



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Shares edge higher, foreign investors net buy over \$90.3 million

The market ended higher on Wednesday with the VN-Index recovering from the previous session's losses. Meanwhile, foreign investors flocked back to the market with a net buy value of more than VND2 trillion.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSe) surged 33.76 points, or 2.49 per cent, to 1,388.55 points. The index lost more than 56 points, falling below the key level of 1,400 points, as selling forces weighed on the market in the last trading hour of Tuesday.

The market's breadth stayed negative as 226 stocks decreased, while 147 stocks rose and 40 ended flat.

The liquidity remained high with nearly 740 million shares traded, worth nearly VND24.87 trillion (US\$1.1 billion).

The rally was thanks to recoveries in large-cap stocks. The VN30-Index posted gains of 50.35 points, or 3.38 per cent, to 1,538.77 points. Of the 30 biggest stocks in the VN30 basket, 26 stocks rose while only four slid.

Stocks across all sectors jumped sharply yesterday.

In the top five stocks influencing the market's rally, Vinhomes JSC (VHM) was the biggest gainer in market capitalisation, up 6.07 per cent.

It was followed by PetroVietnam Gas JSC (PVGas, GAS), Techcombank and Hoa Phat Group (HPG), up

6.64 per cent, 4.81 per cent and 3.96 per cent, respectively.

Other stocks like Vietjet Aviation JSC (VJC), FPT Corporation (FPT) and Mobile World Investment Corporation (MWG) also witnessed good performance, with MWG shares hitting the maximum daily gain of 7 per cent.

After the VN-Index broke through the short-term support level of around 1,380 points, the index's technical signals were weaker and the next support zone is 1,325 points, said analysts from Saigon - Hanoi Securities JSC (SHS).

Based on Elliott theory, the market might enter the corrective wave A with a target of around 1,210 points. However, after strong correction sessions, the market often has technical recoveries to claim back some losses, SHS added.

On the Ha Noi Stock Exchange (HNX), the HNX-Index also inched 0.41 per cent higher to 319.83 points, boosted by gains in large-cap stocks. The HNX30-Index, tracking the 30 biggest stocks on the northern bourse, increased 1.01 per cent to 498.17 points.

During the session, over 168.93 million shares were traded on HNX, worth nearly VND3.9 trillion.

While foreign investors were net buyers on HoSE, with a net value of VND2.08 trillion, they net sold a value of VND47.27 billion on HNX.

## Macro & Policies

### 2. Shortages derailing top tech retailers

“The shortfall in supply of smartphones and laptops was foreseen when the global chipset crisis reached its peak early this year,” said Dang Thanh Phong, head of communications at Mobile World.

Phong explained that to cope with the adversity, the retailer had consistently stored goods to serve the work-from-home demand as the pandemic expanded. However, how to contrive a supply of goods from the third quarter is now questionable as stockpiles have been reducing.

Nguyen The Kha, managing director of FPT Shop's Mobile Telecom Department, admitted that preparing goods for sale during the third quarter is expected to be tricky because its inventory as of late May was enough for operations for only 30-45 days before new orders landed.

For smaller retailers, including those selling parallel imports, the adversity is similar. Talking to VIR, Dang Quoc Tuan, director of iShop Vietnam – which specialises in Apple's parallel imports – said that it has experienced depletion since the first quarter this year.

“The supply of Apple items in Singapore and Hong Kong are reducing, so it has been hard to purchase enough goods,” said Tuan. “Additionally, the local interest in Apple products has fallen away due to COVID-19. For old Apple models, we have carried out many sales promotions but failed to lure in customers like in previous years.”

The shortage of smartphones and laptop items have also ballooned prices significantly. In a letter sent to partners in Vietnam, Taiwan-based laptop maker Acer noted that its plan of growing laptop prices will take place imminently due to the enlarging costs for manufacturing spare parts.

To date, the local prices of some Acer laptop models are up nearly 5-10 per cent, to as much as \$1,000. Taiwanese laptop rival Asus recently published a scheme of increasing laptop prices by 5-10 per cent from the second quarter also, for the same reasons.

Meanwhile, American giant Dell has yet to reveal any similar plan during this time. However, its current laptop products are on trade at prices increasing by up to \$100 against last year.

“Local consumers will experience the soaring costs for laptops as of the end of this year,” said Nguyen Ngoc Dat, managing director of the Di Dong Viet chain. “These laptop prices depend on the speed of recovery in manufacturing hubs across the globe.”

Nguyen Lac Huy from the Communications Department of CellphoneS said that goods have been preferred for export to the United States and the European Union where working from home had been mostly compulsory for a long period of time. The situation has therefore impacted the shipment of goods to Vietnam.

Marco Förster, international business advisory manager from Dezan Shira & Associates, believed that the shortage of laptop and smartphone products has more to do with the global semiconductor supply crunch and only partly with the current outbreak in Vietnam.

“With plenty of nations implementing stricter social distancing measures amidst the spread of the health crisis, employers and also educational institutions are forced to send their staff and students home,” said Förster. “This has caused the rising domestic demand for laptops and electronic equipment.”

The serious shortage of semiconductors has led electronics manufacturers to cut production and lay off workers. Apple's latest iPhone came with month-long delays and similarly, the release of Samsung's flagship Galaxy model has been delayed to Q4 of this year.

Förster claimed that the shortage will likely follow well through 2022 as Taiwan's TSMC, which is controlling close to 54 per cent of the foundry market since the third quarter of 2020, cannot find a short-term solution to manage the bottleneck caused by the semiconductor product shortage.

It is expected that mass vaccination efforts during the pandemic will eventually lead to recovery in

supply of such electronic items. With Intel increasing its Vietnam chip investment by nearly 50 per cent earlier this year and Taiwanese Apple supplier Foxconn eyeing a \$700 million expansion of its operations in the country, Vietnam hopes to find itself amidst the web of tech-supply chains.

“These facilities are growing not just as a countermeasure to the current chip crunch but also as an act to diversify supply chains out of China. If slow vaccinations continue to cause these facilities to run at limited capacities it will have an additional

negative effect on the electronics market,” Förster stated.

Market intelligence group TrendForce expected global laptop shipment for 2021 to reach 217 million units, an 8.1 per cent increase on-year.

TrendForce believed that this year will likely see a relatively strong wave of device replacement demand as well as growth in emerging markets. Assuming that materialises, global smartphone production for 2021 is forecasted to increase by 9 per cent to 1.36 billion units.

### 3. Long haul barriers predicted for exports

According to data released by the General Statistics Office, the total export and import turnover of goods in June was \$54 billion, up 25 per cent on-year despite COVID-19 causing factories in large industrial zones in the northern provinces of Bac Ninh and Bac Giang, and the central city Danang to endure production interruptions.

In the first six months of 2021, the total turnover import and export of goods reached \$316.73 billion, up 32.2 per cent on-year, of which export reached \$157.63 billion, up 28.4 per cent.

Regarding the export market so far this year, the United States is Vietnam's largest export market with a turnover of \$44.9 billion, up 42.6 per cent on-year, following China with \$24.4 billion, up 24 per cent. The EU market and Southeast Asia reached \$19.3 billion and \$13.8 billion, up 17.4 and 26 per cent, respectively.

With its 70 per cent of population living on agricultural activities, Vietnam saw the total export turnover of the agricultural sector in the first six months of 2021 exceed the set plan, achieving a high result of \$24.23 billion, up 28.2 per cent on year, of which the main agricultural products hit \$10.40 billion, up 13.3 per cent, and seafood attained \$4.05 billion, up 12.5 per cent.

Phan Thi Thanh Xuan, general secretary of the Vietnam Leather, Footwear and Handbag Association (Lefaso), said the traditional export markets of Vietnamese leather and footwear items have enjoyed mass vaccination programmes leading

to consumer demand recovery. By the end of the second quarter, orders in the industry's traditional export markets of the US and EU increased by about 10 per cent.

Footwear and handbag exports earned \$10.4 billion over the period and are included in the 25 items with export turnover of over \$1 billion, accounting for 88.9 per cent of total export turnover.

Meanwhile, Hoang Ngoc Anh, general secretary of the Vietnam Textile and Apparel Association, said that the industry is still greatly affected by general trends of instability of orders due to the pandemic. Currently, textile production is recovering positively and export turnover is increasing continuously and likely to reach the \$39 billion target for 2021 because enterprises enjoyed many orders.

However, Ngoc Anh added that the biggest difficulty for businesses is the lack of high-quality workers and the pressures on pandemic prevention in the locality and factories due to the risk of community infection.

At last week meeting with members, Xuan of Lefaso shared that leather, footwear, and textiles have many similarities and, therefore, the same obstacles during pandemic restrictions. Currently, businesses have no shortage of orders, but processing prices are forced to decrease while input costs are increased greatly.

“With the current complicated situation, vaccines are the only long-term solution to save businesses.

Businesses are most looking forward to the time when the vaccine arrives in Vietnam on a larger scale,” Xuan said

An SSI Securities Corporation seafood report pointed out that thanks to the recovery in exports, most of the leading companies in the seafood industry had strong revenue growth, but net profits fell due to faster increases in input material costs than average selling prices, and higher logistics costs in the first quarter of 2021.

It added that when vaccination programmes were rolled out in the EU and North America, purchasing power recovered strongly. However, due to the increase in demand for goods, the request for shipping by sea also continues to increase and the freight rate has remained at a high level since the beginning of the year, according to Ministry of Industry and Trade.

In the first six months of 2021 the trade deficit was \$1.47 billion, mainly due to the import of input materials for production of export goods and domestic consumption.

The deficit reflects Vietnam's high dependence on imported inputs in processing and manufacturing. China was the largest supplier to Vietnam followed by South Korea, ASEAN, Japan, the European Union, and the US.

The dependence on imported raw materials from a number of markets has placed a heavy burden on enterprises. For instance, domestic steel prices increasing sharply by nearly 50 per cent are the result of dependence on imported raw materials. Along with iron and steel, other industries such as electronics, textiles and footwear, and agricultural have been less active in sourcing raw materials.

#### 4. Rubber exports surge in first half of 2021

These figures represented a rise of 41.3% in volume and an increase of 79.9% in value compared to the same period from last year.

June alone saw the nation ship roughly 130,000 tonnes of rubber worth US\$221 million abroad, marking an increase of 57.1% in volume and 54.2% in value compared to the previous month. Indeed, the average export price reached US\$1,700 per tonne, a drop of 1.9% compared to May, but a significant rise of 42.8% compared to June, 2020.

Statistics compiled by the General Administration of Customs of China indicated that China's rubber imports reached US\$5.14 billion during the opening five months of the year, an increase of 29.8% compared to the same period from last year.

In addition, Vietnam is among the five largest markets supplier of rubber to China, alongside the likes of Thailand, Malaysia, Japan, and Indonesia.

Furthermore, the country was the second largest rubber supplier to the northern neighbour throughout the reviewed period with US\$770.01 million, an annual rise of 77.3%, with the country's rubber market share as part of China's total import value accounting for 15%.

During the first half of the year, China's natural rubber imports reached US\$1.49 billion, up 49.5% against the same period from last year, with the majority coming from markets such as Thailand, Malaysia, Indonesia, the Ivory Coast, and Vietnam.

Moreover, Vietnam made up the fifth largest natural rubber provider to the Chinese market during the five-month period, with turnover reaching US\$88.37 million, an annual rise of 112.1% with the country's natural rubber market share making up 5.9% of China's total import value.

The northern neighbour's imports of natural rubber and synthetic rubber reached a figure of US\$2 million, an annual rise of 11.5%, with the nation being one of the five largest suppliers of these products to China, alongside Thailand, Malaysia, Myanmar, and Indonesia.

Meanwhile, Vietnam also represented the second largest supplier of natural and synthetic rubber mixtures to the Chinese market in the reviewed period, with turnover reaching US\$677.28 million, up 74.6% compared to last year's corresponding period. As such, the country's market share of these products accounted for 33.8% of China's total import value.



## 5. Covid-19 drives millions of people out of jobs in Q2: GSO

The serious nature of the fourth Covid-19 outbreak in Vietnam has again dealt a huge blow to the labor market as nearly 1.2 million people were suspended from working in the second quarter, an increase of over 87,000 against the previous quarter.

Head of the Department of Population and Labor Statistics under the General Statistics Office (GSO) Pham Hoai Nam revealed the information at a press conference held on July 6.

“The outlook for the labor market remains grim as the number of employed people continues to decline in the second quarter, while more people remain idle or work in the informal sector,” Nam said.

“People at the working group age of 15-24 that lost their jobs in the April-June period stood at 389,800, accounting for 31.8% of the total,” he added.

According to Nam, the number of people of the working-age from 15 and above in the second quarter was 51.1 million, up 44,700 against the previous quarter and 1.7 million year-on-year.

In this context, the number of employed workers was 49.9 million, down 65,000 against the first quarter and up 1.8 million year-on-year.

Meanwhile, people remaining idle were 1.1 million, representing an increase of 173,500 year-on-year.

“The rate of idle workers in the urban areas was 2.8%, higher than in rural area at 2.49%,” Nam said, saying this is different compared to the past when jobs were hard to find in rural areas than in other parts of the country.

Due to the pandemic, Nam said the income of workers in almost all economic sectors has diminished compared to the previous quarter, referring to the average number of VND6.1 million (US\$265) per month, down VND226,000 (US\$10) from the first quarter.

Among sectors, those working in the industry and construction sectors took the biggest hit with a decline of VND464,000 (\$20) to VND6.7 million (\$290) per month, followed by workers in the services sector with VND7.2 million (\$312.4), down VND291,000 (\$13).

To address issues facing the labor market, the GSO's representative called for government agencies to speed up vaccination programs, with priority given to workers in industrial parks to avoid disruption to the value chains.

“It is imperative for the authorities to ensure efficient implementation of government's social relief package, including financial support for people under unpaid leave, contract termination or to retrain workers,” Nam said.

## 6. Vietnam to solve bottlenecks to develop its auto industry

According to the ministry, the local auto market was one third of the size of Thailand's and one quarter of Indonesia's. It added that the local auto industry is scattered with many different assemblers and models. This has made it difficult for firms which manufacture, assemble, and produce components and spare parts to invest and develop in means of mass production.

Meanwhile, GDP per capita in Việt Nam has not reached a level whereby the majority of people can afford to own cars. This, coupled with weak traffic

management, has restrained the demand for new vehicles.

### How do tariff barriers affect the sale of Vietnamese vehicles?

The cost of producing new cars in Việt Nam is also 10-20 per cent higher than other countries in the region. This puts Vietnamese vehicles at a disadvantage compared to imported completely built up (CBU) vehicles (vehicles imported fully assembled) from other ASEAN members.

Auto industry experts have said the current market size means local car manufacturers cannot avoid higher costs than in other ASEAN countries that already have well established auto industries.

Notably, components and spare parts for automobile production and assembly are mostly imported from abroad. This incurs the additional cost of packaging, transportation, storage, and insurance, raising the price of the domestically produced and assembled products.

To overcome these issues, MoIT is coordinating with relevant ministries, branches, and agencies to implement a number of solutions. The goal is to create more opportunities in the local market for Vietnamese made auto products. This includes developing automobile infrastructure, such as roads and motorways, in big cities like Hà Nội and HCM City.

The ministry has also suggested other solutions such as preferential loans to buy domestic cars and adjusting taxes and fees related to automobile purchases throughout the value chain to facilitate local automobile production and consumption.

MoIT will also continue maintaining and effectively implementing its programme of preferential import tax rates for components, spare parts for automobile production, and assembly activities, as specified in decree No. 57/2020/ND-CP.

Research has also been conducted on amending regulations around excise tax toward applying preferential policies for cars that help enterprises to increase their output and add value to products produced domestically.

The Vietnam Automobile Manufacturers Association (VAMA) has said its members sold only 296,634 vehicles in 2020, down 8 per cent from the previous year.

In the first five months of 2021, excluding March, sales decreased from between 3 per cent to 45 per cent each month. In January, sales were down 45 per

cent to just 26,432 vehicles. In February they were down 22 per cent to 13,585 vehicles. In April they were down 3 per cent to only 30,065 vehicles, and in May sales were down 15 per cent to just 15,585 vehicles from the previous month.

Last year, decree No 70/2020/ND-CP, saw a 50 per cent reduction in registration fee collection for domestically manufactured and assembled cars up to the end of 2020. As a result prices decreased by between VNĐ15 million and nearly VNĐ300 million. This helped warm up the auto market after a long, gloomy period as a result of the COVID-19 pandemic.

The Ministry of Finance plans to update production numbers related to domestic automobile manufacturing and assembling enterprises. These plans will include details of the impacts of the COVID-19 pandemic and outline a strategy to coordinate with other ministries and sectors. Research, advice, and reports will be distributed to relevant authorities on the appropriate policies to promote the development of the domestic automobile industry.

The Provincial Party Committee of Hải Dương, where Ford Vietnam is headquartered, recently sent a proposal to remove obstacles for automobile manufacturers to the prime minister.

The committee noted that the auto industry accounted for three per cent of the country's GDP. It asked the government to extend the tax incentive program for local components. This would help to mitigate the impact of CBU imported cars as a result of recently signed free trade agreements.

In response, Deputy Prime Minister Lê Văn Thành assigned the MoF with coordinating with relevant agencies in reviewing and evaluating the overall implementation of the program.

Thành requested the team to study and propose amendments to enhance the effectiveness of the programme including the possibility of continuing to extend the programme after 2022.

## 7. Banks report high profit in H1 despite COVID-19

Many banks have reported high profit in the first half of 2021 despite impacts of COVID-19 pandemic.

Tien Phong Commercial Bank (TPBank) announced that its revenue surged 27.74 percent over the same

period last year to over 6.23 trillion VND (270.42 million USD), with pre-tax profit reaching over 3 trillion VND (130.22 million VND), up 47.8 percent year on year.

The bank also enjoyed good signs in many other business indicators, with total assets hitting more than 242 trillion VND, close to its target of 250 trillion VND for the whole year.

Meanwhile, the Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank) posted a 74 percent rise in pre-tax profit to about 13 trillion VND.

With the result, the bank has completed three fourths of its yearly target of 16.8 trillion VND in profit.

The SSI Securities on July 5 reported that the majority of banks under its watchlist enjoyed high profit, including MSB, ACB and VPB. Techcombank, BIDV, and HDB were also predicted to post positive growth in the second quarter and the first six months of 2021.

In its recent report, Yuanta Securities Vietnam forecast that the credit growth of the whole sector will reach 12-13 percent this year.

Earlier, experts from Viet Dragon Securities (VDSC) predicted that the banking sector will experience a period of high profit this year with growth of 27 percent despite the COVID-19 pandemic.



## Corporate News

### 8. HVN: Vietnam Airlines signs 173.7-mln-USD credit deal with three banks

↓ -1.70%

National flag carrier Vietnam Airlines on July 7 signed a credit deal – worth total of 4 trillion VND (173.7 million USD) – with three commercial banks, which are expected to weather the financial impact of the COVID-19 pandemic.

Under the agreement, the Southeast Asia Commercial Joint Stock Bank (SeABank), the Vietnam Maritime Commercial Joint Stock Bank (MSB) and the Saigon - Hanoi Commercial Joint Stock Bank (SHB) are committed to providing the carrier with zero-interest loans refinanced by the State Bank of Vietnam.

Despite the recovery of the domestic aviation market, Vietnam Airlines said, it has lost more than

60 percent of revenue due to travel restrictions and border closures induced by COVID-19.

Last year, the airline posted a revenue of over 40.61 trillion VND, down 59 percent from 2019. The carrier operated around 96,500 flights during the year, a drop of more than 48 percent as compared to the previous year. It served 14.23 million passengers and handled nearly 195,000 tonnes of cargo, decreases of 51 percent and 47 percent, respectively.

Vietnam Airlines, which is 86.19 owned by the government, is taking necessary steps to issue 8 trillion VND worth of ordinary shares to existing shareholders by the end of third quarter of this year.

### 9. GVR: GVR looks to boost industrial zone development

↓ -6.42%

It plans to spend VND2.4 trillion to pay 2020's dividend at a rate of 6 per cent.

This year, the company plans to spend about VND2.63 trillion on investment, of which about VND578 billion is invested in basic construction projects and the remaining VND2.05 trillion is for long-term financial investment.

Responding to shareholders about the roadmap for land conversion in the near future, the management board said that GVR's main area in the 2021-2025 period will be industrial zone development, which is expected to bring more benefits and profits for the group.

GVR will also continue the traditional business of exploiting and selling rubber latex and processing and manufacturing industrial wood products. In the long term, the conversion of rubber plantation land into industrial parks can help GVR become one of the largest industrial developers in the Southern

region besides Becamex, Tin Nghia, Sonadezi and VSIP.

Speaking with shareholders about this new segment, the management board said that the advantage of GVR was owning an abundant rubber land fund, mainly in the provinces of Dong Nai and Binh Duong, while the land fund for industrial parks in these areas is inadequate.

It is estimated that the area for lease of industrial land is expected to achieve a 5-year annual compound growth rate (CAGR) of 17 per cent, while the current main business of GVR - rubber latex production - only achieves a 5-year CAGR of 3.6 per cent.

GVR will also sell about 2,686 hectares of industrial land in the next five years, an increase of 76 per cent compared to the total sales of industrial land in the 2016-2020 period. By the end of 2020, GVR had managed a domestic rubber area of roughly 87,000 hectares. Last year, the industrial zone segment contributes VND1.52 trillion in revenue and VND821 billion in profit.

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