



VIETNAM DAILY NEWS

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JAPAN SECURITIES INC.

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Market Analysis

1. Shares gain on strong cash flow

Viet Nam's stock market settled higher on Tuesday as stocks in all sectors recovered from recent losses thanks to a strong injection of cash flow.

The VN-Index on the Ho Chi Minh Stock Exchange (HoSE) rose 0.33 per cent to close at 1,276.93 points.

The southern market index had gained 0.31 per cent to close Monday at 1,272.71 points.

The southern market index had lost 2.34 per cent last week.

The market's breadth was positive with 227 stocks increasing while 163 stocks declined.

The liquidity was higher than the previous session with over VND17.6 trillion (US\$764 million) poured into the market, equivalent to a trading volume of about 523 million shares.

The VN30-Index, which tracks 30 biggest stocks on the southern bourse, witnessed a rise of 0.42 per cent to 1,409.85 points. Of the VN30 basket, 19 stocks climbed while 10 slid.

The best performers in the VN30 group were Vietinbank (CTG), PetroVietnam Gas JSC (GAS), Hoa Phat Group (HPG), Khang Dien House (KDH), Masan Group (MSN), Military Bank (MBB), Bank for Investment and Development of Vietnam (BID), Vingroup (VIC), Vietjet (VJC) and Vincom Retail (VRE).

Stocks across all sectors bounced back as investors' risk appetite returned, with bank stocks

still the most attractive investments.

Towards the end of the session, the VN-Index's gain was significantly strengthened as securities stocks gained, such as SSI Securities Inc (SSI) FPT Securities Joint Stock Company (FTS) and Ho Chi Minh City Securities Corporation (HCM).

Viet Capital Incorporation (VCI), SSI Securities Incorporation (SSI), Agribank Securities Corporation (AGR) and APG Securities Joint Stock Company (APG) also gained.

"VN-Index remained in green from the beginning of the morning until the end of the afternoon and now the index has returned to the area above 1,275 points," said BIDV Securities Co.

"Meanwhile, foreign investors were net buyers on HSX and net sold on HNX. Market breadth maintained equilibrium with increased liquidity compared to the previous session. According to our assessment, VN-Index will probably continue to fluctuate in a narrow range in the next session," it said.

Foreign investors net bought VND338.99 billion on HOSE. They were net sellers on the HNX with a value of VND10.9 billion.

On the Ha Noi Stock Exchange (HNX), the HNX-Index also rose 1.03 per cent to 306.00 points.

The index had gained 0.36 per cent on Monday close at 302.88 points.

Some 90 million shares were traded on the northern exchange, worth VND2.14 trillion.

Macro & Policies

2. Domestic trade to make up 15 per cent of GDP by 2030

Under the strategy, domestic trade will grow by an average 9-9.5 per cent a year, and retail sales of goods and consumer service revenue by 13-13.5 per cent during the period.

By 2030, domestic trade via e-commerce is expected to increase by about 20-21 per cent annually to account for 10.5-11 per cent of total retail sales of goods and consumer service revenue. The percentage of small- and medium-sized enterprises involved in trading activities is hoped to surpass 40-45 per cent.

The strategy looks to achieve fast and sustainable growth of domestic trade, build brands for Vietnamese goods, and protect the interests of consumers, businesses, and the national economy.

Among the main orientations to develop domestic trade, authorities are set to press on with

improving the investment and business climate, form a market order adaptable to the new context, develop domestic trade stably and sustainably, keep domestic trade's growth faster than the GDP growth, and develop e-commerce into the main form of trading.

This strategy also points out the need for all-level authorities to develop uniform, modern, and sustainable infrastructure for domestic trade that matches the development level in each area, especially rural and ethnic minority ones.

They are also tasked with forming a system of logistics centres, building major logistics centres in key economic regions, continuing to support the establishment of large distribution enterprises, and making and implementing support policies for businesses, especially those trading in agricultural products.

3. Vietnam's FDI inflows plunge 11.1 percent in seven months

Vietnam raked in 16.7 billion USD in foreign direct investment (FDI) in the first seven months of 2021, down 11.1 percent from the same period last year, data from the Ministry of Planning and Investment (MPI) shows.

This is the biggest fall in FDI inflows since the COVID-19 pandemic broke out again in the country in late April, wreaking havoc on multiple industrial parks in the northern provinces of Bac Giang and Bac Ninh.

Earlier, FDI inflows declined 2.6 percent year-on-year in the first half of the year, after it edged up 0.8 percent in the January-May period.

According to the MPI's Foreign Investment Agency, of the 7-month figure, 10.13 billion USD came from 1,006 newly-registered projects, up 7 percent year-on-year.

Some 4.54 billion USD was added to 561 existing projects, representing a year-on-year decrease of 3.7 percent. Capital contribution and share

purchases by foreign investors dropped by 55.8 percent to 2.05 billion USD.

Economists believed that the COVID-19 pandemic is taking toll on Vietnam's FDI attraction. The fourth coronavirus wave has knocked the confidence of European businesses, with the EuroCham Business Climate Index (BCI) falling almost 30 points to 45.8 in the second quarter of this year.

Despite the contraction, the FDI disbursement slightly rose by 3.8 percent from a year earlier to 10.5 billion USD.

The largest proportion of the seven-month FDI, 7.9 billion USD or 47.2 percent, landed in processing and manufacturing, followed by electricity production and distribution, with 5.49 billion USD or 32.8 percent.

Singapore topped foreign investors, pouring 5.92 billion USD into Vietnam, followed by Japan (2.54

billion USD), and the Republic of Korea (2.2 billion USD).

The Mekong Delta province of Long An was the largest recipient of FDI with 3.58 billion USD, followed by Ho Chi Minh City (1.78 billion USD) and Binh Duong (1.33 billion USD).

4. Experts show optimism about balance of trade

Despite trade deficit in the first half of 2021, experts still predicted that Vietnam will soon resume balance in the trade of goods thanks to the strong growth in production.

According to the General Statistics Office, in the first six months of this year, Vietnam suffered trade deficit of 1.47 billion USD.

Meanwhile, General Department of Vietnam Customs reported that as of July 15, Vietnam's import-export revenue reached over 345 billion USD. With imports of over 174 billion USD as compared to 171 billion USD in exports, the country had seen trade deficit of over 3 billion USD.

Notably, 31 types of goods recording import revenue of over 1 billion USD, while 25 groups of goods enjoying exports of more than 1 billion USD.

However, Deputy Minister of Industry and Trade Do Thang Hai held that the majority of spending was on materials, signaling the rapid recovery of domestic production. Many production facilities have received orders to keep them busy until the end of the third quarter or the whole year, causing an increase in imports of materials, he said.

Besides, economists asserted that a number of businesses have increased imports of materials for reserve to take advantages of low prices in current period, so that they will have enough materials despite COVID-19 impacts.

With strong imports of materials for production and the rapid recovery of the global market, Vietnam will record growth in exports in the rest of the year to balance trade soon, they said.

Deputy Director of the Import-Export Department under the Ministry of Industry and Trade Tran Thanh Hai, export activities are normally busier in the last months of the year. However, in order to complete the target of 4-5 percent growth in export revenue in 2021 and trade surplus for the whole year, it is necessary to make stronger economic breakthroughs.

He advised businesses to make full use of advantages from signed free trade agreements (FTA) to increase exports, especially of strong products such as farm produce, garment and textile. He pledged that the ministry will support them in seeking markets and partners, removing administrative obstacles and promoting e-commerce.

Dr. Nguyen Thuong Lang from the National Economics University held that along with grasping opportunities from FTAs, Vietnamese firms should continue to improve their product quality.

General Director of May 10 Garment Company Than Duc Viet underlined the need for businesses to adapt to the 'new normal' situation to rise.

With joint efforts of authorised agencies and businesses, experts are optimistic about the balance of national trade in the rest of the year.

5. Higher clinker export duty proposed to restrict export of natural resources

The Ministry of Finance (MoF) included the proposal in the draft decree on amending and supplementing several clauses of Decree No.57/2020/ND-CP and Decree No.122/2016/ND-CP presenting export-import tariffs.

In fact, boosting cement and clinker exports would help the local cement industry to take advantage of abundant local production, but it is not a sustainable solution on the long term as the production of these two items mainly leverages the use and exploitation of non-renewable natural resources.

The MoF argued that the increasing exports of clinker have depleted local natural resources, causing detrimental impacts on the environment.

The annual report of the Vietnam National Cement Association shows that by the end of 2020, Vietnam was home to 90 clinker and cement production lines with a total capacity amounting to 106.6 million tonnes.

The Vietnam building material development strategy for 2021-2030, with vision to 2050 also set an orientation to restrict export of products using materials or fuel deemed as non-renewable.

Local cement consumption has seen almost no growth in recent years and has even dropped three million tonnes last year against 2019. Consumption still surpassed 100 million tonnes thanks to a sharp rise in export volume.

According to the MoF, Vietnam exported nearly 33 million tonnes of cement and clinker last year, including 24 million tonnes of clinker, representing 73 per cent, and 8.7 million of cement (27 per cent).

While Decree 57 set an export duty of 5 per cent on clinker, Vietnam's building material development strategy for 2021-2030 with a vision to 2050 set the orientation of restricting the export of products made from materials or fuel that is non-renewable.

Particularly, the strategy mandates that the proportion of clinker and cement export must not

exceed 30 per cent of the total designed capacity of the sector in 2021-2030 which will be reduced to 20 per cent during 2031-2050.

It is noteworthy that clinker and cement exports have already reached this limit.

According to a report by FPT Securities, in the past decade (2010-2019) Vietnam's cement exports rose 30-fold, accounting for 32 per cent of the whole sector's total output and turning Vietnam into a top cement exporter.

However, while export volume grew, Vietnam has remained at the lower reaches of the supply chain, with exports mostly consisting of clinker, the raw form of cement with very low added value.

The Free on Board (FOB) price of one tonne of clinker costs only \$38.5 at Vietnam's ports, about 10 per cent lower than the price of cement in the domestic market.

Nguyen Cong Bao, managing director at Malaysian-backed cement firm Fico-YTL, one of the leading cement firms in the southern market, noted that amid escalating pressure to ensure energy security and the government's commitment to protecting the environment, it is important for the cement industry to focus on serving the domestic market. Once domestic supply is secured, the government will be able to present suitable policies on balancing supply and demand.

6. Seafood firms net big catch from export recovery

Seafood exports topped \$4 billion in H1, a year-on-year increase of 15 percent, according to the General Department of Vietnam Customs. In Q2 particularly, seafood export turnover increased by more than 21 percent over the same period last year, reaching nearly \$2.4 billion. This led to firms reporting positive business results.

Vinh Hoan JSC earned over VND2.3 trillion in revenue and over VND260 billion in post-tax profit, up 41 percent and 16 percent year-on-year, respectively. According to its monthly report, VHC's exports to most markets increased, with the two largest ones being the U.S. and China.

The Kien Hung JSC (KHS) said its net profit increased 10 times in Q2 as demand from Europe, America, Japan and South Korea temporarily recovered and stabilized. The firm also actively sought imported materials at competitive prices to maintain stable production.

The Minh Phu Seafood Corporation has yet to announce its H1 business results, but estimates a pre-tax profit of over VND300 billion, a year-on-year increase of 11 percent.

However, not all seafood exporters reported positive business results, partly because of high freight rates. The Vietnam Association of Seafood

Exporters and Producers (VASEP) said that by May, freight rates in some ports had doubled compared to late 2020 and sextupled compared to early 2020.

The Nam Viet Corporation reported an increase of over 20 percent in revenue in Q2 but a decrease of 26 percent in net profit year-on-year. The corporation attributed the decline in profit to a sharp rise in financial and selling expenses, that latter shooting up 137 percent compared to last year due to a hike in freight and transportation rates.

The Thuan Phuoc Seafood and Trading Corporation (THP) saw its profit fall even further to VND10 billion, half that of the same period last year, because of rising selling expenses.

The sea freight, which ups nearly times, cost the firm VND26 billion.

In early July, VASEP requested the Ministry of Agriculture and Rural Development to report to PM the issues of container shortage and sea freight rates, seeking intervention to have the latter reduced to pre-November 2020 levels.

7. Vietnamese investors, contractors struggle due to higher steel price

Although local iron and steel prices have dropped, they are still at high rates, up 1.7 times compared to the end of 2020, causing investors and construction contractors to suffer.

On the international market, the price of steel rebar for October delivery on the Shanghai Future Exchange was traded at 5,687 yuan (877 USD) per tonne on Monday, down nearly 5.64 percent from the peak set in mid-May but surged 30.8 percent since the beginning of the year.

As the global prices are higher, local steel producers can only raise their product prices, said Mai Minh Ngoc, director of Dong Hai Steel Company.

Nguyen Cong Chinh, an iron and steel dealer on Gai Phong street, Hanoi, told Tien Phong that his business has never been as difficult as this year. Every two-three days, steel prices rise and even climb twice a day.

"Sometimes, wholesale distributors informed me that the prices were up right after I opened the store," Chinh said.

"This year, steel prices have increased by 1.7 times so far."

In June, the local steel price quotes at around VNĐ16,200 - 16,500, depending on products and enterprises, Vietnam Steel Association (VSA) said. The price rose nearly 50 percent year-on-year.

Earlier this month, many steel producers announced they would reduce steel prices by VNĐ300 per kg, but the drop is not much, some dealers said.

The recent report from VSA showed that steel production reached over 2.5 million tonnes in June, down 12.21 percent month-on-month. Steel sales were nearly 2.1 million tonnes, down 15.35 percent compared to May.

Regarding construction steel, the report cited that the output was 847,279 tonnes in June, down 21.04 percent month-on-month but up 5.2 percent year-on-year. Meanwhile construction steel sales reached 655.046 tonnes, down 31.36 percent monthly and 18.1 percent year-on-year.

VSA expected that construction steel sales will struggle in July as the rainy season is coming and many construction projects are delayed due to the COVID-19 restrictions and losses because of higher steel prices.

The Vietnam Association of Construction Contractors emphasised that all construction contractors faced difficulties, there is no way to solve them as the majority of private contractors used fixed price contracts, so they can't be changed, except for cases of force majeure.

Therefore, contractors have to deal with these problems by themselves, while state-funded projects must apply the material prices according to the notices of the Department of Construction but these notices are not up-to-date.

Tran Bao Thach, Deputy Director of Hanoi Housing Investment and Development Corporation, said that as steel price accounts for 30 - 35 percent of a construction's value, and can be up to 40 percent in big projects, contractors have suffered huge losses.

"For example, currently the market price of construction steel is 18,000 VND per kg, while the price quoted by the Department in the first quarter is 13,250 VND," Thach said.

"We lost nearly 5,000 VND per kg for a State public project. If the project uses 100 tonnes of steel, then we lose approximately 500 million VND."

"Many businesses are going bankrupt while small companies don't dare to attend bids or do anything."

"Most projects now are stagnant."

Similarly, contractors building the North-South expressway also feel the heat from the rising iron and steel prices.

Nguyen Minh Khiem, General Director of 319 Corporation, which is constructing three key projects including Mai Son - National Highway 45, Cam Lo - La Son and My Thuan - Can Tho, said that as it is a fixed price contract, it is very difficult for the contractors as material costs keep rising.

Moreover, many provinces have not yet licensed enterprises to exploit land and waste dump sites, as well as required payment for dumping, creating more challenges.

"Now we are stuck between a rock and a hard place. If we don't work, the project will be behind schedule, but if we continue, we will lose money," Khiem said.

Meanwhile for private projects, if investors can't share the additional expenses from higher material prices, customers will be the ones to bear the burden.

"We can only wait for instructions from the Ministry of Construction to see if there is any adjustments in steel prices," Thach added.

After the Ministry of Construction issued an official dispatch directing provinces to report the situation of construction steel prices, recently, the Vietnam Association of Construction Contractors sent an official letter to the Ministry of Construction proposing to adjust steel prices.

The association proposed that with the bidding package using State budget, the Ministry of Construction coordinated with the Ministry of Planning and Investment and the Ministry of Finance to issue a circular guiding the adjustment of iron and steel prices.

In addition, the Department of Construction is assigned to coordinate with the Department of Finance of provinces to adjust prices each month during the time when iron and steel prices spike.

For bidding packages using other capital sources, it is recommended that investors and contractors negotiate when there is a difference in price depending on contracts and construction volume.

Corporate News

8. SSI: SSI receives \$100 million unsecured syndicated loan from leading Taiwanese banks

↑ 2.36%

A consortium of Taiwan-based lenders including Union Bank of Taiwan, Taipei Fubon Commercial Bank, Bank of Taiwan, Taiwan Shin Kong Commercial Bank, and Hua Nan Commercial Bank, among others, has inked an agreement to facilitate \$100 million with a 12-month tenure to address SSI's demands to roll out better financial services in Vietnam. The syndicated loan package is expected to be disbursed in two phases.

Union Bank of Taiwan and Taipei Fubon Commercial Bank are the mandated lead arrangers and bookrunners.

The loan was arranged by the Investment Banking Division of SSI after only three months of negotiation.

This is also the largest-value foreign unsecured loan among domestic securities brokerages, which clearly illustrates SSI's credentials, resilience, and leading market position in the country.

Nguyen Vu Thuy Huong, managing director of Treasury Division cum managing director of Principal Investment at SSI emphasised, "The new additional capacity from the foreign loan package will broaden our horizon and help us bring best-in-class financial services to our customers."

She added, "SSI's new loan will be used wisely in promising segments that bring high profits and low risks, enhance our competitiveness, and facilitate customers with the most competitive expenses, particularly regarding margin lending."

9. GAS: PVGas's profit jumped over 34 per cent in Q2

↑ 0.79%

In its second-quarter financial statement, PVGas witnessed a gain of 34.4 per cent year-on-year to more than VNĐ22.7 trillion (\$988 million) in the second quarter. With slower pace in its cost of goods sold growth, the company's gross profit reached over VNĐ3.78 trillion, up 57.4 per cent over last year.

During the second quarter, income from financial activities halved to VNĐ204.4 billion, while its expenses for financial activities jumped 230.3 per cent.

The company's sale expenses and general and administrative expenses surged 10.9 per cent and 162.2 per cent over the same period last year in the second quarter.

Deducting expenses and taxes, PVGas recorded profit after tax of more than VNĐ2.3 trillion, up 34.3 per cent year-on-year.

In the first half of 2021, the company's net revenue reached over VNĐ40.27 trillion, up 23.2 per cent over last year, resulting in a gain of 4.3 per cent in profit after tax to nearly VNĐ4.4 trillion. Its earning per share (EPS) during the period was VNĐ2,116.

In this year's annual General Meeting of Shareholders, the company approved the plan of total revenue of VNĐ70.2 trillion, up 9 per cent compared to 2020. However, its profit after tax is expected to drop 12 per cent to VNĐ7.03 trillion, the lowest result in the past nine years, since 2012.

Therefore, PVGas has completed 57.3 per cent of the revenue target and 62 per cent of this year's profit plan in the first half of 2021.

As of June 30, its total assets reached VNĐ74.8 trillion, up 18.3% compared to the beginning of the year. Of which, its short-term investments accounted for the largest part of the total assets, 34 per cent, with a value of VNĐ25.56 trillion. Its

fixed assets reached VNĐ19.33 trillion, accounting for 25.8 per cent of total assets, while the company's short-term receivables was VNĐ15.32 trillion, equivalent to 20.5 per cent of total assets.

By the end of the second quarter, PVGas's time deposits were worth VNĐ25.65 trillion, an

increase of more than VNĐ4 trillion compared to the beginning of the year.

Meanwhile, on the stock market, GAS shares closed Monday morning at VNĐ86,700 per share, down 1.48 per cent. The shares lost 2.36 per cent since the beginning of the year.

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