



VIETNAM DAILY NEWS

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Market Analysis

1. Share rise as cash pours into most sectors

Viet Nam's stock market closed higher on Monday, boosted by gains of many large-cap stocks across all sectors.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) increased by 1.37 per cent, to 1,359.86 points. Market breadth was positive as 271 stocks climbed while 97 declined.

The VN-Index had gained 2.1 per cent last week.

The liquidity continued to improve with nearly VND22.6 trillion (US\$982 million) poured into the southern bourse, equivalent to a trading volume of 688.4 million shares.

The VN30-Index, which tracks 30 biggest stocks in market capitalisation on the southern market, rose 1.42 per cent to 1,497.83 points.

Of the VN30 basket, 26 stocks jumped while three slid, and one stayed unchanged.

Of the top five stocks influencing the bullish trend, SSI Securities Inc (SSI) led the gain on Monday, up 5 per cent.

It was followed by Vinhomes (VHM), The Viet Nam Rubber Group (GVR), Asia Commercial Bank (ACB), Hoa Phat Group (HPG), Khang Dien House JSC (KDH) and Vincom Retail (VRE).

Stocks in the fertiliser group also supported the market, with Lam Thao Fertilisers and Chemicals JSC (LAS), PetroVietnam Fertiliser & Chemicals Corporation (DPM), Petro Viet Nam Ca Mau

Fertiliser JSC (DCM) and The Southern Fertiliser JSC (SFG) all reaching the ceiling price.

On a sector basis, there were 23 out of 25 sector indices on the market recording positive growth in the first trading session of the week.

The securities industry gained 4 per cent. Plastics and chemicals together grew by over 3 per cent. The healthcare industry and the production of equipment and machinery were two sectors that saw declines.

"Although the VN-Index had recovered, market liquidity increased compared to the previous sessions and was higher than the 50-session average, which means that investors are seeking short-term profits in the rapid recovery period," said Viet Dragon Securities Co.

"It is expected the VN-Index will continue to correct," it said.

"Investors should temporarily rebalance their portfolios and take profits on short-term positions," it said.

The HNX-Index on the Ha Noi Stock Exchange (HNX) also climbed 1.6 per cent to 330.68 points.

Nearly 137 million shares were traded on the northern market exchange, worth VND3.4 trillion.

The northern market index had risen by 3.3 per cent last week.

Macro & Policies

2. Hotels up for sale as tourism market struggles due to pandemic

More and more hotels across the country have been put up for sale since the outbreak of the fourth wave of coronavirus starting from late April.

According to batdongsan.com.vn, one of the top real estate portals in Viet Nam, advertisements for hotel sales have increased considerably in recent months.

Phan Xuan Can, chairman of real estate agent Sohovietnam, said that business plans of hotel owners in 2021 collapsed due to the resurgence of the COVID-19 pandemic.

He said that after the third wave of the virus, many hotels owners expected the tourism industry to recover, starting with the national holidays of April 30 and May 1, as well as summer travel.

However, the fourth wave starting at the end of April pushed them into difficulties, forcing many to put their properties up for sale because they could not survive with no guests.

Can said that there were several successful transactions in tourism spots such as Hoi An, Nha Trang and Da Nang with the prices dropping by around 20-25 per cent against 2019.

Hoang Van Vinh, President of Nha Trang Tourism Association, said that most tourism companies in the city were on the verge of bankruptcy, adding that around 95 per cent of hotels had to close down while others became quarantine facilities.

According to the General Statistics Office, tourism revenue and arrivals saw sharp declines in the first half of this year.

Statistics show that the revenue of the tourism industry was estimated at VND4.5 trillion in the first half of this year, dropping by 51.8 per cent against the same period last year. The reason was that Viet Nam had not opened its doors to international tourists as a measure to control the virus together with the imposition of social distancing measures in several localities.

GSO's statistics also showed that international arrivals fell by 97.6 per cent in the first half of this year, with those entering the country comprising mostly foreign experts and workers at projects in Viet Nam.

Attractive M&A market

According to Meir Tlebalde, associate director and head of Real Estate M&A, Deal Advisory at KPMG in Viet Nam, although Viet Nam was facing challenges from the COVID-19 pandemic with tourism restrictions and social distancing measures in place in major cities, foreign investors with a long term vision were showing significant interest in the Vietnamese market.

Viet Nam remained an optimistic investment destination for foreign hotel investors in Asia thanks to factors such as favourable geographical location, natural environment and especially limited high-quality hotel supply, she said.

Mauro Gasparotti, director of Savills Hotels Asia Pacific, said that foreign investors were seeing both short- and long- term potential in the hospitality sector of Viet Nam, betting on the recovery of tourism when the pandemic was under control.

The market was seeing an increase in advertisements for hotels and resorts, especially hotels rated as three and four stars, he said, adding that the successful transactions remained modest from 2020 to the first quarter of 2021 due to the difference in offering and expected prices. However, during the past two months, more deals were successful as struggling hotel owners could not stand any longer.

He said that not only domestic but also foreign investors were looking for opportunities, they were seeing that although the tourism market was struggling temporarily, they believed in the recovery and growth potential of the market in the medium term.

The market was providing good opportunities for investors to own properties which were often difficult to purchase in a robust market, he said.

He said that the resort property market of Viet Nam remained attractive with huge potential, adding that investors who could grasp the opportunities to own appropriate properties would gain advantages when the tourism market recovered.

Still, investors were cautious in coming up with hotel deals, he pointed out, adding that the hotel deals in the Asia Pacific region were estimated to total around US\$3.1 billion in the first half of this year, a low level over the past five years.

Despite the Vietnamese market's huge potential, foreign investors looked for and compared

opportunities to those in other countries in the region, such as Thailand.

He said that speeding up vaccinations and efforts to bring the virus under control would be important to support the tourism and hospitality market recovery.

JLL's Hotel Investment Outlook 2021 revealed that 70 per cent of investors would consider hotels in Asia Pacific, estimating that hotel investment would total around \$35 billion this year, 35 per cent higher than last year.

3. Vietnam's trade ministry targets US\$50 billion electronic exports in 2021

Vietnam's exports of computers, electronics products, and parts could hit \$50 billion this year, or an increase of 13.5% year on year, thanks to strong demand for communications and remote working during the Covid-19 pandemic.

The Import-Export Department under the Ministry of Industry and Trade (MoIT) gave the assessment in relation to Vietnam's trade outlook this year, adding global supplies of electronics and computers are shrinking as the pandemic has forced many electronic manufacturers to close.

For the first seven months of this year, while a number of Vietnam's key export items were on the decline as a result of the pandemic, industrial products, including phones and parts rose by 12% year-on-year to \$29.35 billion.

"Smartphones continued to be Vietnam's main export product for this year," noted the department, with the country reportedly supplying 128 million phones for the global market during the seven months period.

For such achievement, the department highlighted the role of Samsung Electronics in turning Vietnam into its global production hub for smartphones.

According to the department, major export markets for Vietnam's electronic products include China, the US, EU, ASEAN, Japan, South Korea, Hong Kong, Taiwan (China), and India. Of the total, seven Asian markets accounted for 52.4% of total turnover earned from the export of such products.

Exports of phones and electronics to EU countries have also soared thanks to the EU-Vietnam Free Trade Agreement (EVFTA), especially to Hungary, Poland Czech, and Slovakia.

For the last half of this year, the trade ministry expects to focus on penetrating new markets with high potential in Africa, Latin America, and the Middle East.

Vietnam saw a growing number of large-scale IT projects coming into being in the first quarter of this year, including LG pumping an addition of \$750 million into the LG Display Haiphong; Singaporean investor with the Fukang Technology manufacturing plant in the northern Bac Giang Province with registered capital of \$293 million to produce tablets and laptops.

4. Gov't to provide tailor-made support for each sector: PM

There would be tailor-made support for enterprises in each sector and field to better address their concern during this difficult pandemic situation.

Prime Minister Pham Minh Chinh made the suggestion in an online meeting with the local business community today [August 8], saying the

Government is committed to trying its best to support enterprises in terms of policies for production recovery and expansion.

“The Government stands ready to support businesses during the current Covid-19 outbreak with the goal of sharing both the risks and the benefits with them,” he added.

The prime minister called for drastic measures to soon contain the pandemic and aid the economic recovery to keep the supply chains intact.

During the meeting, Minister of Planning and Investment Nguyen Chi Dung revealed for the first seven months of this year, the number of enterprises waiting for dissolution rose by 29% year-on-year to over 28,000, while those having completed such process also increased by 27% to nearly 11,400.

On average, around 11,300 enterprises exited the market every month, Dung said, acknowledging the Covid-19 pandemic has wreaked havoc on business and production activities.

Dung also referred to data from the General Department of Taxation that total outstanding loans as of July rose by 23% against late 2020 to nearly VND117 trillion (\$5 billion).

“As the market is showing no sign of recovery, enterprises that have used up all of their resources are now battling for survival,” Dung added.

According to Dung, the majority of firms are looking for greater simplification in administrative procedures, along with consistent and transparent Covid-19 containment policies.

Among measures to continue supporting the business community, Minister Dung stressed the urgency to fight off the pandemic as soon as possible.

“For the time being, it is imperative to allocate Covid-19 vaccines efficiently with priorities being those with high risks of infection, including workers in industrial parks or labor-intensive industries,” Dung stated.

“The Government may consider a framework for enterprises to purchase medical equipment and conduct Covid-19 testing within their factories,” he added.

For the long term, Dung proposed to allocate more resources to develop the medical device and pharmaceutical industries.

To avoid disruption in supply chains, Dung urged local authorities to maintain the “green channel” with simplified procedures and the application of technology to control the movement of goods and people.

As working capital is one of the key issues for enterprises, Dung suggested more specific monetary and fiscal support, including a reduction in labor union fees, road maintenance fees, or lower electricity prices for the tourism sector.

“Banks should accelerate debt restructuring process or reduce interest rates on existing debts for customers,” he noted.

Meanwhile, Dung stressed the necessity to be flexible in issuing working permits for foreign experts at foreign-invested firms to better adapt to the current situation.

Dung noted the Government would soon set up a specialized task force to address concerns of the people and enterprises affected by the pandemic.

“The Government targets the pandemic could soon be contained by later this year, as the vaccination progress is sped up and herd immunity would be achieved by the second quarter of 2022,” Dung suggested.

5. Transport disruption leaves millions of tons of farm produce stranded in south

They include five million tons of paddy, four million tons of vegetables and fruits, 400 million eggs, 600,000 tons of chicken, 120,000 tons of seafood,

and 80,000 tons of pork, Minister of Industry and Trade Nguyen Hong Dien said Friday.

The pileup has been attributed mainly to the transport restrictions imposed in 19 Covid-hit southern localities including Ho Chi Minh City, a major consumption area for the items.

Though the government has directed local authorities to prioritize transport of essential goods, there are no consistent regulations, which blocks the flow of goods.

Long An authorities said the closure of three wholesale markets and a number of traditional markets in HCMC means the province is unable to sell its dragon fruit and rice.

Companies are also struggling to export.

Nguyen Dinh Tung, chairman of fruit exporter Vina T&T, said the lack of empty containers is causing produce to pile up at ports, while container transport costs have surged 10-fold.

Some localities have ordered factories to operate between 6 a.m. to 6 p.m. while earlier they used to work from 3 a.m. to 10 p.m., and this has reduced the output of his company by 20-30 percent, he said.

While many other major rice producing countries have seen supply chains disrupted because of the pandemic, Vietnam has not, Dien said.

"But this happiness could slip away if we do not take timely action."

The ministry wants to buy four million tons of paddy (equivalent to 2.5 million tons of rice) to stockpile since the world "will surely need food post Covid-19."

Localities too should do the same, Tung added.

6. Apparel sector faces supply chain disruption

"The supply chain of the apparel sector is nearing paralysis. If the situation does not improve, the prestige of Vietnam's apparel sector will be seriously damaged in the eyes of international customers," said Vu Duc Giang, chairman of the Vietnam Textile and Apparel Association (VITAS).

Since the coronavirus outbreak in Vietnam, many textile and garment firms in the southern region have suspended their operations, while a number of medium and small enterprises have withdrawn from the market, Giang added.

Though the stay-at-work mode was applied at firms, the production situation was yet to get better.

Le Uyen Trang Nha, general director of Viking Vietnam in HCMC, said that to maintain production, the firm arranged accommodation and dining rooms for employees, which hiked production costs. As 150 employees are staying at the factory for work, the firm must spend an extra VND450 million in costs each month.

Apart from increased production costs, the unstable sentiment of live-in employees has reduced labor productivity by 20%-30%.

Besides, many workers have left HCMC to return to their home towns to avoid the transmission of Covid-19, hindering operations.

Giang predicted that a mere 60%-65% of employees who rushed home would return to HCMC for work after the pandemic is brought under control, leading to a severe shortage of manpower.

In addition, the slower circulation and transportation of goods have contributed to disrupting the supply chains of the apparel sector.

The social distancing order under the prime minister's Directive 16, which is being applied in many provinces and cities to prevent the spread of Covid-19, has slowed down the transport of materials, according to VITAS.

Local exporters have also faced difficulties in export activities as shipping costs were revised up sharply over the past few months. The fee to ship a 40-foot container from Vietnam to Europe has hit US\$11,000.

Moreover, due to stagnant production, many international partners have canceled orders in Vietnam and placed orders elsewhere.

VITAS has repeatedly proposed the Government offer preferential and priority policies to the

apparel sector, including allowing firms to operate normally if a district where the firms are located in provinces or cities in the southern region has undergone 15 days without new infections, but in vain, Giang said."

7. CAAV proposes halting flights between localities applying social distancing

The Civil Aviation Authority of Vietnam (CAAV) has proposed the Ministry of Transport halt all commercial flights between provinces and cities that are applying social distancing measures, including Hanoi – Ho Chi Minh City route and vice versa.

The move aims to tighten control of commercial flights and chartered flights to prevent the spread of COVID-19, according to the CAAV.

Flights that serve public works and disease control are still allowed to operate, including those carrying health workers and officials.

The authorities in their points of departure need to inform the authorities in their destinations so they can be tested immediately upon arrival and taken into quarantine if needed.

Commercial flights from Hanoi to Can Tho, Phu Quoc and vice versa have been temporarily halted since July 22.

The Hanoi - HCM City route, Vietnam's busiest one, has been cut down to two round trips a day and were all operated by the national flag carriers Vietnam Airlines.

Corporate News

8. HPG: Hoa Phat's steel sales reached 600,000 tonnes in July

↑ 2.69%

The Hoa Phat Group's steel output in July reached 700,000 tonnes, increasing 70 per cent from the same period last year.

Its steel sales during this period were 600,000 tonnes. Of which, construction steel was up 58 per cent from previous months and 21 per cent from the same period last year to 363,000 tonnes. Sales of hot-rolled coil (HRC) steel were 160,000 tonnes and the remaining was steel pipe and galvanised steel.

Although many localities have implemented social distancing, Hoa Phat's construction steel still achieved a positive output. Key public investment projects such as roads, bridges, hospitals, and airports continued to be constructed. Its steel sales posted 50 per cent and 21 per cent year-on-year increases in the North and the Central regions respectively.

In the first seven months of the year, the group produced nearly 4.8 million tonnes of crude steel, up 58 per cent over the corresponding period in 2020. The sales volume of steel products reached 4.9 million tonnes, representing a 64 per cent year-on-year hike. In which, construction steel was 2.2 million tonnes, up 46 per cent, and HRC reached nearly 1.5 million tonnes.

For HRC downstream products, Hoa Phat Steel Pipe Company sold 419,000 tonnes, equivalent to the same period last year. Its galvanised steel products recorded the best growth, reaching 188,000 tonnes, 2.7 times higher than in the same period last year.

Hoa Phat is the largest steel producer in Viet Nam with a crude steel output of 8 million tonnes a year. Currently, its factories are operating as normal. Offices in Ha Noi and HCM City have arranged to work online and at home as much as possible, strictly implementing 5K as recommended by the Ministry of Health.

9. DXS: DXS reports Q2 net profit up 89%

↑ 4.66%

At the end of the second quarter, Dat Xanh Real Estate Services Joint Stock Company (HNX: DXS) recorded a net profit of nearly VND 197 billion, up 89% over the same period thanks to strong increase in net revenue and financial revenue.

Specifically, Q2 revenue mainly from real estate services tripled to nearly 943 billion dong, helping DXS' net revenue increase 2.2 times, reaching over 1,087 billion dong.

Meanwhile, cost of goods sold increased more than net revenue, nearly 3 times, so gross profit increased by 93% over the same period to more than 710 billion dong.

Financial revenue in the second quarter was nearly 12 billion dong, mostly from interest on deposits and loans, 2.3 times higher than the same period last year.

Thus, thanks to the strong increase in net revenue and financial revenue, DXS 's net profit reached nearly 197 billion dong, up 89% over the same period last year, although financial expenses (+33%), selling expenses (x2.1 times) and management costs (x2 times) both increased sharply.

According to the explanation of DXS, the main reason is that the sales performance at the companies in the system has grown, mainly from previously contracted projects and projects of newly developed contracts.

Accumulated in the first 6 months, DXS recorded net revenue of nearly 2,128 billion dong, 2.3 times higher than the same period last year, resulting in net profit increasing by 72% to over 398 billion dong.

Regarding the business plan for 2021, DXS expects revenue to reach VND 7,600 billion, 2.35 times higher than in 2020 and net profit of VND 1,483

billion, up 69%. Compared to this plan, the Company has achieved 44% of profit target after 6 months

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