



VIETNAM DAILY NEWS



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Market Analysis

1. VN-Index extends losses on bank stocks

The stock market ended mixed on Monday as some profit-taking activities on bank stocks weighed on sentiment.

The VN-Index on the Ho Chi Minh Stock Exchange (HoSE) edged 8.19 points, or 0.55 per cent, down to 1,484.84 points. The benchmark lost 0.52 per cent in the last trading session after breaching the historical peak of 1,500 points last Thursday.

The fall occurred after the new variant of coronavirus was found in South Africa, raising concerns over the slowdown of the global economy and disruptions in supply chains.

The market's breadth was negative as 187 stocks increased, while 293 stocks declined. The liquidity remained high but still fell slightly compared to the last session. Of which, the total trading value on HoSE dropped 8.4 per cent to VND30.03 trillion (US\$1.3 billion).

The index was weighed by losses in most large-cap stocks, especially in banking, manufacturing and energy sectors.

The 30 biggest stocks tracker VN30-Index posted a loss of 13.51 points, or 0.86 per cent, to 1,553.04 points. Data compiled by vietstock.vn showed that only four stocks in the VN30 basket climbed yesterday, while 26 stocks slid.

Bank stocks led the market's downtrend with Vietcombank (VCB) posting the biggest losses of 3.71 per cent, followed by Techcombank (TCB), down 3.15 per cent.

The market's benchmark was also weighed by other stocks, including Masan Group (MSN), PetroVietnam Gas (PV Gas, GAS) and BIDV (BID). These stocks dropped in a range of 2.09 - 3.17 per cent.

The positive point of the market yesterday was the gains in the real estate sector. Two of the stocks in the trio Vin family, including Vingroup (VIC) and Vinhomes (VHM), recorded the biggest gains, with VIC hitting the maximum daily gain of 7 per cent.

However, on the Ha Noi Stock Exchange (HNX), the HNX-Index rose 1.95 points, or 0.43 per cent, to 460.58 points.

During the trading session, nearly 163.6 million shares were traded on the northern bourse, worth over VND4.8 trillion.

Meanwhile, foreign investors continued to be net sellers on both main exchanges, with a total value of VND562.03 billion. Of which, they net sold a value of VND352.41 billion on HoSE, and a value of VND209.62 billion on HNX.

Macro & Policies

2. CPI increases by just 1.84 per cent in 11 months

CPI increased by just 1.84 per cent in 11 months of 2021 from the same period last year, making it the smallest increase since 2016, according to the General Statistics Office (GSO).

The main contributor to an increased CPI was rising petrol prices. Since November 2020, petrol prices increased by 30.32 per cent, which resulted in an increase of 1.09 per cent in CPI.

In addition, gas price has been on the rise. Since November 2020, it has increased by 25.34 per cent and contributed to a 0.37 per cent increase in CPI.

Rice price has increased in anticipation of the upcoming Tet holiday and higher demand due to stockpiling during the recent lockdown. Construction materials including cement, steel and sand have also been reported to have seen an uptick in price.

Educational services in November have increased by 2.44 per cent year-on-year. However, this has been expected as the new government-mandated pricing

started earlier this year. Gold price increased by 2.65 per cent.

On the other hand, foodstuff prices decreased by 0.52 per cent in November, notably pork (-9.62 per cent) and chicken (-0.51 per cent). Government support packages, which included discounts on electricity bills for residents under lockdown, were implemented during the second quarter of the year. Price for airline tickets decreased by 21.39 per cent year-on-year and tour packages by 2.42 per cent.

According to the GSO, inflation in November has seen an increase of 0.11 per cent from the previous month, bringing the year's average so far to a 0.82 per cent increase year-on-year, the lowest inflation recorded since 2011.

Nguyen Bich Lam, former head of the GSO, said price for petrol, rice and foodstuff will likely rise from now until the Tet holiday. As people tend to fix up their homes before Tet, construction materials will also be in high demand and likely see an increase in price, driving CPI slightly up. However, this year's CPI will likely top around 2 per cent, much lower than the 4 per cent target.

3. Foreign capital flow in Viet Nam hits US\$26.46 billion in 11 months

Foreign direct investment (FDI) registered in Viet Nam reached US\$26.46 billion as of November 20, up 0.1 per cent year on year, according to the Ministry of Planning and Investment.

Notably, the total additional registered capital stood at over \$8 billion, an annual rise of 26.7 per cent.

During the period, \$14.1 billion was poured into 1,577 newly-licensed projects, up 3.76 per cent in value but down 31.8 per cent in volume over the same period last year.

The remaining investment was used for capital contribution and share purchases in a total 3,466 transactions.

Foreign investors landed investments in 18 sectors, with processing and manufacturing absorbing the largest amount of capital (over \$14 billion or 53 per cent), followed by power generation and distribution (over \$5.7 billion), real estate (\$2.41 billion), and wholesale and retail (\$1.27 billion).

Among 100 countries and territories investing in Viet Nam in the period, Singapore took the lead with \$7.6 billion, making up 28.7 per cent of the total. The Republic of Korea (RoK) came second with more than \$4.36 billion, and Japan was the third largest investor with \$3.7 billion.

Localities that attracted the most FDI were Long An (\$3.76 billion), HCM City (nearly \$3.43 billion), and Hai Phong City (over \$2.8 billion).

Export turnover of the FDI sector (including crude oil) was estimated at nearly \$220.2 billion, up 19.7 per cent over the same period and accounting for 73.6 per cent of Viet Nam’s total. The sector’s import

value (excluding crude oil), meanwhile, exceeded \$195.5 billion, an annual increase of 29.5 per cent and accounting for 65.5 per cent of the country’s total.

4. First commercial non-stop flight from Viet Nam to US makes historic landing

Flight VN98 by national carrier Vietnam Airlines landed in the US on Monday morning, marking the completion of the first commercial non-stop flight from Viet Nam to the US after the direct route was officially approved.

Vietnam Airlines said it is organising two regular direct flights each week between HCM City and San Francisco and planning to increase the frequency to 7 flights a week once the pandemic is under control and the Vietnamese Government permits the reopening of regular international flights.

The flight, which departed from HCM City’s Tan Son Nhat at 8:57pm Sunday (Viet Nam time), conducted on a Boeing 787 Dreamliner, arrived at San Francisco International Airport at 7:42pm Sunday (US time), or 10:42 Monday (Viet Nam time).

The carrier is also considering opening up new routes to the US, like between Los Angeles and Ha Noi or HCM City.

The flight took 13 hours and 45 minutes to traverse the journey of 13,000km.

Flights between Viet Nam and the US are carried out entirely by Vietnam Airlines’ most modern wide-body fleet, Boeing 787 and Airbus A350.

Ivar C. Satero, Director of the San Francisco Airport, said he was proud to be the first US airport to serve the regular flights from Viet Nam with world-class experience.

With the establishment of the Viet Nam-US air bridge, passengers will have more opportunities to move quickly and conveniently between the two countries, which will help contribute to the promotion of economic ties, cultural exchange and strengthening relations between Viet Nam and the US.

This also makes San Francisco Airport the gateway in the US for Vietnamese passengers to go to different places in the San Francisco Bay area, he noted.

5. Ministry asks for tightened epidemiological surveillance, suspension of some flights from Africa

The Ministry of Health on Sunday asked localities and agencies to strengthen epidemiological surveillance to quickly detect and prevent the spread of Omicron, the new SARS-CoV-2 variant.

According to the World Health Organisation (WHO), Omicron – the B.1.1.529 variant was first reported to WHO from South Africa on 24 November 2021. The epidemiological situation there has been characterised by three distinct peaks in reported cases, the latest of which was predominantly the Delta variant. In recent weeks, infections have increased steeply, coinciding with the detection of B.1.1.529 variant. The first known confirmed B.1.1.529 infection was from a specimen collected on 9 November 2021.

The ministry also proposed that Government suspend international flights to and from a number of countries where the strain has been detected, including South Africa, Botswana, Namibia and Zimbabwe.

The ministry have said that so far, Viet Nam has not yet detected any COVID-19 cases of the new variant.

The Omicron variant is thought to be able to spread five times faster than the Delta variant.

On November 25, 2021, WHO announced it was the variant of concern and called it Omicron.

To proactively control the COVID-19 situation in Việt Nam and prevent the risk of the spread of the new strain, the Ministry of Health asked agencies and localities to strengthen COVID-19 surveillance.

The Institutes of Hygiene and Epidemiology and Pasteur Institutes were asked to proactively carry out genetic sequencing of suspected new mutant infections, especially those with epidemiological history from South African countries.

At the same time, the ministry proposed considering suspending international flights to and from countries in Africa where the new strain has been detected. Those who want to travel to or come from such countries would not be granted permission.

The Ministry of Health will continue to closely coordinate with the WHO and national focal agencies to implement the International Health Regulations to promptly provide information on the strains of the SARS-CoV-2 virus and take necessary measures.

6. Credit room expected to be extended at year-end

As companies and manufacturers accelerate production after social distancing orders were lifted in most cities and provinces, especially in the south, demand for capital is on the rise, boosting banks' credit growth in the last months of 2021.

The value of seafood exports bounced back in October after declining sharply for two months, said the Viet Nam Association of Seafood Exporters and Producers (VASEP). Accordingly, the value of seafood exports reached US\$918 million in October, up 47 per cent compared to September. By the end of October, the country's seafood exports climbed 2.4 per cent year-on-year to \$7.1 billion.

The positive result was mainly thanks to rising orders from key importing markets including the US and European Union (EU). Orders keep coming while production cannot keep up with export demand.

Other sectors like leather and footwear, and wood products also witnessed quick recovery after a long break due to the fourth outbreak of COVID-19.

With the normally busier than usual period at year-end with festivals and holidays, enterprises are speeding up production and expansion to meet strong demand, resulting in higher need for capital.

Phan Dinh Tue, Deputy General Director of Sacombank, said that after being affected by the pandemic in the third quarters, the bank's credit business has recovered since October.

Many businesses need to borrow capital to serve the recovery of production and business activities, while the bank also provides loan packages with preferential interest rates to accompany customers. Therefore many customers are more interested in credit capital.

Although banks have not lowered lending standards, they focus on supporting businesses under Circular 14/2021/TT-NHNN issued on September 7, amending and supplementing a number of articles of Circular No. 01/2020/TT-NHNN issued on March 13, 2020 on directing credit institutions and foreign bank branches to reschedule debt payments, waive or reduce borrowing interest and fees, and maintain debt groups to support customers affected by the COVID-19 pandemic, Tue added.

Each bank also has its own incentive mechanism for customers.

"As long as customers meet the credit conditions, the bank will disburse normally, even if customers who have debt restructured according to Circular 14/2021/TT-NHNN need new capital to serve business, the bank will still approve them," Tue said.

Nguyen Hoang Minh, Deputy Director of the State Bank of Vietnam (SBV) branch in HCM City, said that after the social distancing measures were loosened, the city recorded many new credit applications.

A recent report by SSI Securities Corporation (SSI) estimated that in October, an additional VND77.7

trillion (US\$3.4 billion) of credit was injected into the economy, nearly double that of September. Of which, the trade and service sectors accounted for the highest proportion with about VND34.9 trillion of newly granted loans, followed by industry and construction with VND15.6 trillion.

As of October 29, credit growth was 8.72 per cent compared to the end of last year. "Credit growth is more positive than expected, showing the recovery of the economy after social distancing," said SSI.

However, based on its calculations, SSI said that by the end of the third quarter, most banks have reached their 2021 credit limit. Therefore, the securities firm expected that SBV will soon extend the credit limit for banks with good asset quality and safety indicators.

Can Van Luc, Director of BIDV Training School, said that as the country is trying to boost economic recovery, the state bank should consider increasing the credit limit for a number of banks, regardless of size.

"Of course SBV has to make sure it doesn't rise too much. I think somewhere around 12 – 13 per cent, even 14 per cent is perfectly appropriate," Luc added.

In its recently released report, KB Securities Vietnam JSC (KBSV) said that the third quarter financial statements showed that the asset quality of

commercial banks, although it takes a few more quarters to accurately assess, was not affected strongly by social distancing orders.

"This is the basis for SBV to soon grant more credit room to banks," KBSV said in the report.

At a meeting with investors held in early November, Nguyen Hoang Linh, General Director of Vietnam Maritime Commercial Joint Stock Bank (MSB), said that the bank expects to reach a credit limit of 25 per cent for the whole year, after credit grew nearly 16 per cent for the first nine months, higher than 10.6 per cent at the end of June.

MSB is a bank with good risk management, focusing on disbursement to sustainable development industries, actively participating in activities and policies of the State Bank. Therefore the bank is expected to get credit room extensions, based on the balance and allocation of the management agency, at the end of the year, Linh said.

Many other banks are also waiting for the credit room to be extended to meet businesses' capital needs at the end of the year.

On the interest rate front, experts said that although the interest rate level continued to remain low in the last two months of the year, it is difficult to see further declines, especially when other investment channels such as stocks and gold are attracting cash flow in the market.

7. Govt plans to issue bonds in foreign currency

Compiled by Thiên Lý

The Government plans to issue US dollar-denominated bonds in the domestic market to fund additional stimulus packages to foster the recovery of the economy.

A Saigon Economics Times story said it was one of the measures proposed by economists, who target an estimated US\$60 billion lying idle in the economy.

They said it is the right time to issue foreign currency bonds and it would enable the Government to "kill two birds with one stone."

Besides the prime reason that the country now needs all the resources it can muster to support the recovery of economy after the COVID-19 pandemic, they also said there are other equally important requirements.

A domestic issuance of foreign currency bonds now can help the Government restructure its foreign currency debts with more optimal tenors and maturity schedules and lower interest rates, they said.

Việt Nam is now servicing two large foreign bond issuances it made in dollars in 2014 and 2015 at an interest rate of 4.8 per cent and maturity of 10 years.

It means those bonds, totally worth \$2 billion, will mature in the next three years.

The domestic issuance of foreign currency bonds would enable the Government to raise funds to pay the foreign debts when they fall due and borrow again if it wants on better terms and lower interest rates, the economists said.

Why?

Since 2015, the interest rate on dollars deposited at banks in Việt Nam has remained at zero.

The interest rates on sovereign bonds in đồng with a maturity of 10 years are now only between 2 and 2.5 per cent per year.

Thus the Government can domestically issue the dollar bonds at a much lower interest rate than the 4.8 per cent it pays for its existing foreign currency debts.

Analysts expect the US dollar bonds to carry a coupon rate of not more than 2 per cent if they are issued at this time.

Not resorting to overseas borrowing thanks to the enormous greenback holdings in the country could be important since the US is likely to hike interest rates in 2022 or 2023.

According <https://finance.yahoo.com>, right now foreign currency markets are showing signs of bracing for the first rise in US interest rates, and the dollar began the last quarter of 2021 near its highest level of the year.

Feasibility

While many analysts expected the foreign currency bond issuance to be successful, some expressed doubts about its feasibility.

They wondered if people are ready to invest their dollars in bonds at a time when the local and global economies remain unstable due to various reasons including the COVID-19 pandemic.

The interest rate on dollar deposits has been zero for six years but still a large amount remains in banks,

indicating the greenback is a safe-haven asset like gold rather than an investment, they pointed out.

Besides, the government bond market has been meant only for institutional investors and not individuals, and so retail investors are likely to balk at buying the dollar bonds since they have little experience, they said.

Risks

Besides the feasibility, analysts also expressed concern about some possible risks related to the issuance for dollar bonds.

As of September, the ratio of foreign currency deposits at banks was 7.65 per cent, equivalent to \$42 billion, of which \$6.2 billion belonged to retail customers.

If a substantial part of the \$42 billion is withdrawn to buy the bonds, lending to enterprises for production and trading could be affected, with at least higher lending interests becoming a consequence, the analysts said.

Economists call it the 'Crowding Out Effect,' referring to government borrowing leading to substantial rises in real interest rates, absorbing the economy's lending capacity and prevent businesses from making capital investments.

A foreign exchange shortage would also put pressure on exchange rates, they said.

Nevertheless, even sceptics admit that if the Government can persuade people to use their US dollar savings to buy its bonds, the business would be really useful.

Other analysts dismissed fears of any crowding out, saying the country's foreign currency supply would not be affected if the Government mops up dollars kept idly since it is supplemented significantly by foreign exchange coming from exports, investments and overseas remittances.

In the first 10 months of this year, foreign direct investment to Việt Nam was worth \$23.74 billion, slightly higher than in the same period last year.

Last year, remittances were worth \$17.2 billion, making Việt Nam the third largest destination in the East Asia and Pacific region.

According to the World Bank, overseas remittances to Việt Nam this year are likely to be \$18 billion.

Trade has remained basically unaffected, and the country routinely has a marginal deficit or surplus, which does not impact the foreign reserves much.

On the demand side, the foreign exchange outgo on overseas education and medical treatment and tourism have decreased sharply due to the impacts of the pandemic in the last two years.

Corporate News

8. PHR: Announcement of cash dividend payment

↓ -0.42%

On November 25, 2021, Phuoc Hoa Rubber Joint Stock Company (stock symbol: PHR) approved the final cash dividend payment for 2020 as follows:

- Stock code: PHR
- Stock type: common stock
- Par value: VND10,000
- Payment method: in cash
- Exercise ratio: 20%/par value (2,000 dongs/share)
- Record date: December 07, 2021
- Payment date: December 14, 2021.

9. VNM: Sojitz, Vinamilk to invest in \$500-million beef project in Vietnam

↓ -0.91%

Vietnam Dairy Products (Vinamilk) and its member company Vietnam Livestock Corporation (Vilico) signed a Memorandum of Understanding (MoU) with Japan's Sojitz Corporation and the People's Committee of Vinh Phuc Province on a US\$500-million beef project in Vietnam.

The exchange between the parties took place at Vietnam-Japan Investment Promotion Conference with Prime Minister Pham Minh Chinh's attendance on his official visit to Japan. It demonstrates the robust growth of trade cooperation between the two countries in animal husbandry which both countries have strengths.

The MoU establishes a joint venture for beef production-processing-distribution in Vietnam and for export. In the next phase of cooperation, the joint venture will develop other protein-based products with deep processing technology.

The first phase of the project is expected to become operational in 2023 with a capacity of approximately 30,000 cows per year and a closed modern processing facility, invested with approximately VND3 trillion (\$132.2 million).

At the signing ceremony on November 24 in Japan, Trinh Quoc Dung, General Director of Vilico and Executive Director of Vinamilk's Material Area Development, said authorities of Vinh Phuc Province have created favorable conditions for the joint venture in investment licensing procedure.

"This project is expected to lay a solid foundation for new development of the livestock industry and the processing of safe and high-quality meat products in Vietnam in the coming years," Dung said.

Ryutaro Hirai, Vice Chairman of Sojitz Corporation, said: "With the goal of building a stable food supply system in Vietnam and Southeast Asia, we will work with strategic partners to boost trading activities, combining the strengths of Vilico and Vinamilk with our know-how."

Through the establishment of this joint venture, the Japanese investor hoped to provide safe and reliable high quality beef products to the Vietnamese and Japanese markets and export Vietnamese beef products to potential markets in the future, he said.

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