



VIETNAM DAILY NEWS



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Table of content

Table of content

1. Shares decline on banking stocks
2. Viet Nam's manufacturing continues improvement in November
3. HNX to develop commodity derivative market
4. Việt Nam starts giving booster COVID-19 vaccine shots in December
5. HCM City businesses adapt to 'new normal'
6. HCM City logistics sector ripe for growth: seminar
7. Enterprises need to ensure food safety standards for exports
8. DXG: Notice of foreign ownership ratio limit
9. MBB: MB completes selection of strategic partner for commercial joint venture in Cambodia

Market Analysis

1. Shares decline on banking stocks

Shares reversed on Thursday due to the abrupt declines of large-caps in the banking group towards the final minutes of trading.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) lost 0.21 per cent to end at 1,482.05 points.

It had gained 0.46 per cent to end Wednesday at 1,485.19 points.

The market's breadth was negative with 212 stocks rising, while 260 slid.

Market liquidity declined compared to the previous session as investors poured over VND23 trillion (US\$1 billion) into the southern exchange, equivalent to a trading volume of 764 million shares.

The 30 biggest stocks tracker VN30-Index lost 0.58 per cent, to end at 1,540.88 points. Seventeen in the VN30 basket decreased, while 13 increased.

In the VN-30 basket, the worst performers were Vinhomes (VHM), Hoa Phat Group (HPG), Mobile World Group (MWG), FPT Corporation (FPT), Bao Viet Holdings (BVH) and Refrigeration Electrical Engineering Corporation (REE).

Some other blue-chips still gained ground and helped prevent the market from falling deeper, such as Vingroup (VIC), Novaland (NVL), Vietjet (VJC) and Masan Group (MSN).

Banking stocks fell and put great pressure on the overall market, with losers including Sai Gon Thuong Tin Commercial Joint Stock Bank (STB), Sai Gon-Ha Noi Bank (SHB), Asia Commercial Bank (ACB), Military Bank (MBB) and Vietinbank (CTG), VPBank (VPB), Techcombank (TCB), Tien Phong Bank (TPB) and Lien Viet Post Bank (LPB).

According to data from FiinPro, domestic individual investors boosted their net buying to a record of VND15.2 trillion in November on HoSE, 6.7 times higher than in October. In terms of order matching, the value reached VND14.4 billion. Thus, domestic individuals have been net buyers for 11 months in 2021 with a total value of VND84.2 trillion.

Fifteen out of 25 sectors on the market decreased, including information and technology, banking, oil and gas, securities and retail.

On the other side, gainers were wholesale, real estate, healthcare, agriculture, food and beverage, rubber production and seafood processing.

On the Ha Noi Stock Exchange (HNX), the HNX-Index gained 0.53 per cent to end Thursday at 458.23 points.

During the trading session, nearly 124 million shares were traded on HNX, worth nearly VND3 trillion.

Macro & Policies

2. Viet Nam's manufacturing continues improvement in November

The Vietnam Manufacturing Purchasing Managers' Index (PMI) ticked up to 52.2 in November from 52.1 in October, signalling a second successive modest improvement in business conditions following a period of decline caused by the fourth wave of the COVID-19 pandemic earlier in the year, according to IHS Markit.

In a report released on Wednesday, IHS Markit said overall business conditions in the Vietnamese manufacturing sector improved for the second month running in November, but renewed worries about the COVID-19 pandemic and associated labour shortages limited growth momentum. Meanwhile, inflationary pressures continued to strengthen, with both input costs and output prices increasing to the greatest extents since April 2011.

According to the report, new orders increased for the second month running as the easing of pandemic restrictions in recent months helped raise demand in the sector. Moreover, the rate of expansion was solid and the sharpest since April. New export orders also increased again, but only modestly as COVID-19 continued to constrain international trade.

Higher new orders and a lower level of restrictions than seen earlier in the year meant that manufacturers were able to expand their production volumes again in November. While new order growth accelerated, this was not the case for output which increased at a broadly similar pace to that seen in October.

A number of firms indicated that labour shortages had restricted production. A number of respondents indicated that workers were concerned about the pandemic and therefore were reluctant to return to work, thereby making it difficult for manufacturers to expand staffing levels in line with greater workloads. Employment continued to fall markedly, extending the current sequence of reduction to six months. As a result, backlogs of work increased for the third month running.

Worries about the pandemic also impacted confidence among manufacturers, with sentiment dropping from October. That said, firms remained optimistic that output will increase over the coming year amid hopes that the health situation will improve.

According to the report, higher oil and transportation costs, as well as raw material shortages, contributed to a further increase in input prices in November. Moreover, the rate of inflation accelerated for the third month running and was the steepest since April 2011. The same was also true for output charges, which rose at a much faster pace than in October as firms passed on higher costs to their customers.

Manufacturers expanded their purchasing activity for the second successive month in November, albeit at a reduced pace. Despite the increase in input buying, stocks of purchases declined for the first time in four months. Respondents indicated that the use of inputs to support production and issues securing materials were behind the drop.

The challenges in securing inputs were highlighted by data signalling a further marked lengthening of suppliers' delivery times. Raw material shortages, a lack of shipping capacity and issues with transportation due to the COVID-19 pandemic all contributed to delivery delays. That said, the latest deterioration was the least marked in six months.

Commenting on the latest survey results, Andrew Harker, Economics Director at IHS Markit, said: "While the Vietnamese manufacturing sector remained in growth territory in November, a renewed wave of the COVID-19 pandemic clouds the near-term outlook for firms. Business confidence slipped from the previous month, while worries about the health situation continued to deter workers from returning to factories, thereby limiting the extent to which firms were able to raise output. The length and severity of the current wave of infections will therefore go a long way to determining how the sector performs at the end of 2021 and start of 2022."

3. HNX to develop commodity derivative market

The Hà Nội Stock Exchange (HNX) is researching and developing derivative products which depend not only on indices but also on single stocks.

With the potential development, HNX will research and implement the commodity derivative market, focusing on agricultural products which are Vietnamese key products like coffee, pepper, cashew nuts and raw materials including gas, natural gas and oil, HNX said.

HNX will develop the market into a place to provide hedging tools and an investment channel for investors.

The exchange is trying to diversify products that depend not only on indices but also on single stocks, and is looking for solutions to promote diversification of the investor base and develop the institutional investor system.

The appearance of the derivatives market contributes to the completion of the HNX's market

structure and the completion of the Vietnamese stock market operational structure according to international practices.

The derivative market has grown beyond expectations, attracting the attention of domestic and foreign investors, HNX said.

Although it has only been in operation for more than four years, the liquidity is quite high, the average trading volume is more than 205,098 contracts a session in the first nine months of 2021.

It recorded a session with a trading volume of up to 403,266 contracts, a number that many developed markets in the region took decades to achieve.

The derivatives market has shown its role as a hedging tool for investors in the underlying market, maintaining capital flows in the market at the time when the market declines sharply and attracting foreign investors, especially institutional investors.

4. Việt Nam starts giving booster COVID-19 vaccine shots in December

The Vietnamese health ministry has urged localities to prepare to administer COVID-19 booster vaccine shots, which could start within December, with priority on over 50s and frontline workers.

Localities are urged to complete the vaccine drive for the population, then begin booster shots, usually given typically six months after the last dose. Mixing and matching vaccines is allowed, according to health ministry.

The additional COVID-19 shots will first go to the adults (from 18 years old), especially people above 50 years who have been fully inoculated (one dose, two doses, or three doses depending on the vaccine types) and are moderately or severely immunocompromised (for example, people who just underwent organ transplant operation, people with cancer or HIV, or taking immune checkpoint inhibitors, etc.). The additional shots will either be the same type of vaccines they have previously received or mRNA vaccines (such as Pfizer and Moderna).

For booster shots, the priority will be on people aged 18 years old and above (especially 50 years and older) who have received the standard number of doses, are suffering from underlying health issues, people who require long-term care at health facilities, and medical workers, especially those directly involved in collecting samples for COVID-19 testing and treating COVID-19 patients.

If one originally received Sinopharm Vero Cell vaccines for the standard two shots and addition shot, then the booster shots could still be Sinopharm or mRNA vaccines or vector virus vaccine (AstraZeneca) six months after the last shot.

The vaccine used for additional and repeat injections is the vaccine approved by the Ministry of Health. The list so far has nine types of vaccines – AstraZeneca, Sinopharm Vero Cell, Pfizer, Moderna, Sputnik V, Janssen, Covaxin, Hayat Vax, and Abdala.

The dosage for administration of additional and booster shots is according to the manufacturer's instructions.

Localities are told to prepare the necessary conditions, especially the list of eligible people, to deploy additional and booster injections from December, based on the vaccine supply.

The Ministry of Health requested the National Institute of Hygiene and Epidemiology and the

Pasteur Institute to provide guidance and technical support to localities in organising and deploying vaccination.

Việt Nam to date has administered more than 123 million shots of vaccines, with 94 per cent of the adult population receiving at least one dose of vaccine and over 51.7 million people – or half of the country's population of roughly 100 million – receiving two doses.

5. HCM City businesses adapt to 'new normal'

Though the COVID-19 pandemic remains unpredictable, many businesses in the country's pandemic hotspot HCM City have resumed full operations despite stringent prevention protocols and human resource shortages.

Dang Cong Binh, director of DLG Ansen Electronics Co., Ltd in the HCM City Hi-Tech Park, said his plant has resumed full operations with almost all workers returning to work.

The firm, whose order book is full until the end of 2022, is speeding up production to meet orders from the US and EU, he said.

To get orders amid the pandemic, it live-streams videos of its production lines and workers to gain customers' trust, he said.

Workers take turns to work overtime to ensure orders are fulfilled during the peak year-end season, he added.

A spokesperson for the HCM City Hi-Tech Park Enterprise Association said many companies in the park have been recruiting workers to revive production.

Phan Minh Thong, general director of Phuc Sinh Company, which has been exporting pepper, coffee and farm produce for the last 20 years, said domestic sales have risen by half to almost VND100 billion (US\$4.4 million).

New management and operations

Trinh Tien Dung, general director of Dai Dung Metallic Manufacture Construction and Trade Corporation, said there are plenty of opportunities for businesses returning to the market, but most would have to adapt by improving their management and operations.

Lam An Dau, general director of Vinh Tien Paper Joint Stock Company, said the COVID outbreaks had helped businesses adapt to live safely with the virus.

He said during the largest outbreak his company quickly shifted from producing paper used for notebooks to high-quality masks.

"The market needed masks, so we responded quickly. We kept production going and retained our workers."

Nearly all workers have returned to work, he said.

"To ensure the safety of businesses and workers, the business community propose the Government ensure enough and early vaccines for workers."

A spokesperson for a manufacturing company in the Tan Thuan Export Processing Zone in District 7 said normal production has resumed under the "new normal."

It is important to ensure there are enough workers to fulfil the orders during the year-end season, he said.

A spokesperson for a company in District 12 said periodic testing has been finding some workers with COVID, and this results in having to disinfect the plant, testing everyone who had been in close

contact with the patients and monitoring the situation for a few days.

The local health department has to be notified to send the infected workers for treatment or isolation at home, he said.

E-commerce

According to the VietUnion Online Services Corporation, which operates the Payoo payments platform, most service industries have prospered since October.

The platform's non-cash payment transaction data also shows that fashion and cosmetic stores' revenues have increased by nearly half from September and by 20 per cent compared to the period before the pandemic.

Figures for the first half of November show that some shopping malls have doubled their revenues from the same period in October and increased it marginally from the same period in May.

On e-commerce sites, food items and other essential goods have seen good sales in recent weeks, admittedly when big discounts are on offer.

On Tiki, imported frozen meats, pizzas and confectionery always say 'sold out'.

A Lotte Mart spokesperson said the South Korean supermarket is offering promotions in December with discounts of up to 70 per cent.

Thong of Phuc Sinh Company said e-commerce is among the major distribution channels for businesses that know about them.

Truong Tien Dung, general director of the Saigon Seafood Trading Joint Stock Company, said the biggest problems are the low demand in the domestic market and the sharp increase in production costs due to the shortage in supply of raw materials.

His company has been working at more than 80 per cent capacity since early November, he said.

"We try not to disrupt the supply chain or lose the market."

However, businesses need supportive policies, he added.

"Ensuring jobs for workers until Tet (Lunar New Year) is our top priority."

6. HCM City logistics sector ripe for growth: seminar

HCM City's logistics sector has enormous development opportunities if it can overcome the equally big challenges it faces, a seminar heard on November 30.

Logistics firms therefore need to clearly identify them and come up with appropriate development scenarios to make the sector a spearhead, delegates told 'Identifying opportunities and challenges for the development of the logistics sector in HCM City.'

Đặng Minh Phương, chairwoman of the HCM City Logistics Association, said supply chain disruptions are hard to overcome in the near future and could continue to greatly affect businesses in Việt Nam.

Due to the COVID-19 pandemic, foreign firms are looking for ways to diversify their supply chains, and

an efficient logistics system is an important factor in attracting and retaining them, she said.

Bùi Tá Hoàng Vũ, director of the Department of Industry and Trade, said the city, with its strategic location, has relatively developed logistics services but their costs remain high compared to other countries in the Asia-Pacific region.

Demand for logistics services would continue to surge, he said.

The city People's Committee has approved a proposal to develop logistics into a spearhead sector that will account for 10 per cent of the economy by 2025 and 12 per cent by 2030.

Logistics costs are expected to fall to 10-15 per cent by 2025, Vũ said.

Nguyễn Anh Đức, general director of Saigon Co.op, also views the logistics industry as an important sector for retail businesses with transport costs accounting for 5 per cent of total costs.

“Reducing logistics costs will help retailers increase their revenues and profits.”

While logistics systems have reached automation level five in developed countries, it is still at the starting level of 1 or 2 in Việt Nam, he said.

He called for developing the sector towards a more specialised direction, establishing logistics areas with each focusing only on certain kinds of goods.

The city also needs to promote connectivity with provinces and cities, develop supporting industries and infrastructure, and enhance linkages between stakeholders in the sector, he said.

Đinh Ngọc Thắng, director of the city Customs Department, said the city's exports topped US\$116 billion in the first 11 months of 2021 despite the pandemic, up 16 per cent year-on-year.

Việt Nam has the opportunity to develop its logistics sector thanks to its free trade agreements, policies to develop the sector and the fact that North

American and European countries view Việt Nam as an attractive investment destination, he said.

“If we become the world's goods transshipment hub, not only seaports but also logistics will have a huge chance to develop.”

Some 80 per cent of logistics firms in HCM City are of small scale, lacking capital and technology, he said.

They need to embrace technology to digitise, develop innovative services and a logistics ecosystem to penetrate the global supply chain, he said.

The city needs to invest more in developing its transport and logistics infrastructure and encourage logistics firms to invest more and train human resources, he added.

Phường said for the logistics industry to develop the city government should consider it a priority sector for support.

“Logistics account for 8.9 per cent of the city's economy and play an important role in supporting production, trading and import and export, and attracting foreign investment.”

7. Enterprises need to ensure food safety standards for exports

Vietnamese enterprises need to change their perception of food safety and improve the quality of agricultural products to meet the requirements of the EU market.

Tran Thuy Dung, an expert from the sanitary and phytosanitary (SPS) Viet Nam Office said that before 1993 the European Union (EU) accepted more than 1,100 kinds of pesticides in imported goods, though the bloc has reviewed this list many times since.

As of January 2021, the EU only accepts 520 kinds of pesticides in imported goods. For pesticides not on the list, the EU regulates the maximum allowed level of residue on imported goods.

“In 2020, the SPS Viet Nam Office received more than 100 notices about the draft changes to EU's allowable residue levels. With those changes, the local enterprises need to pay attention to change

production process to meet the EU standards,” Dung said at a meeting to update the regulations and commitments on SPS in the EVFTA, hosted by the SPS Viet Nam Office and the Nong nghiep Viet Nam (Viet Nam Agriculture) newspaper on Tuesday.

To adapt to EU regulations, Ngo Xuan Nam, deputy director of SPS Viet Nam Office, said that local producers must change their mindset on food safety and improve the quality of agricultural products.

“Export markets, including the EU, have regularly updated their standards on food safety and quality for import goods. Therefore, the local producers and traders need to strictly comply with those regulations and guidelines on growing area codes, packaging and labels,” Nam said.

Meanwhile, management agencies also need to implement inspection and supervision programmes

to support enterprises and manufacturers in meeting the requirements on the export markets, he said.

Le Thanh Hoa, director of SPS Viet Nam Office, said the EU is a large market and its regulations for import goods mainly focus on food safety.

In order to meet the EU regulations on microbial contamination and pesticide residue levels, the State management agencies and localities need to provide more specific instructions for farmers, processors and exporters to meet EU market regulations, Hoa said.

In addition, the Vietnamese agriculture sector is still facing many challenges, including small and scattered production, the impacts of climate change and diseases, and fierce competition with agricultural export products of other countries.

Increasing protection of domestic production via technical barriers (standards of quality, food safety and traceability) is important, particularly as the COVID-19 pandemic has also affected Viet Nam's agricultural exports.

FTAs, such as the CPTPP, EVFTA and Industry 4.0, have also impacted the production, processing, and consumption of agricultural products.

Nguyen Manh Hieu, from the Institute of Agricultural Electrical Engineering and Post-Harvest Technology, said the EU annually imports 35 billion euros of vegetables and fruits. Viet Nam is ranked 27th among fruit and vegetable exporting countries to the EU with a modest market share of 1 per cent.

About 50 per cent of Viet Nam's exported passion fruit products go to the EU. To penetrate the EU market, it is necessary to have good products, good preservation and transportation technology; and good control over planting area code. The EU is interested in production according to GlobalGAP.

“The EU has strict regulations on pesticide residues so there is a low volume of exports meeting those regulations. But this is a large and potential market for Vietnamese vegetables and fruits,” said Hieu.

According to Hoa, all commitments on tax cuts are opportunities for the localities and businesses to promote exports. Therefore, they need to know information about food safety, residues, and microbial contamination. On the other hand, to export farming products to the EU, certification such as GlobalGAP or FSC for the wood industry is also important.

Corporate News

8. DXG: Notice of foreign ownership ratio limit

↓ -3.16%

The Board resolution dated November 25, 2021, the BOD of Dat Xanh Group Joint Stock Company

approved to implement the maximum foreign ownership ratio at DXG to 50% in accordance with the law.

9. MBB: MB completes selection of strategic partner for commercial joint venture in Cambodia

↓ -1.36%

Accordingly, the parties agreed that after MB obtains the approval of the relevant state agency on the establishment of a commercial bank solely by MB in Cambodia with a minimum charter capital of \$75 million, MB will transfer up to 49 per cent of the shares to a strategic partner and launch Vietnam's first joint venture bank abroad.

MB is known for its rich experience in successfully developing digital banking in Vietnam, as well as its solid business foundation and remarkable market understanding during 10 years of operating banking activities in Cambodia as a branch.

Shinsei Bank, Ltd. (Shinsei Bank) which has more than 50 years of banking experience in Japan, has outstanding achievements in retail banking and consumer finance. Hence, the joint venture bank that is built on the collaboration of these two financial groups is expected to become a leading digital-retail bank in Cambodia.

To realise that goal, both parties agreed to invest substantially and systematically in resources and

nominate high-quality personnel to build outstanding business strategies, models, and solutions to enter the dynamic financial and banking market in Cambodia.

MB and Shinsei Bank have a successful joint venture in MB Shinsei Finance LLC (MCredit). After five years of cooperation, MCredit is currently ranked among the four most prominent consumer finance companies in Vietnam in terms of outstanding loans, with returns on equity performance at about 30 per cent.

The joint venture in Cambodia is a watershed moment in the cooperative relationship between Vietnam's and Japan's financial groups. Furthermore, the joint venture in a third country demonstrates the two groups' willingness and dedication to work together on a long-term basis.

This also indicates MB's strategic vision and great expectations to gradually improve the position and foster the business development of MB Group in Asia.

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