VIETNAM DAILY NEWS

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Market Analysis

1. Shares plunge over Delta variant fears

Viet Nam's stock market suffered a steep decline on Monday as market sentiment was pressured by worries about the broader spread of the coronavirus across the country.

On the Ho Chi Minh Stock Exchange, the VN-Index plunged 2.3 per cent to end on 1,298.86 points.

The market's was negative with 282 stocks declining while 101 stocks rose.

Investors traded nearly VND25.8 trillion (US$1.36 billion), equivalent to a trading volume of 795 million shares.

The 30 biggest stocks tracker, the VN30-Index, slid by 2.65 per cent to 1,412 points.

Twenty-six of the 30 biggest stocks in the VN30 basket decreased, while three climbed and one ended flat.

The slump was mainly driven by a sell-off in bank stocks in the afternoon session.

Banking groups put the biggest pressure on the indexes, with Vietnam International Bank down 4.4 per cent, Lien Viet Post Bank losing 3.7 per cent, Vietnam Maritime Commercial Joint Stock Bank declining 3.2 per cent, Military Bank down 3.2 per cent and Vietcombank losing 3.2 per cent.

On the other side, securities stocks still advanced thanks to the support of a strong cash flow, with notable gainers such as FPT Securities Joint Stock Company and Ho Chi Minh City Securities Corporation, Viet Capital Incorporation, SSI Securities Incorporation, Agribank Securities Corporation and APG Securities Joint Stock Company.

Worries about the COVID-19 Delta variant hampering economic growth persisted as cities and provinces have tightened restrictions to ensure social distancing measures are strictly followed.

"Big cities continue to have to tighten social distancing measures to contain the pandemic, which will affect economic growth in the last quarter of the year and the market is responding these concerns," said Vu Minh Duc, senior manager of the Research and Analysis Department at Viet Capital Securities.

"Besides, the VN-Index has broken the support levels of 1,360 points or 1,345 points, which would boost technical selling, creating more downward pressure on the market.

"This week it is likely that the market will move in a downtrend, first testing the support area at 1,310 points of the VN-Index."

On the Ha Noi Stock Exchange (HNX), the index lost 0.95 per cent to close on 334.84 points.

During the trading session, more than 166.9 million shares were traded on HNX, worth over VND3.9 trillion.

Macro & Policies

2. Delivery businesses resume in HCM City, but stymied by COVID restrictions

The city has strict travel restrictions and locked down many places, causing demand for delivery services to skyrocket.

Duong Thi Luy of District 5 said she had ordered kitchen items from a District 3 store three days earlier, but was yet to receive them.

The streets are largely empty, but it is easy to spot deliverymen in Grab or Now uniforms driving back and forth or queuing up in front of supermarkets and food stores.

Yet, not only consumers, but also online sellers have been hit by delivery delays, which cause buyers to often cancel orders.

Tran Uyen Lan, an online clothing seller, said she sent items to customers through delivery firms since last week, but they did not get delivery and finally her customers cancelled the order. But she still had to pay the delivery fee.

Giao Hang Tiet Kiem, a home delivery business, said since many provinces, cities and regions are blocked it has been unable to ensure smooth deliveries, causing a large backlog.

The orders would be returned to the sellers, who generally have to pay a refund fee, it said. But to support customers, it is waiving the fee for orders from blocked areas between July 15 and September 6.

The lack of drivers also makes the situation worse.

The number of drivers has fallen steeply since many have returned to their hometowns or do not want to work due to fear of the coronavirus.

Delivery service providers also said there are delays since many roads are blocked, and their drivers have to travel roundabout routes.

3. Minimising reliance on imports crucial for VN’s part-supply industries

The urgent need to enhance competitiveness in global value chains means minimising reliance on imports, according to industry insiders.

Viet Nam’s supporting industries remain dependent on imported part supplies, which was evident when the COVID-19 pandemic caused disruptions to local production due to a shortage of imported raw materials.

Truong Thi Chi Binh, vice president and general secretary at the Viet Nam Association for Supporting Industries (VASI), said that the pandemic has disrupted global part-supply chains for the manufacturing industry. Although production was maintained during the pandemic, nearly 50 per cent of the association’s member enterprises saw drops in revenue.

She said enterprises have experienced four virus outbreaks, pushing them into many difficulties with severe shortages of components and materials for production. Viet Nam's part-supply enterprises now remain weak in terms of management capacity, compared to regional countries including Thailand, Malaysia and India.

Experts from the Industry Agency under the Ministry of Industry and Trade said in a short period of time, heavy reliance on imported sources has not only affected the local manufacturing industry but in the long-run it also has influenced the country’s economic development.

More than ever, self-sufficiency in the supply of components is key to developing Viet Nam’s industries in a sustainable way.

Experts also noted that inconsistent regulations and policies were also behind poor production performance in localities.

The characteristic of the part-supply industry is the linkages between localities without discrimination in terms of administrative boundaries. Currently, provinces and cities have applied different regulations and policies on social distancing, causing difficulties for businesses in the circulation of goods and services.

Le Quoc Phuong, former expert of the Ministry of Industry and Trade, said that strong development of supporting industries would help Viet Nam gradually shift from a sourcing economy to a high-level manufacturing industry. This issue has received attention, but failed to achieve the expected results.

Key solutions

Solutions have been developed by the Ministry of Industry and Trade's Industry Agency. The agency will build consistent regulations and policies and carry out them in an effective way for the development of domestic part-supply and manufacturing industries.

Part-supply and manufacturing enterprises will be provided with low interest rates for short-term loans from credit institutions.

Experts of the Industry Agency said the establishment and development of domestic value chains would attract foreign investment and enhance links between FDI and domestic enterprises. This would help support the development of the part-supply industries.

The solutions also aim to build concentrated zones of part-supply industries so as to create links between industrial clusters. It also focuses on developing raw material industries to ensure a self-sufficient supply for domestic production while minimising imported sources and further promoting the competitiveness of Vietnamese companies and products in global value chains.

According to Binh, in the long-run, a law supporting industries is important to attract investment and promote the development of these industries.

4. Interpreting new real estate statutes

Whist Vietnam has been an investment spotlight for its explosive real estate market in recent years, the complex web of legislation governing this area have by and large deterred foreign investors.

Vietnam passed the new Law on Investment 2020 and issued related Decree No.31/2021/ND-CP in March, providing details and implementation of the law, which stamp out barriers to certain domestic sectors, provide more incentives for desired investment projects, and attempt to ensure uniformity of the legal framework.

The Law on Investment 2020 detailed three methods of investors determination. First is an auction of the land use right in accordance with the laws on land. Competent authorities shall organise an auction of the land use right in a case of allocation or lease of land for implementation of a project, and where the proposed area of land for project implementation has already been cleared. Second is bidding for the selection of an investor. Authorities shall organise biddings to select investors for implementing the projects in the cases specified in Article 1 of the 2013 Law on Bidding, in which the investment projects using land are included. Third is investor determination regarding to the Law on Investment 2020 other than the above two methods.

For projects subject to in-principle approval and not subject to auction or bidding, the competent authorities shall approve the investment in principle and concurrently approve the investor in several cases. Firstly, if the investor receives an assignment of, capital contribution portion or lease of an agricultural land use right to implement a project for non-agricultural production or business and the land is not subject to land resumption by the state in accordance with the laws on land.

Secondly, local authorities shall approve if the investor has the land use right, except for the case of land resumption by the state for purposes of national defence and security or the state resumes the land for socioeconomic development in the national or community interest.

The third factor is if the investor implements the investment project in an industrial zone or hightech zone, and the fourth option involves other cases not subject to an auction or bidding in accordance with laws.

While the Law on Investment 2014 did not specify in detail methods of investor determination and approval, these methods were practically covered by pre-existing legislation. The Law on Investment 2020 simply consolidates these methods in its body.

In respect to the second method of investor determination, under the Law on Investment 2020 and Decree 31, for projects subject to investment in-principle approval under laws on investment, competent authorities shall issue such approval before organising bidding to select investor implements the project.

The investor that succeeds in bidding shall conduct procedures for land allocation or land lease related to laws on land and laws on bidding, and implement the project in accordance with the in-principle approval and the decision accept the results of selection.

In addition, Decree 31 has lifted the barriers in relation to land allocation or land lease for land-using projects subject to bidding procedures. Prior to the effectiveness of such legislation, some local authorities rejected to allocate or lease land to the project enterprise established by the investor who succeeded in bidding, since there was no regulation clearly stipulating so.

However, Decree 31 amends Article 60 of Decree No.25/2020/ND-CP by replacing the phrases “the investor” and “the investor who succeeds in bidding” with “the investor who succeeds in bidding or the project” enterprise established by the investor who succeeded in bidding for implementing the project”.

Conditions for investors

Under the Law on Investment 2020 and Decree 31, foreign investors shall have the same treatment as domestic investors, except in cases where such foreign investors seek to invest in organisations engaging in business lines with conditional market access; business lines with market access prohibition to foreign investors; or in economic organisations that have a certificate of land use rights on an island, at a border or coastal commune, or in another area that affects national defence and security.

In general, foreign investors that purchase capital contribution or share capital in economic organisations engaging in real estate trading must meet several conditions. They include limitation on foreign ownership of contributed capital or share capital; conditions on forms and scope of investment; conditions on capacity of investors or partners participating in related activities; investment to ensure national defence and security; and investment to comply with regulations and conditions for receipt of land use rights and conditions for use of land on islands, at borders, or in coastal communes.

Further conditions involve ultilisation of land, labour, and natural resources; manufacturing or supplying public goods and services or those currently a state monopoly; owning and trading houses and real estate; and applying forms of state support and subsidies to a number of branches, domains, or development of regions or territories.

Although not being mentioned in the Law on Investment 2014 specifically, in practice, all of the conditions have been strictly applied, except for the fairly new conditions relating to land in areas affecting national defence and security.

The Law on Investment 2020 focuses on the increase in foreign ownership in local companies. It has strictly controlled foreign investors by reducing the threshold for an enterprise to be treated as a foreign investment enterprise from “from 51 per cent and above” under Law on Investment 2014 to “over 50 per cent” under the new investment laws; which is apparently reasonable.

5. Pangasius exporters set for difficult times this year amid COVID pandemic

Viet Nam's tra fish (pangasius) exports have done well this year, but the outlook is less bright for the rest of the year since the Covid-19 pandemic has not been controlled yet.

According to the Vietnam Association of Seafood Exporters and Producers (VASEP), pangasius exports recovered better than expected, growing by nearly 18 per cent year-on-year in the first seven months to US$931 million.

The major markets were China, the US, Brazil, and Thailand.

According to VASEP, exports grew well thanks to the US market, which increased its buying thanks to the increasing Covid-19 vaccination and resumption of food services.

However, exports to the EU continued to decline as they have for the last three years.

According to VASEP, the pandemic has had a major impact by reducing trade due to the social distancing in many countries including France, Italy and Germany, while rising transport costs and a shortage of containers have also had a great impact on Viet Nam's exports.

Meanwhile, input prices have risen by four to five times since the middle of last year, feed cost by 15-20 per cent and freight charges by five to 10 times, posing huge challenges for the rest of the year, VASEP deputy general secretary To Thi Tuong Lan said.

$9 billion exports in 2021

Viet Nam's aquatic product exports are likely to rake in $9 billion his year thanks to the implementation of new generation free trade agreements, according to experts.

Despite complicated developments of the COVID-19 pandemic, the country earned $4.88 billion from aquatic product exports in the first seven months of 2021, up 11 per cent year-on-year.

The increase was attributable to efforts by firms against the backdrop of COVID-19 which triggers labour shortages and difficulties in material purchase, as well as social distancing measures in 19 southern localities in a bid to curb the spread of the pandemic.

As of the end of July, revenues from aquatic product export to the US surpassed $1.14 billion, making up 22.9 per cent of Viet Nam total earnings and seeing a year-on-year expansion of 36 per cent.

Aquatic exports to other markets including Mexico, Brazil, the UK, Thailand and the Netherlands also enjoyed significant growth.

Exports to Africa reported a year-on-year surge of 32 per cent in volume and 16.7 per cent in value in the first seven months.

China is currently the largest market of Viet Nam's aquatic products, accounting for 26 percent.

The target of $9 billion in export revenues is reachable this year if COVID-19 is promptly brought under control and the logistics system resumes normal operations, according to the Viet Nam Association of Seafood Producers and Exporters (VASEP).

The Directorate of Fisheries advised firms to maintain shipments to traditional markets for sustainable growth, noting that from the start of 2022, China will apply new policies on the imports of Viet Nam's agro-forestry-aquatic products.

6. Shortage of shipping vessels followed up empty container crisis

Leaders of ocean carriers warn that the shortage of container ships is likely to remain tense in the coming years despite the recent spike in new shipbuilding orders.

Lack of container ships can cause ocean freight rates to remain high for a long time.

Xavier Destriau, Chief Financial Officer of Zim (Israel), one of the world's largest shipping lines, said the tight supply of container ships is posing a potential threat as many shipping lines hesitate and wait until this year to order new ships, meanwhile, many old ships have expired and need to be scrapped.

“We are paying attention to the potential risk of supply pressure on container ships,” he said. We are talking about the risk of a shortage of ships in the next three, four or five years.” - Andi Case, CEO of Clarksons, the world's largest shipping brokerage, echoed Destriau's warning.

Since 2007, the number of shipyards in the world has decreased by two-thirds, to just 115, he said.

“We miscalculated before that the supply of container ships became redundant,” he said.

Shipyards around the world are receiving a flood of new shipbuilding orders after the world's largest shipping lines posted record profits in the period 2020-2021 thanks to soaring cargo demand, leading to a steep increase in container freight rates since the second half of last year.

Since the beginning of the year, global shipping lines have ordered new fleets with a total capacity of 3.2 million 20-foot containers, according to data from Clarksons Research. These new shipbuilding orders are equivalent to 20% of the total current global shipping capacity. However, analysts are still concerned that this number is still not enough to meet demand. The shortage of container ships will increase the risk that ocean freight rates will remain high for a long time, even though they are lower than current high rates.

The shipping industry is still haunted by the problem of excess capacity in the past, causing its profits to decline and leading to the bankruptcy of Korea's largest shipping company, Hanjin Shipping in 2017.

Some leaders in the shipping industry are still concerned that new shipbuilding orders are at an excessively high level despite growing global demand for freight. They point out that the shortage of empty containers and bottlenecks in the new shipping infrastructure are more pressing issues. However, if shipping capacity is in short supply, this will make supply chains even more vulnerable to unexpected disruptions, such as the closing of container ports to control the Covid-19 epidemic, which has rattled global trade this year.

Another reason why the shipping industry is hesitant to place new shipbuilding orders is that they are still confused about what type of ship to build to comply with environmental protection regulations.

In order to implement the International Maritime Organization (IMO) regulation to reduce greenhouse gas emissions in the global shipping industry, effective from 2023, shipping lines are starting to pay attention to ships powered by liquefied natural gas (LNG). However, the current proportion of new LNG-powered shipbuilding orders in total new shipbuilding orders has remained unchanged since October 2019.

Trains running on LNG reduce greenhouse gas emissions by about 25% compared to ships running on traditional fuels. But many shipping lines are still hesitant because if they switch to LNG-powered ships, they will have to use them during their 25 years of life, and during this time, many other technologies may emerge, helping to reduce greenhouse gas emissions even more efficiently.

Environmental activists say shipping lines need to drastically switch to more environmentally friendly fuels such as hydrogen or ammonia produced with clean technology.

The world's largest shipping company, Maersk (Denmark), still avoids ordering new ships powered by LNG because of concerns about uncertainties related to the technology and management aspects.

However, Xavier Destriau and Andi Case argue that shipping lines should embrace LNG technology and must act now to reduce greenhouse gas emissions, instead of waiting. new technologies. Zim signed long-term leases for 20 LNG-powered vessels this year.

7. Businesses run out of money to maintain '3 on-site’ hundreds of seafood factories stop production

On August 22nd, Working Group 970 of the Ministry of Agriculture and Rural Development said that in the southern provinces implementing social distancing to prevent the Covid-19 epidemic, 123 seafood processing factories had to close, temporarily suspend production. export.

Among them, 19 factories have discovered that there were workers infected with Covid-19 who were forced to stop production and quarantined to contain the epidemic spread.

The remaining 104 factories were forced to suspend operations, unable to maintain production while maintaining "3 on-site" because of costly expenses, exceeding the ability of enterprises to pay.

In fact, until August 20, in the southern provinces, only 326/449 (accounting for 65%) of seafood processing facilities could maintain production. But in these factories, enterprises have to divide workers into shifts, so the average capacity is only about 30-40% compared to before the application of Directive 16 of the Prime Minister.

Currently, only Soc Trang and Ca Mau have been effective in solving difficulties regarding seafood processing factories, forming green zones, allowing workers to stay at home, using shuttles to factories to work, so the processing capacity is on the recovery trend. In particular, Ca Mau's seafood processing capacity has increased by 80% compared to before the Covid-19 epidemic.

According to information from Working Group 970 of the Ministry of Agriculture and Rural Development, 13 provinces in the Mekong River Delta are the center of seafood production of the country, producing about 84% of shrimp and 100% of pangasius.

But now, transportation and consumption are difficult, so commercial pangasius and shrimp prices are all low, so they cannot stimulate people to reproduce. In particular, the price of pangasius is very low, only from 21,000 to 23,000 VND/kg. If this situation is prolonged, it will lead to the risk of shortage of raw pangasius for processing by the end of the year..

Corporate News

8. TGG: TGG plans to spend up to 56 billion VND to own 51% of SMT shares

↑ 6.89%

On August 23, the Board of Directors of TGG approved the purchase of shares corresponding to 51% of the total voting shares of SMT (about 2.8 million shares). Thus, after successful purchase, TGG will become the parent company, holding the controlling power at SMT . Total transaction value is expected to reach up to 56 billion dong, equivalent to a maximum of 20,000 dong/share.

Currently, the largest shareholder in SMT is Sacom Wire and Cable JSC with nearly 25% ownership. On the HNX , SMT shares hit the ceiling on August 23 to 8,600 dong. Liquidity in SMT is quite low, the average trading volume of the year is less than 3,000 shares/session.

Regarding the latest business situation of SMT , this company lost nearly 2 billion VND after tax in the second quarter of 2021 (209 million VND in the same period). The simultaneous increase in expenses caused the business results to go down.

It is expected that on September 6, TGG will hold an Extraordinary General Meeting of Shareholders to approve the plan to increase capital and invest in some upcoming projects as well as adjust the business plan for 2021.

TGG's management proposed to increase the Company's charter capital to approximately 573 billion dong through a private placement of 30 million shares to investors at the price of 15,000 dong/share. With the proceeds from the issuance, TGG will contribute capital to invest in APG Securities Company, Louis AMC Asset Management and Exploitation JSC; invest in Ao Gioi Suoi Tien project. It seems that responding to the above information, APG stock has increased steeply since August 13 until now. APG closed the session on August 23 at the ceiling price of VND 17,150/share.

Regarding the business plan for 2021, TGG's management plans to adjust the revenue target to VND 350 billion and the target of pre-tax profit to VND 50 billion, 5 times and 25 times higher than the previous plan, respectively. In the first 6 months, TGG achieved more than 42 billion dong in pre-tax profit, equivalent to 85% of the adjusted plan.

9. TNG: TNG plans to issue more than 6 million shares to pay dividends

↑ 0.73%

Specifically, TNG will issue more than 6 million shares with a performance ratio of 100:8 (owning 100 shares will receive 8 new shares). The source of implementation is from undistributed after-tax profit in 2020. The implementation time is expected in the third and fourth quarter of 2021 after being approved by the State Securities Commission.

In terms of business situation, in the first 7 months of 2021, TNG recorded revenue of more than 2,966 billion dong, up 21% and net profit of more than 113 billion dong, up 20% over the same period.

In 2021, TNG is expected to bring in VND 4,798 billion in revenue and VND 175 billion in profit after tax, up 7% and 14% respectively compared to the previous year. In addition, TNG is expected to pay a dividend of 16% in 2021, equal to the dividend rate of 2020. TNG representative shared at the 2021 Annual General Meeting of Shareholders: " Currently, the order has been confirmed with customers. ensure production at branches until the end of August 2021, some branches until September 2021. The branches and the Company are currently mainly working to confirm and negotiate orders for October 2021 onwards ".

Thus, by the end of the first 7 months of 2021, TNG has fulfilled 62% of the revenue target and 65% of the target of profit after tax in 2021.

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