VIETNAM DAILY NEWS

July 20th, 2021

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Market Analysis

1. Market hit hard by strong selling force

Shares plummeted on Monday on profit-taking activities with many bank stocks hitting the biggest daily loss of 7 per cent.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) lost 55.8 points, or 4.29 per cent, to close Monday's trade at 1,243.51 points. The index finished last week at 1,299.31 points, but still declined 3.6 per cent for the week.

The market's breadth was negative as 346 stocks plunged while 50 stocks rose. The liquidity was high with over 731 million shares being traded on the southern bourse, worth more than VND21.8 trillion (US$947 million).

The 30 biggest stocks tracker VN30-Index witnessed a big drop of 63.9 points, or 4.44 per cent, to 1,374.15 points. Twenty-nine of these stocks in the VN30 basket slid with four stocks posting maximum daily losses, while only one stock climbed.

On the Ha Noi Stock Exchanges (HNX), the HNX-Index also inched down 5.1 per cent to 292.06 points.

During the session, over 130.1 million shares were traded on HNX, worth nearly VND3 trillion.

Selling pressure weighed on the whole market since the morning session opened. Stocks from all sectors, especially banking, recorded big losses.

The market was also affected after Ha Noi and 16 other provinces started applying stricter restrictions to prevent the ongoing fourth wave of COVID-19 yesterday.

In the top five stocks influencing the market's downward trend, Vietcombank (VCB) lost the most in market capitalisation, down 5.37 per cent. It was followed by Vinhomes JSC (VHM), Techcombank (TCB) and JSC Bank For Investment And Development Of Vietnam (BIDV, BID) with the two bank stocks losing more than 6.7 per cent.

Many stocks, mostly in the banking field, even hit the maximum daily loss of 7 per cent yesterday, including VPBank (VPB), Vietinbank (CTG), Vietnam International Commercial Joint Stock Bank (VIB), Tien Phong Commercial Joint Stock Bank (TPB) and Viet Nam Rubber Group (GVR).

Others from utilities, information technology (IT), transportation and logistics, and retail group also witnessed poor performance.

However, there were still some stocks running contrary to the market's general trend, up nearly 1 per cent to more than 2 per cent. These stocks included Ba Ria - Vung Tau House Development JSC (HDC), DHG Pharmaceutical JSC (DHG) and Khang Dien House Trading and Investment JSC (KDH), on positive business results.

Analysts from Saigon-Hanoi Securities Joint Stock Company (SHS) said that the market was likely to continue to adjust to lower price ranges this week to seek a return of demand.

Bao Viet Securities Company said that the benchmark will maybe test the resistance zone of 1,333 - 1,348 points in the short-term. And the second quarter financial results will be a factor supporting stock groups at the moment.

Meanwhile, foreign investors were net sellers on the southern market, with a net value of VND101.44 billion, but net bought a value of VND15.43 billion on HNX.

Macro & Policies

2. Scope remains for new capital influx

According to a reliable source, a company which is one of China's largest online retailers and a member of the Fortune Global 500, is set to invest into Vietnam in this year. The company also operates in logistics, with sophisticated data-driven delivery technologies.

"The capital investment cannot be revealed now, but it will likely be huge," the source who declined to be named and works at the company told VIR. "When the company enters Vietnam, the country's online retail and logistics landscapes will likely be changed, with bigger competition."

Vietnam's total retail revenue in the first half of 2021 hit VND1.99 quadrillion ($86.52 billion), up 6.2 per cent on-year. According to the General Statistics Office (GSO), this figure was relatively high, especially given the COVID-19 pandemic forcing the public to tighten their belt.

"Our company will invest in Vietnam thanks to the country's good economic growth, good control of the pandemic, a growing middle class with big expenditure power, and a rise in foreign direct investment (FDI) in the market," the source stressed, adding that the logistics industry in Vietnam is developing strongly.

"All logistics firms are expected to reap double-digit growth this year," said the source, "We will strongly develop business-to-customers logistics services in Vietnam in the coming time."

The GSO reported that despite difficulties, the local logistics industry is still increasing in the first six months of 2021 thanks to many reasons including the world's recovering economy. Vietnam's total goods transportation reached 903.5 million tonnes, up 11.5 per cent over that of -7.8 per cent in the same period last year. The figure in the second quarter hit 439.6 million tonnes, up 15.2 per cent on-year.

Over the past months, CEVA Logistics (Vietnam) under CEVA Logistics – a global logistics and supply chain company, is boosting recruitment of new employees and expanding its network to ship goods to the US, which is Vietnam's largest export market – with total six-month export turnover of $44.9 billion, a 42.6 per cent rise over that of the same period last year.

CEVA Logistics (Vietnam) is expected to rake in a rise of 20-35 per cent in revenue for the entire year, after reportedly reaping double-digit growth in the first half of this year.

In June 2020, CEVA Logistics expanded its contract logistics footprint in Vietnam with the new multiuser facility in the southern province of Dong Nai. The facility is strategically located with easy access to Cat Lai Port and Tan Son Nhat International Airport.

According to the GSO, despite COVID-19, the Vietnamese economy in general has been bouncing back, with an on-year growth rate of 3.68, 0.39, 2.69, and 4.48 per cent during Q1-Q4 of 2020 respectively. In the first and second quarter of this year, the rate touched 4.48 and 6.61 per cent on-year.

Last November, the National Assembly set an economic growth target of 6 per cent for this year. In January, the government set a target of about 6.5 for the whole year.

The Ministry of Planning and Investment (MPI) has reported its two economic growth scenarios for the second half of 2021 to the government last week. In the first scenario, to hit the growth target of 6 per cent for 2021, the economy must grow 6.2 per cent in the third quarter, and 6.5 per cent in the fourth quarter.

In the second scenario, for the economy to increase 6.5 per cent for this year, the economy must climb 7 per cent in the third quarter, and 7.5 per cent in the fourth quarter.

"Based on these two scenarios, localities must formulate their own growth scenarios for implementation. We must be persistent and patient in carrying our dual target of economic development and pandemic fighting, though it is a very difficult choice in economic macromonitoring," said Prime Minister Pham Minh Chinh at the government's recent meeting with localities nationwide on six-month economic development.

Bullish projections

Though the government has been showing great caution in directing the economy, which is gradually recovering, a number of high-profile organisations are highly expecting Vietnam's brighter prospects for this year and beyond, saying the economy is greatly supported by a series of factors, with a rising inflow of FDI continuing to serve as the key pillars for economic growth in the coming time.

The World Bank has just released it fresh forecast, saying that the Vietnamese economy will grow 6.6 per cent in 2021 and 6.5 per cent in 2022, thanks to a rise in investment and production, but still depending on how well the pandemic will continue being controlled.

Global analysts FocusEconomics told VIR in a statement that Vietnam's GDP is projected to grow at the fastest pace in the region this year (see chart), with a strong manufacturing sector driving domestic activity and improving foreign demand boosting exports.

"However, the impact of the recent surge in daily COVID-19 cases on the already-stifled tourism sector remains a key downside risk to the outlook. Our panelists expect GDP to expand 6.9 per cent in 2021, and 6.8 per cent in 2022," said the statement.

Meanwhile, the Asian Development Bank (ADB) has also predicted that the Vietnamese economy is expected to grow by 6.7 per cent in 2021 and 7 per cent in 2022 – strong and steady growth made possible by Vietnam's success in containing the COVID-19 pandemic.

The growth momentum is expected to continue, thanks to ongoing reforms to improve the business environment and Vietnam's participation in multiple free trade agreements involving almost all advanced economies.

According to the ADB, looking ahead to 2021, investment will be boosted by improving disbursement of public investment, the continuing diversion of production from China to Vietnam, recovery in China's economy, and the implementation of a trade agreement with the European Union to greatly liberalise trade.

"The Japan External Trade Organization has released a list of 15 Japanese firms to shift their manufacturing from China to Vietnam. The majority of those moving to Vietnam make medical equipment while the rest produce semiconductors, phone components, air conditioners, and power modules," said an ADB report released recently.

During January-June 20, total newly registered FDI in Vietnam reached $9.55 billion, an on-year climb of 13.2 per cent. Operational firms increased their capital by another $4.12 billion, up 10.6 per cent on-year. Total disbursement hit $9.24 billion, up 6.8 per cent on-year.

Risks lingering

PM Chinh stressed that it would be a hard job to reach the set targets of economic growth, but the targets would not be changed now. "In the coming time, amid the increasingly complicated pandemic, we must be well aware that challenges will be much bigger than opportunities. We must make greater efforts to overcome all difficulties to hit the targets," he said.

According to the World Bank, close attention should be paid to the evolution of industrial production and retail sales as both could be further affected by the latest outbreak. Exports may also suffer from the slowdown of activities in some industrial zones (IZs).

"If the current outbreak is not contained quickly, the government may wish to consider adopting a more accommodative fiscal stance to support affected people and businesses and to stimulate domestic demand," said the World Bank bulletin for Vietnam in June.

The bank said that while the economy appears to have fared relatively well, several signs suggest slowdown in economic activity if the pandemic is not contained in the short term.

ADB country director for Vietnam Andrew Jeffries told VIR that the major downside risks are the re-emergence of the pandemic by new virus strains and delayed implementation of the vaccination plan. An ongoing resurgence is affecting not only major urban areas like Ho Chi Minh City and Hanoi, but also in the IZs in places like Bac Giang and Bac Ninh, where critical portions of the electronics supply chain are located.

"If the labour force in these zones is affected, it would impede manufacturing which is one of the key drivers of economic growth. Also, vaccination delays could have immediate impact on Vietnam's economic recovery," Jeffries said.

As for the Chinese retail company planning to set foot in Vietnam, despite numerous difficulties, it believed Vietnam's big purchasing power and growing economy will continue being a major magnet for investors.

"Some big investors have come to Vietnam, such as Alibaba and Amazon. So there is no reason that our company will not enter Vietnam," said the company's source. "However, it is also expected that more administrative reform is needed because businesses are still facing complicated procedures in tax payment and customs clearance, hampering them from reducing production and business costs.

3. Vietnamese banks authorised to lift credit growth

MB has been allowed to extend its credit growth target from 10.5 to 15 per cent. VPBank, Vietcombank, Sacombank, and Techcombank were also permitted to raise their credit room to 12.1, 14, 10.5, and 17 per cent, respectively.

In addition, the credit limit of Eximbank will be increased from 6.5 to 10 per cent, while VIB from 8.5 to 14.1 per cent. TPBank will be able to raise its credit target to 17.4 per cent.

At a July 12 meeting between the Vietnam Banks Association and the 16 largest banks in the country, banks expressed their desire for the State Bank of Vietnam (SBV) to grant additional credit growth target in the latter half of this year.

The SBV also signalled that it would ease credit policy for commercial banks, especially giving higher credit growth ceilings for some lenders with ample financial buffers and higher customer lending demand.

Previously, lacklustre economic outlook has impeded credit demand – that is why the SBV took a rather cautious approach with credit growth quotas.

Moreover, the SBV required commercial banks to pay attention to safety ratios, reduce lending interest rates to assist affected customers and prioritise areas like manufacturing while limiting capital into risky sectors such as real estate and the stock market.

For build-operate-transfer (BOT) and build-transfer (BT) projects, credit institutions must balance their capital flow and use loans for medium- and long-term projects to limit liquidity risks and continue to strictly comply with the instructions of the SBV.

4. Support for businesses vital for economic recovery Saigon Investment

Ease in tax policy is a short-term solution, but now it is vital to make long-term plans to ensure sustainable economic growth as it is becoming increasingly evident that the pandemic could possibly continue for a long time, before it is successfully and finally contained.

Delay in relief policies

Over the past four waves of the pandemic, people and companies have laid their trust in government policies to provide them with adequate support to survive these difficult times. However, so far many of these policies have failed to provide the right support for the right individuals and businesses, with some policies offering assistance far too late.

Statistics show that only 22% of the VND 62,000 bn support package for affected people and institutions in the pandemic last year was distributed to concerned people and organizations. The loan packages for companies to pay their employees did not even reach many companies.

These packages were very important because they were intended to directly enable the companies to ride the wave and indirectly help workers survive the hard times and continue to stay on in their jobs in companies.

Figures reported to the National Assembly indicate that the VND 16,000 bn loan package for employers to pay out-of-work employees reached 245 employers who had taken the loans worth VND 41.8 bn to pay 11,276 employees. This is just 0.26% of the support loan package. Another package of VND 6,500 bn reached only 192,503 employees from 1,846 employers, receiving just over VND 786 bn, which is 12.1% of the relief package.

Statistics show that the previous three waves of the Covid-19 pandemic saw upto 98% of companies in trouble and in danger of going bankrupt, but only 2% of the companies received support from relief policies. This time, the Government is trying to avoid making the same previous mistakes. The Minister of Labor, Invalids and Social Affairs told the media that cash will reach the affected people in three-week time. However, the people and companies are still concerned because they will probably have to complete several complex procedures before they can even see the cash.

Ineffective tax policies

Support for the people and companies is not simply for development, but it is part of a solution to provide relief, with the tax relief policy playing a key role. There seems to exist a paradox in the tax relief policy. One report on tax collection activities of tax agencies draws special attention. The taxation sector has collected large amounts, even more than expected, during hard times like these. This seems quite strange. We may have to look closely at the facts leading to it. It is high time we feel unhappy about this paradox, or even consider it a macro-economic risk in the long run.

In the current situation of the Covid-19 pandemic, it would be more reasonable to see smaller amounts of collected taxes and larger amounts of expenditures. When the Government provides support and reduces tax on electricity, water, house rent and other services, the revenue will show less than usual, and that would be absolutely acceptable. On the other hand, greater expenditure to some extent would indicate that relief packages are being distributed to the affected people and institutions as planned. We may have been talking about tightening the budget. This implies reducing public spending, putting off some investment projects and concentrating all resources and efforts on fighting the disease and helping companies with loans and other kinds of assistance.

The analysis above on reports from the tax agencies over the last few months show that tax policies have been rather impractical and ineffective. Competent agencies have not dared to accept fiscal deficit, have not dared to allow tax relaxation, in their effort to consistently provide assistance for affected people and businesses.

Basically, taxes are collected from companies and people rather than created by the tax sector. This is why it is essential to relax taxes, with some taxes being exempted, reduced or deferred, so that the people and businesses can survive these hard times under the pandemic and return to a new normal life of existence. If the tax policy is tightened, it does not provide essential assistance for the people and companies in trouble. When the companies go belly up, there will be nothing left for the national economy which will pose a grave risk for national budget expenditure in the long run.

It is high time that the tax relief policies were made practical and effective. They should be long-sighted, aimed at implementing long-term plans with positive effects on the entire community, rather than remaining short-sighted. If the tax sector and the Ministry of Finance do not actively and promptly introduce policies on tax relaxation now, the Government must take action immediately to urge them to do so.

Now with the next meeting of the National Assembly drawing close, all members of the National Assembly should proactively raise this question in an opinion poll and request the Government to implement the same. The Covid-19 pandemic in all likelihood is here to stay for a very long time and many developed countries have even come to the conclusion that they must now accept it as part of their daily lives.

For this reason alone, by delaying, the implementation of a sustainable public policy could lead to further catastrophic bankruptcy in companies. During hard times, the Government needs to introduce appropriate policies to cover both long-term economic benefits, as well as ensure food security for all the people.

5. Vietnam set to emerge as major startup ecosystem in SEA by 2022

Vietnam is set to emerge as a major startup ecosystem in Southeast Asia by 2022.

Golden Gate Ventures made the prediction in its latest report themed “Southeast Asia: Startup Ecosystem 2.0” while noting “stronger signs of SEA-focused venture capital funds putting more efforts into early-stage investment in Vietnam.”

With the trend of continuing to grow in the next 10 years, five industries that are predicted to catch investors' attention are e-commerce, financial services, online media, online travel, and food & transportation.

The venture capital also expects the number of initial public offerings (IPOs) in the region to exceed 300 by 2030, nearly triple the amount recorded in 2020 at 114, as more local startups seek an exit in domestic public markets.

According to Golden Gate Ventures, over the last decade, the startup landscape in Southeast Asia grew phenomenally in terms of capital inflow with total capital invested per annum increasing 50 times from US$130 million in 2010 to $6.5 billion in 2020 – and the close of the decade culminated in 15 mega-deals of over $100 million each that accounted for over half of the total capital invested.

“Food, fintech, and logistics were amongst the vertical that drew the most investment dollars,” it added.

Meanwhile, the venture capital fund noted the first-generation entrepreneurs of the region typically came from corporates, as there was no existing startup pool.

Post-2015, mega-rounds raised by Grab, Gojek, and Rocket internet companies uplifted funding across the stages - encouraging diversity (culture, background, expertise) in a new generation of entrepreneurs.

“We have seen an emergence of Generation 1.5 - former senior employees of high-growth tech companies. As it takes an average of 8.3 years from start to exit, we are on the precipice of seeing Generation 2.0 take off,” it added.

For 10 years ahead, it suggested media and entertainment startups will gain a stronger following and funding at over $700 million by 2030 as the industry is shifting its focus into a digital-first solution – including TV/film, live-streaming, and esports.

6. Over 425 million tonnes of cargo handled at seaports in seven months

The total volume of cargo handled at Vietnamese seaports is estimated to reach more than 425 million tonnes in the first seven months of 2021, up 6 percent over the same period last year, according to the Vietnam Maritime Administration (VMA).

Of the figure, export cargo hit over 106 million tonnes, a year-on-year increase of 9 percent, while import cargo stood at roughly 133 million tonnes, up 2 percent. The handling of domestic goods neared 184 million tonnes, up 7 percent year-on-year.

In particular, the volume of container goods handled at seaports reached about 14.7 million twenty-foot equivalent units (TEUs), a 21-percent year-on-year increase.

VMA statistics also showed a sharp rise in the volume of cargo through ports in Thai Binh province (up 65 percent), Dong Thap (up 56 percent), Quang Ngai (up 38 percent), Hai Phong (up nearly 16 percent), and Ho Chi Minh City (up nearly 9 percent).

Strong growth was also seen in the volume of container goods through seaports in Vung Tau (up 41 percent), Ho Chi Minh City (up 16.46 percent), and Hai Phong (up over 19.8 percent).

7. Vietnam's wood industry moving towards transparent trade

The Vietnamese wood manufacturing and processing industry needs to be more cautious to show other countries that Vietnam is moving towards transparent trade and is a reliable partner.

Deputy Minister of Agriculture and Rural Development Le Quoc Doanh made the statement regarding the US's investigation into some wooden products imported from Vietnam at a conference held on July 7 to review its performance in the first half of the year and set tasks for the second half of 2021.

To gradually meet the demand for transparent domestic raw materials, the VNFOREST plans to issue a certificate of sustainable forest management, said Bui Chinh Nghia, Vice General Director of the Vietnam Administration of Forestry (VNFOREST) under the Ministry of Agriculture and Rural Development.

The administration will work closely with the Programme for the Endorsement of Forest Certification (PEFC) to accelerate the recognition of the national forest certification system and link with the PEFC forest certification.

It is reported that the area of the newly-planted forest has so far reached 108,258 ha, accounting for 41.6 percent of the plan and that of the whole year is expected to hit 260,000 ha, meeting the year's target.

As many as 109 forest fires and 1,329 forest-related violations were recorded in the first six months of the year. The damaged forest area was 1,210 ha, a decrease of 53 percent compared with the same period last year. Of which, 283 ha were damaged by forest fires and 672 ha due to illegal deforestation.

The administration will strengthen the forest protection and management to meet the target of reducing the number of violations by 10 percent and the damaged forest area by 20 percent compared with last year's figures.

It is forecast that the total export turnover of wood and forestry products for the whole year will reach 15.5 billion USD, a year-on-year increase of 17 percent, Nghia said.

The export value of wood and forestry products in the first six months of this year was estimated at 8.71 billion USD, up 61.6 percent compared to the same period last year, the conference heard.

Wood processing enterprises continued to push up the export of products with high added value such as kitchen cupboards and furniture, Nghia said, adding that these are also products that have achieved a great growth rate of 40 percent.

While appreciating the good results gained by the VNFOREST over the past six months, Doanh said it should not rest on its laurels as the industry has been facing challenges from the impacts of the COVID-19 pandemic and natural disasters. Trade barriers would directly affect export activities, he added.

Thus, the deputy minister demanded the administration to build scenarios for the forest industry to cope with emerging challenges.

Corporate News

8. SZC: Sonadezi Chau Duc exceeds annual profit target by 7 per cent within first half

↓ -2.04%

Sonadezi Chau Duc Shareholding Company (HSX: SZC), amember of Industrial Park Development Corporation (Sonadezi) which works in the field of industrial zone infrastructure development and business, has announced its financial statements for the second quarter of 2021 on July 15.

Currently, Sonadezi Chau Duc's operations include investment and construction in industrial, residential zones, traffic infrastructure construction; environmental protection consultancy; and tourism (golf).

Accordingly, compared to the same period last year, the company recorded a revenue of VND224.5 billion (9.76 million), with after-tax profit of VND111 billion ($4.83 million), respectively up 47 and 52 per cent. Gross profit increased by 68 per cent, reaching VND150 billion ($6.5 million), with cost of goods sold increasing by 17 per cent to VND74.5 billion ($3.24 million), resulting in the gross profit margin improving from 58.4 to 66.8 per cent.

Additionally, the company's financial revenue decreased from VND8.4 billion ($365,220) to VND2 billion ($86,960). Administrative expenses increased sharply to VND20 billion ($869,560), up 184 per cent. Selling expenses decreased sharply by 97 per cent to VND107 million ($4,650).

In 2021, SZC sets a revenue target of VND584.3 billion ($25.4 million) with after-tax profit of VND176.3 billion ($7.67 million), 27 per cent higher and 5 per cent lower compared to 2020.

As of June 30, SZC's total assets were more than VND5.2 trillion ($226.1 million), an increase of 18 per cent compared to the beginning of the year. The undistributed after-tax profit brought forward until June 30 is VND274 billion ($11.9 million).

SSI Research believes the new draft decree to replace Decree No.82/2018/ND-CP on management of industrial zones (IZs) and economic zones will streamline the process of applying for new and expanded IZs, and provide incentives to ecological IZs, high-tech projects, supporting industry projects, and small- and medium-sized enterprises.

IZ developers with occupancy rates lower than 60 per cent such as SZC (approximately 40 per cent) will be able to apply for permission to develop expanded IZs by attracting tenants in priority areas.

However, the cost of compensation and site clearance for new IZs increased, so the profit margin of new IZs will be lower than existing ones. According to SSI Research, existing IZs with leased land such as SZC can maintain a higher profit margin on land leasing.

9. VDS: Result of stock issuance for dividend payment

↓ -6.91%

Viet Dragon Securities Corporation announces the result of stock issuance for dividend payment to existing shareholders as follows:

I. Information on stock:

1) Stock name: Viet Dragon Securities Corporation

2) Stock type: common share

3) Stock code: VDS

4) Par value: 10,000 dongs/share

5) Number of shares issued: 100,099,906 shares

6) Number of outstanding shares: 100,099,906 shares

7) Number of treasury shares: 0 share

8) Number of shares expected to be issued: 5,004,995 shares

9) Exercise ratio: 20:1 (Those who own 20 shares will receive 01 new share.)

10) Plan to deal with fractional shares: The distributed shares will be rounded down to units, the fractional shares (if any) will be cancelled.

11) Ending date: July 09, 2021

12) Time for transferring shares: expected in July 2021 or August 2021.

II. Result:

1) Number of distributed shares: 5,004,759 shares; Of which:

- Number of distributed shares to shareholders: 5,004,759 shares for 3,207 shareholders;

- Number of fractional shares: 236 shares.

2) Total shares after the issuance (July 09, 2021): 105,104,665 shares; Of which:

+ Number of outstanding shares: 105,104,665 shares.

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