



# VIETNAM DAILY NEWS

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JAPAN SECURITIES INC.

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## Market Analysis

### 1. Shares subdued due to strong selling force

Shares fell on Wednesday as strong selling pressure hampered the growth of banking stocks.

On the Ho Chi Minh Stock Exchange (HoSE), the benchmark VN-Index lost 1.36 per cent to close at 1,279.91 points.

It had risen 0.1 per cent to close Tuesday at 1,297.54 points.

Market breadth was negative as 138 stocks rose while 234 decreased.

Market liquidity stayed almost the same as Tuesday with a trading value of more than VND19.3 trillion (US\$834.4 million), equivalent to some 593 million shares traded on the southern market.

After a slight increase on Tuesday, the Vietnamese market reversed Wednesday to fall due to increased selling pressure focused on banking stocks.

Banking stocks traded poorly with losers including Vietinbank (CTG), Vietcombank (VCB), Vibank (VIB), Lien Viet Post Bank (LPB), Military Bank (MBB), Maritime Bank (MSB), VPBank (VPB), Asia Commercial Bank (ACB), Bank for Investment and Development of Vietnam (BID), HDBank (HDB) and Techcombank (TCB).

"The VN-Index saw strong selling pressure from the middle of the morning session but the drop was somewhat restrained in the afternoon session and the VN-Index is now around 1,280," said BIDV Securities Co.

"Investment cash flow dropped sharply. Meanwhile, foreign investors were net buyers on the HoSE and net sellers on the HNX.

"Besides, market breadth turned negative with increased liquidity compared to the previous session. According to our assessment, the VN-Index may continue to move to the area around 1,265 before bottom fishing demand returns," it said.

Foreign investors net bought VND326.54 billion on HOSE, including steel company Hoa Phat Group (HPG) with VND157.3 billion, Vinhomes (VHM) with VND145.4 billion and SSI Corporation (SSI) with VND98.9 billion. They were net sellers on the HNX with a value of VND1.32 billion.

On a sector basis, 23 out of 25 sector indices witnessed decreases, including real estate, securities, information and technology, retail, banking, agriculture, seafood, logistics, wholesale, insurance, healthcare, oil and gas, rubber production and construction materials.

The only two gainers were food and beverages and construction.

The VN30-Index, tracking the 30 biggest stocks in market value, decreased 2.12 per cent to 1,410.30 points. Twenty-two of the VN30 basket declined, while six stocks increased.

On the Ha Noi Stock Exchange (HNX), the HNX-Index rose 0.05 per cent to close at 296.84 points.

Nearly 88.5 million shares were traded on the northern bourse, worth VND1.9 trillion.

## Macro & Policies

### 2. Vietnam to keep public debt at 60% of GDP in next 5 years

The government is expected to keep public debt at the maximum of 60% of the GDP, lower than the 65% ratio recorded in the 2016-2020 period, while government and foreign debts should not exceed 50% and 45%, respectively.

The Standing Committee of the National Assembly (NA) revealed such figures in a meeting on July 13, after having reached an agreement with the government on socio-economic targets for the next five years.

Other key targets include state budget revenue would be VND8,300 trillion (US\$359 billion), a 1.2-fold higher than in the previous five-year period, in which taxes and fees are set to make up 13.4% of the total.

The government, meanwhile, would spend VND10,260 trillion (\$445.7 billion) in the next five years, of which capital expenditure is expected to account for 28% of the total, or VND2,870 trillion (\$124 billion) and regular spending at VND6,400 trillion (\$276.6 billion), or 60%.

This would result in a budget deficit of \$86.7 billion, or 3.7% of the GDP. The NA's Standing Committee expected the government's direct debt payment obligation should not be above 25% of the state budget revenue.

For the mid-term public investment plan of the 2021-2025 period, the investment capital is set at VND2,870 trillion (\$124.07 billion). Of the total, VND100 trillion (\$4.32 billion) would be allocated for three national programs on socio-economic development for ethnic minority groups, new-style rural areas, and poverty reduction.

The government also plans to set aside VND183.25 trillion (\$8 billion) for projects of national priority, including the site clearance for the construction of Long Thanh International Airport and Phase 1 of the Eastern North-South expressway and the Ham Thuan Nam reservoir, the three would be allocated VND65.8 trillion (\$2.84 billion).

Phase 2 of the North-South express railway project would receive VND38 trillion (\$1.64 billion), and an estimated VND78.8 trillion (\$3.4 billion) would be earmarked for other expressway projects.

While there has been a detailed list of national projects for budget allocation, NA Chairman Vuong Dinh Hue urged the government to set up an investment plan to avoid possible delays during the implementation process.

Hue also called for the government to pay more attention to support policies for nurturing tax revenue sources, saying this would “create the driving force for growth.

### 3. Difficult times for Vietnam’s international trade

Vietnam was one of the first countries that got affected with the COVID-19 virus and took massive precautions once it happened. Because of these strict measures, the amount of infections and deaths are relatively low in the country. Wearing face masks, social distancing, closed borders for all countries and only leaving the house for necessary groceries are part of the deal.

Since the economy is doing so well, factories decided to provide housing and food for their employees at the production sites, to let them work in a covid-free environment. In this way, production wouldn't get

affected, and Vietnam remains a strong partner in international trade.

#### Ho Chi Minh City out of business

Even though the factories and production sites did everything in their power to keep the activities going, now there's another problem: the harbour. The southern commercial hub Ho Chi Minh City (HCMC) is one of the busiest harbours in the world and it processes hundreds of big container ships every day. Can you imagine what happens when they close this hub?

That is exactly what happened right now. Vietnam's experiencing a fourth wave and takes extra strong precautions. One of them is closing this hub, which means that international trade becomes complicated. Production sites are still running, but they can't ship the goods anywhere, so soon production will stop. This means big delays, a huge increase in import prices and of course a major dip in Vietnam's economy.

### **Rail is reliable**

At this point, sea freight is facing hard times. Ships need to take different routes, or are offloading containers in different harbours. The war on containers is reaching its peak and nobody knows what happens next. In the meantime, rail freight remains to be the most reliable partner. Rail freight

is going well. Yes, prices increased, as this happened in sea freight, but so far, it turns out to be the most reliable way to ship goods from Asia to Europe. Because of the efficient railway network, trains reach their destination on time, which means lower cost of ownership.

From mainland Asia, we can easily ship goods to anywhere in Europe. We are currently operating four times per week in Vietnam. From Haiphong and Ho Chi Minh, we offer sea-rail services into Europe. Average transit times are between 26-28 days at the moment. Besides all the economic benefits, rail freight also has a lower impact on the environment compared to air freight. Interested in getting to know more? Our rail expert loves a good challenge. Visit the website of Rail Bridge Cargo and request a test shipment for your products.

## **4. Footwear export shows strong rebound in first half**

According to the Vietnam Leather, Footwear and Handbag Association (Lefaso), footwear exports in the year to date have shown strong recovery momentum.

Along with this, handbags, suitcases, and umbrellas, despite reporting a lower increase of only 7.9 per cent, helped bring in nearly \$1.7 billion in export value.

Footwear and bags contributed more than \$12 billion to \$157.63 billion in Vietnam's total export value in the first half, up 28.4 per cent over the same period last year.

Lefaso said that although the epidemic is still a global complication, holding up Vietnam's key export markets like the US and the EU, the purchasing power has recovered strongly, boosting order intake for Vietnam.

The global leather and footwear market is forecast to reboot strongly in the second half, helping to brighten the country's export prospects.

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An important driving force as pointed by the Ministry of Industry and Trade is that in the first half of 2021 local leather and footwear businesses have actively availed of the advantages brought by new-generation free trade agreements (FTAs), especially the EVFTA to push up export.

By the end of the second quarter of 2021, the order intake to traditional export markets like the US and the EU had surged by more than 10 per cent. According to reports by businesses, until present, major enterprises have had export orders for the whole year.

"Stable production in many areas with manufacturing plants are luring orders into the country's leather and footwear industry. In addition, competitive labour cost, skilled workforce and political stability are the factors that prompt importers to place orders with local firms," Lefaso said in a recent statement with local media.

Meanwhile, China's labour cost has undergone a sharp jump in the year to date. In Myanmar, the country's political instability has adversely affected production and order placement.

Cambodia has also been hit hard by the COVID-19 pandemic and social distancing policies have been forcing importers to recalculate orders. In this context, Vietnam's leather, footwear, and handbag

export value is expected to reach \$22 billion, equivalent to 2019 levels.

According to recent figures by the General Statistics Office, Vietnam's total import and export value came to \$316.73 billion in the first six months of this year, up 32.2 per cent on-year, of which export brought in \$157.63 billion, up 28.4 per cent and import reached \$159.1 billion, an excess of 36.1 per cent.

Despite the negative impacts of COVID-19 pandemic causing many factories in large industrial zones in Bac Ninh, Bac Giang, or Danang to face production interruptions, Vietnam's export value in June still registered double-digit growth compared to the

same period in 2020. Accordingly, the total export-import value reached an estimated \$54 billion, up 25 per cent on-year.

As for major export markets in the first half of this year, the US is Vietnam's largest export market with \$44.9 billion in total export value, showing a 42.6 per cent jump over the same period last year. Next is China with \$24.4 billion, up 24 per cent; the EU came third with \$19.3 billion, up 17.4 per cent. Vietnam's export value to ASEAN reached \$13.8 billion, up 26 per cent and to South Korea amounted to \$10.5 billion, up 14.7 per cent, and to Japan \$9.9 billion, up 6.9 per cent.

## 5. Top 10 prestigious commercial banks 2021 announced

The Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) again tops the list of ten most prestigious commercial banks in Vietnam this year, according to the latest ranking announced by Vietnam Report.

The bank is followed by the Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank) and Vietnam Technological and Commercial Joint Stock Bank (Techcombank) in the second and third places, respectively.

The list also includes the Military Commercial Joint Stock Bank (MBBank), Asia Commercial Joint Stock Bank (ACB), Vietnam Prosperity Joint Stock Commercial Bank (VPBank), Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV), Tien Phong Commercial Joint Stock Bank (TPBank), Ho Chi Minh City Development Joint Stock Commercial Bank (HDBank) and Vietnam Bank for Agriculture and Rural Development (Agribank).

The ranking was based on the banks' financial capacity, media reputation and customers' perception and satisfaction.

Data from the General Statistics Office shows that Vietnam's credit growth reached 5.47 percent in the first half of 2021, doubling the same period last year's figure. Despite impacts caused by COVID-19, the banking sector has enjoyed high growth in profit during the period, with bad debts under good control.

Vietnam Report Director Vu Dang Vinh said the firm's survey of experts and banks indicates that the top three macro-economic factors influencing the banking sector's performance in 2021 are likely to be the widespread outbreak of the COVID-19, the macro-economic recovery, and the State's relevant policies and regulations.

Meanwhile, the three micro-economic factors that may have the biggest impact on the industry include fintech, risk management and internal control system, service and product quality.

Some 52.94 percent of surveyed experts and banks said that the banking industry will see better growth and performance this year. It is believed this year's credit growth is likely to be equal to or higher than 2020's figure.

## 6. Saigon Hi-tech Park factories shut down over Covid-19

Starting Tuesday, the Samsung Electronics CE Complex has granted over 7,000 workers time off for the company to set up accommodation within the factory.

Precision manufacturer Nidec Vietnam has been shut for nearly a week after some employees tested positive for the novel coronavirus. The company now has over 4,000 workers living within the

premises unable to leave for their homes during the shutdown, and 150 are accommodated in hotels near the park.

Other Nidec companies like Nidec Servo and Nidec Copal with a total of nearly 4,000 employees are now operating one shift a day with the number of workers down by 35 percent.

Some factories with over 8,000 workers like electronics manufacturers Intel and Jabil that cannot accommodate all employees have rented nearby hotels and are using busing workers in every day.

The Saigon Hi-tech Park has recorded over 750 Covid-19 cases so far. Nearly 600 of these have been detected in the factory of stepper motor manufacturer Nidec Sankyo, which has been shut down since July 3.

Starting Thursday, factories in Thu Duc City, where Saigon Hi-tech Park is located, can only operate if their workers stay within the premises or bused in and out.

Le Bich Loan, deputy head of the management board of the park, said that companies that have shown the board their plans to keep workers safe during the outbreak will be able to operate during the city's 15-day social distancing campaign.

Twenty companies have made such plans to keep operations going, maintaining social distancing protocols.

The park, established 19 years ago, has 85 companies with over 45,000 workers. Last year, they produced nearly \$21 billion worth of products, up 23 percent from 2019.

## 7. Aviation sector eyes recovery in 2023-24

The international tourist market may need 2-3 years to recover to 2019 levels, while the domestic market can recover strongly as soon as the epidemic is under control, according to experts from aviation organisations and Vietnam Airlines.

"Viet Nam's aviation market is forecast to resume to the same performance of 2019 by 2023 in an optimistic scenario and by 2024 in a more cautious scenario," said Dang Ngoc Hoa, chairman of Vietnam Airlines' Board of Directors.

To achieve this, Vietnam Airlines hopes that the Government, ministries and sectors would continue helping the domestic aviation industry to overcome difficulties this year and create favourable conditions for future recovery, Hoa said.

Dinh Viet Thang, director of the Civil Aviation Authority of Viet Nam, said the domestic aviation market was expected to improve in the second half of 2021 when the COVID-19 vaccine rollout is accelerated in Viet Nam and abroad.

Many key markets for Viet Nam's aviation industry such as Northeast Asia and Europe could be able to create herd immunity as a basis for gradually reopening international aviation transport

operations at the end of the third quarter or the beginning of the fourth quarter 2021.

The Vietnamese aviation market is expected to recover from the middle of the third quarter of 2021 with a target of serving 70 million passengers at Viet Nam's airports in 2021, Thang said.

In addition, Vietnam Airlines and Vietjet Air have both joined the International Air Traffic Association (IATA)'s Travel Pass, an electronic health passport application. The IATA Travel Pass helps passengers and governments manage travel and medical information.

Specifically, Vietnam Airlines will officially implement a trial of the IATA Travel Pass on two flights numbered VN301 from Narita Airport (Tokyo, Japan) to Da Nang on July 15 and July 23.

Thang said that the biggest difficulty for airlines is financial. To revive the airlines at this period, the Government's support is very important to create conditions for the airlines to have the capital to restore services.

"The Government's financial support is only to encourage the airlines to maintain operations, the

most important thing is still the efforts of the airlines themselves," Thang told the Vietnam News Agency.

The Ministry of Planning and Investment has proposed the Government issue a supportive mechanism with interest rates of about 4 per cent for banking loans in 2021-2023 for the airlines. The loans would help the airlines to maintain operation now and then recover business in the future.

The pandemic situation in the world is still complicated with new outbreaks and new variants of the SARS-CoV-2 virus, while the deployment of vaccination programmes globally has been slower than initially expected.

Due to the impact of the pandemic, the global economy has shown signs of recession and people's incomes are affected, reducing travel demand in the long term, especially by air.

Arrivals to Viet Nam by air are now almost exclusively foreign officials, experts and repatriates, with foreign tourism wiped out.

Therefore, cargo transport still plays an important role in the domestic aviation market.

According to the Civil Aviation Authority of Viet Nam (CAAV), in the first six months of 2021, Viet Nam's airports received 26.8 million passengers, down 19.4 per cent year on year, including 145,000 international passengers (down by 97.9 per cent) and 26.7 million domestic passengers (up by 1.4 per cent).

Those airports also received 668,000 tonnes of cargo, an increase of 12.7 per cent over the same period in 2020, 490,000 tonnes of international cargo (up by 18.1 per cent) and 179,000 tonnes of domestic goods (up by 0.3 per cent).

The CAAV also said Vietnamese airlines companies had used most of their fleets for domestic routes, with the frequency and number of routes skyrocketing.

The number of domestic routes operated by Vietnamese airlines has even hit 62, 10 more than in 2019.

## Corporate News

### 8. VIC: Vietnam's Richest Person Aims To Challenge Tesla In North America, Europe

↓ -0.49%

The company said it has been recruiting senior executives from major car manufacturers such as Tesla, BMW, Porsche, Toyota and Nissan in pursuit of its goal of becoming a global smart electric car company.

"With smart electric cars backed by VinFast's proven research and production capabilities, we are confident that VinFast can be a competitive contender with leading brands in the U.S. today," said Jeremy Snyder, chief growth officer for Vinfast U.S. Snyder was former head of global business development at Tesla, where he worked in various senior management positions for more than a decade until 2018, according to his LinkedIn.

Vinfast said the company has set up branches across the U.S., Canada, France, Germany and the Netherlands in preparation for the global launch of

its new electric vehicles. The lineup will be unveiled in October, with two of its smart electric car models VF e35 and VF e36 to be launched for sale globally in March 2022, it said.

The company aimed to sell 56,000 electric vehicles in 2022, but the target was cut to 15,000 units due to the global chip shortage, Reuters had quoted Vingroup chairman Vuong, 52, as saying at the company's annual meeting last month.

Besides car manufacturing, Vuong has interests in real estate, retail, consumer electronics and healthcare through Vingroup, Vietnam's largest conglomerate by market value. He was ranked the country's richest person with a net worth of \$7.3 billion, according to the World Billionaires List published in April.

### 9. BAB: BAC A BANK offers incentive loans to rural projects

↓ -0.44%

With a view to boosting socioeconomic development, improving rural livelihoods, enhancing banking capacity and access to financial services for the public and small- and medium-sized enterprises (SMEs), BAC A BANK has signed a re-financing contract with state-owned Bank for Investment and Development of Vietnam (BIDV) on capital from the Rural Development Fund II (RDFII) financed by the World Bank.

Accordingly, BAC A BANK has become a member to provide the RDFII's loans to SMEs.

The RDFII is aimed to support rural economic development and rural people's lives by encouraging investment among families and private enterprises, with medium- and long-term loans while strengthening the capacity of the banking system.

Many customers who have obtained loans from the RDFII said that the loans have helped them a lot in

their business and production, helping them avoid black credit in rural areas.

Proving small-scale projects nationwide, except for those in the inner cities of Hanoi, Danang, Haiphong, and Ho Chi Minh City, BAC A BANK has once again confirmed its non-stop efforts to maximise customers' benefits. Attractively, the loan is worth up to 75 per cent of the project's total investment capital, and the maximum loan is VND2.3 billion (\$100,000) for each project.

BAC A BANK provides assorted loans used for investing in transportation means in service for business and production activities in rural areas; machinery, equipment, materials, and input products, among many others.

The maximum lending time is 15 years, with a lending rate of 8.45 per cent a year.

BAC A BANK hopes that capital from the RDFII will further help enterprises to perform well and improve rural economic development.





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