VIETNAM DAILY NEWS

September 17th, 2021

Table of content

Table of content

Market Analysis

1. Shares tread water, weighed down by Vingroup and Vinhomes

Shares tread water on the Ho Chi Minh Stock Exchange on Thursday as slumps of some heavyweight shares bit into the market's gain in the morning.

The VN-Index closed at 1,345.87 points, almost unchanged compared to the previous session. The southern bourse's index rose 0.5 per cent on Wednesday.

Liquidity continued to decline with nearly 600 million shares worth VND18.2 trillion (US$791.4 million) traded, down 13 per cent in volume and 5 per cent in value from the previous day.

The market breadth was positive, however, when the number of gainers outnumbered the losers by 212-187 while 69 closed flat.

Vingroup (VIC) and Vinhomes (VHM) were behind the market's negative performance in the afternoon trade. VIC slipped nearly 4 per cent while VHM dropped 2.2 per cent.

VIC witnessed the highest trading volume in the past five years when its price fell to the lowest since February this year, being traded at VND87,800 ($3.82) per share. Nearly 19 million VIC shares worth VND1.68 trillion changed hands, including 3.75 million in the put-through transactions.

Foreign traders on Thursday offloaded a net volume of 12 million VIC shares and were all absorbed by domestic traders.

VHM also closed at the two-month low of VND80,100 per share following the information KKR-backed Viking Asia Holding II Pte Ltd completed its sales of nearly 32 million shares of Vinhomes, raking in more than VND1 trillion in profit in more than one year of investment.

The fund acquired VHM shares in June 2020 at the VND70,000 per share. Its divestment, taking place between August 18 and September 14, was made at an average price of VND108,500 apiece.

On the bright side, banking shares performed well with many banks rising by more than 1 per cent, including Vietcombank (VCB), BIDV (BID), Vietinbank (CTG), Military Bank (MBB), VPBank (VPB) and Techcombank (TCB).

According to Viet Dragon Securities Co (VDSC), the liquidity decreased but was still above the 50-session average, showing the market was still in dispute, but selling pressure was cooling down.

"The VN-Index will retest the resistance area of 1,350 points in the next session. If it can break this resistance area, the market has a chance to extend the short-term uptrend. With the signal that the cash flow is still trying to support the market, this scenario is expected to happen," analyst Phuong Nguyen wrote in a note.

On the Ha Noi Stock Exchange, the HNX-Index rose 0.71 per cent to close at 353.24 points. More than 166.5 million shares worth VND3.4 trillion were traded here.

Macro & Policies

2. GDP to reach 3.5-4 per cent this year

The country's GDP this year is expected to reach 3.5-4 per cent if the COVID-19 pandemic is controlled in September and a 'new normal' achieved from the fourth quarter, said Minister of Planning and Investment Nguyen Chi Dung.

Viet Nam's exports this year would increase by 10 per cent while State budget revenue will exceed the estimate. The growth will be low but quite impressive in the current global context.

"This forecast is lower than the set target of 6.5 per cent this year, but achieving this level needs a huge effort, requiring more drastic actions of both the political system and localities," Dung said.

If GDP reaches the level, this will be the second year that Viet Nam's GDP has not completed its growth plan. In 2020, GDP grew by 2.92 per cent due to the impact of the COVID-19 pandemic. This would affect the implementation of the overall goal of the five-year plan in the 2021-25 period.

He said that social distancing has seriously affected production, business, labour and employment. Meanwhile, the country has spent large resources on the fight against the pandemic, affecting State budget revenue and expenditure. The pandemic also affects the establishment of businesses and attracting FDI.

In particular, domestic consumption of agricultural products faces difficulties due to low purchasing power. The increasing input prices have affected the psychology of production expansion and re-herding. In addition, the price of animal feed continued to increase due to the difficulty of importing raw materials and high transportation costs, which greatly affected livestock development.

The minister said localities need to take advantage of the recovery momentum of major economies that have a great influence on Viet Nam's economy. The country should rapidly restructure the economy and add elements of innovation and promote the values of Vietnamese culture and people.

He asked localities to give priority to preventing the pandemic so as it doesn't re-emerge, leading to social distancing, disrupting production and supply chains. In addition, they should have regular dialogues with businesses to create a favourable investment environment while closely following new trends to build socio-economic development plans, including public investment.

He added that during the current difficult time, the local authorities' attitude to businesses is even more important than the above support.

The localities were also asked to ensure social security and support for affected people as well as actively develop local economic recovery plans, take advantage of the world's new opportunities to achieve growth targets, and contribute to the overall growth of the country.

"Researching and proposing solutions to build an economic recovery programme after COVID-19 is important and urgent. The solutions should be implemented immediately after the pandemic is under control, focusing on recovering key sectors and areas," he added.

Accordingly, the Ministry of Planning and Investment will submit to the Government an economic recovery project in October. It is expected that the next two years would be the economic recovery time of the whole country.

"The world changes very quickly. If we don't build an economy that is autonomous and adaptive, we will be unexpectedly passive. For example, the pandemic could last for a long time, not to mention natural disasters. Currently, the ministry is developing a project to build an autonomous economy."

Many international experts said that the economy has many optimistic signals to be able to return to a good growth trajectory if the pandemic is controlled. The Government has been on the right track in defining and implementing a vaccine strategy and key economic policies.

Tim Leelahaphan, an economist in charge of Viet Nam and Thailand at Standard Chartered Bank, said that Viet Nam is on the way to its goal of becoming a regional supply chain centre, a modern industry and a future high-income country. Viet Nam has also benefited from the recent supply chain shift. However, it should be noted that the ability to control COVID-19 would play an important role in Viet Nam's economic prospects in the short term.

Economists also said that the driving force of economic growth depends heavily on the implementation speed of support solutions for people and businesses; expanding commercial activities, taking advantage of opportunities from free trade agreements (FTAs), digital transformation, and accelerating disbursement of public investment capital. This is the short-term and long-term driving force for Viet Nam's economic growth and also the measures that Viet Nam has taken since the outbreak of COVID-19 in early 2020.

Economist Vo Tri Thanh said the Government's solutions to continue implementing security and business support packages are timely. However, the important issue is the implementation speed of support policies, with more accessible criteria to maximise support for businesses, ready to prepare for the post-COVID-19 period..

3. Many Vietnamese seafood exporters are not subject to US anti-dumping tariffs

The US Department of Commerce (DOC) has announced the preliminary results of the 17th period of review (POR17) for the period from August 1, 2019 to July 31, 2020, regarding Viet Nam's tra and basa fish (pangasius) exported to the US.

Accordingly, 28 out of the 63 businesses initially subject to the review would not be examined for various reasons.

Among the remaining 35 companies, Nha Trang Seafood Joint Stock Company (NTSF) and Bien Dong (East Sea) Seafood Joint Stock Company (ESS) are requested to answer the survey.

The DOC determined that Green Farms Seafood Joint Stock Company (Green Farms) is eligible for a separate tax rate.

According to the Trade Remedies Authority of Viet Nam under the Ministry of Industry and Trade (MoIT), the DOC preliminarily determined that NTSF did not make sales of subject merchandise at prices below normal value during the period of review so it will not be subject to anti-dumping tax.

The tax rate on ESS' products is set at US$3.87 per kg because the DOC believed that the company had not fully cooperated with the DOC, while the Green Farms Company was levied a tax rate of $1.94 per kg.

The remaining companies among the 35 reviewed companies continue to be taxed at $2.39 per kg as in previous years.

Big Vietnamese exporters, including Vinh Hoan JSC and Nam Viet Joint Stock Company and NTSF, are not subject to the anti-dumping tariff.

The DOC announced that the interested parties may submit ideas or request a hearing within 30 days from the date of publication of the preliminary results. A final conclusion is expected to be issued by the DOC in January 2022.

The MoIT will continue to coordinate with the Vietnam Association of Seafood Exporters and Producers (VASEP), Vietnamese exporters and the US side to deal with relevant issues to ensure legitimate rights and interests of Viet Nam.

Vietnamese tra fish has been subject to US anti-dumping duties since 2003 and the tariffs have been reviewed annually since then.

Statistics from the General Department of Customs showed that last year Viet Nam's pangasius and basa fish exports to the US reached 83,159 tonnes, raking in about $228.79 million..

4. Pandemic will continue to hit State budget revenue in the coming months

The Ministry of Finance (MoF) is concerned the COVID-19 pandemic would continue to affect State budget revenue in the coming months.

Though the budget revenue kept rising in the first eight months of this year, it has been on a downward trend since May 2021.

According to the MoF's statistics, in the first eight months of 2021, total State budget revenue has been estimated at over VND1 quadrillion, equaling 74.8 per cent of the estimate, and up 14.3 per cent over the same period in 2020. Of which, domestic revenue was estimated at VND820.4 trillion, equaling 72.4 per cent of the estimate, up 12 per cent over the same period in 2020.

The budget balancing revenue from import and export activities contributed significantly to the total budget with VND157.5 trillion, equaling 88.2 per cent of the estimate, up 31.2 per cent over the same period in 2020.

However, the complicated developments of the pandemic in the last months are expected to continue to affect budget revenues in the coming months. Specifically, out of VND78.6 trillion of State budget revenue in August, domestic revenue is estimated at VND63.2 trillion, down VND14.2 trillion compared to July.

Domestic revenue, which accounts for a large proportion of total budget revenue, has been showing many signs of reduction due to the pandemic. According to the MoF's data, due to the impact of the latest outbreak of the pandemic in April, domestic revenue has gradually decreased over the months, from VND115.6 trillion in April to VND85 trillion in May, VND80.5 trillion in June, VND77.4 trillion in July and VND63.2 trillion in August.

Cao Anh Tuan, General Director of the General Department of Taxation, said the sharp decline of August's budget revenue showed the heavy and comprehensive impact of the pandemic on most activities of the economy.

In fact, tax revenue in August, including value added and corporate income tax, hit the lowest level since January 2020. Budget revenue decreased sharply in most major taxes during the month, of which value added tax revenue reached only 57 per cent of the average revenue rate in in the first seven months of this year; special consumption tax revenue, 59.5 per cent; personal income tax revenue, 60 per cent; and environmental protection tax revenue, 72 per cent. In particular, the registration fee revenue last month reached only VND970 billion, down 70 per cent compared to the average level of the first seven months of this year.

Director of the General Department of Customs Nguyen Van Can said due to the very complicated development of the pandemic last month, import and export turnover of 19 southern provinces decreased by US$56 billion. Therefore, customs budget revenue is forecasted to remain very difficult in the last months of the year.

Minister of Finance Ho Duc Phoc said the budget collection is facing many difficulties and challenges when its growth rate in the last months of the year is very low while the ministry must ensure funding for both the operation of the Government and the anti-pandemic work.

According to Phoc, the pandemic is becoming more complicated and serious than previous forecasts. Due to the rising number of infection cases in the country's key economic areas, production and business there have been disrupted while the areas account for 70 per cent of the total budget revenue.

With the current complicated and unpredictable development of the pandemic, Tuan said in the future, the General Department of Taxation will direct tax authorities at all levels to continue to closely monitor the development of the pandemic and the budget collection progress in each locality to promptly propose suitable measures to the competent authorities.

In particular, the department will strengthen the tax revenue collected from e-commerce and digital business activities besides strengthening the management of value-added tax refund, especially on areas and industries with high risks.

5. Hanoi office market will see large changes after pandemic

The office market in Ha Noi is experiencing many changes amid the COVID-19 pandemic in terms of rental prices, occupational profile and new demands for office spaces, according to Savills Vietnam.

Grade A rents in Ha Noi are predicted to be stable in the upcoming year. With the Capital Place project in the secondary area entering the market, total grade A supply in Ha Noi reached about 90,000 sq.m in the first half of this year, up 24 per cent year on year while the average rent was up 7 per cent year on year.

As take up has been stable over the past three years, it will take some time for this volume of space to be absorbed. Rents are expected to also remain stable as there are limited prime projects coming until 2023.

In 2021, the Information and Communication Technology (ICT) sector as well as industries such as manufacturing, finance, banking and insurance are expected to grow.

Hoang Nguyet Minh, Director of Commercial Leasing, Savills Ha Noi, said: "With the incredible growth rate of ICT or e-commerce enterprises, the office space for rent may currently remain only 1,000 sq.m but may double in size in the next three years. Therefore, the required space can double or even triple."

"In the case occupiers want to expand and their business sector has a very good growth rate, landlords need to provide support in terms of spaces or rental packages to help the occupiers further expand, avoiding circumstances where there is not enough space for expansion, meaning occupiers have to look for other suitable space."

Rents are not the main priorities of occupiers, rather they now have more requirements for the location of their headquarters, the quality of the construction, services that will be provided, as well as whether the building space can meet the demand for future expansion, according to Savills.

In Ha Noi, companies now focus more on flexible and people-centric office design, creating space for interaction and collaboration.

In the pre-pandemic period, office design focused on the efficient use of space with high work density. Grade B or C office buildings can have a work density of 4-6 sq.m per staff member whereas it is 10 sq.m per employee in Grade A buildings, Minh said.

However, as most office workers have adapted to working remotely amid the pandemic, it is necessary to reconsider the workspace density to better suit needs. For example, a company with a scale of 100 staff may only need to arrange workspace for 60-70 staff and others can work remotely. Companies may consider other amenities such as pantries or more meeting rooms.

Besides that, "Due to the changes in the way of approaching and constructing offices, investors are also expected to become more flexible with rental packages. Office leasing terms normally last three years," Minh said.

"However, occupiers recently want longer-term contracts, lasting five to seven years, or even up to 10 years. In addition, the rental price of these contracts is also seeing significant changes."

For instance, at the moment, occupiers have the tendency to expect a lower rent in the first year, and by the third or fourth year the rent will increase again to make up for the discounted rent at the beginning. The first purpose behind this trend is to support the occupiers during the pandemic. The second is to ensure a long-term rental commitment between occupiers and owners.

Office property is still considered the most stable sector as occupiers often rent and use the space as their representative offices or company branches with a relatively long rental period, Minh said.

Savills also reported that many companies are considering a shift to hybrid working – a mixture of office and remote working.

The pandemic has changed people's working lives and the office market. Most workers want to be in the office at least some of the time, and most firms want a degree of attendance to ensure mentorship for newer and younger employees and to boost creativity, collaboration and productivity.

However, some roles such as banking will continue to need traditional offices for oversight and scrutiny, which can only take place in an office environment.

Troy Griffiths, Deputy Managing Director of Savills Vietnam, said: "Influences of demand change quickly in a dynamic business environment, such as Viet Nam. With HCM City's recent rapid growth in finance, insurance, real estate and ICT industries then the formal office occupiers will continue to require highly functional and pleasing space to satisfy the young workforce."

"However, with a recent long lockdown, and with solid growth in small and medium sized enterprise (SME) forecast then the traditional office models will be challenged, thereby promoting more flexible hybrid offices."

Viet Nam has a strong SME base and a very active start-up environment. These users do not typically take formal office space and so co-working space has grown extensively. As these occupiers' businesses mature then they will require formal office space and therefore increase demand, that may be best satisfied with hybrid models, Troy said.

6. PetroVietnam rolls out measures to ensure operations in new situation

Despite impacts of COVID-19, the Vietnam Oil and Gas Group (PetroVietnam) fundamentally fulfilled its set targets in the first eight months of this year.

PetroVietnam reported that its pre-tax profit in the first eight months of the year surpassed the set plan by 177 per cent and tripled the figure for the same period last year, reaching VND30.2 trillion (US$1.32 billion).

During the period, the group's crude oil output surpassed the plan by 12.7 per cent, and the outputs of petrol, oil and fertiliser were also higher than the targets.

The group's total revenue hit over VND390.7 trillion, exceeding the plan by 17 per cent and up 24 per cent on a yearly basis. Its contribution to the State budget soared by 38 per cent to VND56.9 trillion.

PetroVietnam cut costs by VND2.04 trillion, equivalent to 75 per cent of its yearly target. It also contributed VND733.8 billion to the COVID-19 fight, of which VND554.9 billion went to the COVID-19 vaccine fund.

The ongoing pandemic has dealt a major blow to the group's major activities. Of particular note, dry natural gas consumption and supply saw a decline of 15 per cent in January-August compared to the same period last year.

In addition, the firm is facing difficulties in mechanisms and policies and asking to streamline excessive procedures.

The group is coordinating with the Ministry of Industry and Trade to draft the revised Oil and Gas Law, which is expected to be submitted to the National Assembly at the coming session.

7. Mekong Delta textilers want workers immediately vaccinated against Covid

Seven textile companies in southern Tien Giang Province have sought priority Covid-19 vaccination of their workers to enable them to resume production.

In a petition they also sent to the province people's committee and the Vietnam Textile and Apparel Association, they have asked for 26,600 doses of vaccines for their 13,300 workers.

They said they are on the verge of bankruptcy after having stopped production in mid-July, but remain in the dark about when they would be able to resume.

"Most customers have canceled orders. Partners cannot continue to wait for us".

Textile firms said: "To win contracts, we have to invest and create samples at least six months in advance and have to ward off a ton of competitors. If we don't, we will lose our customers and market share".

Some have already been informed by partners that if they do not reopen by September 20 their business would go to others, leaving them without orders for the rest of 2021 and 2022.

Though closed, companies have bought production materials worth dozens of millions of dollars and been paying rents and other expenses.

A survey conducted by the Private Economic Development Research Board and VnExpress in early August found that vaccination was the biggest demand from businesses.

The disruption in production affected Vietnam's garment and footwear exports in August. According to HSBC, the two industries were the main reason for a 5.4 percent decrease year-on-year in the country's exports in August.Vietnam is the world's third largest textile and garment producer after China and Bangladesh.

Corporate News

8. VCB: Vietcombank to spend $3.6m to buy Vietnam Airlines' new shares

↑ 1.03%

Vietcombank has registered to buy 8.35 million shares of the national flag carrier Vietnam Airlines in an expected deal worth VND83.5 billion (US$3.6 million).

In the rescue package approved by the National Assembly last year, Vietnam Airlines was allowed to issue additional shares worth VND8 trillion at the face value of VND10,000 apiece to existing shareholders to raise capital.

With current holdings of 14.8 million shares, equivalent to 14.8 million purchase rights, Vietcombank subscribed to buy 8.35 million shares, corresponding to the distribution rate of 56.4 per cent (which means an existing shareholder can buy 564 shares for every 1,000 shares held).

The deal is expected to take place over three days from September 14.

After the deal, Vietcombank's ownership in Vietnam Airlines would increase to 23.1 million shares, equivalent to 1.044 per cent of the airline's charter capital.

Vietnam Airlines' shares (HVN) unexpectedly declined 6.4 per cent on Wednesday after seven consecutive rising sessions. The shares continued to slip 4.7 per cent on Thursday morning to VND25,550 ($1.11) per share.

9. MSB: MSB confirms 2020 dividend by shares at rate of 30%

↑ 0.35%

Vietnam Maritime Commercial Joint Stock Bank (HOSE : MSB) has just announced the payment of 2020 dividends by shares from undistributed profits that can be used to pay cumulative dividends until the end of 2020 at the rate of 30%.

The last registration date to close the list of shareholders entitled to the stock dividend is October 8, 2021. The ex-rights date is October 7, 2021.

At the beginning of September, the State Bank also approved in writing the plan to increase the charter capital of MSB to 15,275 billion VND from 11,750 billion VND through the form of issuing shares to pay dividends. The capital taken from the remaining profit is more than 4,775 billion dong by the end of 2020 after having fully set aside accounts and funds in accordance with the law. The State Securities Commission on September 14, 2020 also issued a written notice that it had received the report on the issuance of shares to pay dividends from the Bank.

The additional capital will be used by MSB to invest in strategic projects, expand business development in the period of 2021 - 2023 and at the same time help the bank ensure capital adequacy ratios, risk management for banks to meet Basel II international standards, aiming towards Basel III.

Research Team: **Tsugami Shoji** *Researcher* jsi@japan-sec.vn

Disclaimer:

Japan Securities Co. Ltd – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818 *Fax: (024) 3791 5808*

Email: info@japan-sec.vn

Website: www.japan-sec.vn