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Market Analysis

1. Shares correct on strong volatility among sectors

Local shares corrected on Thursday with the large-caps experiencing strong volatility but cash flow pouring into industrial real estate stocks still narrowed the market's decline.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) decreased by 0.35 per cent, to 1,353.05 points. The market breadth was neutral as 185 stocks climbed while 183 declined.

Nearly 742.6 million shares were traded on the southern market exchange, worth 22.7 trillion (US\$998 million).

The market's large-caps witnessed struggles with differentiation in pillar codes.

Many pillar stocks lost momentum and put great pressure on the market such as FPT Corporation (FPT), PetroVietnam Gas JSC (GAS), Hoa Phat Group (HPG), Mobile World Group (MWG), PV Power (POW), Masan Group (MSN) and Viet Nam National Petroleum Group (PLX).

The banking group also performed poorly with losers including Military Bank (MBB), Sacombank (STB), Techcombank (TCB), Vietcombank (VCB), and Tien Phong Bank (TPB).

On the other side, best performing blue-chips included Vietinbank (CTG), Vinhomes (VHM), Vingroup (VIC) and Bao Viet Holdings (BVH).

The market was strongly supported by the real estate and construction sectors, with many gainers such as Development Investment Construction JSC (DIG), C.E.O Group JSC (CEO), Dat Xanh Group (DXG), Hoa Binh Construction JSC

(HBC), Ha Do Group JSC (HDG), Hudland Real Estate Investment and Development JSC (HLD) and Phuc Hung Holdings JSC.

"The market remained in the green for most of the session but reversed at the end of the afternoon session as investment cash flow narrowed," said BIDV Securities Co.

"Short-term profit-taking pressure appeared as the market is gradually approaching the resistance level of 1,380 points. Meanwhile, foreign investors continued to be net sellers on both HNX and HoSE.

"With the domestic and foreign cash flows showing signs of weakening at the resistance level, VN-Index can continue maintaining the consolidation period at 1,350-1,380 points," it said.

Foreign investors net sold VND143.43 billion on HOSE. They were net sellers on HNX with a value of VND25.57 billion.

The VN30-Index, which tracks the 30 biggest stocks in market capitalisation on the southern market, declined 0.73 per cent to 1,477.06 points.

Of the VN30 basket, seven stocks jumped while 20 slid, and three stayed unchanged.

The HNX-Index on the Ha Noi Stock Exchange (HNX) was down 0.36 per cent to 334.33 points.

Nearly 150 million shares were traded on the northern exchange, worth VND3.3 trillion.

Macro & Policies

2. Wood industry at crossroads to engineer survival strategy

At more than half of the companies in the four furniture production centres of Vietnam that contribute over 70 per cent to the nation's export value of timber products, production has been suspended as several cases of COVID-19 infections appeared, further extending delivery schedules for overseas buyers.

Long Viet Co., Ltd., a wood supplier in the southern province of Binh Duong, halted production last week when its 248 workers were found positive for coronavirus. Bui Nhu Viet, general director of Long Viet, told VIR, "The company suffered great damage from the pandemic. We had to suspend production and could not continue with the stay-at-work model."

Viet worries that the now-broken supply chain will cause consequences, with workers losing their jobs as the virus continues to spread. Long Viet's final attempts at contract renegotiation yielded mixed results.

"Many buyers sympathise with us and hope we return to production soon, but there are also many buyers who do not accept the situation and cancel orders," Viet said. "Overseas buyers are often precise with timetables. They are concerned about the Vietnamese government's control of the pandemic and when suppliers will return to normal production."

Many manufacturers are now rethinking the stay-at-work model after the Long Viet incident. Tien Dat Wood JSC in the south-central province of Binh Dinh is under additional pressure after its main supplier Long Viet stopped production. The lack of kitchen cabinet components may cause Tien Dat – one of the largest suppliers of timber products to the US and European markets – to fail deliver on time under its contracts.

Tran Quoc Cuong, deputy director of Tien Dat, said that the company's capacity has decreased by 30 per cent because its one factory is located in a locked down area. Tien Dat is also short of workers, because in addition to the ones under quarantine, a very large number of workers has returned to their hometowns when the new infections appeared.

Meanwhile, the cost for the stay-at-work model increased overall costs by about 30 per cent compared to the first quarter.

The wood industry recovered quickly after the previous outbreaks. Most businesses received many orders for several months. However, the current outbreak caused a sharp decrease in production capacity, with some companies reducing their output from five to just one container per month.

Nguyen Phuc, vice chairman of the Binh Duong Furniture Association said, "Buyers are not happy, but most of them accept renegotiating contracts."

According to Phuc, renegotiations have two possibilities. Firstly, buyers will wait for Vietnamese manufacturers to reproduce, in the hope that the source of goods will be guaranteed. This only happens in case the buyer has a certain amount of stock.

With the second option, buyers turn to manufacturers with factories in China to produce items that were once made in this country. However, it will be very difficult for buyers to buy from China or another country if they have not had any connection before. Going down this road would require transferring samples, building up products, and trial production, all of which can take a few months.

"Thus, the first option is much more likely. Before making a decision, buyers will consider how long the recovery of production in Vietnam will take. Buyers will not penalise contracts because of the pandemic and many show goodwill," Phuc said.

Timber and its products are a commodity with high export value, with 65 per cent coming from Dong Nai, and Binh Duong provinces, and Ho Chi Minh City.

In the first six months of 2021, Vietnam's wooden product export value was estimated at \$8.1 billion, up more than 61 per cent over the same period in 2020 according to the Import-Export Department under the Ministry of Industry and Trade.

However, the current outbreak has pushed the wood industry into stagnation. The results of a quick survey of wood associations showed that the production stoppage is spreading throughout the four largest wood processing centres in Vietnam.

In Binh Duong, 29 out of 100 companies participating in the survey closed, while in Dong Nai, 30 out of 50 companies stopped production. Meanwhile, in Ho Chi Minh City and Binh Dinh, many large companies were forced to stop production in some factories.

Do Xuan Lap, chairman of the Vietnam Timber and Forest Product Association (VIFORES), said businesses cannot produce if they are completely isolated from society, because they have to import raw materials, export finished products, and receive food.

Meanwhile, COVID-19 test methods still show errors despite ensuring all employees that participate in the stay-at-work model are negative each week and the implementation of random daily tests.

The pressure to maintain supply from Vietnam weighs heavily on the wood industry. Lap said that VIFORES last week agreed to ask the prime

minister and members of the government to consider distributing vaccines to the more than 700,000 timber workers. Back in May, VIFORES also sent a document to the prime minister requesting to buy one million doses of vaccines to ensure production and supply chain are not interrupted.

As the southern cities and provinces are implementing social distancing under Directive 16, it is extremely important for processing and exporting enterprises to maintain production to ensure the goals set by the industry.

Currently, many businesses apply the stay-at-work model very well, but there are also many that face difficulties due to lack of space, and employees are concerned about going to work. Many businesses also struggle as costs increased because they have to buy test kits for SARS-CoV-2 and perform these tests every three days for workers.

In order to maintain production of enterprises and not disrupt supply, Working Group 970 of the Ministry of Agriculture and Rural Development proposed localities to support testing costs for businesses, while giving priority to the vaccination of workers in agricultural processing factories.

3. EU's IUU yellow card threatens Vietnam's fisheries industry

VASEP said at a conference on August 10 that if Vietnam is unable to have the yellow card lifted soon or receives a red card warning, the country's seafood sector would lose an estimated US\$480 million in annual export revenue.

Vietnam's total marine product exports to the EU have dipped by 12%, or US\$183.5 million, in just two years after the yellow card came out.

Of these, cephalopod plunged the most with a 37% drop, bivalve mollusk decreased by 11%, tuna fell by nearly 2% and crabs edged down by 11%. The exports of farmed products to the EU also plummeted by 13% from 2017 to 2019.

In 2020, Vietnam's seafood exports to the EU were affected by both the Covid-19 pandemic and the IUU yellow card, resulting in a turnover of only US\$959 million, a fall of 5.7% against 2019.

Since 2018, the EU has dropped from its position as the second largest of Vietnam's seafood import markets to the fifth place, now ranking behind Japan, the United States, South Korea and the ASEAN countries.

In case a red card is issued by the EU, the immediate and short-term impact on Vietnam's seafood sector would be a trade ban from the European Commission if the country fails to address the requirements for combating IUU fishing.

VASEP estimated that the fisheries industry of Vietnam would directly lose US\$480 million a year for losing the EU market.

Besides, aquaculture would lose around US\$93 million from indirect impacts, including an increasingly negative reputation, the imposed

burden of customs control and missing opportunities to benefit from the EU-Vietnam Free Trade Agreement's (EVFTA) preferential tax levels.

The medium-term impact if the ban lasts for 2-3 years includes the disruption of the seafood sector, in which at least 30% of capture fisheries would shrink in scale.

However, if Vietnam can remove the IUU yellow card soon and make use of tariff preferences and institutional changes from the EVFTA, the opportunity to recover and grow back in the EU market is feasible.

If this happens, Vietnam will have more opportunities in other markets, and can better compete with other producing and exporting countries. In that scenario, the country's seafood exports will surely reach the goal of US\$16-18 billion before 2030.

With vast aquatic resources, Vietnam is the fourth largest fisheries producer in the world and the third largest source of aquatic products for the world market.

Vietnam's fisheries industry has rapidly transformed itself into a commodity-oriented industry with its exports reaching US\$8.5-9 billion a year. According to VASEP, fishery and aquaculture commodities represent Vietnam's fifth largest export in value, accounting for approximately 4% of the country's exports in 2018.

Vietnamese seafood products have reached over 160 markets and stood firm in many large and rigorous markets such as the EU, the U.S., Japan, and South Korea, which have a great influence on the world market.

However, consumers in the world market are increasingly interested in responsible and sustainable products. Therefore, combating IUU fishing is critical first and foremost for the sustainable development of Vietnam's fisheries, as well as responding to market trends and regulations so that Vietnam maintains its reputation and foothold in the markets.

VASEP said a shift from quantity to quality could enable Vietnam to boost the competitiveness of its fisheries sector, seize emerging opportunities in a more competitive manner and meet its seafood export targets.

4. Macro economy basically stabilised in seven months: PM

The macro economy was basically stabilised in the first seven months of this year, with remarkable achievements recorded in many spheres, Prime Minister Pham Minh Chinh said on August 11.

Speaking at the Government's regular meeting, held via teleconference, the PM said attention has been paid to cultural and social affairs, while social security has been ensured.

"This is also the common assessment of international organisations and institutions," he noted.

Regarding the fight against COVID-19, PM Chinh said the pandemic is still under control, adding major pandemic clusters have been contained.

Some localities have effectively implemented the Government's Resolution No. 68, providing timely

support for employees and employers affected by the pandemic, the PM continued.

He asked agencies and localities to raise public awareness and responsibility, and encouraged residents to seriously observe COVID-19 prevention and control regulations.

All-level Party Committees and the entire political system should carry forward their role to strictly implement the PM's relevant directives, the government leader said.

"Each agency, enterprise, commune and ward must be a fortress to fight against the pandemic, and each citizen must be a soldier in the combat," he stressed.

For the vaccine issue, the PM affirmed Vietnam's sound vaccine strategy, further explaining that apart from imports, the Government and concerned

agencies are working hard to accelerate the transfer and research of COVID-19 vaccine production technology to produce the vaccines domestically.

Although the work is going smoothly, domestic vaccine production and recognition requires more time and must follow strict scientific and legal procedures, according to the PM.

For businesses, the PM stressed the need to avoid any disruptions in the supply chain while regulations on goods circulation are strictly observed.

PM Chinh said it was time to focus on combating the pandemic because a successful fight against the COVID-19 would promote socio-economic development and facilitate socio-economic recovery.

However, he said, economic development should be maintained to have resources to prevent and control the pandemic.

He asked the Ministry of Foreign Affairs to promote vaccine diplomacy and the Ministry of National Defence to support the pandemic prevention and control.

The Ministry of Public Security was assigned to assist the frontline forces and ensure security and order for the people while the Ministry of Information and Communications was directed to strengthen dissemination campaigns on the work and counter false allegations of hostile forces.

The PM noted that ministries, agencies, and localities must step up the fight against corruption, refrain from acts that cause troubles for the people, and prepare documents for submission to the upcoming second session of the 15th National Assembly.

5. Banks continue to cut interest rates for pandemic-hit clients

The State Bank of Vietnam (SBV) will continue directing commercial banks to reduce interest rates for customers affected by the COVID-19 pandemic, said Deputy Governor Dao Minh Tu at the Government's press conference on August 11.

Tu noted that recently, 16 major commercial banks have committed to cutting interest rates for specific groups with a total reduced amount until the end of this year estimated at about 20.3 trillion VND (891.8 million USD).

Alongside, four state-owned commercial banks, Vietcombank, Viettinbank, BIDV, Agribank, have agreed to cut an additional 1 trillion VND worth of interest rates each for cities and provinces undertaking social distancing measures.

Meanwhile, banks have pledged to reduce 100 percent of service and banking fees, including currency payment fee for Ho Chi Minh City and southern localities.

The SBV Deputy Governor affirmed that the bank will strengthen supervision to make sure the commitments are realised until the end of this year.

At the press briefing, Deputy Minister of Finance Nguyen Duc Chi said that affected businesses and people are expected to benefit from 118 trillion VND (5.18 billion USD) resulting from support related to taxes, land rent as well as charge and fee reduction to them overcome difficulties caused by COVID-19.

The ministry is making revisions to propose a number of additional solutions, including a 30 percent reduction in corporate income tax for firms with total revenue of less than 200 billion VND in 2021.

Business households and individuals will enjoy a tax cut of 50 percent, while COVID-19 hard-hit groups will enjoy reductions in added value tax, along with exemption of late tax payment fines and decreases in land rent, with an expected value of over 20 trillion VND.

For his part, Deputy Minister of Industry and Trade Do Thang Hai said that the ministry is working with the Ministry of Health to design more optimal conditions for the "three-on-site" scheme applied in Ho Chi Minh City and southern localities, with guidances to be issued soon to ensure the efficiency

of pandemic control and production at the same time.

Regarding the circulation of goods, Hai said that the issue has basically been solved thanks to the government's approval of its proposal on allowing

the circulation of all goods excepting for banned goods.

At the same time, the ministry has suggested prioritising vaccination against COVID-19 for drivers and cargo loaders, while designing traffic regulating plans to avoid congestion, he added."

6. Pandemic measures placing strain on inflation goals

According to the General Statistics Office (GSO), the consumer price index (CPI) in the first seven months of 2021 rose by 1.64 per cent over the same period last year, the lowest increase since 2016.

The CPI in July only increased by 0.62 per cent on-month, showing that the waves of people hoarding goods did not have much impact on this important index. In consumer goods and services, seven out of groups increased their prices, while three groups saw price decreases, and one remained stable compared to the previous month.

The slow increase in Vietnam's CPI is directly attributable to the prices of petrol following global prices. The GSO's report showed that the traffic group had the highest price increase in July with 2.36 per cent, causing the general CPI to increase by 0.23 percentage points.

Core inflation, which is the change in the costs of goods and services but does not include those from the food and energy sectors, in July and the first seven months of 2021 compared to the same period last year were the lowest since 2011, and decreased by 0.06 per cent in July compared to the previous month thanks to price stabilisation solutions in the whole market. On average, core inflation climbed 0.89 per cent over the same period in 2020 in the first seven months of 2021, lower than the overall average CPI, which increased by 1.64 per cent.

Meanwhile, the foreign currency reserves of the State Bank of Vietnam still ensure to meet the needs of importing enterprises, also affecting the price of gold which averaged at \$1,803 per ounce, down 1.78 per cent in June

Price pressure is growing throughout Vietnam's economy as businesses struggle more to meet consumer demand amid shortages in raw materials

and labour. In addition, limited transport capabilities due to anti-pandemic measures in some localities, together with higher input costs, are also causing issues for businesses trying to maintain production and exports.

Consumer demand will likely increase when Vietnam's ongoing vaccination programme makes further significant progress, and restrictions on travel are eased, along with government support packages.

GDP growth in the first half of the year reached 5.64 per cent. Standard Chartered Bank predicted that the economy may recover slightly in 2021. However, food prices increased after cooling down last year, an opposite trend compared to the previous year, paired with recent low core inflation rate. Standard Chartered warned that rising food prices are a risk that could put pressure on inflation because the food group accounts for nearly 40 per cent of the goods in the CPI baskets.

Pham The Anh, chief economist of the Vietnam Institute for Economic and Policy Research, found that inflationary pressure is increasing, especially in recent months when the consumer market was recovering.

According to Anh, pressure on inflation may come from strong money supply growth. In the last 10 years, the growth rate of cash and credit supply remained very high compared to regional countries, similar to the growth of the economy.

The recovery of consumer demand may increase inflationary pressure into 2022, said Anh. "This recovery comes from two main factors. Firstly, price appreciation of real estate and stocks may spread to consumer prices, especially post-pandemic. Secondly, recovery of the global economy will cause price hikes for all kinds of raw

materials, higher than the average level of 2020,”

he explained.

7. Solutions sought for soaring fertiliser prices

Deputy Minister of Agriculture and Rural Development Tran Thanh Nam said that fertiliser prices in the country and around the world have continuously increased since the beginning of the year.

Specifically, Ca Mau urea increased by 72 per cent from VND6,800 per kilo to VND11,700 per kilo.

DAP Dinh Vu fertiliser rose by 67.3 per cent from VND8,550 to VND14,300 per kilo.

Explaining the reason for the increase in fertiliser prices, experts said prices of input materials for fertiliser production has risen.

Sulfur rose over 200 per cent compared to the lowest point of 2019; ammonia increased by nearly 200 per cent, followed by single fertilisers such as urea, DAP, superphosphate and others.

In addition, global oil, gas and fuel prices increased, resulting in soaring prices for transportation.

Due to the COVID-19 pandemic, there was a serious shortage of containers, meaning the cost of transporting containers increased by up to five times. Those are the main reasons for increasing fertiliser prices.

Additionally, China has restricted exports, therefore, there has been a partial lack of fertiliser for some periods.

In agriculture, the summer-autumn crop is the period requiring the most fertiliser, pushing up demand.

As prices of domestically produced and imported fertiliser increase by 50-73 per cent, it is giving rise to the risk of rampant speculation in fertiliser, as well as declining quality.

In order to stabilise fertiliser prices, Team 970 of the Ministry of Agriculture and Rural Development proposed that its counterpart at the Ministry of Industry and Trade direct market management departments of southern provinces to regularly inspect and review stores of agricultural materials to clamp down on speculation and stockpiling to create artificial scarcity.

It also proposed the co-ordination with inspectors of the Plant Protection Department and members of the provincial steering committee 389 to step up inspections of fertiliser production, business and import and export activities in the southern area, ensuring the quality and price of fertiliser products in accordance with the State's regulations.

Fertiliser is a commodity subject to price stabilisation, but the stabilisation would be difficult when the price increase was mainly due to the increase in raw material prices, said Deputy Minister of Industry and Trade Tran Quoc Khanh at a meeting with the Ministry of Agriculture and Rural Development on Wednesday.

It was even more difficult to apply administrative regulations to the market when Viet Nam had made international commitments, he noted.

Therefore, he emphasised the view that the two ministries would agree on solutions to propose to the Government.

At the same time, it is suggested that production enterprises continue to provide adequate sources of goods to the market, rationalise costs and try to have a lower selling price than import prices, giving priority to fertilisers for domestic agricultural production and not export.

Corporate News

8. BMI: Notice of stock issuance for capital increase

↓ -2.58%

Baominh Insurance Corporation announced the information on a stock issuance to increase its share capital from the owner's capital:

- 1) Stock name: Stock of Baominh Insurance Corporation
- 2) Stock type: common share
- 3) Par value: VND10,000/share
- 4) Total issued volume: 91,354,037 shares

- 5) Outstanding volume: 91,354,037 shares
- 6) Treasury volume: 0 share
- 7) Expected issue volume: 18,270,807 shares
- 8) Total issue value: VND182,708,070,000
- 9) Issue ratio: 10:2
- 10) Financial resource: surplus equity.
- 11) Record date: August 26, 2021.

9. SHS: plans to issue nearly 104 million shares to existing shareholders, priced at 13,500 VND/share

↑ 0.44%

Saigon - Hanoi Securities Joint Stock Company (HNX: SHS) announced that August 24 is the last registration date to exercise the right to pay 2020 dividends in cash and the right to receive shares issued from an increase in capital and the right to buy additional shares.

Specifically, SHS plans to issue nearly 104 million shares to existing shareholders. The offering rate is 50% (shareholders who own 1 share are entitled to 1 right, every 2 rights will be able to buy 1 new share). Expected asking price is 13,500 VND/share.

The proceeds from the issuance will be used to supplement the capital for securities margin

trading (40%), supplement capital for investment and trading activities of bonds and valuable papers on the market. 40%) and additional capital for stock investment activities (20%).

As for dividends, SHS will pay 2020 cash dividend at the ratio of 12% (1 share will receive VND 1,200, ex-rights date is August 23, and payment date is October 6, 2021.)

Additionally, SHS will issue shares due to the increase in share capital from owner's equity. The expected number of issues is nearly 10.4 million shares. Execution ratio is 100:5 (owning 100 shares will receive 5 new shares).

Time to transfer the right to buy is from August 31-September 28, 2021. Time to register to buy shares from August 31 to October 4, 2021.

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