



VIETNAM DAILY NEWS



October 25th, 2021

Table of content

Table of content

- 1. Shares gain on bottom purchases**
- 2. VN's electronics industry continues to grow despite COVID-19**
- 3. Cashless payments surge in 9 months**
- 4. HCM City food providers bounce back from COVID-19, ensure food supply**
- 5. Mekong Delta province green-lights clutch of major projects**
- 6. Real estate industry has a hard time getting back on its feet post-COVID**
- 7. Loose monetary policy: is it truly needed?**
- 8. HPG: Hoa Phat's profit tops VND10 trillion in Q3/2021**
- 9. VIB: VIB's profit increases 32 per cent in Jan-Sep**

Market Analysis

1. Shares gain on bottom purchases

Vietnamese shares recovered on Friday as the sharp fall from the previous sessions sent stocks down to attractive prices, thus triggering investors to buy in low.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) gained 0.32 per cent, to finish Friday at 1,389.24 points.

It had lost 0.65 per cent to close Thursday at 1,384.77 points.

The market breadth was neutral as 216 stocks declined while 217 rose and 51 ended flat.

The market's liquidity was high with nearly 798 million shares traded on the southern market, worth VND21.6 trillion (US\$949 million).

The 30 biggest stocks tracker, VN30-Index, lost 0.04 per cent to finish at 1,488.71 points.

Of the VN30 basket, 15 stocks increased while 13 decreased.

In the VN-30 group, The Viet Nam Rubber Group (GVR) and Sabeco (SAB) gained more than 3 per cent. Phat Dat Real estate (PDR) posted an increase of over 2 per cent, Vinamilk (VNM), Khang Dien House (KDH), Novaland (NVL) and Phu Nhuan Jewellery (PNJ) all surpassed 1 per cent.

Real estate stocks were strong supporters of the market. Many stocks hit the daily limit gain of 7 per cent, such as Song Da 1.01 Joint Stock Company

(SJC), Ha Tay Trading Joint Stock Company (HTT), PVC Petro Capital & Infrastructure Investment JSC (PTL), Sai Gon Thuong Tin Real Estate JSC (SCR), Licogi 16 Joint Stock Company (LCG), VRC Real Estate and Investment JSC (VRC) and Thu Duc Housing Development Corporation (TDH).

Nam Long Group (NLG), HDL Commercial and Investment JSC (HLD) gained more than 6 per cent. An Gia Real Estate Investment and Development Corporation (AGG), COMA 18 Joint Stock Company (CIG) and Louis Land JSC (BII) all gained more than 5 per cent.

On a sector basis, 15 out of 25 sector indices on the market gained ground, including real estate, insurance, retail, oil and gas, agriculture, rubber production, food and beverage, seafood processing and construction.

On the other side, losers were wholesale, securities, information and technology, healthcare, banking and logistics.

Meanwhile, on the Ha Noi Stock Exchange (HNX), the HNX-Index rose 0.71 per cent to close at 391.21 points.

The northern market index had gained 0.04 per cent to close Thursday at 388.45 points.

During the session, nearly 152 million shares were traded on HNX, worth VND2.9 trillion.

Macro & Policies

2. VN's electronics industry continues to grow despite COVID-19

Viet Nam's electronics industry, an increasingly important sector of the country's economy, continues to grow despite the negative impact of the COVID-19 pandemic, according to the Ministry of Industry and Trade (MoIT).

Amid the pandemic, the sector brought home US\$77.58 billion over the past nine months of 2021, statistics from the General Department of Customs showed.

Of this, the export of handsets and components contributed \$41.02 billion, up 11.5 per cent year-on-year. Among major export markets were China with a turnover of \$9.8 billion, up 52 per cent, the US with a value of \$7.09 billion, up 1.1 per cent and the EU with \$5.56 billion, down 18 per cent.

Meanwhile, the export value of electronics, computers and components topped \$36.56 billion, surging 13.6 per cent over the same period of last year with \$9.3 billion from exports to the US, up 26.5 per cent; \$7.8 billion from China, down 6.2 per cent and \$4.63 billion from the EU, up 7 per cent.

As these positive nine-month figures show, the electronics industry was well on track to earn the country between \$97 billion and \$100 billion by the end of this year, compared to a turnover of \$91.98 billion in 2020, Do Thi Thuy Huong, Executive Board Member of Vietnam Electronics Industries Association (VEIA) told Viet Nam News.

Huong said the electronics industry posted the highest import-export turnover in the past 10 years. It also took the lead in export turnover among processing and manufacturing industries and accounts for 30-40 per cent of national GDP in the period.

Despite the challenges brought by the COVID-19 pandemic, the industry still showed positive signs over the nine-month period, Huong said.

She attributed the industry's export turnover growth in the period to an increase in demand for communication products used for distance working

and learning such as mobile phones, computers, TVs and devices.

A number of companies that produced computer and electronics products in other countries were forced to close down due to the impacts of the virus. That led to local manufacturers winning more contracts, she said.

However, it could not be denied that the fourth wave of COVID-19 had impacted electronics companies, especially those in the south and two northern provinces of Bac Giang and Bac Ninh, Huong told Viet Nam News.

She said her association would continue to support electronics enterprises in both ensuring COVID-19 prevention and resuming their business operation.

Earlier in August, electronics businesses had sent eight recommendations to Prime Minister Pham Minh Chinh. They emphasised the importance of vaccinating employees of electronics enterprises as soon as possible.

Businesses petitioned the State to allow them to proactively draw up solutions to ensure safe production during the pandemic and then register to these solutions with local authorities, instead of rigidly applying "three-on-the-spot" and "one road two places" models.

They also suggested the Government direct local governments and health departments to unify medical guidelines on pandemic prevention. That would help promptly separate F0 cases from businesses so that they could continue their production activities.

Meanwhile, the firms also petitioned a 50 per cent reduction for all types of tax such as value-added tax, corporate income tax, import tax and personal income for employees, and a tax payment extension of between six to 12 months.

It has also been suggested that land rental fees, a burden on businesses, be slashed by 50 per cent with the payment period extended by 12 months.

In its report, Fitch Solutions predicted that Viet Nam’s consumer electronics industry would accelerate in 2021 on the back of a recovery in consumer sentiment that occurs with the rollout of COVID-19 vaccines.

The industry will continue to grow through a combination of purchasing power and demographic and economic modernisation that gave Viet Nam a strong regional outlook, with vendors set to tap into an expanding middle class and flow of first-time buyers.

3. Cashless payments surge in 9 months

Cashless payments in Viet Nam have continued to record a high growth rate this year, according to a recent Government report.

continuously updated new security technologies, fraud in payments is still increasing.

Specifically, online payments in the first nine months of this year reached 435.25 million transactions with a value of VND22.78 quadrillion, up 54.1 per cent in quantity and 30.7 per cent in value compared to the same period in 2020.

To minimise fraud, commercial banks have to simultaneously issue many warnings to customers. Most recently, Viet Nam Prosperity Commercial Joint Stock Bank (VPBank) and Commercial Joint Stock Bank for Foreign Trade of Viet Nam (Vietcombank) have given warnings to users to not access links of forums or websites impersonating the bank. At the same time, customers should not provide account security information, digital banking or card details, or any other information to these websites.

During the period, more than 1.19 trillion transactions worth more than VND13.5 quadrillion were made via mobile phone, up 74.98 per cent in quantity and 93.69 per cent in value.

Representatives of banks said relevant parties need to enhance coordination to ensure payment security and safety.

According to the report, non-cash payments for public services in Viet Nam have witnessed strong changes with significantly improvements seen both in quantity and quality.

To further promote cashless payments in Viet Nam, experts said the most important thing is to change people's consumption habits through financial education programmes as a pillar in implementing a comprehensive financial development strategy.

Currently, more than 90 per cent of tax payment transactions of enterprises in centrally-run provinces and cities are made through banks while local people nationwide can pay electricity bills through banks.

The Government also needs to complete the legal corridor for the digital economy and government, including digital finance.

Some 42 per cent of medical facilities have implemented non-cash payments for medical services and 39 per cent of pensions, social insurance and unemployment benefits nationwide are paid through personal accounts.

The Government also needs to develop an open banking system with stronger cooperation among commercial banks, Fintech and payment intermediaries.

However, the report also noted in addition to the surge of non-cash payments, payment fraud also become more common across the country in recent years.

Dao Minh Tuan, chairman of the Viet Nam Card Association, also admitted though banks have

4. HCM City food providers bounce back from COVID-19, ensure food supply

Food manufacturers and distributors in HCM City are focusing on resuming production and ensuring stable food supply after a long period of strict COVID-19 preventive measures hindering their operations.

According to the HCM City Food and Foodstuff Association, its business members have been keeping prices stable, following the city's instruction.

They are also working closely with local authorities to ensure safety at the workplace.

Most of the key businesses in the association were able to resume production almost immediately after the city's reopening in early October.

Manufacturers of instant noodle products can now reach up to 80 per cent of their usual capacity, while certain farm produce processing facilities are able to reach full capacity.

Distribution businesses in the city are also preparing to supply the market with essential goods for the remaining months of the year.

Saigon Co.op, for example, is working with its suppliers to stock up on rice, frozen foodstuff and other food products, and is buying large quantities of fresh vegetables from co-operative groups in southern provinces.

It said it would ensure sufficient supply of foodstuff for the next six months.

However, many businesses are still facing problems such as lack of manpower and difficulties buying ingredients due to rules related to custom procedures and transportation amid the ongoing pandemic.

They are asking permission to extend their staff's working hours to meet delivery demands.

Ly Kim Chi, chairman of the association, said that businesses would like the city to issue more long-term policies and guidelines to help businesses adapt to the city's new normal and be more proactive, such as instructions in dealing with positive COVID-19 cases among staff.

Wide-scale lockdowns and needless testing should not be enforced, she said.

Businesses are also asking for financial assistance such as tax and land rent reduction, as well as more favourable prices for testing kits.

This month, many businesses in HCM City have resumed operation but they have had to adhere to the city's strict COVID-19 safety regulations, such as frequent staff testing and ensuring social distancing and staff vaccinations.

5. Mekong Delta province green-lights clutch of major projects

The Cuu Long (Mekong) Delta province of Hau Giang has approved changes to a project to build petroleum ports and warehouses in Chau Thanh District's Mai Dam Town.

The 13.2-hectare project will also have a condensate processing plant with a yearly capacity of 300,000 tonnes, a bio-gasoline processing plant with a capacity of 100,000 tonnes, a lubricants manufacturing plant with a capacity of 4,900 tonnes, and a liquefied natural gas plant with a capacity of 4,900 tonnes.

The Nam Song Hau Trading Investing Petroleum JSC (NSH Petro) is the developer of the four-phase project expected to cost a total of VND600 billion (US\$26.37 million).

Headquartered in Hau Giang province, NSH Petro has interests in import-export and trading of petroleum, petrochemicals, LPG, investment, real estate, design and construction, aquaculture, tourism, restaurants and hotels.

The province People's Committee has also given approval to Hai Duong Province-based Nam Quang Investment and Development Infrastructure JSC to invest in the My Long 1 new urban project in Thuan An District's Long My Town.

The 14.4-hectare, VND206 billion (\$9.05 million) project will be completed in two years.

Changes to the Nga Bay urban project have also received approval.

The 21,200-sq.m project to be developed at a cost of more than VND404 billion (\$17.76 million) will include a three-star hotel, commercial buildings, parks, and parking lots.

6. Real estate industry has a hard time getting back on its feet post-COVID

Real estate businesses in HCM City are gingerly reopening, mostly consulting and carrying out transactions online due to the COVID-19 prevention and control regulations still in force.

Tran Trong Tien, general director of a real estate brokerage in Binh Thanh District, said his company resumed operations at the beginning of October but is only allowed to have 30 per cent of employees in office.

"Our main projects are in Phu Quoc Island and some other localities, but ... we cannot take visitors to show them the projects, and most consultations are online."

Pham Lam, chairman of real estate services firm DKRA Vietnam, said most businesses in the industry had resumed operations, but were effecting few transactions since customers were hesitant to buy when they could not personally see the products.

Most were opting to wait until they see them.

Nguyen Huong, general director of Dai Phuc Land Real Estate Joint Stock Company, said the COVID-19 pandemic caused great difficulty for real estate businesses: all their previous plans had been binned and most faced cash flow pressures.

Banks cut lending to real estate business in the first half of this year, and this is likely to continue.

LienVietPostBank's financial statements show that loans outstanding to the real estate sector fell in the first 6 months of this year by 52 per cent to VND1.67 trillion (US\$72.6 million), or only 0.87 per cent of total loans.

At VPBank, the figure fell by 12 per cent to VND32.4,42 trillion.

The chairman of the HCM City Real Estate Association, Le Hoang Chau, wants the central bank to instruct lenders to reduce loan interest rates by 2 percentage points, extend payment terms and roll over loans and not turn them into bad debts to enable the industry to recover.

7. Loose monetary policy: is it truly needed?

British lender Standard Chartered Bank has cut its forecast for Viet Nam's GDP growth this year to 4.7 per cent from its previous 6.5 per cent.

The Asian Development Bank has lowered its forecast from 6.7 per cent to 5.8 per cent.

The Viet Nam Institute for Economic and Policy Research expects only 4.5-5.1 per cent growth now, 1.2-1.5 percentage points lower than its earlier expectation.

Viet Nam is experiencing great hardship due to the prolonged COVID-19 pandemic that has hit most sectors of the economy.

In the first nine months of the year, the number of businesses that wound up permanently was 90,300, up 15.3 per cent from the same period in 2020, according to a report on the socio-economic situation in September by the General Statistics Office.

Only 3,899 new enterprises were incorporated in September, down 32.3 per cent from the previous month and 62.2 per cent from a year earlier.

Banks' difficulties

Most enterprises expect stronger support from banks in the form of low interest rate loans to revive their business activities after suffering heavy losses caused by COVID-19.

They urged the central bank to use monetary policies to cut lending interest rates.

Several commercial banks said supporting enterprises is their responsibility because of their symbiotic relationship, but they have their own difficulties too.

Phan Dinh Tue, deputy director of Sacombank, told Dau Tu & Chung Khoan (Investment & Securities) that a 1 percentage point cut in interest rates on outstanding loans for five or six months would decrease profits by over VND1 trillion or 40 per cent, and shareholders would not countenance this.

A senior official at the State Bank of Viet Nam (SBV) said due to the pandemic the banking sector's bad debts ratio has been rising. It went up from 1.59 per cent at the close of last year to 1.78 per cent by April-end, and is expected to reach 4-4.5 per cent by the end of this year.

Nevertheless, economists have called for loosening monetary policy in addition to other measures to support the economy and prepare for a recovery by businesses once the pandemic is controlled.

The resultant increase in the supply of money will typically lower interest rates, generate more investment and generally act as a stimulus.

Analysts at SSI Securities Company said there is little inflationary pressure, which is an important condition for loosening monetary policy.

The consumer price index (CPI) only increased by 1.82 per cent year-on-year in the first nine months of 2021, the lowest rate since 2016, while inflation for the year is only 0.88 per cent.

The analysts do not expect inflation to be a threat this year since consumer demand is still weak, and

could possibly top out at 3 per cent for the year, well below the Government's target.

But Ministry of Finance officials said inflation is expected to increase by 1 per cent a month on average and end up at around 4 per cent by year-end.

Economists suggested lowering banks' reserve requirement ratio, or the proportion of deposits that credit institutions must keep with the SBV to mitigate risks, from the current 3 per cent. This elicited diverse opinions, however.

Its proponents, which included the director of a foreign bank, said this would help infuse more cash into economic activities, enabling faster recovery.

The director said lowering the reserve is a tool used by many central banks.

The 3 per cent ratio might appear to be low, but it represents an enormous sum of money, and reducing it even a little would improve banks' liquidity significantly, enabling them to lend at reasonable interest rates, he said.

Dr Nguyen Tri Hieu, a respected banking and finance expert, told Dau tu & Chung khoan (Investment & Securities) that he too supported the idea of cutting the reserve requirement, and in fact suggested a dramatic 2 per cent cut.

He admitted however that a 1 per cent reserve rate would leave the central bank with very little wriggle room for regulating money supply, adding it, therefore, needs careful consideration.

Not in agreement

But other experts rejected the reserve rate cut proposal, saying it is too risky since the reserve is the ultimate weapon for the SBV to manage solvency and reduce risks.

The current ratio of 3 per cent is already low compared to many other countries, they pointed out.

A banking sector insider, who asked not to be identified, also dismissed the need for a cut, saying the market liquidity is already very high.

The inter-bank interest rate is very low at less than 1 per cent yet no banks are borrowing, indicating the high liquidity, he said.

A BIDV executive said dong liquidity had improved significantly in the third quarter after banks earned VND130-140 trillion (US\$5.7-6.9 billion) from foreign exchange trading in the previous six months.

Another reason for the liquidity is the sharp slowdown in credit growth in recent months due to the central bank's strict instructions to reduce lending to risky sectors and the impacts of the pandemic.

But deposit mobilisation has remained high, growing at 3-4 per cent in the case of deposits of less six months and 5 per cent in the case of six to 12 months.

In addition, the interest rate of government bonds with two-year term is just 0.7 per cent per month, lower than the interest rate of non-term deposits.

Inter-bank interest rates have also been on a downward trend, with overnight rates averaging 0.6-0.8 per cent.

With such favourable conditions, lenders are quite able to offer loans at low interest rates to support enterprises without the need for loosening monetary policy.

Dr Can Van Luc, a member of the National Financial and Monetary Policy Consultation Council, said while lowering the reserve requirement does offer benefits, it is a relatively sensitive tool that could have unintended impacts on the market.

The central bank could instead use other tools like open market operations (OMO) and refinancing to support the market, he added.

Economist Dr Le Xuan Nghia said the central bank has many ways to increase money supply and does not need to reduce the reserve requirement ratio.

He said to increase money supply the central bank could use OMO, which involves buying bonds from banks to inject cash into the system.

The SSI analysts said to cushion the impacts of COVID-19 and foster a quick recovery the central bank is likely to continue with Circular No 03/2021/TT-MHNN with some adjustments, which allows financial institutions to roll over and reschedule debt repayments to help customers affected by the pandemic.

It also allows banks and other financial institutions to not classify overdue debts from borrowers affected by COVID-19 as non-performing for a further six months, and delay the roadmap for reducing the cap on the use of short-term deposits for medium- and long-term loans.

Corporate News

8. HPG: Hoa Phat's profit tops VND10 trillion in Q3/2021

↓ -0.87%

Hoa Phat Group (HPG) posted an after-tax profit of VND10.35 trillion (US\$454.92 million) in the third quarter of this year, 2.7 times higher than the same period last year.

This is the highest ever quarterly profit for Viet Nam's leading manufacturing group.

Operating in 25 provinces and cities nationwide, HPG contributed VND8.1 trillion to the State budget in the first nine months of 2021, 11 per cent higher than their yearly contribution in 2020.

This year, HPG set an annual revenue target of VND120 trillion and an after-tax profit of VND18 trillion. The group also aims to become the leading

name in the refrigeration and home appliance industry in Viet Nam, while enhancing exports.

After restructuring, HPG currently operates in five sectors, namely iron and steel, steel products, agriculture, real estate and home appliances.

With a crude-steel capacity of eight million tonnes per year, HPG is the largest steel producer in Southeast Asia. The group is also one of the top 15 steel producers worldwide.

HPG entered the “one-trillion-dong profit club” for January-March, despite the economic hardships caused by the COVID-19 pandemic.

9. VIB: VIB's profit increases 32 per cent in Jan-Sep

↑ 0.00%

The Vietnam International Bank (VIB) posted a growth rate of 32 per cent in both total operating income and pre-tax profit in January-September at VND10.3 trillion (US\$442 million) and VND5.3 trillion (\$228 million) respectively, following its business results announced on Friday.

During the period, the bank maintained its leading position in the industry in terms of operational efficiency with return on equity (ROE) reaching over 29 per cent, the main driving force came from the retail segment and digital channels.

As of September 30, VIB's total assets hit over VND285 trillion, surging 16 per cent compared to the beginning of the year. Of which, outstanding credit balance reached VND190 trillion, up 11 per cent, deposits from customers topped more than VND170 trillion, up 13 per cent while current account and saving account (CASA) saw impressive growth of nearly 20 per cent.

Over the nine months, VIB's retail segment continuously contributes over 85 per cent of the

bank's loan portfolio, maintaining its position as the bank with the best retail ratio on the market.

As per the business results, the bank's capital adequacy ratio (CAR) under Basel II was managed optimally at 10.6 per cent, the loan-to-deposit ratio (LDR) was 73 per cent. Operating expenses in the third quarter were comparable to the second quarter of 2021, with the cost-to-income ratio (CIR) maintained at 39 per cent.

In the third quarter of 2021, VIB actively supported its customers to overcome the impact of the pandemic with various policies such as reducing loan interest rates, reducing transaction fees and supporting loan structure. Besides the direct interest and fee reduction packages, VIB continued to support the interest payment structure in the following quarters to help stabilise the actual cash flow of each customer.

Although this temporarily affected the Q3 business results, VIB said that this was a reasonable and timely policy that showed its commitment to support valued customers over the years. VIB's

proactive and well-timed support helped its customers adapt to the 'new normal' situation.

The majority of the supported and structured customers had a repayment plan earlier than the support plan, so it was expected to have a very positive impact on the bank's Q4 business results.

Pioneering in applying IFRS to increase shareholder value, attract foreign investors

On 30 June 2021, VIB became one of the first two banks in Viet Nam to complete the audit report following the International Financial Reporting Standards (IFRS) for 2020.

According to 2020 audited IFRS financial statement results, VIB's equity was assessed to increase by more than VND1 trillion compared to VAS standards application.

By pioneering in applying international standards Basel II, Basel III, IFRS, VIB is highly appreciated by domestic, foreign investors, and financial institutions for its transparency. They also express their interest in the bank's issuance, capital, bonds, and capital mobilisation activities.

Breakthrough in speed, leading in product and service quality through extensive digitalisation

As one of the leading digital banks and the digital customer experience in Viet Nam over the years, VIB has focused on applying high technology such as Big Data, AI and cloud computing into its transactions, bringing outstanding digital customer service to users.

Users can easily open payment and saving accounts, transfer money, spending management and other banking services with a few clicks on our app. Especially, VIB is the pioneering bank in applying 100 per cent digital card opening process for all credit cards available on VIB website.

September 2021 marked an important milestone in VIB's digital transformation journey. The bank teamed up with Microsoft through a strategic collaboration agreement to deploy the multi-cloud computing platform and became one of the first banks in Viet Nam to develop a multi-cloud strategy.

This was a crucial stage in applying outstanding technology from the world's leading technology partner into financial products and services and to improve the Vietnamese customer experience for the banking industry and for VIB as well.

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

Disclaimer:

Copyright 2015 Japan Securities Co., Ltd (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

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 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn