VIETNAM DAILY NEWS

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Market Analysis

1. Shares plunge as both local and foreign investors flee from market

Viet Nam's stock market finished lower on Monday, ending last week's rallies on strong selling forces from both local and foreign investors.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) inched down 9.14 points, or 0.64 per cent, to 1,411.13 points. However, the index claimed back some losses from the morning's fall.

The market's breadth was still negative with 287 stocks declining, while 112 stocks rose.

The market liquidity was also high as nearly 817 million shares were traded on the southern market, worth over VND28 trillion (US$1.22 billion).

Profit-taking activities weighed on the market since it opened the morning session with many big stocks recording great losses. However, strong increases of some other large-cap stocks limited the fall.

The VN30-Index, which tracks 30 biggest stocks in market capitalisation on HoSE, still climbed 0.21 per cent to 1,557.79 points. Twenty-two stocks of the VN30 basket slid, while only eight stocks surged.

Top five stocks influencing the market's trend on Monday were in utilities, real estate, material and banking sectors. Of which, PetroVietnam Gas JSC (PVGAS, GAS) posted biggest losses, down 4.76 per cent. It was followed by Vingroup JSC, No Va Land Investment Group Corporation (Novaland, NVL) and Hoa Phat Group (HPG). All these stocks lost more than 2 per cent.

Other stocks from transportation sectors like Airports Corporation of Vietnam (ACV) or Vietjet Aviation JSC (VJC) also witnessed big losses of more than 1 per cent.

While some bank stocks like Vietcombank (VCB) and Vietinbank (CTG) plunged more than 1 per cent on Monday, some others like Techcombank (TCB), Asia Commercial Bank (ACB) and Sacombank (STB) were up more than 3 per cent.

Mobile World Investment Corporation (MWG) was another stock posting positive performance with a gain of 6.19 per cent, helping the market pare some losses.

As the new trading system created by FPT Corporation (FPT) started to operate on Monday, many analysts expected that the market's sentiment would be positive and the market benchmark would reach new highs. However, the market went against those expectations.

FPT shares rose slightly by 0.87 per cent on Monday.

On the Ha Noi Stock Exchange (HNX), the HNX-Index also fell 0.08 per cent to close Monday at 327.76 points.

During the trading session, nearly 143.5 million shares were traded on HNX, worth VND3.4 trillion.

Meanwhile, foreign investors were net sellers on both exchanges with a total value of VND84.4 billion. Of which, they net sold a value of VND68.84 billion on HoSE and a value of VND15.56 billion on the northern bourse.

Macro & Policies

2. More efforts needed for Vietnam firms to take advantage of UKVFTA

While the UKVFTA is seen as a promising instrument to boost Vietnam's exports to the UK market, local enterprises should be more active in gaining a greater understanding of the deal to further penetrate this market.

Statistics from the Ministry of Industry and Trade (MoIT) revealed Vietnam's exports to the UK rose sharply by 28% year-on-year in the five-month period to US$2.36 billion, in which phones and parts made up 23.3% of the total, or US$550 million; followed by equipment and machinery (US$306 million), an increase of 55.1%; and footwear with US$263 million, up 24.1%.

Such figures remained positive amid the Covid-19 pandemic continues to cause disruption to global trade, while showcasing the significance of the UKVFTA, which officially took effect on May 1, 2021.

Head of the MoIT's European-American Market Department Ta Hoang Linh said the potential remains huge for Vietnam's major staples, including garment, footwear, or seafood, to increase their shares in the UK market.

According to Linh, under the UKVFTA's commitments, import tariffs for fresh or frozen shrimp products into the UK are now removed to 0% from the previous 10-20% tax base, while tax rate applied to 94% of 547 groups of vegetables are set to be 0%.

"These are both export products that could benefit significantly from the UKVFTA, while Vietnam's fruits such as lychees, dragon fruit, pineapple, or watermelon would gain advantages in the UK market as Vietnam's competitors for tropical fruits such as Brazil, Thailand, and Malaysia have not had any trade deal with the UK," Linh continued.

A better understanding of UKVFTA a must

Experts, however, said the challenge for local firms would be to utilize preferential treatment and complying with commitments set out in the UKVFTA.

Among them, local firms would be under pressure from Vietnam's commitment to opening the market for goods and services from the UK, including financial services, pharmacy, chemical products, those that the latter has strong expertise.

The UK also imposes strict technical barriers for imported products, especially the sanitary and phytosanitary (SPS) requirements with high standards on quality consistency and food hygiene.

To ensure greater utilization of the UKVFTA, the Director of the WTO Center under the Vietnam Chamber of Commerce and Industry (VCCI) Nguyen Thu Trang said Vietnamese firms should prioritize improving product quality and value for higher competitiveness.

"In line with optimizing the production process, local firms have to pay more attention to social responsibility and working environment standard as these are requirements set in the deal," Trang said.

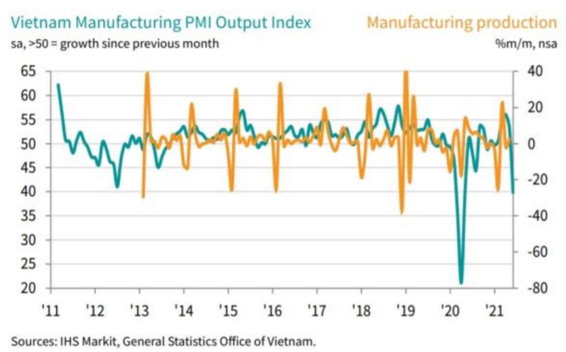
Trade Counsellor at Vietnam's Embassy to the UK Nguyen Canh Cuong said major supermarkets and retailers in the UK are placing orders from credible suppliers to diversify sources and better control product quality and origin.

"Vietnamese firms could consider registering as suppliers for major UK supermarkets by following instructions on their websites," Cuong noted.

3. COVID-19 outbreak leads to sharp fall in manufacturing output

The pandemic also impacted supply chains, resulting in a near-record lengthening of delivery times. Meanwhile, the rate of input cost inflation remained marked but slowed sharply from that seen in May, and firms raised their own selling prices at only a marginal pace amid weaker demand.

The Vietnam Manufacturing Purchasing Managers' Index (PMI) dropped sharply to 44.1 in June from 53.1 in May, pointing to the sharpest deterioration in business conditions for over a year and ending a six-month period of growth.



The COVID-19 pandemic, lockdown measures, and temporary company closures were all mentioned as factors leading to sharp reductions in both output and new orders during June. Meanwhile, new business from abroad also decreased as transportation issues and container shortages exacerbated the impacts of the rise in virus cases.

These transportation issues, added to material shortages and restrictions linked to the pandemic, led to a marked lengthening of suppliers' delivery times. In fact, the extent of delays was the second-largest on record, just behind that seen in April 2020.

Manufacturers in Vietnam responded to falling workloads by cutting back their staffing levels and purchasing activity at the end of the second quarter. Employment decreased for the first time in five months, and at a sharp pace that was the second fastest since the survey began in March 2011. Similarly, purchasing activity fell at the fastest pace since the decline in April 2020 following the initial outbreak of the pandemic. Declining input buying fed through to a steep reduction in stocks of purchases.

Stocks of finished goods also decreased in June, following broadly no change in May. Falling production and a desire to hold less stock amid declining new orders were behind the reduction in stocks of finished goods. Firms were able to deplete their backlogs of work for the first time in three months in line with lower new orders, and at a sharp pace that was unprecedented prior to the COVID-19 pandemic.

There were signs of inflationary pressures easing in June as a lack of demand across the sector led to reduced pricing power. Although input costs increased at the slowest pace in seven months, the rate of inflation remained above the series average amid reports of material shortages leading to higher prices. Metals were mentioned in particular as costing more.

Output prices, meanwhile, rose only marginally as firms responded to a lack of demand. Business confidence fell to the lowest since August last year, reflecting concerns about the ongoing impact of the pandemic. That said, firms remained optimistic overall that output will increase over the coming year.

4. Business management change to adapt to new HR realities

In the webinar "Humanized HR for the New Now" hosted by Talentnet, Tieu Yen Trinh, CEO of Talentnet shared that, "The role of the manager is very important. Managers need to have a mindset of 'it's okay to be wrong', which means that employees can make mistakes quickly, correct them quickly, and redo tasks quickly instead of waiting for everything to be perfect."

HR management models under the new norm will shift from a triangular to a flexible circular model. That is, instead of managing from the top down through many different management levels, making processes lengthy, the pandemic caused businesses to switch to a new model where the management only provides directions while facilitating and empowering subordinates to take responsibility for implementation.

HR is no longer managed by departments based on the original job description but are managed on a project-basis, based on the skills employees possess. This governance model helps businesses quickly and flexibly change according to market realities as there are still many uncertainties ahead.

Accordingly, global HR management trends are moving towards a multi-stakeholder approach, re-skilling, employee experience improvement, science-based decision-making, focusing on employee happiness, as well as applying automation and new technology.

Talentnet also emphasised four salient features of Vietnam's labour market amid the new normal. Firstly, a young and well-educated workforce is starting to emerge into dominance. Secondly, enterprises are looking at the role of HR during the crisis to review and re-evaluate the costs and benefits of HR investment.

Thirdly, talent shortage is happening at all levels in both Vietnamese and foreign companies, not only on the senior personnel level. Therefore, many businesses have invested heavily in programmes to attract and retain talent. Finally, due to the impact of the pandemic and the trend of digital transformation, recruitment demand in the digital and e-commerce segments is increasing.

According to the General Department of Statistics, in the first half, the number of employees in new enterprises also increased by 1.3 per cent over the same period, focusing on the industries such as retail, wholesale, repair, processing, and manufacturing.

Remarkably, since the first outbreak of COVID-19 pandemic, 32.1 million workers aged 15 and over in Vietnam have been negatively affected. 69 per cent have reduced working hours, reduced income or lost jobs, mainly in the service and manufacturing sectors (76 per cent).

It is predicted that the top five sectors with the highest labour shortage in Vietnam in 2021 will be real estate, finance and banking, manufacturing, and technology-related fields like IT, e-commerce, fintech, and proptech.

Recruitment demand in the first half of 2021 focuses on industries such as finance, banking, insurance, real estate, and construction. Notably, while healthcare and pharmaceuticals are the hot industries in the south while high-tech and IT are the hottest in the north. In particular, there are a lot more openings for project managers in the north than in the south.

However, according to the Talentent-Mercer remuneration survey in Vietnam in 2021, 20 per cent of surveyed enterprises plan to hire more employees. Meanwhile, 10 per cent of businesses plan to reduce the number of employees, focusing on service industries heavily affected by the pandemic such as restaurants, customers, and transportation. 70 per cent of businesses would not change the number of employees but focus on training to help employees keep up with market demands.

5. UK enterprises showing interest in electronics and telecommunications in Vietnam

At an online conference on investment promotion in early July, UK businesses – represented by the foreign direct investment (FDI) advisor of United Overseas Bank (UOB) Group Sai Chao Yong – confirmed interest in opportunities in core electronics and telecommunications.

Do Nhat Hoang, director general of the Ministry of Planning and Investment's Foreign Investment Agency, chairman of the conference said that electronics and telecommunications investment increases by about 14 per cent each year, driven by big investors from the US, Japan, and South Korea.

"They are always among the hottest areas for foreign investment in the past years," he said.

Vietnam ranks 12th in the world in the manufacturing and processing electrical, electronics, and telecommunications products, and ranks third in ASEAN.

He emphasised that Vietnam has many advantages for the production and development of these products, including abundant, trained, skilled, and experienced labour force; and supporting factories of the industries.

Additionally, production costs in Vietnam are quite low compared to the region and logistics costs are reasonable. "'Made in Vietnam' goods have the advantage in price and reputation in the world market," affirmed Hoang.

At the conference, the UOB representative lauded the positive growth of Vietnam in 2020 and expressed expectations of a V-shaped recovery.

Hoang from the MPI highlighted that Vietnam has been implementing the "dual goal" of combating the COVID-19 pandemic and promoting socioeconomic development. The country's GDP grew by 2.91 per cent in 2020 and 5.64 per cent in the first half of this year.

"With the global supply chain disrupted, Vietnam has a lot of advantages due to expansive network of 13 free trade agreements in effect," he emphasised, adding that the company has been preparing the necessary conditions to attract investment, including land, human resources, and incentives.

As of date, 140 countries and territories are investing in Vietnam with 33,787 projects and $398 billion in accumulated registered capital. In the first half of the year, total newly registered and added capital, as well as capital contributions and share purchases amounted to $15.27 billion.

Of this, the UK ranks 15th among 140 countries and territories investing in Vietnam, with a total investment of $3.9 billion and 424 projects. The largest proportion of this went into the processing and manufacturing industries with 118 projects and $1.5 billion, followed by real estate, mining, as well as wholesale and retail, among others.

The UK is one of the most important partners of Vietnam, especially since the two countries have just signed the UK-Vietnam Free Trade Agreement last December. Vietnam is also calling investment into renewable energy, processing and manufacturing, biotechnology, in addition to electronics and telecommunications.

6. Steel prices suffer decline of VND300,000 per tonne

According to the latest changes, the price of Vietnamese construction steel dropped to below VND17 million per tonne, although contractors said this still remained high.

Furthermore, the factory price is hovering between VND16.300 per kg and VND17,000 per kg, depending on the various types, whilst steel prices are anticipated to see a decline moving forward.

The Vietnam Steel Association recommends that local manufacturers try to limit exports, prioritising the materials of raw steel and hot rolled coil steel for the domestic market in an attempt to lower steel prices.

According to a recent report by Fitch Solutions, steel demand will remain stable throughout the year, whilst the steel production industry will expand in scale. As a result, steel prices will endure a steep fall ahead in 2022.

Currently, the global average price of steel stands at US$883 per tonne, an increase of US$301 per tonne against the previous year.

7. Inflation still under control: meeting

Inflation is still under the Vietnamese Government's control although it is on the rise in many regions in the world, heard a meeting jointly held by the Institute of Economics and Finance (IEF) and the Finance Ministry in Hanoi on July 2.

The General Statistics Office (GSO) reported that the country's consumer price index (CPI) in the first half of this year advanced 1.47 percent year-on-year, which is the lowest since from 2016.

Nguyen Ba Minh, head of the IEF, said the Government's support packages for people and groups affected by the COVID-19 pandemic have helped to curb the index growth.

Besides, low basic inflation and dropping food prices have played a role in balancing the index, given the high prices of oil and gas and construction materials, according to Nguyen Duc Do, deputy head of the institute.

Nguyen Xuan Dinh, from the Price Management Department under the Finance Ministry, and other experts at the meeting shared the view that this year's index growth rate of 4 percent is within the Government's control.

However, they said, more attention is needed due to complexity in the second half of this year.

Do said if the CPI is maintained at around 0.27 percent in the remaining months of this year, inflation would rose from 2.41 percent at present to 3.28 percent at the end of this year, and this year's inflation would stand at 2.12 percent.

Inflation would average 2.53 percent this year if the CPI increases only 0.5 percent in the remaining months, he pointed to another scenario.

Other experts stressed the need to keep a close watch on prices of essential goods and control the prices of such products as steel, oil and gas, aviation and health care services, land and real estate.

The Price Management Department will also step up credit control in sectors with potential risks like real estate and stock market.

Corporate News

8. VIC: Vietnam's Vingroup aims to capture 1% of US auto market with EVs

↓ -2.13%

Top Vietnamese conglomerate Vingroup aims to reach annual electric vehicle sales of 160,000 to 180,000 in the U.S. -- the equivalent of 1% of all automobiles, electric or otherwise, sold in the country.

Chairman and founder Pham Nhat Vuong announced the goal at the annual general meeting in late June, according to local media reports.

To start, the group plans to sell 15,000 EVs in the U.S. next year, and several hundred thousand units over the next five years.

Vuong, Vietnam's richest man, said he was "completely confident" Vingroup will meet these goals, and will invest $2 billion of his own fortune to fuel the sales push in the U.S.

Vingroup invested roughly $3.5 billion to bring an auto plant online in the northern Vietnamese city of Hai Phong in June 2019. The facility currently has an annual output capacity of about 250,000 vehicles. The company sold roughly 30,000 vehicles in Vietnam in 2020, and plans to start selling EVs here by the end of this year and in Europe in 2022.

As part of its expansion, Vingroup is also considering listing carmaker unit VinFast in the U.S. The debut was expected to happen as early as the April-June quarter in initial news reports, but preparations are believed to be taking longer than expected due to different accounting systems and other issues.

The group has been preparing for a stock market debut, said Vingroup vice chair Le Thi Thu Thuy, but she did not provide a target date.

9. DBC: Dabaco's profit halves in the second quarter

↓ -4.63%

Accordingly, in the second quarter, Dabaco's revenue reached VND3.8 trillion (US$166.3 million), up 40 per cent year-on-year. However its profit after tax halved to VND214 billion.

In the first six months, the company's revenue was over VND8.4 trillion, double that of the same period last year, while the profit after tax was VND579 billion, down 23 per cent. In 2021, Dabaco set a target of more than VND15.4 trillion in revenue, with profit after tax reaching VND827 billion. Thus, in the first half of 2021, the company has fulfilled 55 per cent of the revenue plan and 70 per cent of the profit plan.

As the country has faced many difficulties and challenges in the second quarter due to COVID-19 outbreaks in provinces and cities nationwide, especially the ongoing fourth wave, and the change in weather complicates diseases in livestock, production activities are expected to struggle. Notably, African swine fever has re-emerged in many provinces across the country and there is a risk of it spreading widely.

Dabaco also urged the progress of approved projects, including Thanh Hoa, phase 2 of Phu Tho hi-tech animal husbandry zone, social housing area; and sped up the investment preparation progress of the project of hi-tech livestock zone in Quang Ninh, Haa Binh, and Binh Phuoc (phase 2). In terms of business, the company will also strengthen the development of a system of the breeder - animal feed market on the basis of effectively exploiting the 3F closed production chain to add value for products and increase its brand appearance in the market.

On the stock market, DBC shares closed lower last Friday, trading at VND60,500 per share, down 4.57 per cent. For the year, the company shares rose 3.4 per cent.

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