VIETNAM DAILY NEWS

April 18th, 2019

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Market Analysis

1. Shares decline for a second day amid investor pessimism

On the Hồ Chí Minh Stock Exchange (HOSE), the VN-Index fell 0.52 per cent to close Wednesday at 972.10 points.

On the Hà Nội Stock Exchange, the HNX-Index edged down 0.64 per cent to close the session at 106.43 points.

Both stock indices dropped by less than 1 per cent in the previous session.

Several stocks unexpectedly hit their floor price (maximum daily decrease of 7 per cent on HOSE), making investors nervous and driving them to sell.

The biggest losers included steelmaker Hoa Sen Group (HSG), Sông Đà Urban & Industrial Zone Investment and Development (SJS), An Phát Plastic & Green Environment (AAA) and construction firm Licogi 16 (LCG).

'Vin' stocks including Vingoup (VIC), Vincom Retail (VRE) and Vinhomes (VHM) fell between 1.2 per cent and 2.7 per cent.

Other heavyweight shares were mixed. Vinamilk (VNM), Vietinbank (CTG), Eximbank (EIB), Sacombank (STB) and Coteccons Construction (CTD) slumped but Vietcombank (VCB), Techcombank (TCB), brewer Sabeco (SAB), Mobile World Investment (MWG) and FPT Corp (FPT) advanced.

Among oil and gas stocks which declined on Wednesday, PV Gas (GAS) also increased 1.4 per cent and cushioned the market.

Liquidity improved over the previous session with a total of 227.2 million shares worth VNĐ4.9 trillion (more than US$209 million) traded on the two exchanges, up 29.5 per cent in volume and 35.3 per cent in value compared to Tuesday's figures.

Opposing domestic investors' moves, foreign investors continued to comb local shares. They were responsible for total net buy value of VNĐ200 billion in the two markets, lifting two-day net buying value to more than VNĐ400 billion.

Their buys focused on large caps such as Masan Group, PV Gas, Vingroup, Vinhomes and Vietcombank.

According to BIDV Securities Co (BSC), the market is adjusting and market liquidity is higher than previous sessions but is still quite low, showing increasing investor caution.

Việt Nam was the exception of most Asian markets, which have gained strongly in recent sessions. Investors were advised to continue to monitor macroeconomic developments in the world, especially the US-China trade war, BSC wrote in its daily report.

"The market is expected to recover in upcoming sessions," said Trần Xuân Bách, a stock analyst at Bảo Việt Securities Co. However, Bách said the market would continue to experience a wide divergence among stock groups.

Stocks with positive results, including textiles, fisheries, information technology and other stock groups at their supporting zones such as oil and gas, and banks are expected to rebound, he said. – VNS.

Macro & Policies

2. EU remains top market of Vietnamese shrimp

During January-February, export value of Vietnamese shrimp fell year-on-year by 15.2 percent to 373.6 million USD. Accounting for 20.5 percent of total export turnover, the EU secured its position as biggest buyer of Vietnamese shrimp. Within the EU, the UK, the Netherlands and Germany were the top purchasers.

White-leg shrimp continued to occupy a key position in this market, making up 82 percent of total shrimp shipments.

Spending 67.7 million USD on Vietnamese shrimp in the period, Japan was the second largest buyer. Experts have said that shipments to the East Asian country have shown audacious signs from the outset of the year, with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) taking effect from January, and completion of tax reduction progress under the Vietnam-Japan Economic Partnership Agreement (VJEPA). Local firms may bolster exports to the market as Japan has applied a zero percent tariff on Vietnamese seafood.

Meanwhile, China ranked third by spending 62.3 million USD on Vietnamese shrimp. Currently, Vietnam is the sixth largest shrimp supplier for China with 5.7 percent of the market share.

VASEP eyes more than 4 billion USD in shrimp exports this year thanks to free trade agreements. It said the shrimp sector would make a breakthrough in exporting to 28 EU countries – enjoying low import tariffs once the EU-Vietnam Free Trade Agreement takes effect – for an estimated export value of 1 billion USD.

3. Vietnam must tighten foreign investment incentives: experts

These opinions are raised against the backdrop of a plan formulated by the Vietnamese government to review its policies on attracting FDI until 2030.

Vietnam's over 21,400 FDI businesses reported pre-tax profits of over VND344.6 trillion (US$14.85 billion) in total in 2017, according to Deputy Finance Minister Huynh Quang Hai.

That was a year-on-year growth rate of 19.2 percent, Hai said.

Revenues and asset growth rates of these businesses also saw significant improvements of 28 percent and 22 percent, respectively, from 2016, he added.

However, more than half of FDI enterprises in Vietnam reported losses totaling VND86.18 trillion ($3.71 billion) that same year.

Notably, 1,590 of these loss-making enterprises have continued to expand their Vietnam business, Hung said.

This indicates a rise in transfer pricing activities, which are pricing transactions within and between enterprises under common ownership for the purpose of lowering their taxable profits, he added.

Between 2012 and 2017, the percentage of FDI enterprises in Vietnam reporting losses rose from 48 percent to 52 percent, the deputy minister pointed out.

In addition, foreign investment into Vietnam has been focused on sectors with a low localization rate that are labor-intensive and generate little added value.

These enterprises have been investing heavily in real estate while sectors such as agriculture, forestry and fisheries have not received adequate foreign investment.

Areas in southeastern Vietnam and the Red River Delta region are also attracting the majority of FDI into Vietnam while less developed areas struggle to keep up.

FDI enterprises enjoy a wide range of incentives when operating in Vietnam, including tax incentives that allow them to pay only 10.7 percent in corporate tax on average, compared to 20 percent for regular businesses, Hung said.

"There are too many shortcomings in our policies that need serious revision," Hung said.

In the upcoming revision of its incentive policies for FDI enterprises, Vietnam will focus on attracting foreign investment into areas of manufacturing with high added value and technological content.

Do Nhat Hoang, director of the Foreign Investment Department under the Ministry of Planning and Investment, proposes following in Thailand's footsteps in limiting incentives to seven areas including industry, agriculture, and fisheries.

"We can't treat the poorest area of Hanoi the same way as we treat the poorest area of A Luoi District in the central province of Thua Thien – Hue," Hoang said.

Instead of offering blanket incentives to all FDI enterprises, the government should be more proactive in controlling the flow of foreign investment by directing such incentives into high-priority areas through its policies, said Dr. Le Xuan Truong, a tax and customs professor from the Academy of Finance in Hanoi.

4. $108-mln wind power plant construction starts in southern Vietnam

The first phase of the Dong Hai 1 Wind Power Plant is expected to cost local company Bac Phuong (BP) Energy Ltd around VND2.5 trillion ($108 million).

The province's second wind power plant will have a capacity of 50 MW and contribute around 161 million kilowatt hours of electricity annually to the national grid.

The 3.6-square-mile plant will have 12 turbines. It is set to produce more power to Bac Lieu and other provinces in the Mekong Delta region.

Bac Lieu's first wind power project, Bac Lieu Wind Power Plant, started operating in 2016. It is the largest in Vietnam with 62 turbines. With a total investment of VND5.2 trillion ($224 million), the plant has a capacity of 99 MW which could produce about 320 million kWh a year.

Vietnam is thought to have great potential for renewable energy with its long coastline and 2,700 hours of sunshine a year on average.

The government has policies to attract investment in renewables to reduce the country's dependence on thermal power.

It is estimated that this year alone 2,000 MW of wind and solar power capacity will be added.

The rapid growth of Vietnam's economy, one of the fastest rates in the region, makes it hungry for power with demand expected to rise by around 8 percent a year over the next decade.

World Bank country director for Vietnam, Ousmane Dione, said the country would need to raise $150 billion by 2030 to develop its energy sector.

5. Vietnam mulls PPP Law with sovereign guarantees to reassure investors

Government guarantees are among the 10 points the Ministry of Planning and Investment listed in a document it recently sent to relevant ministries and agencies to collect opinions for its public-private partnership (PPP) bill.

It said the absence of guarantees related to minimum returns and foreign exchange risks have kept investors away from large projects like the Dau Giay – Phan Thiet and Tan Van-Nhon Trach road projects.

Thus, the MPI's proposal on government guarantees, if approved, might help remove some bottlenecks in the participation of foreign investors in major transport infrastructure projects like the North-South Expressway.

There are signs the Ministry of Finance supports such a proposal. In a report submitted to the government last September, it had said sovereign guarantees are necessary to encourage private investment in PPP projects.

But since they might contravene the Public Investment Law, the State Budget Law and the Law on Public Debt Management, such guarantees should be included in a new PPP law, the ministry had said.

Under the MPI bill, projects considered for minimum revenue guarantees will be those that need National Assembly and prime ministerial approval. The guarantees will be considered on a case-by-case basis.

For projects entitled to guarantees, for the first five years the guaranteed minimum revenue will equal 75 percent of revenue estimated in the contract. It will come down to 65 percent for the following five years.

However, if the revenue exceeds 125 percent of the estimated revenue in the first five years of operation and 135 percent in the following five years, the investor must hand over the excess portion to the government.

The State Bank of Vietnam has said many times it is very difficult to create a foreign exchange guarantee mechanism since the country's forex reserves are not stably, in fact warning against issuing foreign exchange guarantees on a large scale.

But in its latest draft, the MPI has sought recommendations from relevant agencies on exchange rate and currency conversion guarantees.

It envisages fixing a cap on exchange rate fluctuations for a certain period of time, for instance five years, and the government compensating the investor if the actual rate exceeds it. The bill also proposes a government guarantee to meet 30-50 percent of investors' foreign currency requirements.

In a paper released at the Vietnam Business Forum (VBF) last December, Tony Foster, head of the VBF's Infrastructure Working Group, said there is still no clarity on the mechanism for the state to provide financial viability gap fillers to PPP projects in high-risk sectors such as transport where there is often no offtake agreement to guarantee a revenue stream.

"Without a guaranteed revenue stream, investors and lenders will have no means to assess and manage risks of these projects and will be deterred from participating in PPP projects in these challenging sectors."

Tony also noted that a number of financial issues remain unresolved both in the legal framework and in the actual implementation of projects causing concern to potential lenders, such as narrowing government guarantees on foreign exchange risks and offtake risks, restrictions on the mortgage of land use rights to foreign lenders and taxes on interest on foreign loans.

According to the Ministry of Transport, construction of the eastern section of the North-South Expressway in 2017-2020, which includes eight subprojects in PPP mode, has drawn little interest from foreign investors or creditors.

Agencies responsible for the sub-projects cited foreign investors as saying they would only consider them if there are government guarantees on minimum revenues and foreign exchange.

In a meeting with the Standing Commitee of the National Assembly in late last year, the Government proposed that the PPP Law should be submitted to the legislative body for debate during its working session in May this year and be approved in the following session in October.

PPP is a form of investment between a government agency and a private investor for projects in areas like construction of infrastructure and provision of public services. Through PPP, governments can leverage efficiencies and expertise in the private sector to achieve their development goals.

Fast-growing Vietnam is facing an infrastructure bottleneck. With the state lacking the budgetary might to finance the nation's much-needed highways, tracks and airports, the Government is increasingly looking towards the private sector to fill in the financial shortfall.

It is estimated that the country needs about $480 billion for infrastructure investment by 2020, but the state budget can only meet one third of the actual financial needs.

Corporate News

6. DIG: Result of public offering

↓ -0.67%

Development Investment Construction Joint Stock Corporation announced the result of public offering as follows:

File Attachment

20190417_DIG-180317-Result-of-public-offering--PV.pdf

7. DHT: Financial Statement Quarter 1/2019

↑ 0.84%

HaTay Pharmaceutical JSC announced the company's Financial Statement Quarter 1/2019.

File Attachment

DHT_2019.4.17_8245f85_financial_statements.zip

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