



VIETNAM DAILY NEWS



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Market Analysis

1. Shares finish higher as large-caps gain points

The market finished higher in the last trading session of the week as large-cap stocks gained points, while foreign investors net sold large values on both exchanges.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index climbed 0.49 per cent to 1,372.73 points.

It had rose 0.23 per cent, to close Thursday at 1,365.99 points.

The market breadth was negative as 187 stocks rose while 221 stocks fell.

During the session, local investors poured over VND18 trillion (US\$791 million) into the southern bourse, equivalent to a trading volume of more than 633 million shares.

“The slight rally in today’s session helped the market surpass 1,370 points,” said BIDV Securities Co.

“Declining market liquidity and negative market breadth implied cautious trading sentiment. Meanwhile, foreign investors were net sellers on both HoSE and HNX.

“With the cash flow weakening before the resistance area of 1,370-1,380 points, VN-Index may see a correction next week and continue to consolidate in the range of 1,350-1,380 points,” it said.

Foreign investors net sold VND130.76 billion on HOSE, including Hoa Phat Group (HPG) with

VND75.4 billion, Vinamilk (VNM) with VND56.5 billion, PAN Group (PAN) with VND32.3 billion. Foreign investors were net sellers on HNX with the value of VND4.47 billion.

The gains in pillar stocks were the main driving force for the market. The VN30-Index rose 0.94 per cent to close Friday’s trade at 1,476.54 points.

Twenty-four of the 30 biggest stocks in the VN30 basket inched higher on Friday while six stocks declined.

In the VN-30 basket, FPT Corporation (FPT) led the uptrend with an increase of over 4 per cent. Khang Dien House (KDH), Masan group (MSN), Phu Nhuan Jewelry (PNJ) and Sabeco (SAB) all gained over 2 per cent, meanwhile Phat Dat Real Estate (PDR), Techcombank (TCB), PetroVietnam Gas (GAS) and HDBank (HDB) all surpassed 1 per cent.

On the other side, losers included PV Power (POW), The Viet Nam Rubber Group (GVR), Bao Viet Holdings (BVH), Vincom Retail (VRE), Viet Nam National Petroleum Group (PLX) and Vinhomes (VHM).

On the Ha Noi Stock Exchange (HNX), the HNX-Index edged 0.41 per cent higher to 371.92 points.

During the session, nearly 94 million shares were traded on the northern bourse, worth nearly VND1.8 trillion.

Macro & Policies

2. Foreign businesses continue to see Viet Nam as a good investment location

While a number of foreign companies have moved part of their production or orders to other countries, many still see Viet Nam as a good location for investment in the long term.

Speaking at a virtual conference called ‘Invest in Vietnam. Wins and challenges.’ organised by Adamed and Davipharm last week, Nguyen Hai Minh, partner at Mazars and vice chairman of EuroCham, said, “In Viet Nam, FDI plays an important role, contributing a lot to the growth of the country, especially exports.”

There was a slowdown in foreign investment in the country due to COVID-19 this year, and some people were even concerned that foreign investors would not come or even move out of the country, he said.

“So Eurocham did a survey in August. It showed that 18 per cent of surveyed companies have already shifted part of their production to other countries and another 16 per cent are still considering.

“But we need to be very specific here to have a correct understanding of the situation. Companies actually are not moving factories or investment out of Viet Nam, but just part of their production and orders.

“We talked to many companies. [Many said] ‘COVID will not last long, we see Viet Nam is still a good location for investment.’ Many companies are even looking at Viet Nam as a hub for sales in the region.”

Michal Wieczorek, CEO of Davipharm, said he saw a great opportunity in Viet Nam’s pharmaceutical market.

Domestically produced drugs only met 47 per cent of demand, healthcare spending was expected to continue to grow, there was an ageing population with an increase in non-communicable diseases, and there was growth in the private hospital sector, he said.

Viet Nam’s pharmaceutical market would remain one of the fastest growing in the world, he said.

When in 2017 Adamed bought 70 per cent of shares in Davipharm, becoming the biggest direct Polish investor in Viet Nam, it had a crystal-clear strategy, he said.

Despite pandemic challenges, the company succeeded in achieving the EU-GMP certification for the drug manufacturing line in its factory in Binh Duong.

“With this EU-GMP certification, we are ready to achieve our other ambitious goals,” he said.

Challenges

Speakers at the event also talked about challenges that businesses had faced.

Minh said the business environment had improved a lot, especially in the last three or four years, though administrative procedures was still a big barrier, especially in terms of implementation of regulations at the provincial level where there were a lot of uncertainties in terms of implementing regulations.

Jean-Jacques Bouflet, former head of Trade Affairs in the EU Delegation to Viet Nam, said since last year foreign businesses had experienced many regulatory challenges.

Today, faced with the pandemic reality, the country should also find a solution to live with COVID -19 since having workers live on-site proved to be very difficult for companies to implement, he said.

“The global COVID situation has proved that it is possible to combine both health protection and economic activities. This is what we need in Viet Nam today: running an economy with welcoming institutional regulations for foreign investors, especially the pharmaceutical industry, which is so critical for protecting health.”

Wieczorek said, “If the Government creates an attractive and welcoming investment environment

for the pharmaceutical industry, I'm convinced that many more companies will follow in our footsteps.

"But we need incentives, not obstacles.

"Unquestionably, Viet Nam is going to stay on the list of top priorities for Adamed this year and in future."

3. Vietnamese currency forecast to strengthen against US dollar in 2021

Fitch Solutions have revised its 2021 average forecast for the Vietnamese dong to VND22,900 per US dollar from VND23,000 per US dollar previously and VND22,800 per US dollar from VND23,200 per US dollar in 2022 as the central bank tolerates a stronger dong over the short term.

The financial services provider also forecast the dong to average VND23,000 per US dollar in 2023.

Since July 2021, the Vietnamese dong has strengthened by 1.3 per cent against the US dollar and the unit has averaged VND23,930 per US dollar in the year-to-October.

"We expect the dong to stabilise around its existing stronger level following its appreciation since July 2021 against the greenback. We maintain our view that strong net inflows from trade and foreign direct investments (FDI) will continue to drive dong strength, but more importantly, the central bank appears to be favouring a stronger dong in order to curb imported inflation from high global commodity prices and international logistics costs," Fitch analysts said in a report released this week.

According to Fitch, the recovery in export earnings in the coming months should support the dong. Although trade will still suffer disruptions over the fourth quarter of this year due to some COVID-19 containment measures in place, measures by the Government to resume operations of factories

should still aid some recovery in activity in the final quarter during the peak business season.

"Fundamentally, trade volumes will continue to be supported by the EU-Viet Nam Free Trade Agreement and the UK-Viet Nam Free Trade Agreement. We forecast Viet Nam's current account surplus to reach 3.5 per cent of GDP in 2021, narrowing against 6.6 per cent in 2020."

Fitch believed that the dong trading stronger over Q3 2021 can be attributed to two factors. First, the SBV seeking to curb imported inflation arising from high global commodity prices, given the Government's goal to contain inflation below 4 per cent. Secondly, the SBV's agreement with the US on its currency practices so as to stave off punitive tariffs.

Fitch expect the dong to stabilise around VND22,750 per US dollar over 2022, which seems to be a level of comfort for the authorities balancing imported inflation and export competitiveness.

Even if the US dollar were to strengthen further under the scenario of an unexpected hawkish shift of the Federal Reserve, Fitch believe that the SBV has more than sufficient foreign reserves at US\$99.8 billion as of June 2021, equivalent to about four months of import cover, to curb volatility on the dong.

4. COVID-19 impacts Viet Nam's gas sector

The energy section has not been spared from the impact of COVID-19 restrictions, as demand for gas fell dramatically in the first eight months of this year, reports PetroVietnam.

The demand for gas for electricity generation is significantly lower than this time last year. The southeastern region of Viet Nam recorded only 87.5

per cent comparatively, and the southwest only 72.7 per cent.

The demand for gas has fallen since the end of April 2021, when the latest outbreak of the COVID-19 pandemic swept through Viet Nam. This has been especially felt in the southern cities and provinces

that have recorded the most cases, particularly in July and August.

It is thought that the COVID-19 pandemic will remain unpredictable for the rest of the year and that a return to normal work is unlikely.

Some agencies have predicted that Viet Nam's economic growth in the remaining months of the year will remain low compared to the start of the year.

Domestic power plants are now the main consumers of the gas industry, accounting for 80 per cent of gas output. The decline in demand gas has reduced the capacity of gas producers, which will, in turn, lead to a reduction in gas production in offshore oil and gas fields.

The impact of this will be a major loss of revenue for the state that is collected through environmental tax, corporate income, value-added and export taxes. Budget revenue will also fall due to the decrease in gas transportation activities.

Because of low demand, gas buyers are required to pay in advance with a large amount of cash. This in turn causes an impact on the cash balance of the buyers.

Low gas demand will also lead to a significant decrease in budget revenues for cities and provinces against last year. The southern Ba Ria-Vung Tau province alone is expected to see a decline of VND435 billion in its budget revenue. This will be mirrored across other towns and cities.

Forecasts speculate that demand for electricity production will continue to decline in 2022. Gas for power production in the southeast region is forecast at a maximum of 2.8 billion m³, while gas input will drop to 755 million m³ in the southwest region. This will cause a strong decline in tax revenue in these cities and provinces next year.

This fall in demand is reflected in the low load demand across the electricity market. The power industry is facing an excess power problem, as businesses minimise or halt their production activities amid the COVID-19 pandemic.

Ironically, this issue is antagonised further by the number of renewable energy projects that have recently been put into operation, increasing supply to the national grid.

Currently, electricity prices offered by renewable energy plants are much higher than from gas-fired power plants. According to industry insiders, the decline in gas mobilisation and the introduction of new, renewable sources has led to higher electricity prices.

National energy security

Natural gas is considered a clean source of energy for electricity production with low greenhouse gas emissions. Using gas for the country's power production does help minimise the negative impacts on the environment.

The fall in demand for energy has harmed domestic oil and gas exploration and exploitation, especially in deep water and offshore areas. Failure to make full use of the country's natural resources will negatively affect foreign investment into liquefied natural gas (LNG) projects, which are important in addressing the growing energy demand on the national power grid.

The rapid decline in gas mobilisation for power generation has made impacted imports of LNG, following Decision No. 2233/QD-TTg dated December 28, 2020, in which the Prime Minister approved a plan to develop a competitive energy market by 2030.

In the short term, this impacts investment and construction of LNG projects to meet national energy demands. At the same time, as restrictions are relaxed, energy demand will increase, leading to a shortage of energy supplies. Infrastructure constraints will also limit LNG imports.

Viet Nam has a favourable geographical location and convenient LNG transportation route including many deep-water ports and existing gas infrastructure systems that can be used. Developing the LNG sector is an inevitable trend for Viet Nam to diversify fuel sources for electricity generation and contributing to ensuring energy security for Viet Nam.

5. More than 50% of companies manage to keep employees, ensuring their wages during COVID-19 outbreak: report

More than half the companies in information technology, finance- banking-insurance and import-export have not laid off employees or cut salaries or benefits during the prolonged pandemic, according to a report by recruitment company VietnamWorks.

According to the report, when the outbreak is controlled, 50 per cent of enterprises plan to recruit new and inexperienced employees since they still need to meet overheads after many months without any business.

But with society and the economy gradually entering a new normal, workers too are likely to have new requirements, the report warned.

They might not only look for attractive salaries or benefits but also consider the working mode and operating model of the employer, and so businesses need to come up with new strategies to attract talent, it said.

'COVID-19 and The Labour Market in 2021: Situations and Solutions' collected data from 400 enterprises and 1200 job seekers in August, which showed 49.9 per cent either sacked workers or cut wages.

Some 11.6 per cent continued to hire.

But 3 per cent stopped operating temporarily, 7.3 per cent laid off employees but did not cut salaries or benefits and 9.4 per cent chose to both lay off employees and cut salaries.

Businesses in the food, hotel, tourism, education, construction, and architecture sectors were severely affected, leading to a high number of lay-offs and huge cut in salaries and benefits.

Employees in the administration/secretarial, sales and customer service departments were the first to be sacked.

Huge worker demand in HCM City

According to the Youth Employment Service Centre of HCM City, many companies in commercial services, delivery, accounting, banking, and IT need a large number of workers now.

The centre is carrying out a programme to help unemployed workers find jobs, rent cheap rooms and get free COVID tests.

It is also working with authorities in Ninh Thuan, Soc Trang, Dong Thap, Ben Tre, and Binh Duong provinces to help people there find jobs in HCM City.

The Employment Service Centre under the city Department of Labour, Invalids, and Social Affairs is co-operating with labour agencies in districts to organise online job fairs to bring enterprises and workers together.

A report by the HCM City Centre for Forecasting Manpower Needs and Labour Market Information shows city businesses will need 44,000-57,000 workers in the year's last quarter.

The centre said this is the time when businesses increase production to meet the surging demand during the Lunar New Year (Tet) holidays in the early part of the new year.

It added that demand for labour is high in trade-commerce, IT, customer care, tourism, hotels and restaurants, electricity, food, and construction.

6. Pandemic spurs digital banking transformation, helps create new services

The pandemic has forced the banking sector to speed up digitalisation and contactless banking, said Nguyen Quoc Hung, general secretary of the Vietnam Banks Association during an online

conference on the digitalisation of banking and finance in Viet Nam on Thursday.

Hung said the pandemic, especially the fourth outbreak of the virus in Viet Nam, has encouraged banks to introduce additional online services as well as customers to make full use of them.

Banking expert Nguyen Tri Hieu said the sector's digitalisation has been boosted with the rising popularity of mobile devices, the Internet and social media platforms. Those were all contributing factors for the proliferation of new banking services including digital wallets and mobile money.

Notably, mobile money has been said to be a viable solution for isolated and remote areas, where up to 40 per cent of the local population still had difficulties accessing regular banking services.

Pham Quang Minh, director-general of Mambu Viet Nam – a cloud-native banking platform that operates in a Software-as-a-Service model which enables banks and financial institutions to build new banking and lending experiences in the cloud – said digital technologies allowed banks to provide customers with products with high added value, better customer experience and more secure banking while at the same time cut operating costs.

Minh said digitalisation has become part of the sector's business strategy, in which banks must continue to create new ecosystems and work together with fintech firms to deliver better customer experiences.

Bui Dinh Giap, CEO of akaBot under FPT Software, said digitalisation could help banks improve productivity by allowing their workers to spend less

time on non-productive tasks and more on value-creating tasks.

A recent Mastercard study showed the pandemic has been a catalyst for change in the way consumers spend money and pay for goods and services.

The study said 60-70 per cent of Southeast Asian consumers have shown reduced use of cash while 75 per cent asked said they would continue using contactless payment post-pandemic and as much as 91 per cent asked said they, at one point, used contactless payment during the pandemic in respect to social distancing rules and safety.

"This trend toward digital payment is happening across the region, according to our new payments index. At least 94 per cent of people in the Asia Pacific now consider using at least one emerging payment method," said Winne Wong, Mastercard Country Manager for Viet Nam, Cambodia and Laos.

Real processes have been seen in Viet Nam with more businesses and consumers using contactless payment or making the switch from cash-based transactions to contactless payment during the pandemic.

"For a population that preferred cash and cards predominantly, the pandemic really prompted the acceptance of cashless at an unprecedented pace, as from what I observed, Vietnamese people are more likely to ask if the money could be transferred, moving away from the traditional cash reliance mindset," Wong said.

7. Geographical indication of Binh Thuan dragon fruit protected in Japan

The Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) has granted a Geographical Indication (GI) certification for dragon fruit grown in the south central province of Binh Thuan of Viet Nam after three years the Binh Thuan Dragon Fruit Association had submitted the application for the status in Japan.

The protected status is hoped to be a "passport" for the trademark "Binh Thuan dragon fruit" to make inroads into the Japanese market, and at the same time affirms the prestige of the product.

It is also expected to offer new opportunities to Binh Thuan to promote export of dragon fruit to other markets, especially choosy markets such as Europe, the Republic of Korea, and New Zealand.

Dinh Huu Phi, general director of the National Office of Intellectual Property under the Ministry of Science and Technology, emphasised that the GI certification for Binh Thuan dragon fruit has contributed to increasing the value, competitiveness and export advantage for Vietnamese products.

According to Phi, the GI certification allows Binh Thuan's dragon fruit to gain a stronger foothold in the Japanese market. This is also an important milestone, paving the way for the promotion of applying for the protected status for Viet Nam's other agricultural products in this fastidious market.

Binh Thuan is among the provinces producing the most dragon fruit in Viet Nam with an annual output of nearly 700,000 tonnes.

Earlier, Thieu lychee grown in Luc Ngan District in the northern province of Bac Giang was granted a GI certificate from the MAFF.

Corporate News

8. HPG: Hoa Phat Group becomes the 15th largest steel company in the world

↑ 0.18%

Hoa Phat Group (HPG) ranked 15th in the world's top 30 largest steel companies on Wednesday, with a market capitalization of US\$11 billion, according to British data firm Refinitiv Eikon (formerly Thomson Reuters Data).

With a crude steel capacity of 8 million tonnes a year, Hoa Phat Group is the largest steel producer in Southeast Asia.

The group has a charter capital of VND44.7 trillion, the fourth largest among enterprises listed on the Viet Nam Stock Exchange. HPG shares hit a new high at the close of trade on October 6, at

VND56,100 per share. With a total of 4.4 billion shares outstanding, HPG's market capitalisation reached VND250 trillion (\$11 billion).

In the first 9 months of the year, Hoa Phat achieved a crude steel output of 6.1 million tonnes, up 50 per cent on the same period last year. Steel sales volume reached 6.3 million tonnes, a 43 per cent year-on-year increase, of which construction steel was 2.8 million tonnes, up 12 per cent over the same period last year. Hot-rolled coil output reached nearly 2 million tonnes. The group's sheet steel output was recorded as 273,000 tonnes, 2.6 times higher than the same period last year.

9. BID: BIDV and AFD enhance co-operation

↑ 0.13%

BIDV and Agence Française de Développement (AFD) on Friday in Ha Noi held a working session to strengthen co-operation in the implementation of AFD projects in Viet Nam.

They specifically focused on the implementation of the SUNREF green credit line to support businesses investing in the field of environmental protection, climate change response and green growth.

Since 2017, AFD and BIDV have successfully implemented a SUNREF green credit line worth US\$100 million. This is the first financing AFD has granted to a commercial bank in Viet Nam in the form of a direct concessional loan without government guarantee. It is considered one of the AFD's fastest implemented projects in the world.

In addition, AFD also selected BIDV as the bank to serve many projects such as the Ialy Hydropower Plant extension project worth EUR74.7 million; Se San 4 Solar Power Plant project worth EUR24.2 million,

With no added flooded area, the Ialy hydropower plant extension project aims to take advantage of water overflows to increase electricity production,

but more importantly to improve peak load supply and the electricity system stability, reinforcing its availability to integrate more renewable energy.

At the working session, Fabrice Richey, former director of AFD Viet Nam said that BIDV is a bank with extensive experience and reputation in managing foreign entrusted capital sources and providing comprehensive and modern banking products and services to customers. Over the years, BIDV has always been trusted and chosen by AFD as a re-lending bank, serving AFD's capital sources in Viet Nam.

Herve Conan, director of AFD Viet Nam said in the future, the AFD team would be ready to support and further extend the achievements of BIDV and AFD.

The two sides also agreed to strengthen capabilities and expand co-operation contents in the next five years on the basis of results achieved in the past period.

Tran Long, BIDV's deputy general director said: "AFD's financing to Viet Nam have supported BIDV's customers to get preferential medium and

long-term loans, access to international standards on sustainable development for project implementation.

"BIDV hopes that the long-term and close co-operation relationship between AFD and BIDV will continue to be promoted in the coming period."

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