of fragrant (or jasmine) rice 5 per cent broken.

It has risen to \$549 per tonne (FOB FCL) on average, up \$19 for the fourth quarter of last year.

A similar situation is also seen in the domestic sugar industry.

According to the International Sugar Organisation, the global market is likely to face a shortage of 3.5 million tonnes during the 2020-21 crop. This will almost certainly push sugar prices up, including in Vietnam.

The Ministry of Industry and Trade's temporary anti-dumping and anti-subsidy duties on products originating from Thailand have also helped drive sugar prices up.

Market observers said exports of rice and sugar would be higher both in quantity and value this year.

Việt Nam already exports rice to several markets with high product requirements such as the US, Europe and Australia, meaning there has been an improvement in value.

All this has also driven up the stock prices of agricultural and fertiliser companies as agricultural businesses and farmers scramble to increase output to capitalize on the rising food prices.

Analysts said the prices of most fertilisers have soared in 2021, particularly phosphate and urea products, both as a result of strong demand and higher production costs.

Fertiliser companies, especially major ones, have been reporting sharp growth in revenues and profits this year.

In the first quarter, Cà Mau Fertiliser Joint Stock Company saw turnover rise by 39 per cent year-on-year to VNĐ1,931 billion and after-tax profit by 64 per cent to VNĐ152 billion.

Petrovietnam Fertilizer and Chemicals Corporation reported a 15 per cent rise in turnover to VNĐ1,974 billion.

Revenues rose by 16.5 per cent for the Bình Thuận Agriculture Service Joint Stock Company.

Not surprisingly, their shares have been rising relentlessly.

DPM, DCM, LAS, and BFC are all trading at 52-week highs now.

### 3. Vietnam to pilot virtual currency as crypto thrives in gray zone

The surprise policy move came buried near the bottom of Prime Minister Decision 942, which lays out a strategy for digitizing the government by 2030. Released last month, it directs the State Bank of Vietnam to research, "develop, and pilot the use of virtual currency based on blockchain technology."

The move comes amid a wide-ranging crackdown on private cryptocurrencies elsewhere, from a China clampdown that sent bitcoin prices plummeting last month, to a ban on the Binance trading platform by the U.K. and warnings from other countries.

In Vietnam, using cryptocurrencies to make purchases is illegal, but they are still actively bought as investment instruments -- the country is in the top three globally in percentage of people saying they hold some form of crypto asset, according to a survey by Statista. Shops also have sprouted up

around Ho Chi Minh City using "bitcoin" in their names or offering to accept the currency as a way to attract customers.

Hanoi's foray into digital money does not mean it will soon replace the country's magenta-and-blue bank notes. Nor does it presage a friendly stance toward speculators by the government. As recently as March, the state bank was reminding people that crypto is not legal tender.

What the blockchain pilot program does seem to indicate is that the state has decided it cannot ignore the cryptocurrency mining and trading frenzy that has taken off during the coronavirus pandemic as people out of work or stuck at home seek new sources of income.

Instead, experts say, the government is looking at ways to regulate the new technology.

Binh Nguyen Thanh, coordinator at RMIT University Vietnam's FinTech-Crypto Hub, said Decision 942 opens the door to the possible creation of a central bank digital currency, which would allow authorities to control virtual money rather than leave it to decentralized software and private enterprise.

"I think they will look at how the experiment in other countries goes," Thanh told Nikkei Asia. Cambodia launched a state-backed digital coin, while neighbors from China to Thailand are debating similar action.

He expects Vietnam will form a task force of different agencies, from the state bank to the justice ministry, to collect information about blockchain and central bank digital currencies. The government has been planning a fintech regulatory sandbox -- a controlled environment for testing new technologies -- and a digital currency pilot could be added to that, Thanh said.

Decision 942, he was careful to note, does not legalize cryptocurrency trading.

Nevertheless, it remains popular, according to Lynn Hoang, Vietnam director of Binance, the world's biggest crypto exchange.

She said in April the country was in the top 10 of those using her company's marketplace.

"Users in Vietnam, they're willing to try new things," she said in an interview, adding: "We work with regulators. So far we don't see any problems in Vietnam."

The cryptocurrency market remains in a gray area and is hard to regulate, Thanh said. But the Southeast Asian country is unequivocal that fiat money is the only legal money.

The state bank's missive in March included warnings that people dabbling in crypto risk falling prey to pyramid schemes, criminal use of virtual money and trading volatility.

"The use of bitcoin as a means of payment in Vietnam is a violation of the law," it said, "and may be subject to administrative or criminal sanctions.

#### 4. Nearly 78 pct of manufacturing, processing firms expect stable, better performance in Q3

Some 39.2 percent of surveyed manufacturing and processing enterprises expect better performance in their production and business in the third quarter of 2021, and 38.6 percent believe to enjoy stable production and business, according to a survey recently conducted by the General Statistics Office (GSO).

Meanwhile, 22.2 percent of responded enterprises predict they may face more difficulties than the period quarter.

The GSO said that industrial production in the second quarter reported positive growth as production and business activities were maintained and gradually recovered, with the added value up 11.45 percent year-on-year.

In the first half of this year, the industrial sector's added value is estimated to increase by 8.91 percent year-on-year, of which the manufacturing and processing industries grew by 11.42 percent.

At present, major groups are planning to invest in Vietnam, mainly in electronic production and component manufacturing.

As of June 30, the inventory rate of the manufacturing and processing industries increased by 24.3 percent year-on-year.

To address inventory and boost production, the Ministry of Planning and Investment proposed localities continue stepping up administrative procedure reform and simplifying specialised inspection procedures.

On June 1, the number of labourers working in industrial firms decreased by 1.4 percent month-on-month, and 1 percent year-on-year.

## 5. Vietnam spends nearly \$2 billion importing meat

The latest data from the Ministry of Agriculture and Rural Development showed that Việt Nam imported about 70,000 tonnes of pork and pork products by the end of the first six months.

In addition, the import of milk and dairy products is estimated at \$650 million (up 14.5 per cent), raising the import value of meat, meat by-products and edible animal by-products to \$727 million (up 51.5 per cent).

The country imported 12,800 breeding pigs and over 2.2 million breeding poultry in the first six months of the year.

The main meat import markets of Việt Nam are Russia, the US, India, the Netherlands and Poland.

Russia was the largest market supplying meat and meat products to Việt Nam after the first five months of this year with 45,750 tonnes, worth \$97.49 million, up 493.2 per cent in volume and up 437.5 per cent in value over the same period in last year.

The Tiền Phong (Vanguard) newspaper quoted Nguyễn Văn Trọng, deputy director of the Livestock Breeding General Department under the Ministry of Agriculture and Rural Development, as saying that due to the influence of African swine fever, the amount of imported pork from other countries to Việt Nam increased sharply.

For example, Việt Nam imported more than 141,000 tonnes of fresh, chilled or frozen pork last year, worth US\$334.44 million, up 382 per cent in volume and 502.9 per cent in value compared to 2019.

Trọng said Việt Nam had continued to maintain a large amount of imported pork from the beginning of the year until now, but in fact, foreign pork only accounted for about four per cent of the total amount of meat in the country, so it was not a concern.

He also added that in the context of the COVID-19 pandemic, pork consumption is falling sharply, so it was forecasted that the amount of meat imported this year would be less than last year.

As of June, the re-herd work of the livestock industry has achieved positive results – the pig herd increased by 11.6 per cent with meat output reaching more than 2 million tonnes.

Cattle and poultry herds recovered with a total meat output of all kinds estimated at 3.16 million tonnes, a year-on-year growth of 22.58 per cent.

The biggest concern then was for farmers. While the prices of products were low, production costs were high, plus the pandemic made it difficult to transport, meaning farmers are facing the risk of losses, Trọng said.

He also said that live hog prices fell sharply, but consumers still had to bear high purchase prices.

The average price of pork in the markets is still at VNĐ120,000 - 130,000 (about \$5) per kilogramme.

The reason was that there were too many intermediary stages in the process of distributing pork to the market, leading to difficulties between the three stages of production, supply and consumption.

## 6. Vietnam's economy to surpass Singapore's by 2030: DBS Bank

Last year, Viet Nam's economy was worth US\$343 billion while Singapore's was \$337.5 billion, and



Malaysia's hit \$336.3 billion. This ranks Viet Nam the 40th largest economy globally and fourth in the Association of Southeast Asian Nations (ASEAN).

In their latest forecast, the International Monetary Fund (IMF) and the Asian Development Bank (ADB) said Viet Nam was on track to outpace both Malaysia and Singapore this year.

Despite two waves of COVID-19 in the first half of this year heavily impacting industrial hubs, Viet Nam's still posted gross domestic product (GDP) growth of 5.64 per cent. Its export revenue rose 28.4 per cent compared to the same period last year.

Although GDP expanded slower than expected, it was still much higher than the 1.82 per cent recorded in the same period last year.

This suggests that policies, strategies and directives aimed at both controlling the pandemic and ensuring socio-economic development have been effective.

Standard Chartered on Thursday also released a survey that said that ASEAN companies focusing on intra-regional opportunities expect to experience robust growth over the next 12 months.

The survey was a part of its “Borderless Business: Intra-ASEAN Corridor” report that explores high-potential opportunities for cross-border growth within the region.

The most important drivers for expansion across the region, according to the senior executives surveyed, were: access to the large and growing ASEAN consumer market, access to a global market enabled by a network of Free Trade Agreements, and availability of abundant and skilled workforce.

In addition, the Regional Comprehensive Economic Partnership (RCEP) is expected to attract more investment in ASEAN, with all respondents saying they are planning to increase their investments over the next 3-5 years.

Furthermore, 80 per cent of the surveyed respondents said they were focusing on expanding

in Singapore to capture sales and production opportunities, followed by Thailand, and then Viet Nam.

As ASEAN companies look to invest across the region, Singapore is considered the most desirable market for companies to set up to host their regional sales and marketing teams, headquarters, and research and development teams.

The survey also identifies a wide range of risks in the region including: COVID-19 and/or other health crises, geopolitical uncertainty and trade conflicts, and a drop in consumer spending.

Furthermore, respondents said that adapting their business model to industry practices and conditions within ASEAN, building relationships with suppliers, and adapting supply chain logistics, as well as understanding regional regulations, payment methods, and infrastructure, are the most significant challenges they face in the next 6-12 months.

To drive resilient and rebalanced growth in ASEAN and to mitigate these risks and challenges, the surveyed executives said entering new partnerships and joint ventures to increase their market presence would be key.

They also said that sustainability and environmental; social, and governance initiatives; and executing digital transformation programmes are the most important areas their companies will focus on.

To further support their growth, these companies say they are seeking banking partners with strong cash management capabilities, one-stop corporate financing and capital-raising services, and extensive trade financing services.

Michele Wee, CEO, Standard Chartered Vietnam, said: “Viet Nam continues to offer appealing business and investment opportunities given its strong fundamentals – robust economic growth, a sizable domestic market, low labour costs, an abundant workforce, free trade agreements, and strategic location.

## 7. Mekong Delta fruit overabundant amid HCMC wholesale market closure

Nguyen Van Thuan, owner of a big longan orchard in Chau Thanh District, Dong Thap Province, said his longans are ripe, but no traders have come to buy them. Prices have fallen by over 50 percent against the pre-pandemic period to VND10,000-15,000 (\$0.44-0.65) a kilogram.

"I need to sell over 20 tons of longan now. This neighborhood needs to sell hundreds of tons from now to the end of this month, but no traders have come here," Thuan lamented.

Like the longans, over 1,200 tons of purple sweet potatoes grown in Hoa Tan Commune, Chau Thanh District are waiting to be sold.

Nguyen Van Duyen, chairman of Hoa Tan People's Committee, said purple sweet potatoes sold from the field go for only VND5,000-6,000 per kilogram, but that on certain days, no transaction occurs. "Farmers don't know what to do. If this situation continues, they will surely have to throw their potatoes away," he said.

Fruit trader Tran Van Nam said before the three main wholesales markets of Hoc Mon, Binh Dien and Thu Duc in Ho Chi Minh City closed down, he had bought over 50 tons of fruit in Can Tho City each day to sell. "Now I have to stop since there are no outlets," he commented.

Before the three markets shut, some 30 truck companies made 60-80 journeys each day to transport fruit and vegetables to the markets. Now, few trucks are running, transporting smaller volumes of goods to smaller markets in HCMC.

Truck driver Vo Thien Thanh said it was time consuming to transport goods from Dong Thap to

the city now because of too many quarantine checkpoints along the route.

Song Hau (Hau River) Farm in Can Tho's Co Do district cultivates 1,500 hectares of mangoes and 400 hectares of longans, with its key market in HCMC. Ngo Si Tien, head of the farm's business department, said the price for Hoa Loc mangoes have dropped to below VND10,000 per kilogram from the previous VND25,000-30,000, but no traders have shown up to buy.

Sales of vegetables from the central highlands town of Da Lat have also been hard hit by the temporary closure of wholesales markets in HCMC.

Thao Nguyen of Da Lat's District 11, who used to supply vegetables to the wholesales markets, said these days she has had to sell them via social networks with much smaller sales. "Sales have fallen 70-80 percent, but something's better than nothing," she noted.

Owners of some veggie gardens in Da Lat have called on charity groups and volunteers to harvest their vegetables for free distribution in HCMC.

Now, some 30 percent of vegetables-growing areas in Da Lat are used to cultivate veggies perfunctorily, with the remainder left vacant. "We don't want, but are forced to let land rest," Dung, owner of a two-hectare lettuce farm, said.

According to the Lam Dong Department of Industry and Trade, an important solution to the sluggish sales of fruit and veggies is distributing them on e-commerce platforms.



## Corporate News

### 8. OCB: IFC lends \$100 million to OCB to boost climate finance in Viet Nam

↓ -6.96%

IFC's investment will help OCB improve its outreach to SMEs in Viet Nam, which are facing a financing gap of \$21 billion, equivalent to 11.2 per cent of the country's GDP. With IFC's support, OCB expects to double its SME lending portfolio by 2024 by leveraging its digital banking platform and developing products that cater to the sector's needs.

Some areas that SMEs are seeking financing for include renewable energy, energy efficiency, and climate-smart solutions, which can help them grow sustainably while contributing to reducing greenhouse gas (GHG) emissions.

The current share of climate financing – as a percentage of total bank financing – in Viet Nam is just about 5 per cent or \$10.3 billion and is expected to increase significantly in the coming years. As the country aims to reduce GHG emissions by 9 per cent by 2030 to mitigate climate change impact, this presents a \$753 billion climate-smart investment opportunity for Viet Nam between 2016 and 2030, according to an IFC study.

To help OCB tap into this huge lending potential, \$50 million of the funding will be earmarked for climate-friendly projects, creating new options for businesses to obtain green financing.

While the State Bank of Viet Nam has been promoting green banking over the past few years, the climate-finance market is still young and banks are now considering a systematic approach toward climate finance.

“IFC sees banks as a major force in fighting climate change in emerging markets such as Vietnam since they can strategically expand financing for climate-smart initiatives,” said Kyle Kelhofer, IFC Country Manager for Viet Nam, Cambodia, and Laos.

“By supporting commercial banks in Viet Nam to establish a viable climate-finance portfolio, IFC is facilitating the development of a climate-finance market, attracting international lenders and further supporting Viet Nam's shift to a low-carbon and resilient growth model.

### 9. MBB: MB achieved record low bad debt ratio in H1

↓ -3.86%

The information was released at the bank's conference to review business results in the first six months of the year in Ha Noi on Saturday.

MB accelerated the handling of bad debts and increased risk provision in the six-month period. The ratio of the risk reserve fund to bad debts reached 311 per cent, more than double the level at the end of 2020. This means MB has a very high “defensive” ability when having bad debts. With the above results in terms of safety in terms of credit quality, MB and Vietcombank are the two banks with the highest ratio of bad debt provision in the entire banking industry.

Luu Trung Thai, MB's vice chairman of management board cum general director said by the end of June, the total asset of MB Group (including MBBank and subsidiaries) reached more than VND524 trillion (US\$22.7 billion), increasing 5.9 per cent from the beginning of the year. Of which, credit rose by 10.5 per cent to VND340 trillion.

Its consolidated revenue in the January-June period exceeded VND22.9 trillion, representing a 44 per cent year-on-year increase. Of which, the pre-provision revenue alone reached more than VND14.6 trillion, up 44 per cent from the same period last year. MBGroup's pre-tax profit post high growth.

MB has also enjoyed a top business performance in the period with a return on asset (ROA) ratio of 2.48 per cent and a return on equity (ROE) ratio of 23.28 per cent.

The bank's governance indicators also maintained good levels like the cost-to-income ratio (CIR) of about 28.6 per cent, the non-interest income ratio of more than 30 per cent and the average before-tax profit per capita was 1.6 times higher than the same period last year.

Thai said its newly issued international credit card market share reached 17 per cent in the period, the highest level in the country. Its subsidiary companies also saw high business results, like Military Insurance Corporation (MIC) becoming among the top five insurers in the country.

Notably, MB has many outstanding products and services relating to digital transformation that contributed to its high growth in the period like MB SmartBank and opening a bank account on MB app through electronic know-your-customer (eKYC). It is expected that MB would have five million new users using its app by the end of this year, triple the figure in 2020.

MB has also donated more than VND100 billion so far for the Government's COVID-19 prevention efforts.

The Government issued Resolution No 63/NQ-CP on key tasks and solutions to promote economic growth, public investment disbursement and sustainable exports in the year-end months and the beginning of 2022. Of which, the Government asked the State Bank of Viet Nam to work with ministries to propose credit policies to support businesses, people and those affected by COVID-19.

Amid the pandemic's complicated developments, both economic sectors and credit institutions face risks of increasing bad debt ratios. This is why each bank working to overcome difficulties to have positive business results is crucial.

Deputy Governor of the central bank, Dao Minh Tu asked banks to implement two targets of enhancing supports to the economy, businesses while ensuring the safety for the banking system not only in short-term but also medium and long term period.

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