VIETNAM DAILY NEWS

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Market Analysis

1. Analysts cautious over market movements amid volatility

Recent volatility on the global market has raised cautiousness among market experts about Viet Nam's stock market movement this week.

The VN-Index on the Ho Chi Minh Stock Exchange inched down 0.12 per cent to close Friday at 1,351.17 points.

An average of 841 million shares was traded on the southern exchange during each session last week, worth VND21.7 trillion (US$952.3 million).

MB Securities Joint Stock Company (MBS) said that in the last session of last week, the overall Vietnamese stock market decreased slightly, but stocks fell on a large scale as small and medium stocks continued to adjust, together with a sharp drop in liquidity, which showed cautious investor sentiment.

Liquidity on HOSE on Friday decreased to VND16.7 trillion from VND21.8 trillion in the previous session, this was also the lowest level of liquidity in the week.

The market had been moving sideways for the past three weeks amid volatile world stocks, MBS said.

"Therefore, it is likely that the market will continue to fluctuate in a sideways trend in the range of 1,327 - 1,360 points as the cash flow becomes more cautious and disbursed in correction sessions," MBS said.

BOS Securities Joint Stock Company (BOS) said VN-Index might continue to struggle as the demand in the market showed signs of weakening.

"Most likely, VN-Index will move sideways and accumulate within 1,345-1,355 points in the next sessions, before confirming the next trend," it said.

"Investors should give priority to monitoring the market's movements, limiting chasing when the market rallies strongly and strengthening risk control in the current portfolio," recommended BOS.

According to Saigon-Hanoi Securities Joint Stock Company (SHS), the market corrected in the first two sessions of last week because investor sentiment was negatively affected by the Evergrande crisis, but quickly recovered after that when the stock markets around the world simultaneously recovered.

SHS forecasts that this week VN-Index may recover to the next resistance area in the range of 1,375-1,380 points if the psychological support level of 1,350 points is conquered.

In the negative scenario, if VN-Index loses the psychological support level of 1,350 points, the index may head to the next support zone in the range of 1,325-1,340 points.

"Investors with a large proportion of stocks can wait for the recovery sessions to reduce the proportion," SHS recommends.

Banking stocks gained the most last week with typical gainers of Saigon-Hanoi Bank (SHB), up 0.7 per cent, Asia Commercial Bank (ACB), up 1.3 per cent, Techcombank (TCB), up 1.7 per cent, Tien Phong Bank (TPB), up 2 per cent, Vietcombank (VCB), rising 2.4 per cent and Military Bank (MBB), gaining 3.1 per cent.

They were followed by consumer services group with gainers such as Digital World Group (DWG), increasing 1 per cent, and Mobile World Group (MWG), rising 6.1 per cent.

On the other side, a few industries lost ground. Steel stocks such as Hoa Sen Group (HSG) lost 2.4 per cent, Hoa Phat Group (HPG) fell 1.9 per cent, and Nam Kim Group (NKG) was down 1.3 per cent.

Chemicals and fertilisers also performed poorly with losers such as Phu My Fertiliser (DPM) down 1 per cent, and Petro Viet Nam Ca Mau Fertiliser JSC (DCM) down 2 per cent.

Macro & Policies

2. Vietnam to stay on dual-target virus strategy

The government is to continue with the country's dual-target strategy, pursuing socio-economic development while keeping the spread of the novel coronavirus in check, said Prime Minister Pham Minh Chinh during an online meeting with local government leaders and the business community across the country on Sunday.

"We cannot afford to commit all available resources to fight the virus. Conversely, we cannot put the people's wellbeing at risk for the sake of economic development," said the PM.

The Government, therefore, is to focus on keeping COVID-19 at bay while implementing laws and protocols to help the business community resume and maintain operations.

The government leader highlighted the business community's contribution to the successful effort to contain the virus in HCM City and other provinces in the Mekong Delta including Binh Duong, Dong Nai and Long An.

The Government, for their part, has rolled out a number of policies to support businesses and workers affected by the pandemic such as Government Decree 105/NQ-CP to assist businesses, Government Decree 116/NQ-CP to assist workers and their employers. The Government has also required Vietnam Electricity, the country's main power provider, to offer a 10 per cent cut on power bills for cities and provinces that have had to go under lockdown.

Several other major support policies are also on the way including Government decrees 52, 54, 80 to provide additional support to businesses with land-use fee reduction, tax payment deadline extension and assistance for small-and-medium-sized enterprises (SMEs).

The PM said the pandemic was a particularly challenging time and that's why the country and its people must stand together to overcome adversity and turn disaster into opportunity by speeding up the Viet Nam digitalisation transformation.

"We cannot thank you [the business community] enough. We intend to respond in kind with actions that show our appreciation for your confidence," said the Government leader.

Since the beginning of the fourth outbreak of the virus (in late April), the PM has held numerous meetings and exchanges with businesses, domestic and international, to identify difficulties and limitations as well as to discuss solutions to address them.

During the meeting, businesses voiced their support for a government initiative to reopen in the new normal, stressing the importance of a strategy to live with the virus.

HCM City Real Estate Association (HoREA) asked the Government for additional interest cuts and access to new sources of finance as the real-estate sector, after a long struggle during the pandemic, was said to be at a breaking point.

Nguyen Quoc Hiep, president of the Vietnam Association of Construction Contractors, called on the Government to help support construction workers and to issue safety measures to allow construction projects to continue in areas with low COVID-19-risk.

The tourism sector, among the hardest hit by the pandemic, was especially concerned over the implementation of COVID-19 passports.

Nguyen Quoc Ky, chairman of the board of Vietravel - one of the country's leading tour operators, said obstacles still remained in the implementation and usage of COVID-19 passports as there was no Central government guidelines on inter-province travel.

"As things stand, we are pessimistic about the tourism sector's ability to recover. Especially when regional competitors and major markets are well on their way for a reopening," Ky said.

In order to provide wider support to the business community, the Vietnam Chamber of Commerce and Industry (VCCI) has proposed the Government slash 30 per cent on business income tax for businesses with annual gross sales of VND300 billion or less instead of a similar proposal with a VND200 billion cut-off.

VCCI also called for the Government to use the State budget to help bankroll expenses incurred by certain businesses to fight the spread of the virus. Businesses that properly implemented virus safety measures may be entitled to future reductions in their duties to the State budget.

3. MoF proposes draft to cut corporate income tax

The Ministry of Finance (MoF) has proposed a draft to reduce corporate income tax by 30 per cent to support pandemic-hit businesses for the 2021 financial year.

The most important factor of the draft is that the corporate income tax cut will apply to all businesses if their total revenue does not exceed the VND200 billion (US$8.8 million) threshold in 2020. This means that most small and medium enterprises (SMEs) will be eligible for such tax breaks regardless of the number of employees and the actual financial loss due to the pandemic.

Under the draft, newly-established businesses, newly-converted companies, merger and acquisition (M&A) companies and dissolved firms in 2020 are not included in the tax reduction of the fiscal year 2021.

The ministry has also revised and supplemented regulations on how to determine the total revenue of businesses in the fiscal year 2021 to take them as a basis for businesses to be eligible for tax reductions. Notably, the total revenue of businesses will include income from sales of goods or services, or from other business activities. The total revenue will also consist of subsidised prices, surcharges and extras.

The draft stipulates that the reduction of corporate income tax in the fiscal year 2021 will be calculated based on the total revenue of businesses.

Businesses are responsible for self-determination of the tax amount to be enjoy the tax reduction. After inspecting and auditing, any businesses found not eligible for tax reduction will have to pay tax for the 2021 fiscal year and will be given penalties for administrative violations in tax procedures.

The ministry said since the outbreak of the COVID-19 pandemic, it has conducted many incentives on taxes, fees and land rent to support COVID-hit businesses and citizens.

However, the pandemic has had significant impacts on the activities of citizens and businesses, especially small and medium-sized enterprises, business households, individual businesses and companies in sectors including tourism, transport, accommodation and food services, cinemas, sports and entertainment and media.

Therefore, the Ministry of Finance said that it is essential to conduct more incentives on taxes, fees and charges for citizens and businesses affected by the COVID-19 pandemic.

4. EV incentive to cost State budget VND8.6 trillion

Slashing registration fees by half for electric vehicles (EVs) may cost the State budget as much as VND8.6 trillion (US$380 million) a year, said the latest report by the Ministry of Finance.

The cut was needed to boost domestic demand for EVs, a key component of a greater effort by the Government to reduce greenhouse emissions and reliance on traditional fossil fuels, according to the ministry.

Viet Nam has but one maker of EVs: VinFast, a member of the conglomerate organisation Vingroup, which can produce up to a quarter of a million vehicles a year. As of now, VinFast's EVs retails at VND690 million per unit (not including the battery), significantly more expensive than its internal combustion-engine counterparts with the same number of seats, which typically cost around VND420 million.

Sales of EVs in the short run, however, are unlikely to increase significantly as the new generation vehicles have been struggling to deal with problems including limited production capacity, lack of charging stations and relatively high cost of ownership.

In addition, sales of EVs have been projected to experience growth mostly in large cities where the required technology and infrastructure for their operations may be implemented easily. In that case, the effect it may have on State budget collection in the near future will likely be less profound.

Meanwhile, VinFast has been working on its own incentive programmes. It has offered a number of financial benefits and technical assistance for residential areas that were willing to set up charging stations for its EVs.

By the end of 2020, the number of newly registered EVs was just a bit north of 1,000 or just around 0.15 per cent of all newly registered cars across the country, according to an estimate by the Vietnam Automobile Manufacturers' Association (VAMA).

The current proposal by the ministry is to keep the registration fee for new EVs at half of what it costs for internal combustion-engine vehicles for a period of five years. Notably, the preferential treatment will not apply to sales of used EVs. In other words, owners of used EVs would still have to pay the same amount in registration fee as everyone else.

Another proposal to eliminate registration fees for EVs, which has been axed by the ministry, was said to result in a VND17.25 trillion reduction to the State budget.

Either way, the cut will likely affect the State's coffers as vehicle registration fees have grown to be a large part of State budget collection in recent years. Registration fees for cars accounted for 69 per cent of the total registration fees for all vehicles in 2017, 70 per cent in 2018, 74.6 per cent in 2019 and 79 per cent in 2020.

The proposal, once approved, is to be the first move to encourage the adoption of EVs in the domestic market. Other markets in the region including Thailand and Indonesia have introduced a number of incentives to boost the sales of EVs, according to industry experts.

5. HCM City businesses eager to resume, but regulation, worker availability worries linger

HCM City businesses are eager and preparing to reopen after months of closure due to stringent social distancing orders, but continue to face challenges from tough regulations and staff shortages.

HCM City, the country's COVID-19 epicentre, is focusing on gradually reopening while also ensuring safety, and its strict preventive measures are expected to be relaxed after September 30 if the outbreak is under control.

Le Duy Toan, director of Duy Anh Foods Import Export Co. Ltd, said his company had been closed since mid-July and had to postpone export orders.

Businesses are struggling after having to temporarily close down or meet the expenses of employees' accommodation, food and COVID tests while also limiting production, he said.

"If the city does not reopen, the situation will worsen in the coming months," he told Viet Nam News.

"I would like nothing more than for my business to be able to resume production after September 30."

Pham Thi Kim Hang, founder of environment - friendly products supplier Limart – Zero Waste, told Viet Nam News her shop had to close down but still pay staff wages.

It also lost customers since it was unable to deliver online orders, though recently it had been able to resume deliveries after the city eased some travel restrictions.

Dr Tran Hoang Ngan, director of the HCM City Institute for Research and Development, said the city could not enforce strict social distancing orders forever and would have instead to adapt to the pandemic.

Tran Viet Anh, chairman of Thu Duc City Business Association, said especially export businesses in key fields such as textile and garment and electronics need to resume operations quickly to not lose customers to foreign competitors.

Opportunities for recovery

Trinh Tien Dung, general director of Dai Dung Metallic Manufacture Construction and Trade Corporation, said there were a lot of opportunities for businesses returning to the market, but they would have to change their management and operations.

His company, which incurred heavy losses last year, had been investing in new sectors and focusing on digital transformation and risk management to continue doing business with overseas customers, enabling it to continue operations despite the COVID difficulties, he said.

Hang's business is also focusing on launching applications as part of digital transformation to improve its online activities so that it can operate efficiently amid the pandemic.

Many businesses, especially retailers, also prioritise vaccination against COVID, and their staff have received two shots.

They also have safety equipment and comply with safety regulations.

HCM City's Steering Committee for Pandemic Prevention and Control has issued a set of safety criteria for businesses, including requirements such as COVID-19 green cards for staff to certify their immunity and social distancing at the workplace.

Businesses need to assess their preparedness and notify local authorities, who will inspect and evaluate them before permitting resumption.

The HCM City Power Corporation will offer electricity at a discount to businesses to help them recover.

Problems with returning

Many businesses are concerned with some of the requirements.

For instance, they have to test their staff every seven days and those considered high-risk, every three days.

"The cost of COVID-19 tests for staff is a large burden and many businesses are worrying about it, not just mine," Toan of Duy Anh Foods said, hoping for more favourable policies regarding it.

However, he said that when his business could resume operations, personnel would be a problem since a number of employees had returned to their home provinces, and that it would have to plan its future production activities accordingly.

Other businesses that have been having workers live on-site are seeing them getting fatigued and wanting to go home.

Toan hoped the city would soon announce specific plans and schedules for reopening its economy after September 30 since businesses would need time to make preparations to resume.

Hang said not many people could get green cards since they had yet to receive their second shots.

"Resuming operations while the pandemic is still not completely under control can also negatively affect workers' morale since they are still afraid and may be reluctant to return to work."

Nevertheless, businesses are in agreement that all their staff should have green cards since it would mitigate the risk of disease spread and reassure people working in proximity to one another.

Businesses have also asked for tax breaks and low-interest loans to help them recover.

Hang said: "Policies from the State to assist businesses in whatever way is very necessary now since for the past few months us small to medium-sized businesses have been incurring heavy losses. Activities to stimulate sales will be needed."

Pham Duc Hai, deputy head of the city Steering Committee for Pandemic Prevention and Control, said authorities would consider subsidising the high COVID test fees.

6. Firms struggle with labour shortage due to the COVID-19 pandemic

Local businesses are struggling to recruit new employees due to a labour shortage caused by the fourth wave of COVID-19, according to authorities and business leaders.

Those who want to be employed must meet the requirements for "green cards", which includes being vaccinated against COVID-19. On top of this, businesses must also outline their plans to safely resume production. This has caused difficulties for both firms and employees.

An owner of a garment company in Binh Tan District of HCM City said that, since July 2021, his company has been among 45 firms to receive top priority for vaccinations because they are located in a high-risk zone. Despite this, not all employees and workers have been fully vaccinated yet.

He said HCM City has now offered incentives for businesses to reopen their production. However, only those with "green cards" are permitted to work, driving most businesses into difficulty due to a lack of labour.

Luong Van Vinh, general director of My Hao Cosmetics JSC, said that the 'three-on-site' policy means employees have to eat, sleep and work onsite to maintain production. Many of these workers have been given their first jab of the COVID-19 vaccine. However, many unemployed workers in big cities have not yet been vaccinated as they return to their hometowns. Vinh added that after HCM City lifts social distancing orders, many firms will face a hard time recruiting more employees, due to the mandatory vaccination requirement.

Le Nhat Truong, an official of Pousung Vietnam Co., Ltd in the southern province of Dong Nai, said that after two months of shut-down his company reopened and asked employees to come back to work on September 20. However, the company failed to reopen because not all staff are fully vaccinated, as required by authorities.

In order to lure workers back to work, Ba Ria-Vung Tau Province has allowed people with travel papers from their companies to use their personal modes of transport to travel to their workplace. Travellers must register their specific travel schedules, both to and from their homes and workplaces, said Le Ngoc Khanh, vice chairman of Ba Ria- Vung Tau Province's People's Committee.

Mass vaccination needed

Bui Xuan Huy, General Director of Novaland Group, said his company had 3,000 employees working in Ba Ria-Vung Tau Province. The company wants the provincial authority to allow them to transport the employees to HCM City for vaccination. Huy added his company has committed to ensuring safety when travelling to HCM City.

According to the Vietnam Association of Seafood Exporters and Producers (VASEP), mass vaccination is the most effective way to ensure workers can return soon. Currently, the ratio of vaccination amongst workers in industrial parks and processing zones is only 30-35 per cent for the first jab, while the ratio of workers who have received the second jab is less than five per cent.

Vice President and General Secretary of the Vietnam Cashew Association (VINACAS) Dang Hoang Giang said that most employees in the cashew industry have not yet received the second jab. Therefore, it was difficult to meet the requirements to reopen their businesses after the lifting of social distancing orders.

Giang said the vaccination ratio remains low in HCM City and neighbouring provinces. Therefore, workers should be given priority to get the vaccination to ensure safety for production. All should be fully vaccinated before December 31, 2021.

Cao Tien Dung, Chairman of Dong Nai People's Committee said his province has given priority to workers who are staying and working at their facilities to get a vaccination, helping firms to reopen soon.

7. Registered foreign investment up, disbursement down in Jan-Sep

Foreign investment inflows into Viet Nam during the first nine months of this year rose 4.4 per cent year-on-ear to US$22.15 billion despite the impact of COVID-19, according to the Foreign Investment Agency (FIA) under the Ministry of Planning and Investment.

Up to 1,212 foreign-invested projects were licensed with a total registered capital of $12.5 billion in the period, down 37.8 per cent in the number of projects but up 20.6 per cent in value over the same period last year.

Meanwhile, 678 operating projects were allowed to raise their capital by $6.6 billion, a year-on-year rise of 25.6 per cent in capital but down 15.8 per cent in project number.

Capital contributions and share purchases by foreign investors stood at nearly $3.2 billion, down 43.8 per cent from the same period last year, according to FIA.

The decreases in the numbers of new, expanded projects and paid-in capital for share purchase were attributed to Viet Nam's selective investment attraction policies that would prioritise quality of projects rather than quantity, while eliminating small-scale projects with low added value, FIA said in its monthly report.

Travel restrictions and long quarantine policy made it hard for foreign investors to make surveys for their planned projects, the agency said.

It added lockdown and travel restriction measures also affected operations of foreign-invested firms, resulting in their production capacity reductions and supply chain disruptions. That also affected new investors' plans to invest in Viet Nam.

Due to factory closures and labour shortages for production, many orders had been shifted by foreign investors to other areas in their supply chains. Although this was only a temporary solution, if this situation continues, investors would likely relocate their production facilities to other countries, FIA warned.

From January to September, disbursement of foreign direct investment (FAI) also fell 3.5 per cent year-on-year to $13.28 billion.

Among 18 sectors receiving FDI in the nine months, processing and manufacturing took the lead with $11.8 billion, accounting for 53.4 per cent of the total FDI. It was followed by power production and distribution with over $5.5 billion; real estate with $1.78 billion and wholesale and retail with over $750 million.

Singapore led 94 countries and territories investing in Vietnam in the period with total investment capital of nearly $6.3 billion, making up nearly 28.4 per cent of the total FDI registered in the country. However, the total investment of Singaporean investors plunged 7.2 per cent year-on-year.

South Korea surpassed Japan to rank second with over $3.9 billion, up 23.4 per cent year-on-year or equivalent to 17.7 per cent of the total FDI. Japan came next with nearly $3.3 billion, up 89 per cent or 14.7 per cent. Other leading sources of Viet Nam's FDI were from mainland China, Hong Kong and Taiwan.

The Mekong Delta province of Long An attracted the highest amount of FDI, with over $3.6 billion, or 16.4 per cent of the total thanks to the Singapore-invested Long An liquefied natural gas power plant project worth $3.1 billion.

With $2.15 billion added to South Korean LG Display Hai Phong project, Hai Phong City came second with $2.7 billion or 12.2 per cent while HCM City came third with nearly $2.4 billion or 10.6 per cent.

Other localities having received FDI in nine months included Binh Duong, Can Tho, and Quang Ninh.

However, big cities with sufficient infrastructure such as HCM City, Ha Noi and Bac Ninh won in terms of the number of projects. Among them, the southern economic hub led the country in the number of new projects, making up 33 per cent while the capital city ranked second, making up 21 per cent though it was not among the top five localities attracting the largest amount of FDI in the nine-month period.

According to FIA, foreign-invested businesses posted a trade surplus of nearly $18.2 billion in the January-September period as they gained $178 billion from exports, a yearly hike of 23 per cent while their imports hit $159.8 billion, up 34.4 per cent.

As of September 20, the country was home to 34,141 valid foreign-invested projects worth nearly $403.2 billion. Of the sum, $245.14 billion or 60.8 per cent has been disbursed.

Among 141 countries and territories, South Korea was the largest source of Vietnamese FDI with $73.8 billion, making up 18.3 per cent of the total FDI registered in the country. It was followed by Japan with $63.9 billion or 15.8 per cent.

Corporate News

8. SHB: SHB approved to increase charter capital to US$1.16 billion

↑ 0.75%

SHB was given approval from the State Bank of Viet Nam to increase its charter capital from the current VND19.2 trillion (US$843.2 million) to VND26.6 trillion ($1.16 billion).

Of which, the bank would add VND2 trillion by issuing shares to pay dividends with a rate of 10.5 per cent from its after-tax profit after setting aside funds in 2020. Another VND5.3 trillion would be added to the charter capital by issuing shares to existing shareholders with the offering price of VND12,500 per share.

The charter capital increase aims to improve SHB's financial potential, expand lending scale, and invest in information technology. Especially, it would help promote the bank's digitisation, realising the goal of becoming a modern retail bank with optimal financial products and services according to Industry 4.0 standards.

Earlier, SHB successfully issued more than 175 million shares to pay the 2019 dividend in May 2021, raising its charter capital to more than VND19.2 trillion.

In the first half of the year, SHB reached before-tax profit of VND3 trillion, posting an 86.5 per cent year-on-year increase, meeting half of its whole year set target. Its return on equity (ROE) reached 24.3 per cent.

As of June 30, its total assets reached VND458 trillion, increasing 11 per cent from the beginning of the year and meeting 99.5 per cent of the set target.

More than 1.9 billion shares of SHB would be moved from the Ha Noi Stock Exchange (HNX) to the Ho Chi Minh Stock Exchange (HoSE) from October 5.

With the capitalisation of over VND51.6 trillion, SHB has been one of the most influential stocks on HNX. The move from listing SHB to HoSE will reduce the market capitalisation of HNX by more than 12 per cent.

9. HSG: HSG achieved VND320 billion after-tax profit in August 2021

↓ -2.37%

Hoa Sen Group Joint Stock Company (HOSE : HSG) has just announced its estimated business results for August 2021. Accordingly, HSG sales volume is estimated at 167,810 tons, revenue is estimated at 4,701 billion, profit after tax is estimated at 320 billion, reaching 94%, 166% and 147% respectively over the same period.

Accumulated for 11 months of the fiscal year 2020-2021 (from October 1, 2020 to August 31, 2021), HSG sales volume is estimated at 2,051,439 tons, revenue is estimated at VND42,551 billion, profit after tax is estimated at VND3,994 billion. With this result, HSG has fulfilled 114% of their output plan, 129% of the revenue plan and 266% of the after-tax profit plan for the fiscal year 2020-2021.

In the context of the Covid-19 pandemic, exports continued to be the driving force to maintain HSG's business results. With the advantage of export channels to more than 87 countries and territories, system of 10 factories near major seaports in terms of logistics, product quality meeting international standards, reasonable prices and after-sales service... the Hoa Sen brand has created a reputation in the international market and is increasingly popular by many countries around the world. HSG said it will constantly improve its internal capacity to increase export output in all markets.

Domestically, HSG believes that steel sheet demand will increase sharply after the epidemic is controlled, social distancing measures are eased, production and business activities gradually stabilize in the 'new normal' economy.

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