VIETNAM DAILY NEWS

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Market Analysis

1. Market likely on a short-term uptrend

The stock market gained for three straight sessions before the National Day holiday, which was different from the previous holidays when investors tended to take profits causing the market to fall or move sideways. Analysts said that investors' sentiment is quite optimistic and the market is on a short-term uptrend.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) finished last week at 1,334.65 points, while the HNX-Index on Ha Noi Stock Exchange (HNX) settled at 343.42 points.

For the week, both benchmarks moved higher with the VN-Index up 1.63 per cent and the HNX-Index up 1.36 per cent.

The average matching volume on HOSE reached nearly 680 million shares per session and on HNX was around 138 million shares per session, up 15.55 per cent and 1.14 per cent, respectively, compared to the previous week.

The rise in trading volume and the stable upward momentum of the VN-Index were positive points of the market last week.

However, foreign investors remained net sellers throughout August. Last week, they net sold a value of more than VND1.14 trillion (US$50.2 million) on both exchanges. Of which, they net sold a value of nearly VND1.2 trillion on HOSE and only bought a value of nearly VND57 billion on HNX.

Even though there was still short-term selling off pressure during sessions, the downtrend couldn't hold for long and the index quickly rebounded, meaning cash flow is gradually returning to the market and is leading the uptrend.

Securities firms suggest investors focus on stocks that influence the market's trend like bank stocks, oil and gas stocks, especially companies with positive outlooks in business results in the third quarter, as well as the rest of the year.

Long-term investors still need to limit the use of leverage during this period and carefully select stocks to disburse, as the VN-Index's rally has begun to slow down when it approaches 1,350 points.

On September 1, the rally slowed down under selling pressure before the National Day holiday on September 2.

On the technical front, the market is in a short-term uptrend and is heading towards the resistance zone of 1,350 - 1,360 points. However, it will be difficult for VN-Index to return to the old peak of 1,375 points.

With the complexity of the ongoing COVID-19 outbreak, the cash flows from new retail investors, who joined the market during the pandemic period, will remain in the market, investors can take advantage of this small wave for short-term trading with the portfolio proportion of 30 - 50 per cent.

Moreover, the recovering cash flow also supported the market's rallies. However, it is likely that the VN-Index may fluctuate in the early sessions of next week, before confirming the possibility of the short-term uptrend.

Investors maintain their current portfolio and can increase the proportion of stocks during corrections, BOS recommended.

Last week, Viet Nam Rubber Group (GVR), Hoa Phat Group (HPG) and Vietcombank (VCB) were three main stocks leading the market's rallies, while losses in Vingroup (VIC) and Masan Group (MSN) limited the gains.

Macro & Policies

2. Steeper downturn in Vietnamese manufacturing sector in August

The downturn in the Vietnamese manufacturing sector intensified during August amid the worst outbreak of the COVID-19 virus in the country since the pandemic began. Restrictions leading to the temporary closure of some businesses, social distancing measures, and limits on travel to try and contain the spread of the pandemic resulted in accelerated declines in output, new orders, purchasing, and employment.

The unprecedented spell of supply-chain disruption continued amid transportation difficulties and pressure on capacity at the country's ports. This, allied with raw material shortages, placed upward pressure on input costs which continued to rise sharply.

COVID-19 restrictions meant that a number of manufacturers were closed temporarily, while others reported staff shortages and limits on their ability to produce. As a result, output declined at a substantial pace. The rate of contraction was the second fastest on record, behind only that seen in April 2020.

A similar picture was recorded with regards to new orders which decreased for the third month running and at the fastest pace in 16 months. The rate of decline in new export orders also accelerated as COVID-19 restrictions made exporting difficult. The sector's labour market also suffered amid social distancing restrictions.

A number of businesses indicated that they were operating the "three on the spot" policy to maintain some staff presence on site, but that not all workers were able to participate in this. Overall, employment decreased for the third month running, and at a sharp pace that was the steepest since April 2020.

Severe supply-chain disruption continued, with vendor delivery times lengthening at the sharpest pace on record for the second month running. Transportation issues were widely reported, with congestion at ports a result of them being unable to operate at full capacity. Raw material shortages was a secondary factor contributing to longer lead times.

Raw material shortages and transportation issues led to a further steep increase in input costs, with the rate of inflation remaining among the fastest in a decade. In turn, output prices were also raised, albeit to a much lesser extent than input costs as some firms offered discounts in order to try to secure sales.

August saw a near-record reduction in purchasing activity amid temporary company closures and lower output requirements. Despite the drop in purchasing, stocks of inputs increased for the first time in three months. The accumulation largely reflected the difficulties firms were having in maintaining production volumes.

Business sentiment hit a 15-month low in August as the severity of the current COVID-19 outbreak in Vietnam led a number of businesses to predict a sustained period of restrictions on their operations. That said, others were confident of a rebound in production.

3. Less than one-third of Hanoi manufacturers still operating

As of mid-August, 1,077 companies out of 3,600 were operating. They were either imposing the stay-at-work model or restricted staff to commuting between home and work alone, according to a report by the city's department of industry and trade.

These companies, however, were recording rising costs, lower productivity and falling revenues.

On average they have scaled down production by 20 percent from before the social distancing order, which also affected worker incomes.

The department proposed workers in industrial parks be prioritized for vaccination to prevent a break in the supply chain.

Hanoi has 70 industrial parks. The city had earlier planned to establish 10-15 new ones this year.

The capital has imposed a citywide social distancing order starting July 24. It has recorded 3,436 local Covid-19 cases since the fourth coronavirus wave hit the country late April.

4. Digital economy is being shaped in Vietnam: Experts

The Covid-pandemic is serving as the catalyst for local enterprises to embark on the digital transformation, and shaping a digital economy.

General Secretary of the Vietnam Chamber of Commerce and Industry (VCCI) and Vice President of the Vietnam Business Council for Sustainable Development (VBCSD) Nguyen Quang Vinh gave the remarks in an online dialogue with the media today [August 31], discussing the impacts of digital transformation as solutions for business breakthroughs.

According to Vinh, the local economy is facing greater challenges from the pandemic compared to last year. "The business community has been active in finding a new direction and applies technologies in corporate governance to avoid disruption to the operation," he continued.

President of Ericsson Vietnam, Myanmar, Laos & Cambodia Denis Brunetti welcomed the Government's role in pushing for digitalizing the economy, especially the national strategy on digital transformation released late 2020 that targets the digital economy to make up 20% of the GDP by 2025 and 30% by 2030.

A supportive legal framework for digitalization would no doubt encourage local firms to embark on such a process, added Brunetti.

This is particularly important as two-third of global production output comes from the Asia-Pacific region. Vietnam and other ASEAN countries, therefore, have a huge opportunity to attract investment capital into hi-tech fields, Brunetti noted.

VNPT-IT CMO Nguyen Trung Kien referred to a survey that over 80% of business leaders have identified digital transformation as an urgent matter, while 65% expected to allocate more funds for the process.

A study from Microsoft also revealed digital transformation boosted productivity by 15% in 2017 and 21% in 2020.

"The main issue for businesses right now is how to ensure efficient operation as most of their employees are working online, along with other issues such as cyber-security, online trading, e-marketing, and automation," he added.

From his perspective, Kien pointed out three factors for successful digitalization, including humans, technology, and working mechanism.

"The majority of firms are struggling for digitalization due to their difficulties in changing working habits and the right mindset in this regard," Kien continued.

Kien noted every company should assess their own risks to find the most suitable solution towards digitalization, especially in terms of cyber-security, data management, and job security.

Finding opportunities during digitalization

Factory Manager of Nestle Bong Sen Urs Kloeti said the company's vision is to become a multinational with local understandings so that it can stay top in innovation, digital transformation, and sustainable development.

Kloeti suggested these are the foundation for Nestle to respond and continue its strong growth amid the Covid-19 pandemic.

To ensure a successful digital transformation, Kloeti urged firms to focus on finding values and opportunities during this process, instead of just purely looking at the technological sides.

The first step, as Kloeti suggested, is to digitalize data with an appropriate solution, while the workforce should be equipped with the required digital skills to master new technologies.

For Kloeti, digital transformation has truly transformed the whole supply chain, improved product quality, and brought new experiences for customers.

Other benefits include a safe and productive working environment with greater interaction among staff and leaders, he added.

Meanwhile, Deputy General Director of Traphaco, a pharmaceutical company of Vietnam, Dao Thuy Ha noted the firm has achieved certain results during the digital transformation, with the first task being to adopt a 4.0 mindset in every business activity.

"We focus on investing in the human factor, the infrastructure, and a new business model to catch up with the trend of online shopping," Ha said. For example, Traphaco has been using robots during the production process; applying IT in the distribution management system (DMS) or the Enterprise Resource Planning (ERP) in corporate governance; analyzing customer data via the Business Intelligence (BI) system; among others.

With such drastic changes in operation, Ha added the firm witnessed strong growth of 22% in revenue and 38% in after-tax profit in the first six months of the year.

5. Ports see increase in goods handling despite COVID

Thanks to the adoption of drastic COVID-19 prevention measures at ports, the volume of goods that passed through ports in the first eight months of the year increased by 18 per cent year-on-year to 16.8 million TEUs, the Viet Nam Maritime Administration said.

They comprised exports of 5.4 million TEUs, up 16 per cent, and imports of 5.5 million TEUs.

With 3.2 million TEU, the Cai Mep - Thi Vai Port Cluster in Ba Ria-Vung Tau Province accounted two thirds of the imports and exports in the south and 100 per cent of shipments from and to the US.

Amid the COVID-19 outbreak in many southern provinces and cities, port authorities have been adopting many preventive measures like keeping its employees on site and testing them all every three days.

Nguyen Xuan Ky, general director of the Tan Cang - Cai Mep International Terminal Company Limited, said thanks to the strict implementation of prevention and control measures, some COVID cases were detected in time and immediately isolated.

But after more than two months the model has also revealed certain limitations, he said.

The cost for the "three on-site" model and the periodic COVID-19 test fee for more than 350 company employees, up to more than VND1 billion ($44,000) a week, are causing many difficulties for businesses, Ky said.

Keeping the workers at the port and not allowing them to go home for a long time also adversely affects their psyche, directly affecting productivity and safety, he added.

His company has called on the province People's Committee to allow the adoption of other solutions such as allowing local employees living in areas with little or no COVID cases to go home.

6. Retail sales of goods and services plunge in January-August

The nation's total revenue from retail trade and services reached over VND3 quadrillion (US$133.55 billion), down 4.7 per cent in the first eight months of 2021 compared to a modest 1.1 per cent decline seen in the same period of last year, the latest report from the General Statistic Office (GSO) has shown.

In August alone, the total retail sales of goods and services saw strong declines of 34 per cent year-on-year and 10.5 per cent month-on-month to VND279.8 trillion as many localities had to implement strict social distancing measures and restrictions under the Government's Directive 16 due to the spread of the COVID-19 pandemic nationwide.

In the eight-month period, retail sales surpassed VND2.49 trillion, accounting for 82.1 per cent of the total retail sales of consumer goods and services, 1.4 per cent lower than last year's corresponding period, the GSO said.

Reductions were seen in the sales of cultural and education products, down 9 per cent; home appliances (7.5 per cent); textile and garment (6 per cent) and vehicles (3.1 per cent).

Localities recording strong retail sales decreases in the period due to the negative impact of the pandemic included HCM City with 14 per cent; the central province of Khanh Hoa with 8.1 per cent and Ha Noi with 2.1 per cent.

Similarly, total retail sales of accommodation, catering services was estimated at VND254.3 trillion, down 20 per cent year-on-year or making up 8.4 per cent of the total revenue with significant declines recorded in many cities and provinces including Ha Noi and Binh Duong with 21.5 per cent; HCM City (20 per cent); Da Nang (14.3 per cent); Dong Nai (14 per cent); and Can Tho (8.9 per cent).

Retail sales of travel and tourism services also experienced a strong slump of 62 per cent to an estimated VND4.5 trillion. Localities that posted the lowest revenue from tourism and services in the period were Khanh Hoa (89 per cent); Quang Nam (83 per cent), Thua Thien- Hue (64 per cent); Nghe An (67 per cent); HCM City (52 per cent); Ha Noi (50 per cent) and Hai Phong (47 per cent).

Meanwhile, revenue from other services hit VND286 trillion, down 14 per cent or equivalent to 9.4 per cent of the total revenue.

According to Phu Hung Securities Corp, the COVID-19 pandemic has caused difficulties and Viet Nam has not yet deployed vaccines for the entire population, which affects the purchasing power of consumers.

Moreover, the income of a part of consumers that was reduced due to the COVID-19 pandemic has not been able to improve in the short term.

The company estimates the growth rate of total retail sales of goods and services under the following two scenarios.

In the first scenario in which vaccinations for the whole population are deployed in the third quarter of 2021, the growth rate of Viet Nam's retail industry could reach 9.6 per cent year-on-year

In the second scenario in which vaccinations are implemented in the fourth quarter of 2021, the growth rate of Viet Nam's retail industry could reach 8 per cent year-on-year.

A strategy approved recently by Prime Minister Pham Minh Chinh revealed that domestic trade is expected to contribute 15-15.5 per cent of national GDP by 2030.

Under the strategy, Viet Nam expects to set up sustainable supply chains in the country that will ensure the effective implementation of regulations on food safety and quality, origin tracing, and environmental protection.

It aims to ensure the fast and stable development of domestic trade, build the Viet Nam-made brand, protect the interests of both enterprises and customers while also meeting demand for socio-economic development.

Total revenue from retail trade and services would average 13-13.5 per cent annually in the 2021-30 period and 12-12.5 per cent annually in the 2031-45 period, the strategy predicted.

By 2030, revenue from e-commerce is set to account for 10.5-11 per cent of national retail sales with a growth rate of 20-21 per cent. It also said 40-45 per cent of small and medium enterprises operating in trade will take part in major domestic and foreign e-commerce platforms by then as well.

To this end, the strategy emphasised the importance of improving local investment and the business environment. It said transforming domestic trade promotion and improving infrastructure for trade, especially in rural and remote areas, was key.

Priority would be also given to improving infrastructure for trade especially in rural and remote areas, forming sustainable distribution channels for Made-in-Viet Nam products and training a high-quality workforce to meet the growing demand of global trade integration.

7. Experts discuss obstacles for rooftop solar power

Solar experts have raised difficulties and problems in policies and procedures for investment, installation and operation of solar power systems in Viet Nam at a seminar.

The Viet Nam Chamber of Commerce and Industry (VCCI) coordinated with the Green Innovation Development Center (GreenID) in an online seminar on the topic of solar-power roofs at industrial parks on August 30 to find solutions for removing inadequacies in installation deployment.

Mai Van Trung, deputy general director in charge of project development at Nami Solar Company, said many businesses in the industrial park had to use clean energy to take advantage of their exports as well as finding potential importers, who require clean energy.

However, some localities had an inconsistent understanding and had not yet allowed the installation of rooftop solar power without an assessment of the whole area's environmental impact report, said Trung.

The barriers made it difficult for exporters and hindered businesses from receiving the benefits that rooftop solar power can bring, Trung added.

Pham Trong Quy Chau, standing deputy head of the Renewable Energy Department, and a member of the Association of Industrial Park Enterprises in HCM City (HBA) said that in June 2020, HBA officially launched a development programme of solar roofs in export processing zones, industrial parks, and high-tech parks in the city.

Chau said by the end of 2020, a total of 118 projects had been invested and installed with a total capacity of over 76 MWp; in which there are large projects over 8 MWp installed on the roof of the same factory, and that some businesses had even boldly invested up to nearly 15 MWp on the roof of the warehouse system in four different industrial parks over the whole city.

Chau said the installation of solar power in the industrial park would help reduce the cost of electricity in proportion to the generated electricity supplied to the industrial park.

A representative of VNG Joint Stock Company said by the end of September 2019, the enterprise had completed the installation of a solar power system installed on the roof of a building with a design capacity of hundreds of kWp and put it into use in October 2019.

The representative said in the first year of operation, the output was 859,039 kWh, meeting about 20 per cent of the electricity demand for the building, helping to reduce costs equivalent to about VND1.5 billion.

However, like Trung from Nami Solar Company, VNG's representative was concerned about difficulties and obstacles because policies and procedures had not kept pace with the explosive growth of the rooftop solar power market.

Chau told the seminar: "Policies on energy are making investors quite worried. Up to now, nine months since the FIT2 supporting electricity tariff policy has expired, most rooftop solar power systems have operated stably, but difficulties and obstacles still exist and need to be further recommended, considered and resolved by the relevant ministries."

Chau also said that as the Government had not yet issued the decision of FIT 3 stipulating the new purchase price of electricity from the rooftop solar power system, which was a difficulty for businesses.

In addition, the Ministry of Industry and Trade (MoIT) and Vietnam Electricity (EVN) had not yet issued further instructions on the procedures for applying for and approving the connection, electricity purchase and sale contracts, and payment for electricity purchased from solar power systems.

Therefore, HBA's representative asked EVN to have a reasonable and optimal solution for the purchase of electricity from the rooftop solar power system.

Nguyen Quoc Dung, head of the business department at EVN, told the seminar that as the Government did not have a policy to buy electricity with rooftop solar power projects used for industrial parks, the corporation did not know how to pay.

Dung said EVN saw the demand of connecting the national grid to industrial parks' systems. However, he mentioned that with the current low capacity, such transmission would endanger the security of the power grid.

Dung said the corporation was still waiting for instructions for the work, adding that EVN was always open and transparent with investors and was ready to support investors.

Demand for energy and the pressure on the energy security in Viet Nam are high, and the development of clean renewable energy is important in solving the current energy mix and improving competition for businesses.

Troubleshooting

Pham Nguyen Hung, deputy director of the MoIT Department of Electricity and Renewable Energy, told the seminar the ministry was developing a draft framework to develop renewable energy electricity, including ground solar power, rooftop solar power and floating solar power.

Hung said the draft would be built with no capacity limit for most clean energy sources. However rooftop solar power would have a self-consumption rate as it did not need to invest in more power grids for transmission to avoid power loss according to the distributed characteristics of the system.

Hung said the draft would also build flexible electricity prices based on the annual electricity generation price bracket set by MoIT.

Corporate News

8. VIC: Explanation for reviewed separate FS in 6 months of 2021

↑ 0.00%

VINGROUP Joint Stock Company has explained the reviewed separate financial statement in first six months of 2021 compared to the same period of last year as follows:

	6mths of 2021	6mths of 2020	Difference	%
Profit after tax in the separate financial statements	295,315	4,019,191	(3,723,876)	(92.7%)

The Company's profit after tax based on the separate financial statements in six months of 2021 decreased by 92.7% compared to the same period of 2020 because of the following causes:

- Cost of goods sold increased by VND160 billion mainly due to the increase in profit from real estate for rent and other activities compared to the same period of last year;

- Financial expense increased by VND5,527 billion, equivalent to 181% compared to the same period of last year because of the increase in the provision investments;

- Management expense decreased by VND564 billion dongs, equivalent to 82% compared to the same period of last year because of the decrease in the provision cost;

- Current Corporate income tax expenses decreased by VND548 billion mainly due to the decrease in the profit after tax.

9. VPB: Moody's extends upgrade review for VPBank and FE Credit

↓ -0.16%

The rating review was initiated on May 12 following VPBank's announcement on April 28 that it had concluded an agreement with Sumitomo Mitsui Financial Group, Inc. (SMFG, A1 stable) to sell a 49 per cent equity stake in FE Credit. The transaction is expected to close by the end of 2021. The planned sale will be to SMFG's consolidated subsidiary, SMBC Consumer Finance Co., Ltd. (SMBCCF).

Moody's is extending the review process because the transaction is pending external approvals and has therefore not yet been completed. Upon the completion of the transaction, it expects the standalone credit strengths of VPBank and FE Credit could improve, thereby placing upward pressure on their ratings and assessments.

On a pro-forma basis, VPBank's capital, as measured by tangible common equity as a percentage of risk-weighted assets, will increase to around 15 per cent from 10 per cent at the end of 2020. The bank has indicated that it will retain the proceeds from the stake sale for use on new organic growth and investment opportunities.

It is expected that FE Credit to benefit from funding, technology and risk management support from SMBCCF, which has a long history in consumer finance in parts of Asia. Currently, Moody's incorporates a very high probability of affiliate support for FE Credit from VP Bank in times of need. Moody's will reevaluate the affiliate support assumptions for FE Credit, considering the large shareholdings of SMFG and VPBank in FE Credit, as well as SMFG's involvement in setting the company's strategic direction.

Moody's could upgrade VPBank's ratings if the transaction is approved by the relevant authorities, and if the bank's capital improves as anticipated. If the transaction is not approved, Moody's will confirm VPBank's current ratings.

Moody's could also upgrade FE Credit's rating if the transaction is approved by the relevant authorities, and if the company's standalone credit strength improves as anticipated. A strong probability of support from the company's shareholders will also be positive for the ratings. If the transaction is not approved, Moody's will confirm FE Credit's current ratings and revise the outlook to stable.

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