VIETNAM DAILY NEWS

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Market Analysis

1. Shares finish lower due to profit-taking

The market edged lower yesterday as strong selling force weighed on many pillar stock groups, while foreign investors kept fleeing from the two main exchanges.

On the Ho Chi Minh Stock Exchange (HoSE), the market benchmark VN-Index closed the trading day at 1,363.09 points, down 0.57 per cent, or 7.87 points. This ended its two gaining sessions.

The market's breadth was negative as 232 stocks fell while 148 increased. However, the liquidity remained high with more than 768.6 million shares traded on HoSE, worth more than VND25.77 trillion (US$1.13 billion).

After the sharp recovery in the first two sessions of the week, profit-taking activities were reasonable.

Analysts from Saigon - Hanoi Securities JSC (SHS) said in a daily report that technically, the benchmark still can not close above the resistance zone of 1,370 - 1,375 points. Therefore, the scenario of extending rallies to hover around the psychological level of 1,400 points has not been activated.

"We need to wait and see more to find the direction," SHS said.

Selling force increased significantly in the afternoon session, putting many large-cap stocks under pressure.

The 30 biggest stocks tracker, VN30-Index, witnessed a drop of 0.44 per cent to 1,494.12 points. Of which, 21 stocks of the VN30 basket declined while seven climbed, and two ended flat.

Vinhomes JSC (VHM) posted the biggest losses yesterday, down 4.31 per cent to VND111,000 per share. The sell-off occurred after Viking Asia Holdings II Fund, backed by KKR Group, announced that it has registered to sell 31.96 million VHM shares and is expected to no longer be a major shareholder in Vinhomes.

Real estate developers like Vincom Retail JSC (VRE), another one of the trio stocks of Vin family, and Novaland (NVL) also dropped 1.58 per cent and 0.58 per cent, respectively.

Other pillar stocks recording big losses were Saigon Beer - Alcohol - Beverage Corporation (SAB), down more than 4 per cent, and PetroVietnam Gas JSC (PVGas, GAS), down 1.91 per cent.

A group of big bank stocks including Techcombank (TCB), Vietinbank (CTG), VPBank (VPB) and JSC Bank for Investment and Development Of Vietnam (BIDV, BID) contributed to the downward trend.

However, the index pared some losses on gains in large-cap stocks, led by Hoa Phat Group (HPG), up 1.92 per cent.

It was followed by Vingroup JSC (VIC) and Vietcombank (VCB).

Similarly, on the Ha Noi Stock Exchange (HNX), the HNX-Index finished lower at 343.11 points, down 0.12 per cent.

During the session, more than VND4.8 trillion was poured into the northern market, equivalent to a trading volume of nearly 174 million shares.

Also weighing the market was the large net sell value from foreign investors. Accordingly, they continued to net sell a value of nearly VND1.4 billion on the southern bourse, and a value of VND56.29 billion on HNX.

Macro & Policies

2. FDI inflows to Ho Chi Minh City dip over COVID-19 worries in first seven months

The figures were revealed in the latest report on the socio-economic situation in July and the first seven months of the year. As of July 20, the city attracted $1.78 billion in FDI, a decline of 25.1 per cent on-year.

Around 345 new projects were granted investment registration certificates in the period with the total registered capital of over $284.5 million, down 42.3 per cent in quantity and 20.1 per cent in capital compared with the corresponding period a year prior.

Meanwhile, 98 existing projects adusted foreign investment capital with an additional $522.5 million, a decrease of 13.3 per cent on-yer in the number of projects, but nearly double the capital amount against the year prior.

In addition, there were 1,438 instances of capital contribution and share purchases by foreign investors, with $975 million, a 46.2 per cent drop on-year.

Singapore took the lead in the city's FDI rankings with the registered investment capital of nearly $612.3 million, followed by Japan ($321.9 million), South Korea ($223.4 million), and the Netherlands ($137.6 million).

The manufacturing and processing sector attracted the largest proportion of FDI in the first seven months with $440.6 million, followed by trade ($383.1 million), real estate ($349.7 million), and science-technology ($350.9 million).

Ho Chi Minh City is among the leading FDI recipients in Vietnam. In the first seven monhts, Ho Chi Minh City ranked second in Vietnam's FDI attraction with a total registered capital of nearly $1.8 billion, trailing behind Long An. Since the resurgence of the COVID-19 pandemic, the city has become the largest pandemic area of Vietnam, dampening the FDI outlook in the coming time.

3. Energy developers grapple with deadline

An investor of a project in the Mekong Delta province of Soc Trang is not 100 per cent sure the venture will attain commercial operation date (COD) before October 31, even though his company committed to the date to Electricity of Vietnam (EVN).

The date is a key one, as under Decision No.39/2018/QD-TTg dated 2018 on the development of wind power projects in the country, the feed-in tariff (FiT) rate for onshore wind power is set at 8.5 US cents per kWh and offshore wind power at 9.8 cents per kWh. These rates are applicable to projects that reach COD before October 31.

However the investor, along with other wind farm developers, has concerns over equipment not arriving in time, workers not being able to mobilise, experts not being able to visit the country, and risk of coronavirus infection. “We are trying our best to progress and ensure the safety of workers against the risk of infection,” he told VIR, while adding that the race against time may not be won in the end.

According to the latest EVN report, 106 wind power plants with a total capacity of 5,655MW have registered to begin commercial operations before November, up 27 times compared to last year. The reason for so many registered projects is because current regulations require wind power investors to submit a written registration for commissioning 90 days in advance.

However, COD remains out of reach for many, with a major batch of the projects still to complete site clearance, and with equipment not yet reaching its destination. Worse still, the preferred COD deadline is less than three months away, while a typical wind project takes between 18 months and two years to begin operations. Industry insiders predicted that only half of the registered offshore wind ventures, equivalent to around 2GW, will connect to the grid.

In the Mekong Delta region, Tra Vinh province has approved the investment of eight wind power projects with a total capacity of 570MW so far. Among these, six projects are speeding up construction, but it is unlikely that the projects will reach COD before November.

As a result, the province has asked the prime minister to approve extension of the time to apply the FiT pricing mechanism for wind power projects in the area until at least the end of April next year.

Elsewhere in Soc Trang, a total of 20 wind power projects with capacity of 1,435MW have been approved in the local wind power development planning as well as the current National Power Development Plan. The province has so far approved policies for 16 projects, of which 11 are under construction.

With the impact of the current pandemic leading to inevitable delays in the construction progress, Soc Trang People's Committee also asked the Ministry of Industry and Trade (MoIT) to request an extension of the time to implement the mechanism until next April. Other provinces such as Quang Tri in the central region and Gia Lai in the Central Highlands region are in the same boat.

Most of the coastal provinces of the Mekong Delta such as Ca Mau, Bac Lieu, Soc Trang, Tra Vinh, Ben Tre, and Long An have included renewable energy development in their economic development goals.

After solar power, wind power is an option for clean energy development. Bac Lieu in particular has set ambitions to become a wind power hub for the western areas.

Meanwhile, Vietnam is facing an important turning point to decide on the choice of energy sources to meet the increasing electricity demand and boost the rapidly growing economy. Regardless of the FiT change in November or later, a representative of the Global Wind Energy Council (GWEC) noted that the government and the MoIT need to soon make a detailed decision so that investors can actively calculate the method of FiT rates in order to avoid repeating a “price gap” as happened with solar power. “The production cut will affect the business plans of investors. It also affects the ability of projects to raise capital,” said a member of GWEC.

In 2019, the government approved more than 10GW of solar and wind capacity, around 4GW of which was connected to the grid. The surge of added capacity and the concentration of new projects in a few provinces created enormous pressure on the power system. As a result, a number of projects reportedly requested to curtail output without compensation from EVN.

Law firm ACSV Legal cited last year that the government is accelerating new power transmission investments and engaging with private investors to assist with building the necessary infrastructure. Pending resolution, curtailment risk has become a factor that needs to be considered carefully by investors, it said.

4. Danang ramps up efforts to attract Japanese investors to high-tech park

Centering on topical issues like whether Vietnam has the potential to become a go-to high-tech manufacturing destination, or should businesses join the general market trend to affirm position, high on the agenda will be investors' prime concerns such as the existing ecosystem for high-tech industries; the procedures on establishment and support for high-tech production; latest updates about accounting and tax incentive policies, particularly supporting businesses in high-tech production at Danang Hi-tech Park.

The seminar, held online following COVID-19 prevention regulations, will feature leading industry experts including Huynh Lien Phuong, director of Danang Industrial Park Authority (IPA); Vu Thi Minh Duc, head of the Japan Desk at Danang IPA; Ishi Daisuke, senior manager at Fair Consulting Vietnam; Fujiwara Hiromi, manager at Fair Consulting Vietnam; and Toshio Okukura, Investment Promotion director at Long Hau Corporation, a leading industrial real estate developer which owns Long Hau Industrial Park based in the southern province of Long An, home to a large number of Japanese businesses.

In addition, Danang is part of many arterial routes with great connection to other industrial parks and urban centres, promoting regional linkages.

Toshio Okukura said the growing number of tech firms setting up manufacturing plants in Vietnam present vibrant development opportunities for Vietnam's industrial real estate market, particularly regarding Danang Hi-tech Park.

Accordingly, Danang enjoys a favourable position for transport by air, waterways, roads, and railway. The complete transport system from Danang Hi-tech Park to seaport and airport venues helps investors save costs.

In addition, Danang is part of many arterial routes with great connection to other industrial parks and urban centres, promoting regional linkages.

Danang Hi-tech Park has set aside vast land funds for projects in manufacturing and precision engineering, electrical and electronics, and offers clear advantages in fairly low land rental as well as abundant skilled workforce.

Danang Hi-tech Park also offers numerous incentives to investors like corporate income tax and import tariff reduction and exemption, supporting multiple entry visa applications for foreign employees in the park, and more.

Until now, Danang Hi-tech Park is home to 24 projects, including 12 foreign direct investment (FDI) projects valued at a total $545.1 million. In the year to date, the park, the Software City, and city-based industrial parks (IPs) have attracted 16 projects, including four foreign investment and 12 domestic projects, with a total registered capital of $145.33 million (equal 99.13 per cent of total committed FDI volume in the first half) and VND481.4 billion ($20.9 million), respectively.

Lately, Danang Hi-tech Park and Industrial Zones Authority unveiled that they have recommended the A13 land plot in the space earmarked for high-tech production to US investor AREVO Inc. to implement a project to manufacture 3D printers as well as design and manufacture 3D-printed carbon fibre composite materials and 3D printing software. The US investors has proposed a $135 million project over 10.68 hectares in the park.

Besides, despite adverse impacts of COVID-19, Inaba Rubber Vietnam, an active high-tech auxiliary equipment manufacturer also based in Danang Hi-tech Park, exported three batches of water-proof rubber for cars to Japanese market last month alone.

5. Vietnam to keep CPI growth low by end of 2021

According to the committee, keeping the figure lower than 4 per cent by the end of the year is important so the country can have a good start to 2022, especially in light of Viet Nam's dual-target strategy of achieving COVID-19 containment and economic development simultaneously.

CPI, however, has always been tricky during this time of the year as the market will likely experience surges in demand for certain commodities during the end of the year. This has been made more challenging a task since the fourth outbreak of the novel coronavirus, which started in late April and until now has not been put completely under control.

The committee has asked the Ministry of Finance to implement more flexible monetary policies and make adjustments to some macroeconomics targets in response to the pandemic. Local governments must keep an eye on the market's supply and demand of essential commodities and ensure a smooth flow of goods and services, especially for localities that have been put under lockdown.

Businesses have been advised to start preparing for the Lunar New Year by stocking up on popular goods. Market surveillance agencies across the country have been told to turn in reports to the central government as well as to ensure businesses under their watch must publicise their prices in a transparent manner.

CPI for the first seven months of 2021 has increased by 1.64 per cent compared to the same period last year while inflation has increased by 0.89 per cent.

Major contributing factors included rising import prices for animal feed, fertiliser, construction materials, petroleum products and Liquefied Petroleum Gas (LPG). According to a report by the Ministry of Industry and Trade, since the end of last year prices for WTI crude oil increased by 53.1 per cent, Brent crude oil by 46.2 per cent and steel ingots by 57-101 per cent.

Prices for certain essential commodities such as rice have also seen a surge due to increased demand in the global market since the beginning of the year. On the other hand, some progress has been made in pulling down prices for pork and poultry in the domestic market.

6. Steel prices hit new high

According to the Ministry of Industry and Trade (MoIT), as governments around the world issued economic stimulus packages of tens of trillions of dollars to revive their economies, the prices of primary materials such as oil and other raw materials increased.

In Việt Nam, after a feverish December in 2020 for steel prices, MoIT announced: "The steel market has stabilised and formed a new higher price level."

Prices of finished steel products have remained at more than VNĐ16 million (US$695) per tonne since the start of this month compared to June, when the price for a tonne of finished products was VNĐ 2 million lower. Earlier in 2021, the products were listed at VNĐ 24 million, causing lots of trouble in the construction industry.

Statistics from the Vietnam Steel Association (VSA) said most of the raw materials for steel production in Việt Nam, except for the production of Thái Nguyên Iron and Steel Joint Stock Company of Vietnam Steel Corporation with an output of about 300,000 tonnes per year, was imported. The association also forecast demand for iron ore and steel scrap for steel production would increase significantly in 2021 compared to 2020.

The association's chairman Nghiêm Xuân Đa said the iron ore price in May 2021 increased by 2.4 times compared to the price in February 2020. In detail, the price increased from US$86 to $206 per tonne in May. The scrap steel price in May 2021 increased by 1.9 times compared to February 2020 price, from $270 to $ 512 per tonne.

That said, the price of iron ore mined at Thái Nguyên Iron and Steel Joint Stock Company in the same period only increased by 8 per cent.

According to a representative of Hoà Phát Group, the selling price of steel products in the first five months of 2021 increased. Compared to February 2020, the prices of steel billet in May 2021 increased by 62 per cent. The increase was 49 per cent for construction steel prices, and 94 per cent for hot-rolled coil prices respectively.

VSA's report said local steel production reached more than 15.9 million tonnes of all kinds in the first half, up 37 per cent over the same term last year. In which, steel billet reached 11.1 million tonnes, up 29 per cent.

The report also said consumption of steel products in H1 reached more than 14.05 million tonnes, up 35 per cent over the same period in 2020, in which, steel billet accounted for 10.08 million tonnes, up 29 per cent over the same period in 2020.

MoIT's has estimated that the production capacity of enterprises in 2021 would be stable and forecast high growth for enterprises with new investment projects that go into products such as Hoà Phát Group and Nghi Sơn Steel Joint Stock Company.

In particular, for billet products, Hoà Phát Group and Nghi Sơn Steel Joint Stock Company in 2021 are expected to experience high growth with an expected increase of 38 per cent for Hoà Phát Group and 44 per cent for Nghi Sơn Steel and 7 per cent for Vietnam Steel Corporation.

For construction steel, the department estimated that Hoà Phát Group's construction steel production output in 2021 would increase by about 42 per cent compared to 2020, Nghi Sơn Steel Joint Stock Company's production would increase about three times compared to Vietnam Steel Corporation's output which would be about the equivalent of 2020.

For hot-rolled coil (HRC) products, Hoà Phát Group was expected to produce 2.88 million tonnes, an increase of more than four times compared to 2020 from the Hoà Phát Dung Quất Iron and Steel Production Complex that has just started production.

As an expert in the steel market, Nguyễn Văn Sưa said the supply and demand of steel products will be stable this year with slower growth in the last half.

MoIT forecast by the end of 2021, both prices of finished steel and iron ore would be reduced from the current new prices.

7. Vietnam sees import turnover of animal feed soar in Jan-Jul

In July, the country imported animal feed and materials worth some US$477 million, soaring by 50.4% year-on-year, the local media reported.

Vietnam also spent heavily on the import of corn, soybean, wheat and animal fat over the past seven months.

Argentina was Vietnam's largest animal feed supplier, making up 35.2% of the country's total value of animal feed imports during the seven-month period.

Over the past few years, the local husbandry sector has grown sharply, ranking Vietnam first in Southeast Asia and 10th in the world in terms of animal feed output, with an average growth rate of 13%-15% per year, according to the Vietnam Poultry Association.

However, the production and consumption of animal feed have mainly relied on material imports which accounted for up to 85% of the total materials, resulting in a spike in local animal feed prices following fluctuations in global prices.

Besides, foreign-invested firms are dominating the local husbandry market, making up over 60% of the animal feed market in Vietnam.

The demand for animal feed materials in Vietnam is expected to rise in the coming months. The country will need some 30 million tons worth US$12-13 billion per year in the next five years.

Therefore, Vietnam should quickly adopt a strategy for the development of domestic animal feed material sources by using several effective measures, including utilizing the byproducts of the production and processing industry sectors to ramp up the volume of materials for animal feed production, many experts said.

Nguyen Van Trong, deputy head of the Department for Animal Husbandry at the Ministry of Agriculture and Rural Development, said that over the past few months, the local prices of animal feed had surged, piling pressure on animal farmers.

The animal feed prices have been revised up 30%-35% against late 2020, Trong said, adding that the prices might continue to rise in the coming time.

Corporate News

8. PDR: Phat Dat promotes industrial urban development in multi-sector strategy

↓ -0.55%

After the first step in the field of industrial real estate with the project at Cai Mep Port (Ba Ria - Vung Tau), Phat Dat Real Estate Development JSC (HOSE : PDR) continues to move forward with a new project: 1,152ha in Dung Quat (Quang Ngai), following the model of industrial park (IZ) - urban service as the strategic direction of the Company.

In order to create a large-scale project while meeting the latest international standards in terms of infrastructure, technology - engineering, optimal connection platforms for the development needs of the green and modern industry, PDR cooperates with together with reputable consulting units in the field of industrial park development to complete the planning according to the Company's strategy. The project is expected to contribute to promoting the development of Dung Quat Economic Zone (EZ) in particular and Quang Ngai province in general.

A complete industrial city is a socio-economic development model that has been popularized in many countries to replace the old-style industrial park model, but has not been widely deployed in Vietnam. The change in socio-economic development thinking and the requirements of modern production has led many experts to forecast that the demand for this model in Vietnam will grow in the near future. That is the reason to push PDR to "encroach" into the field of industrial real estate with the strategic orientation of industrial zones - urban services. Accordingly, out of a total area of 1,152ha, Phat Dat - Dung Quat Urban Service Industrial Park will spend 838ha for industrial park infrastructure and 314ha for urban services. The project is expected to bring stable revenue streams for PDR in the near future.

Planned by the Government to become a multi-sector - multi-field economic zone, with an area of 45,332ha, Dung Quat EZ possesses many advantages to become an attractive business location for domestic and foreign investors. Overcoming many challenges in 2020, only Dung Quat Economic Zone and industrial zones in Quang Ngai, there have been 353 valid investment projects with a total capital of more than 296,000 billion VND and more than 169 businesses in operation. According to the Industrial Development Plan of Quang Ngai Province 2021-2025, the People's Committee of Quang Ngai Province expects Dung Quat Economic Zone and industrial zones to attract about US$ 5-6 billion in investment. Located in the Dung Quat Economic Zone, Phat Dat - Dung Quat Urban Service Industrial Park inherits many available advantages such as synchronous investment in transport infrastructure, deep-water seaport, concentration of many large investors and the ability to enjoy many tax incentives.

Phat Dat - Dung Quat Urban Service Industrial Park is a project that is being researched to continue the success of the project of General warehousing, port logistics and logistics at Cai Mep port area.

9. NAF: Nafoods "adapted" to Covid-19 epidemic in the last 6 months of 2021

↓ -0.74%

Nafoods recorded a positive growth in net profit in the 2nd quarter and the first 6 months of 2021. This result is also the highest level achieved by Nafoods since its establishment until now.

In 2021, the Covid-19 epidemic continues to complicate, greatly affecting the economies of many partner countries of Vietnam. In the country, the Covid-19 epidemic has been affecting many aspects of socio-economic life. Import, export, circulation and transportation of goods, a number of production and service sectors and fields including agriculture, were severely affected. However, Nafoods still recorded positive net profit growth in the 2nd quarter and first 6 months of 2021. This profit result is also the highest level that Nafoods has achieved since its establishment so far.

What did Nafoods do in the first 6 months of 2021?

In that general rule, Nafoods has been and continues to perfect the transformation of the whole system. The recent results show the initial success of the transition over the past 18 months. The transformation is focused on three main spearheads in terms of business model, operating model and risk management.

As for the business model, instead of focusing on the main business of self-produced products, Nafoods chose to shift to a service model for the agricultural ecosystem, including: Providing sales and management services. quality management, logistics (import-export) and customer care... for production partners in the same industry and smaller manufacturers; Expand the group of core agricultural products, from focusing on 5 key fruits, gradually expanding to vegetables - tubers - fruits - seeds, increasing service value/sales per customer; Develop independent business units, self-responsible for business results, thereby increasing the autonomy and ability to promote creativity of the business team.

Also during this time, Nafoods made specific changes in its operating model to promptly match the overall transition of the whole system. Specifically, in the prolonged epidemic situation, Nafoods chose flexible production management and business planning; Governance - operating model: on the basis of 70% centralized, 30% distributed; Digital transformation and information transparency.

In parallel with transforming business models and operating models, Nafoods focuses on improving the quality of risk management by: Proactively predicting and planning ahead of complex problems from customers, market, product; Minimizing impacts from financial - liquidity risks; flexibly investing in upgrading machinery and equipment, automating at all stages of production to ensure proactively stabilizing production and operating in all circumstances.

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