



VIETNAM DAILY NEWS



October 7th, 2021

Table of content

Table of content

1. **Market rises for third day in a row**
2. **State to divest from six major enterprises, raking in \$600-800 million in Q1 2022**
3. **When higher prices do not translate to better profits**
4. **Lefaso rejects rumours on Nike's moving production out of Viet Nam**
5. **Retail sales to increase 3-4% by the year-end, says MoIT**
6. **Govt' to consider zero-interest loans for all airlines**
7. **Dong Nai Province factories reopen but face labour shortage**
8. **POW: PVPower signs a US\$1.4 billion deal for natural gas power project**
9. **STB: Sacombank becomes 1st in VN to offer instant money transfer to overseas Visa cards**

Market Analysis

1. Market rises for third day in a row

The market inched higher on Wednesday, extended rallies as investors' risk appetite improved in the late session, boosting many large-cap stocks to move higher.

On the Ho Chi Minh Stock Exchange (HoSE), the benchmark VN-Index rose 8.19 points, or 0.6 per cent, to 1,362.82 points. The market's breadth was positive with 274 stocks climbing, while 129 stocks declined.

However, the liquidity remained low as investors poured VND19.4 trillion (US\$851 million), equivalent to nearly 637 million shares.

The index gained for the third day in a row on large-cap stocks. The 30 biggest stocks tracker, the VN30-Index, increased 5.51 points, or 0.38 per cent, to 1,461.72 points. In the VN30 basket, 16 stocks jumped, while 10 stocks slid and four ended flat.

Oil and gas stocks continued to perform well on the back of surging oil prices, with PetroVietnam Gas JSC (Gas) leading the market's uptrend. The company stocks increased 4.13 per cent to VND113,500 per share.

Other pillar stocks contributing to the gain were Vinhomes (VHM), Techcombank (TCB), Hoa Phat Group (HPG) and Vincom Retail (VRE). These stocks posted gains of at least 1.3 per cent.

However, some large-cap stocks were still under pressure. Of which, VPBank (VPB) was the biggest loser, down 1.6 per cent.

Analysts from Saigon - Hanoi Securities JSC (SHS) said that on the technical front, the close of the above psychological level of 1,350 points means the VN-Index is likely to head toward the next target of resistance zone of 1,375 - 1,380 points.

SHS recommended that investors with high stock proportion can continue holding with the expectation that the market will successfully break over the resistance level. Meanwhile, investors with a large amount of cash can switch to the wait-and-see mode, waiting for clearer signs to join the market.

On the Ha Noi Stock Exchange (HNX), the HNX-Index also closed higher yesterday, with a gain of 1.97 points, or 0.54 per cent, to 368.47 points.

During the session, more than 101.9 million shares were traded on the northern bourse, worth nearly VND2.2 trillion.

On the other hand, foreign investors were net sellers on both two main exchanges with a total value of VND537.22 billion. Of which, they net sold a value of VND531.45 billion on HoSE, and a value of VND5.77 billion on HNX.

Macro & Policies

2. State to divest from six major enterprises, raking in \$600-800 million in Q1 2022

The State Capital Investment Corporation (SCIC) is expected to divest capital from six major enterprises in the first quarter of next year, fetching between VND15 trillion and VND20 trillion (US\$652-870 million) for the State budget.

This is part of the State divestment plan for 2020 revealed by the Corporate Finance Department under the Ministry of Finance.

The finance authority has developed a plan to withdraw state capital from six enterprises under the management of SCIC in two scenarios.

In the first scenario, the State will divest from five enterprises including FPT Group (FPT), Bao Minh Insurance Corporation (BMI), Tien Phong Plastic Joint Stock Company (NTP), Vietnam National Reinsurance Corporation (VNR) and Vietnam Infrastructure Investment & Development Joint Stock Company (VIID).

Based on the share value of these companies on the stock market on August 23, 2021, the State budget is expected to rake in at least VND10 trillion (\$440 million) from the divestment.

In the second scenario, besides the above-mentioned enterprises, the State will also sell equity in Saigon Beer Alcohol Beverage Corporation

(Sabeco, SAB). Divestment from six companies is expected to bring in no less than VND30 trillion-VND40 trillion (\$1.3-\$1.7 billion) to the State coffers.

To ensure the revenue from State equitisation and divestment during 2022-25, expected to be VND248 trillion, the finance department has urged SCIC to focus and complete the equitisation of Vietnam Mobile Telecom Services Co Ltd (MobiFone) in 2022-23, Vietnam Posts and Telecommunications Group (VNPT) and Vietnam National Chemical Group (Vinachem) in 2023-24.

After equitisation, the State holding in these enterprises would be 51 per cent.

In addition, the department also suggested the State Bank of Viet Nam and the Ministry of Construction prioritise equitisation of the enterprises under their management, including the Bank for Agriculture and Rural Development of Vietnam (Agribank), Vietnam Cement Industry Corporation (Vicem) and the Housing and Urban Development Investment Corporation (HUD) in the 2022-24 period.

According to the finance department's report, State divestment and equitisation are falling short of target this year as revenues from these activities only reached VND336 billion in the first eight months, far behind the target of VND40 trillion set for the whole year.

3. When higher prices do not translate to better profits

Although global oil prices continuously hit new peaks, not all Vietnamese oil and gas companies have benefited from the higher prices.

Oil prices have skyrocketed since the beginning of the year on tight supplies and global recovery demand, with Brent crude rising over 50 per cent this year and reaching a three-year high of US\$80.75 per barrel on Tuesday.

For upstream companies in the industry, analysts from Viet Dragon Securities Corporation (VDSC) said that firms like PetroVietnam Technical Services

Corporation (PVS) and PetroVietnam Drilling & Well Services Corporation (PVD) are expected to benefit from big oil and gas projects.

However, in the first half of the year, these enterprises' business results were not very positive due to the impact of the fourth outbreak of COVID-19. Moreover, during that period, there were not many new oil and gas projects in the country.

In its revised semi-annual financial statements for 2021, PetroVietnam Drilling reported a decrease of 60.7 per cent and 47.4 per cent in revenue of the

parent and consolidated companies, respectively, in the first six months of the year.

The company explained that there was no revenue from leasing rigs during the period, while prices of jack-up rigs declined by 15.1 per cent compared to the same period last year.

The rig utilisation rate also fell to 74 per cent compared to 89 per cent of the same period last year.

On the other hand, midstream and downstream companies such as PetroVietnam Gas JSC (GAS), Binh Son Refining and Petrochemical Company (BSR) recorded positive profits in the first half of the year, helped by a steady uptrend in oil prices, leading to higher selling prices or improved gross margins.

Experts from VDSC, however, warned that in the second half of the year, these companies' profits may be affected due to the COVID-19 outbreak in Viet Nam, especially as HCM City and other provinces in the Mekong Delta carried out Directive 16 since the beginning of July, resulting in lower energy demand.

According to Viet Capital Securities JSC (VCSC), disruptions caused by the COVID-19 pandemic in the third quarter have affected fuel demand, leading to higher inventory in Binh Son Refining's warehouse, thereby increasing the cost of external storage.

Binh Son Refining is planning to reduce production and submit a proposal to the Government on prioritising domestic petroleum products over imported products, as the sharp fall in gasoline consumption caused the plant to reduce its capacity to 90 per cent (in the worst case) compared to the normal level of 105-110 per cent.

Experts from VCSC lowered their forecasts for Binh Son Refining's 2021 sales to 6.1 million tonnes, down 12.6 per cent, with an operating efficiency of 92 per cent. However, they still expected gasoline demand will recover in the fourth quarter of 2021 and sales are forecast to grow 16.1 per cent in 2022.

The Domestic Market Department, Ministry of Industry and Trade, said that in the near future, the petroleum market will face many fluctuations and prices are also likely to increase.

It is because economies are gradually recovering, vaccination proportion is increasing, countries start to reopen and use COVID-19 green cards as licences to restart production and business, travel, transportation, and tourism.

On the stock market, last week, oil and gas stocks witnessed outstanding performance. Of which, many key stocks in this industry increased by over 10 per cent like PVD and GAS.

The market capitalisation of the oil and gas industry increased by 5.1 per cent, with PVD up 10.8 per cent, BSR up 10.8 per cent and PVS up 7.9 per cent.

The sharp increase of Brent crude contributed to the strong movements of domestic oil and gas stocks. However it will not have positive effects on business results, Le Xuan, a senior trader, said.

"It only has effects for the short-term as it is more about speculation and doesn't have much positive impact on the business results of the third and fourth quarters of 2021," said Xuan.

"In the medium- and long-term, the industry still mainly depends on the business foundation and drilling projects."

4. Lefaso rejects rumours on Nike's moving production out of Viet Nam

Recent rumours spreading on social media on Nike's moving production out of Viet Nam to China and Indonesia are incorrect, stated Phan Thi Thanh Xuan, deputy chairwoman and general secretary of the Vietnam Leather and Footwear Association (Lefaso).

Xuan informed that 88 out of Nike's 112 factories in Viet Nam are located in the Southeast region, which produce many best-selling Nike-branded sneaker products.

She said complicated developments of COVID-19 in Viet Nam have affected the production activities of

enterprises in the garment-textile and footwear industries, and Nike has moved a number of orders to other countries. However, there is no such thing like Nike is moving production out of Viet Nam, she affirmed.

Pham Tuan Anh, deputy director of the Ministry of Industry and Trade (MoIT)'s Industry Agency, echoed Xuan's rejection.

According to him, in the past period, some orders of the company were due, so in order to deliver the

goods on time, Nike has moved these orders to their factories in some other countries. Anh noted that in a recent meeting with the Vietnamese Prime Minister and ministries, the CEO of Nike affirmed that Nike will not leave Viet Nam.

According to the MoIT, in the first nine months of 2021, the footwear industry's exports of all kinds were estimated to reel in US\$13.33 billion, up 9.8 per cent over the same period last year.

5. Retail sales to increase 3-4% by the year-end, says MoIT

The retail sale of consumer goods and services is likely to increase by 3-4 per cent by the end of this year, the Ministry of Industry and Trade (MoIT) has forecast.

According to the MoIT, growth will however be lower than the 8 per cent target set earlier in this year, reported the online newspaper Kinh te & Do thi.

From now until the end of the year, the ministry said it would focus on removing difficulties for manufacturing enterprises, especially for larger businesses operating in industrial zones, allowing them to resume production in time for the expected increase in demand at the end of the year. It is hoped that this increase will offset the economic decline caused by months of COVID-19 restrictions.

The ministry will utilise opportunities created by free trade agreements and focus on removing obstacles to penetrate new markets. It will also closely monitor supply and demand and the prices of essential commodities to draw up regulatory measures, as well as ensuring sufficient distribution of essential goods among regions, especially in pandemic-affected areas.

Top priority will be given to bettering market inspection and supervision in the remaining months of this year, promptly detecting violations relating to speculation, smuggling, counterfeit and poor quality goods, to facilitate the presence of Vietnamese goods in the domestic market.

Importance will also be placed on the gradual reopening markets, trade centres, supermarkets

and convenience stores which have ensured pandemic prevention and control measures, and implementing price-stabilisation programmes and promotional events for the upcoming Tet holiday (which falls on February 1, 2022).

The ministry will also help businesses participate in online trade promotion programmes and business matching events, both at home and abroad. The utilisation of digital platforms will help increase the consumption of goods in the last months of the year, and next year as well.

According to the MoIT, total retail from consumer goods and services in September increased 65.5 per cent against August, as production, business and services resumed in some localities.

However, the country's total retail sales and services revenue saw a year-on-year slump of 7.1 per cent to VND3.336 quadrillion (US\$148 billion) in the first nine months of this year, due to the COVID-19 pandemic.

Retail sales of goods in the period was estimated at over VND2.77 quadrillion, accounting for 82.54 per cent of total retail sales of goods and services, and a decline of 3.38 per cent compared with last year's figure.

Revenue from accommodation and catering services reached VND279.4 trillion, down 22.14 per cent year-on-year. Revenue from tourism and other services reached VND4.63 trillion and VND303.97 trillion, falling 64 per cent and 19.3 per cent respectively compared with the same period last year.

Domestic trade's proportion of the country's GDP is expected to rise to 15 -15.5 per cent in the next 10 years, under an approved strategy for developing domestic trade between 2021 and 2030.

By 2030, domestic trade via e-commerce will likely increase by about 20-21 per cent annually to account for 10.5-11 per cent of total retail sales of goods and consumer service revenue. The percentage of small and medium-sized enterprises involved in trading activities is hoped to surpass 40-45 per cent.

The strategy looks to achieve fast and sustainable growth of domestic trade, build brands for Vietnamese goods, and protect the interests of consumers, businesses, and the national economy.

Among the main orientations to develop domestic trade, authorities are set to press on with improving the investment and business climate, form a market order adaptable to the new operating conditions, develop domestic trade stably and sustainably, keep domestic trade's growth faster than GDP growth, and develop e-commerce into the main form of trading.

6. Govt' to consider zero-interest loans for all airlines

The Government Office has instructed the Ministry of Planning and Investment, the Ministry of Finance, the Ministry of Transport and the State Bank of Vietnam to study a proposal by the Vietnam Aviation Business Association (VABA), in which the airline industry is to gain access to VND25 trillion (over US\$1.1 billion) of zero-interest loans.

The loans, according to VABA, are intended to help the airlines to cover recurring expenses, acquire supply and new machinery and to perform maintenance duties during the pandemic. The loan amount will be subject to the size of each airline, its share of the market and the amount it contributed to the State budget.

The association cited a VND4 trillion, zero-interest, 3-year-term loan granted to Vietnam Airlines as a basis for their proposal, saying the Government must ensure a level playing field. In addition, it has also demanded a 70 per cent cut in environmental tax for all the airlines.

VABA's chairman Pham Viet Dung said the tax was no longer applicable as almost all international and domestic flights have been shuttered. VABA, therefore, asked the Government to reduce the tax from VND3,000, or US\$0.13, to VND1,000 from now until June 6, 2022.

In addition, VABA asked the Government to consider a proposal to slash 30 per cent off the airlines' income tax for 2020 and the first half of 2021, 50 per cent off VAT tax, industry workers' income tax and 50 per cent off taxable amount on spare parts for aeroplanes.

The association said the third and fourth outbreak of the novel coronavirus in Viet Nam resulted in a 90 per cent drop in revenue for the airlines, compared to the pre-pandemic level.

A VABA report said almost all international and domestic flights have been stopped since May. Revenue dropped by 60 per cent compared to the previous period as airlines reported a combined loss of VND16 trillion in 2020.

The airlines have had to pay more than VND100 billion (\$4.4 million) every day while 80-90 per cent of their fleets were grounded, according to Bui Doan Ne, vice-president of the Vietnam Aviation Business Association (VABA).

Short-term debts due for payment among the three largest airlines have reached a total of VND36 trillion, with VNA alone accounting for VND20 trillion. VABA has asked banks for loans worth VND30 trillion, of which VND10-12 trillion allocated to VNA, VND10 trillion to Vietjet, VND5 trillion to Bamboo Airways, VND5.7 trillion to Pacific Airlines and VND1 trillion to Vietravel Airlines.

In a recent development, VABA has sent a number of proposals on how to support the airline industry's recovery. The proposals include faster vaccination of the population, a standardised COVID-19 testing protocol, internationally recognised vaccine passports and the establishment of safe travel corridors for international visitors.

7. Dong Nai Province factories reopen but face labour shortage

Thousands of workers in the southern province of Dong Nai returned to work on Tuesday after a three-month furlough due to COVID-19.

The Dong Nai Industrial Zones Authority has allowed 11 companies with more than 17,500 workers to resume production without requiring them to live on-site.

Twenty one enterprises that had workers to live on-site now allow them to commute from home.

Pousung Viet Nam Co., Ltd in Bau Xeo Industrial Park on Tuesday did COVID rapid tests that provide results within minutes of more than 5,500 workers before resuming operations.

But Le Nhat Truong, chairman of its trade union, said the company is struggling with a labour shortage with only 20 per cent of workers turning up.

It hopes the number would gradually increase, but that depends on the vaccination rate, he said.

Only workers living in COVID low-risk areas are allowed to come to work, making it difficult for enterprises, he said.

Vaccination for workers

Most enterprises in the province have urged the administration to give priority to fully vaccinating

workers in the manufacturing sector to ramp up production, Le Van Danh, deputy head of the Dong Nai Industrial Zones Authority, told a meeting on Monday.

They also want the Government to partly subsidise the cost of rapid tests since it puts a large financial burden on them, he said.

More than 1,254 enterprises in the province followed the so-called ‘three on-site’ model that required workers to stay at the workplace and not go home during the pandemic, while 600 remained closed, he said.

The industrial zones authority has urged provincial authorities to set up quarantine and health centres at industrial parks in preparation for a possible spike in new cases as movement restrictions are lifted.

The province, a manufacturing hub, has 31 industrial parks with 630,000 workers.

Cao Tien Dung, chairman of the province People’s Committee, said support for workers would be stepped up to stop their exodus to their hometowns.

The People’s Committee has instructed industrial zones to allow enterprises with safety plans to reopen soon.

Corporate News

8. POW: PVPower signs a US\$1.4 billion deal for natural gas power project

↑ 0.78%

PVPower signed a deal to allow Techcombank and MB banks to arrange US\$1.4 billion of syndicated loans for two liquefied natural gas (LNG) projects on Wednesday.

This is the first gas-fired power project on the market using capital for PVPower without a Government guarantee.

The funds will be used for the construction of the Nhon Trach 3 and 4 plants which are the largest LNG projects in Viet Nam. The plants will have a total capacity of 1,500MW. They are expected to bring clean energy to international standards and create a turning point for national energy security policies. The two power plants play the role of load centres for the South, HCM City, Dong Nai and Ba Ria – Vung Tau.

PVPower chose Techcombank as the main bank to assist in the development of bidding documents, negotiation of export credit agency (ECA) loan conditions, offshore loans, and management of foreign loans. The participation of Techcombank and MB will help PVPower be proactive in credit sources, reducing the burden of the State's public debt in national energy development.

Nguyen Duy Giang, Deputy General Director of PVPower, said: “LNG is the optimal energy source for Viet Nam to move towards large-scale clean energy, ensuring national energy security, as well as towards an environment without smog for future generations. With the support of capital

arrangement from Techcombank and MB, the two projects are expected to mark a major turning point for the national energy policy, contributing to the sustainable development of the country.”

“As the main partner bank supporting capital arrangement for important energy projects Nhon Trach 3 and Nhon Trach 4, we are committed to doing our utmost to support PVPower in successfully implementing these important projects, through determining the most suitable financial options,” said Phan Thi Thanh Binh – Head of Techcombank Wholesale Banking.

PVPower and Techcombank had successfully cooperated in the Nhon Trach 2 Power Plant project in 2010, making NT2 stock become a Blue Chip stock on HOSE.

Pham Nhu Anh, a member of MB's Executive Board said: “MB is very proud to be selected by PVPower to join Techcombank in this project. In recent years, MB has analysed and found that clean energy and energy creation is a high priority for the country. Accordingly, MB has spent about \$3 billion on key projects in wind and solar power. MB is ready to commit to Techcombank to assist in arranging capital, and at the same time, coordinate with domestic and international partners to find the best solution to help the design of this project be close to the priority. MB believes that the project will be completed on schedule with the best quality, contributing to opening an environment-friendly energy development direction.”

9. STB: Sacombank becomes 1st in VN to offer instant money transfer to overseas Visa cards

↓ -0.97%

Sacombank has tied up with Visa to offer Visa Direct Outbound, which allows customers to transfer money from their debit cards to an

overseas card, making it the first bank in Viet Nam to offer this service.

It aims to meet the needs of individuals seeking international money transfer for purposes such as

studying abroad, settlement, medical treatment, family allowances, and others.

Sacombank's Visa debit cardholders can transfer money to any Visa card issued by banks in the following 44 countries and territories: Andorra, Austria, Brunei Darussalam, Bulgaria, Cambodia, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Fiji, Finland, Germany, Greece, Hungary, Indonesia, Israel, Italy, Latvia, Lithuania, Luxembourg, Macau, China, Malaysia, Maldives, Malta, Mongolia, Netherlands, New Zealand, Norway, Philippines, Poland, Portugal, Romania, San Marino, Singapore, Slovakia, Slovenia, Spain, Sri Lanka, Switzerland, Thailand, Turkey, and the UK.

It can be used with nine foreign currencies: USD, AUD, CHF, EUR, GBP, JPY, NZD, SGD, and THB.

They can transfer up to US\$8,000 a month depending on the purpose of the transfer (without a limit on the number of transfers), with transfer fees being a mere VND250,000 (\$11).

Sacombank was also the first bank in the country to offer inward transfer from abroad through Visa debit cards via MoneyGram. The service is easy, quick and free of charge.

Once the remitter fills in the recipient's information and Sacombank Visa debit card number, the cardholder will receive the money in their card account without having to do anything for authentication and at a competitive exchange rate.

According to statistics from Visa, there are 5.3 million Vietnamese people living and working in 130 countries and territories around the world. Another 190,000 study abroad and need to receive monthly allowances from their family in Viet Nam.

The number of people who need to go abroad for medical treatment is also on the rise.

Vietnamese spent \$2 billion on overseas medical services in 2018.

Research Team:

Tsugami Shoji *Researcher*

jsi@japan-sec.vn

Disclaimer:

Copyright 2015 Japan Securities Incorporated (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 Incorporated – 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