



VIETNAM DAILY NEWS



September 9th, 2021

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Market Analysis

1. VN-Index declines for a second day, weighed by Vingroup's shares

Shares fell for a second day on Wednesday on the Ho Chi Minh Stock Exchange with heavyweights like Vingroup's stocks and banks behind this fall.

Stronger selling pressure in the afternoon trade pushed the VN-Index below the threshold. The southern bourse's index decreased 0.62 per cent to close at 1,333.61 points. It lost 1 per cent in the last two sessions.

Liquidity also declined nearly 30 per cent in both volume and value, reaching 626 million shares worth VND19.6 trillion (US\$852.2 million), the lowest in the last six trading sessions.

Vingroup (VIC) and its real estate arm Vinhomes (VHM) were the two shares pulling the index down the most. VIC slipped more than 2 per cent, while VHM fell 1.6 per cent.

Banking shares – which were used to the market's momentum – also slumped. Fifteen lenders lost value on Wednesday, three of them appearing on the list of top 10 stocks weighing on the market most. They included VPBank (VPB), down 2.4 per cent; Techcombank (TCB), down 1.7 per cent; and Vietinbank (CTG), down 1.5 per cent.

In addition, many stocks in the VN30 basket (which tracks the top 30 shares by market value and liquidity) also declined, such as PV Gas (GAS), insurer Bao Viet Holdings (BVH), Petrolimex (PLX), PV Power (POW), Masan Group (MSN) and Vinamilk (VNM) with a decrease of more than 1 per cent each.

Selling pressure also spread on the Ha Noi Stock Exchange, restraining the HNX-Index's rally to just 0.23 per cent to close at 347.28 points.

The rising streak on the northern bourse has extended for nine consecutive sessions with accumulative growth of nearly 5 per cent.

Liquidity decreased here, however, with nearly 134 million shares worth VND2.9 trillion traded, down 26 per cent in volume and 23 per cent in value compared to the previous session.

According to analysts at Saigon Securities Inc, the short-term outlook for the stock market is uncertain because it is still not possible to fully assess the economic effects of the 4th wave of COVID-19 as well as the official time when HCM City and southern provinces can return to normal trading activities.

In the third quarter, the profit growth of listed companies may slow down or decrease compared to the same period last year, which will not be too surprising when consumption, investment and net exports are all declining amid the pandemic, they said in its September report.

Foreign investors continued offloading shares in HCM City's market for a ninth session with net sell value of nearly VND446 billion on Wednesday.

They were net buyers in Ha Noi's market for 12 consecutive sessions for net value of VND8 billion.

Macro & Policies

2. PM requires efforts towards removal of EC's "yellow card" by year's end

Vietnam must put an end to illegal, unreported and unregulated (IUU) fishing in a bid to have the European Commission (EC)'s "yellow card" removed by the end of 2021, Prime Minister Pham Minh Chinh said at a virtual meeting on the issue on September 7.

Eliminating IUU fishing practice is not only for Vietnam's interests but also for the sake of the protection of the environment and regional and international seafood resources, thereby affirming the country as a responsible member of the international community, the Government leader said at the meeting between the Government and relevant ministries and sectors, together with coastal localities.

Reports at the meeting said the EC has spoken highly of the commitment, political determination and efforts of Vietnam in the implementation of the solutions and affirmed that progress has been made in the right orientation.

However, the PM pointed out that after nearly four years of implementing the EC's recommendations, the work has yet to fulfil requirements, with many limitations and problems in legal enforcement, while penalties imposed on IUU fishing practices remain light.

Ministries, agencies and local authorities shared the view that fishery infrastructure and the verification and certification of seafood origin have not met requirements, while relevant agencies and coastal localities have failed to make concerted and timely collaboration. Public awareness of law compliance is low while communication work proved ineffective.

The PM agreed with suggestions and solutions made at the meeting and assigned tasks to each ministry and sector, underscoring that relevant forces must take more drastic actions to tackle IUU fishing.

3. Food processing firms map out plans to restore production

Food processing firms in HCM City have mapped out plans to gradually restore production when the city relaxes social distancing regulations in the near future, according to the Food and Foodstuff Association of HCM City.

The association noted that a recent shortage of some processed food products was an unavoidable situation because firms have faced difficulties acquiring raw materials and have had to deal with transport congestion.

HCM City and 19 other cities and provinces in the south have been strengthening social distancing to contain COVID-19.

The association said difficulties faced by enterprises affect entire supply chains, not just one stage, one division or one factory.

Social distancing restrictions have affected the harvesting of crops and disrupted the supply of raw

materials for food and food production from other cities and provinces to HCM City. Transportation and circulation of goods have also been affected.

The terminal manufacturers have had to reduce production capacity by at least 50 per cent because they have been operating the "3 on-site" model as prescribed by authorities.

"Any enterprise that can produce wants to run at full capacity, organise overtime work and try to keep prices stable," said Ly Kim Chi, the association's chairwoman.

Many enterprises, however, have been forced to cut production on several items to focus on key products with good revenue to maintain operations in the current situation. Some enterprises reduced product codes from above 100 to just more than 10 to optimise productivity and output as well as meet orders from distributors.

Bui Phuong Mai, chairwoman of VIFON, said although the company's output of its key products had increased many times compared to before, its total output fell by 50 per cent.

Last week, the company started to implement the "one road, two destinations" measure, which is expected to help the company to improve production capacity.

Chi said enterprises are currently developing scenarios to gradually restore production capacity when the city relaxes social distancing regulations in the coming time.

"In order to gradually increase the production rate, it is necessary to stop the three-on-site requirement, and all workers must be fully vaccinated against COVID-19. In addition, material supplies must be ensured."

If provinces and cities do not encourage farmers to grow new crops, then the possibility of not having enough input materials for food processing firms will be very high, and prices will surge.

She said better coordination is needed between ministries, localities, enterprises, agricultural production cooperatives and farmers in preparing for production recovery.

4. Export outlook depends on virus control

Viet Nam's exports may reach as high as US\$313 billion by the end of 2021, a 10.7 per cent increase year-on-year, only if the country manages to stop the spread of the novel coronavirus, according to a report by the Ministry of Industry and Trade.

According to the paper, the Southeast Asian economy's exports in August took a hit, dropping to \$53.7 billion, a 5.8 per cent fall from the previous month.

Major exports including agricultural products and minerals saw decreases while rice, one of the country's stronger exports, dropped significantly in both price (by 6.8 per cent) and quantity (by 14.8 per cent) year-on-year.

However, for the first eight months of 2021 Viet Nam posted strong number with a total export/import turnover of \$428.8 billion, a 27.2 per cent increase year-on-year thanks to steady and robust growth during the first half of the year.

The US continued to stay at the top as Viet Nam's largest export market, buying goods and services worth up to \$212.5 billion, followed by China, the EU, ASEAN, South Korea and Japan.

The country's most valued commodities including cellphones and parts at \$35.7 billion (13 per cent growth year-on-year), electronics and computers at \$31.3 billion (12.8 per cent), machinery at \$23 billion (49.9 per cent), textile products at \$21.2 billion (9.7 per cent), footwear at \$12.6 billion (16.2

per cent) and wood products at \$10.4 billion (41.9 per cent).

Imports have also been on the rise with the country's total imports at \$216.26 billion for the first eight months of 2021, or a 33.8 per cent increase year-on-year. However, as exports traditionally climb in the last quarter of the year due to stronger demand for consumer goods, the country's trade deficit is likely to shrink by year-end.

Deputy Minister of Industry and Trade Do Thang Hai said the fourth outbreak of the virus had hit most of the country's major industries and economic centres. Operations in factories and industrial zones that play important roles in the supply chain had been severely disrupted or even suspended.

"Demand in the global market has shown signs of recovery. However, whether Viet Nam will be able to meet that demand entirely depends on how well we manage the virus," he said.

The fourth virus outbreak has paralysed major industrial hubs across the country including HCM City and Ha Noi, Dong Nai, Binh Duong, Bac Ninh and Bac Giang. The outbreak has also triggered a large exodus of workers from big cities, which will likely result in a shortage of workers in the near future.

The ministry said it had been working side-by-side with businesses to work out how to find and

penetrate new markets, how to take advantage of numerous FTAs to which Viet Nam is a party..

5. State Bank agrees to extend debt rescheduling for six months

The State Bank of Viet Nam (SBV) has agreed to extend debt rescheduling for customers for a further six months.

In Circular 14/2021/TT-NHNN issued on Tuesday, the central bank allows financial institutions to reschedule debts incurred before August 1, 2020, instead of June 10, 2020; and debts with repayment obligations from January 23, 2020 to June 30, 2022, instead of December 31, 2020.

The new circular extends the repayment term for customers by another six months compared to Circular 03, until June 30, 2022.

In addition, the restructuring of overdue debts will also be extended from July 17, 2021 to before September 7, 2021.

The new regulation also allows credit institutions and foreign bank branches to decide the exemption or reduction of interest and fees according to their internal regulations for the debts incurred before August 1 with repayment obligation between January 23, 2020 and June 30, 2022 and for customers unable to repay debts due to the pandemic.

The central bank's move aims to alleviate difficulties for businesses hit hard by the COVID-19 pandemic, especially as the fourth wave of infections is causing severe impacts on economic activities and affecting the payment capacity of businesses and people.

According to SBV, the six-month extension of debt rescheduling is based on the vaccination roll-out and disease control plan of the Government.

The new circular took effect on Tuesday.

Earlier, many banks agreed to cut lending rates until the end of this year to support businesses. From the business side, they expected cheaper lending costs, as well as banks to extend their debt repayment terms as the pandemic severely affected their financial health.

Meanwhile, the Vietnam Banks Association had proposed extending debt rescheduling to "three months after the Prime Minister announces the end of the pandemic".

This suggestion would help SBV avoid amending their policies.

6. Authority warns about consumer lending amid pandemic

Concerned about a surge in consumer credit due to the COVID-19 pandemic, the department said consumers should be aware of current regulations on consumer lending to protect their interests and avoid undesirable consequences.

According to the department, consumer lending in Viet Nam is showing signs of becoming a new trend and strongly developing to meet the needs of people due to long-term difficulties caused by the pandemic.

Consumer credit is often used to describe an unsecured or collateralised loan to support financial resources to meet consumers' needs such

as housing, transportation, living facilities, study, travel and healthcare before they can afford it.

The credit helps to improve the financial access of the majority of people besides stimulating consumption demand and supporting economic growth.

According to economist Vu Dinh Anh, in the context of declining incomes due to the pandemic, consumer lending is an important factor to stimulate the increase in domestic aggregate demand through a rise in goods retail and consumption. There will be a large number of people who need this type of consumer finance to

enable them to meet necessary needs and stabilise their lives.

According to the department, compared with usury from unreliable sources, consumer loans from credit institutions will be a better and safer choice for consumers. However, it noted when having access to the credit, consumers need a written consumer loan contract, the form and minimum contents of which are specified in the State Bank of Vietnam's Circular 43/2016/TT-NHNN dated December 30, 2016.

When receiving a draft contract provided by a credit institution, consumers need to carefully read and study the entire contract before deciding to sign, especially provisions that may affect their rights such as loan term, interest rate and its determination time, interest calculation method,

cases of applying penalty interest, and other additional fees.

The department advised consumers to pay attention to provisions on debt payment extension and interest and fee calculation in this case, as well as fines for breach of contract.

Banking expert Can Van Luc said Viet Nam's consumer credit market had significant potential for development. Consumer loans are estimated to account for around 18-20 per cent of the total outstanding loans in the economy.

In the country, 16 finance companies are licensed to provide consumer lending with their total charter capital worth more than VND22 trillion (US\$948 million) as of the end of 2020.

7. Bamboo Airways to operate first demonstration flight on Viet Nam-US direct route in late September

FLC Group's Bamboo Airways will operate its first two-way demonstration flight on the Viet Nam-US direct route on September 23.

Under a certificate granted by the US' Transportation Security Administration to the airline, Bamboo Airways will conduct 12 two-way flights on the route between September and November this year.

The flights will take off and land in different airports of Viet Nam (Noi Bai International Airport in Ha Noi and Da Nang International Airport in Da Nang) and the US (San Francisco and Los Angeles airports in California, and Seattle-Tacoma airport in Washington).

The operation of the first demonstration flight is the first of a series of activities of Bamboo Airways in the US, including the signing of MoUs with San Francisco International Airport and Los Angeles International Airport, the opening of a representative office in the US, and working sessions with Boeing and US partners.

According to the airline, it has so far completed all important preparations to get ready to operate regular commercial flights connecting Viet Nam and the US from late 2021 or early 2022.

Earlier, Bamboo Airways officially entered into co-operation with the International Air Transport Association (IATA) to trial the IATA Travel Pass from the fourth quarter of 2021, laying a solid foundation for the airline's reopening of international routes.

IATA Travel Pass is a digital health wallet where passengers can upload and share their COVID-19 tests and vaccination certificates for travel. Health information is an essential factor for both governments and carriers to conduct safe flights during and after the pandemic. The IATA Travel Pass is considered a safer and more effective solution compared to current paper-based procedures, especially when it comes to a multitude of test and vaccination data needed to be secured.

Corporate News

8. HAG: HAG still in the supervision status

↓ -1.18%

Accordingly, on August 30, HoSE received Hoang Anh Gia Lai's semi-annual reviewed consolidated financial statement for 2021. Of which, profit after tax of the holding company's shareholders in the first six months of 2021 is VND18.21 billion (US\$800,661) and the undistributed profit after tax as of June 30 is negative VND7.37 trillion.

Besides the losses, auditors also noted that the company has an accumulated loss of nearly VND7.1 trillion in its consolidated financial statement.

In addition, as of June 30, the company violated a number of commitments under the loan contract. These conditions indicate the existence of uncertainties, raising doubts on Hoang Anh Gia Lai's working ability.

Therefore, HoSE continues to maintain its supervision over HAG shares and will consider the next course of action after receiving its audited consolidated financial statement in 2021.

Regarding the audit's exception, Hoang Anh Gia Lai explained that the company has planned for the next 12 months, including the expected cash

flow to be generated from a part of financial investments liquidation, debt collection from partners and cash flow generated from ongoing projects, at the date of its financial statements for the first half of 2021.

It is also in the process of working with the lenders on correcting the breached terms of the relevant loan agreements. Accordingly, the company can repay the debts when they become due and continue operating in the next accounting period.

Under these conditions, the company's Board of Directors prepares the interim financial statements on the basis of satisfying the ongoing concerns.

Moreover, Hoang Anh Gia Lai also approved collecting shareholders' opinions on the use of equity surplus to reduce accumulated losses with a total value of nearly VND3.3 trillion.

On the stock market, HAG shares traded lower at VND5,100 per share yesterday, down 1.93 per cent.

9. BSR: Warehouse out of space, Dung Quat Oil Refinery at risk of shutting down

↓ -3.28%

"If the south extends social distancing until October, the factory will probably have to stop operating. This is the second time the factory has had to reduce capacity in more than a month, running only at 80% capacity as now is the first time in history." said the leader of Dung Quat Oil Refinery.

From when it was running at 100-105% capacity at the beginning of August 2021, Dung Quat oil refinery (Binh Son Refinery and Petrochemical Company - BSR) had to reduce its capacity to 90%. The main reason is that in the south, there

are nearly 20 localities that have entered strict social distancing under Directive 16, causing gasoline consumption to decline too quickly and sharply.

From the Report of Oil and Gas Group (parent company of the BSR) at the meeting with the Ministry of Industry and Trade on Aug 3rd, when the factory had to lower capacity, BSR 's inventory consisted of 200,000m³ of petroleum products and 400,000m³ of crude oil. In addition, BSR must also utilize outside factory warehouses to store 25.000m³ of inventory and planned that in August, they would have to store at least about 100.000-120.000m³ more.

Not only is there no room to store finished goods, but even the main input material for the factory, crude oil, can no longer be stored with sufficient space. Faced with that situation, most recently, despite the high transportation costs, the factory had to reluctantly sell 1 million barrels of crude oil because it ran out of storage space. Not stopping there, the factory continues to plan to sell another 1 million barrels in the near future.

"We hope that by this September, the epidemic will be controlled, and the social distancing

measures will be gradually eased. If so, then we may have a chance to sell all of our current overflowing inventory. If the situation persists through to October, we may have to consider closing the factory. This has been reported to superiors that if the refinery were to close, it would cost us approximately 1,000 billion VND per month", a representative of BSR shared.

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