



# VIETNAM DAILY NEWS

October 22<sup>nd</sup>, 2019



## Table of content

### Table of content

1. Stock market rebounds from steep decline
2. U.S. lowers antidumping tariffs on Vietnamese tra fish
3. Sustainable development key to joining global chain
4. Vietnam government sets GDP growth target of 6.8% for 2020
5. Strong growth, but rising bottleneck risks forecast for Viet Nam
6. Vietnam Industry White Paper 2019 released
7. HCMC determined to fulfill 2019 economic targets
8. CMG: Q2/2019 net profit dropped 56%, Revenue down 8%
9. DPM: Profit plunged in Q3/2019

## Market Analysis

### 1. Stock market rebounds from steep decline

Although the market fell into the red in early trade, the good performance of some big-cap stocks helped the main VN-Index of the Hochiminh Stock Exchange pare losses in the previous three sessions.

Bao Viet Securities predicted that the market might seesaw in the next few sessions, with the index seen hovering around the resistance range of 989-992 points.

At the close, the VN-Index added 3.63 points, or 0.37%, versus Monday at 987.19, with advancers and decliners being almost equal, at 151 and 152. Trading volume on the HCMC bourse rose 15.6% at over 230 million shares but value dipped 4.4% at over VND3.9 trillion.

Among the bank stocks, lender VCB inched up 1.4% at VND85,000 per share, possibly backed by its positive earnings results in January-September. Its pre-tax profit in the period soared an astounding 50.76% to over VND17 trillion, representing 88% of its full-year target.

Another good performer was BID, which gained 1.8% to the intraday high at VND40,000. Other lenders, CTG, TCB and MBB, made slight gains.

Some bluechips extended their rallies. Steelmaker HPG jumped 1.9% and brewery firm SAB soared 2.8%.

But dairy firm VNM underwent a slight correction, losing 0.8% after four days of gains. Further, stocks in the Vingroup (VIC) family and consumer goods company MSN fell slightly.

Media group YEG plummeted after it said in its quarterly financial report that it suffered losses worth over VND100 billion, leading its accumulated losses in the year to September to reach nearly VND230 billion.

For speculative stocks, property developer FLC came under strong profit-taking pressure, falling to its floor price of VND4,610, with up to 46 million shares traded. Its two affiliates HAI and AMD also fell from ceiling prices to end up losing.

On the Hanoi Stock Exchange, the HNX-Index closed at 104.49 points, up 0.48 point, or 0.47%, against the previous session, with 43 winners and 36 losers.

## Macro & Policies

### 2. U.S. lowers antidumping tariffs on Vietnamese tra fish

Tra fish exported to the United States between August 1, 2017, and July 31, 2018, is subject to the tariffs, the Trade Remedies Authority of Vietnam said in a statement on October 21.

The antidumping tariffs in POR15 are more relaxed than those set in POR14's final results.

Ong Hang Van, deputy general director of Truong Giang Fishery JSC, said that Hung Vuong Fishery Group was ordered to pay an antidumping tax of US\$3.87 per kilogram of tra fish exported between August 1, 2016, and July 31, 2017, following the POR14 final results.

The tax rate for tra fish from Bien Dong Seafood JSC was US\$0.19 per kilogram, while Vinh Hoan Corporation was offered a tax exemption, Van reported.

Meanwhile, the rate of US\$1.37 per kilogram was imposed on five companies: NTSF Seafoods JSC, C.P Vietnam Corporation, Cuu Long Fish JSC, Green Farms Seafood JSC and Vinh Quang Fisheries Corporation. The other Vietnamese tra fish exporters had to pay an antidumping tax of US\$2.39 per kilogram in POR14.

DOC will announce the final results of POR15 in the next 120 days, which may differ from the preliminary results.

According to the Vietnam Association of Seafood Exporters and Producers, Vietnam exported US\$1.3 billion worth of tra fish during the year up to August, dipping 7% year-on-year. Of this, the outbound sales of tra fish to the United States totaled US\$187.9 million, down as much as 41.5% against last year.

### 3. Sustainable development key to joining global chain

Sustainable supplies of goods and production were key areas for Vietnamese businesses to focus on in order to join the global supply chain, Director General of the Foreign Trade Association (Amfori) Christian Ewert said at a conference held in Ho Chi Minh City on October 21.

Speaking at the Amfori Asia Sustainability Forum, which gathered about 100 delegates from Asian countries and territories, Ewert said in the context of the rise of Asia, the main products sought in Vietnam were textiles, footwear and fast-moving consumer goods.

Organisations and management agencies in most countries were making efforts to implement the UN's sustainable development goals, and consumers were becoming more concerned about environmental protection and green products, Ewert said.

He said the impacts of climate change from production and business required businesses to become pioneers in sustainable development,

focusing on environmental factors. Focus was needed from many countries to find common solutions for sustainable development, especially issues such as climate change, the environment, global supply chains and trade wars.

The global supply chain is posing a series of challenges for businesses, including the origin of goods, trade barriers and trade defence mechanisms. Sustainable development required businesses to form a chain of green product supply and service, and by doing so changing consumer habits.

Vo Tan Thanh, Deputy Director of Vietnam Chamber of Commerce and Industry (VCCI), said there were many global supply chains of goods and services for the European Union and United States located in Asian countries, but the number of Vietnamese enterprises participating in this chain was still very limited.

This shows that Vietnam cannot ignore sustainable development. Vietnamese businesses need to identify this as one of key tools to join the global supply chain, especially when the country has deeply integrated into the international economy. That will provide more opportunities for Vietnamese enterprises to expand their business.

According to statistics from the Ministry of Industry and Trade, most foreign direct investment enterprises (FDI) were affiliated with foreign suppliers, while the majority of Vietnamese private enterprises sold goods and provided services to domestic partners. Only 15 percent of domestic businesses supplied goods and services for foreign partners in Vietnam.

The statistics showed 8.4 percent of businesses directly exported to foreign countries, while 7.4 percent sold indirectly via a third party.

Explaining the situation, some experts pointed out that many Vietnamese enterprises still applied

outdated technologies leading to low productivity, and lacked experience in working with foreign enterprises and compliance awareness.

The experts also said that many Vietnamese enterprises had not been proactive or ineligible to participate in the global supply chain, so they could not exploit the benefits of free trade agreements.

At the forum, experts agreed that encouraging and promoting domestic enterprises to meet international standards would help Vietnamese enterprises to join the global supply chain. This would contribute to the implementation of Vietnam's commitment to the UN's sustainable development goals./.

#### **4. Vietnam government sets GDP growth target of 6.8% for 2020**

The Vietnamese government set the GDP growth target of 6.8% for 2020 and the inflation rate of below 4%, according to Prime Minister Nguyen Xuan Phuc.

Such a growth rate would put Vietnam among global and regional's top economic performers, Phuc said in his report to the National Assembly's 8th session on October 21.

Other key economic targets include export growth at 7%, the ratio of imports to total exports would stay below 3%, total social investment capital at 33 – 34% of the GDP, Phuc added.

Vietnam expected the poverty rate to decrease by 1 – 1.5%, unemployment rate in urban areas would remain below 4%, Phuc continued.

For the year of 2019, Phuc said this is the second consecutive year that government has achieved and exceeded 12 key social-economic indicators, including the estimated GDP growth of 6.8%, helping to solidify the macro-economic base and control inflation rate.

“These are comprehensive achievements amid the numerous difficulties the country is facing, particularly unfavorable global economic environment, natural disasters and epidemic,” he added.

International organizations and the world community regarded Vietnam as a spotlight of regional and global economy. The country ranked 8th among best economies for investors in 2019, up 15 places against 2018.

The World Economic Forum (WEF) assessed Vietnam's national competitiveness has improved significantly in three major pillars of institution, infrastructure and skills, ranking 67th out of 141 countries and territories, 10 places higher than that of previous year.

Additionally, the productivity is expected to expand 5.9%, and the total factor productivity, which is determined by how efficiently and intensely the inputs are utilized in production, could reach 42.7%.

The growth model has been transformed positively, shifting from economic development based on natural resources and credit growth to greater contribution of science, technologies and innovation.

Notably, the manufacturing and processing now holds key role as main driver of growth, while services and agricultural sectors also develop at healthy rates.

In 2019, the consumer price index (CPI) would be below 3%, lower than the target of 4%, the foreign exchange reserves is around US\$73 billion.

Standard & Poors (S&P) Global Rating has raised Vietnam's long-term credit rating from its "BB-"

since December 2010 to "BB" with stable outlook and the short-term sovereign credit ratings at "B".

Total investment capital is estimated at 33.8% of the GDP, in which the private sector holds a higher proportion compared to previous year at 45.4%.

FDI to Vietnam in the first nine months reached an all-time high of US\$14.2 billion, while exports expanded 7.9%, leading to a fourth consecutive year of positive trade balance.

This was partly thanks to improvements in the business environment and the government's efforts in simplifying administrative procedures and supporting the business community access new markets, Phuc said.

## 5. Strong growth, but rising bottleneck risks forecast for Viet Nam

In the latest report, Fitch has maintained its 2020 growth forecast for Viet Nam at 6.8 per cent.

Reports from the General Statistics Office (GSO) showed that real GDP growth came in at 7.3 per cent year-on-year in the third quarter of 2019, up from 6.7 per cent year-on-year in the second quarter of 2019.

According to Fitch, the acceleration was underpinned by the ongoing influx in companies from China amid the US-China trade war, given that manufacturing sector growth continued to outperform.

The acceleration in headline growth in Q3 2019 was driven by the manufacturing sector, which grew by 12.0 per cent year-on-year versus 10.0 per cent year-on-year in Q2 2019. Growth in the construction sector also picked up to 9.7 per cent year-on-year in Q3 2019, from 9.1 per cent year-on-year in the second quarter. Both of these components helped to propel the overall industrial sector's growth contribution to 3.6 percentage points, its highest in at least five years.

However, Fitch noted it is seeing signs that the surge in companies relocating to Viet Nam is putting increasing stress on the country's infrastructure and labour force.

Viet Nam's manufacturing sector has without a doubt been a beneficiary of the US-China trade war, which has accelerated the structural shift in low-end electronics manufacturing and textiles manufacturing to the country from China. However, the sudden influx of companies appears to be putting considerable strain on the current level of infrastructure in the country.

Besides, there are increasing reports of a growing shortage of qualified workers, and this has put significant upside pressure on wages. Average monthly wages increased by 13.0 per cent year-on-year in Q3 2019. On a year-on-year basis from January to September 2019, the average wages of executives have risen by 16.7 per cent, technical workers by 12.2 per cent, and unskilled labourers by 17.4 per cent.

Though Viet Nam's average monthly wages are still low compared with other low-cost manufacturing hubs in the region, at about US\$290 versus \$470 in Thailand and \$580 in China's manufacturing sector, Fitch highlighted that a persistent sharp increase in wages as well as the inconvenience associated with logistical delays could begin to weigh on the manufacturing sector's growth rate.

"That said, we expect growth in construction and services to support headline growth over the coming quarters," Fitch noted, explaining that the



Vietnamese authorities are aware of the infrastructure bottlenecks and are proactively trying to fast track transport infrastructure projects to alleviate the traffic congestion.

Besides, Fitch forecast the robust FDI inflow, which reached total registered capital of \$22.6 billion in the first eight months of 2019 against

\$35.5 billion during the whole of 2018, will support further demand for banking and financial services.

In particular, FDI in the manufacturing sector will also increase demand for transport and warehousing services, Fitch projected.

## 6. Vietnam Industry White Paper 2019 released

The Vietnamese Ministry of Industry and Trade (MoIT)'s Industry Agency and the UN Industrial Development Organisation (UNIDO) on October 22 released the Vietnam Industry White Paper 2019.

The white book was built within the framework of the project “Support to the Government of Vietnam in the formulation of sub-sector industrial strategy and of related implementation policy through institutional capacity building” that has been carried out by the two sides since 2016, with the sponsor of the Republic of Korea (RoK).

Recommendations in the paper will be taken into account during the Government's building of industrial policies in order to enhance the role of the processing and manufacturing sector, said Nguyen Thi Xuan Thuy from the MoIT's Industry Agency, who is also head of the compilation group.

Le Thi Thanh Thao, UNIDO Country Representative in Vietnam, said industrial competition is the main growth momentum in developing countries as a competitive industry will accelerate the structural shifting that is a decisive factor in national development and poverty reduction.

She pledged to further coordinate with the MoIT in industrial development in Vietnam.

Over the past time, UNIDO has closely partnered with the ministry in promoting strategies and policies on industrial development through institutional capacity enhancement, completing industrial reports in both public and private sectors and proposing strategies and specific policies for the processing and manufacturing sector.

UNIDO's Competitive Industrial Performance Index reveals that in 2018, Vietnam ranked 42nd globally and fifth among South and Southeast Asian nations, as compared with the 69th place the country recorded in 2006, she said.

Deputy Minister of Trade and Industry Do Thang Hai said contributions of the processing and manufacturing sector to the national gross domestic product (GDP) increased from 12 percent in 2010 to 16 percent last year.

The sector has contributed over 80 percent of the country's total export value over the past decade and created 9.7 million jobs, he added.

## 7. HCMC determined to fulfill 2019 economic targets

The city must fulfill the budget collection target as soon as possible and work out more effective measures for the growth of each sector, HCMC Chairman Nguyen Thanh Phong told a conference held today, on October 22, to discuss key tasks for the rest of the year.

Phong asked the Department of Natural Resources and Environment to work with the relevant departments and agencies to speed up work on projects in the city and deal with any hindrances to these projects to avoid affecting firms and the business environment.

Phong also told leaders of districts to review delayed projects to remove the bottlenecks they face as soon as possible, VietnamPlus news site reported.

Recently, the central Government passed a resolution allowing the city to pilot the procedures to reduce the time needed for site clearance. The HCMC Department of Natural Resources and Environment is preparing to ask the city government to remove bottlenecks in land price appraisal.

Meanwhile, under the National Assembly's Resolution 54 which allows the city to embrace a special mechanism on a pilot basis, the department reported on 32 projects to change the purpose of agricultural-land use for a total of 2,000 hectares to the city government.

These projects are in the process of handing over land and calculating land use fees. Payment of land use fees will be completed in 2020.

As for the disbursement of public investment, representatives of the city's districts said that the pace of disbursement was slow due to obstacles related to site clearance compensation and compensation levels.

Many projects have been put into operation, but payments for compensation have yet to be made.

Speaking at the conference, Le Thi Huynh Mai, director of the municipal Department of Planning and Investment, noted that in the year to September 30, the city's disbursement had met over 40% of the year's estimate.

Mai also proposed the municipal government raise the capital provided for projects with a good rate of disbursement and reduce capital for projects with lower-than-expected disbursement.

The HCMC Department of Planning and Investment will hold a conference to review the processes of public investment to present solutions to slow disbursement, Mai said.

Director of the HCMC Department of Construction Le Hoa Binh confirmed that the department will soon dispatch an inspection team to construction sites in the city to minimize violations.

Regarding the remaining missions of 2019, Ha Phuoc Thang, the city government office chief, said that the city will enhance its focus on seven breakthrough programs. It is vital to enhance the quality of the city's steering committee in settling disputes, he said.

The city's departments, agencies, district authorities and State firms were also asked to promptly complete missions assigned by the municipal and HCMC chairman to contribute to fulfilling the city's targets.

Besides this, Tran Ngoc Ho, deputy director of the HCMC Department of Agriculture and Rural Development, stated that from now until the end of 2019, the agriculture and rural development sector will focus on turning out key farm produce, enhancing its support for technical transfers among farmers and preventing and fighting crop diseases.

## Corporate News

### 8. CMG: Q2/2019 net profit dropped 56%, Revenue down 8%

↑ 2.41%

CMC Corporation (CMG) announced the consolidated financial statements for the second quarter of 2019 (period from July 1, 2019 - September 30, 2019) with both revenue and profit fell year on year.

Accordingly, in Q2/2019, net revenue of CMC Group reached VND 1,126 billion, down 8% YoY.

Financial revenue increased sharply by 138% compared to Q2/2018 to VND 8.6 billion. Financial expense also increased strongly by 83% to over VND20.2 billion, of which interest expense accounted for 97%.

Other major expenses such as selling expenses increased by 21%; administration expense increased by 9%, making pre-tax profit of CMC

Group down 45.4% to VND30.5 billion, EAT dropped by 57% to VND27 billion. As of September 30, 2019, short-term and long-term payables of CMC Group were VND471 billion and VND681 billion up 35% and 140% YoY. However, the net cash flow from operating activities has been positive again.

In 2019, CMC Group targets revenue of VND 6,188 billion and pre-tax profit of VND 313 billion and dividend rate of 11%.

In the stock market, CMG has been one of the stocks that gained strongly year to date. At the end of the trading session on October 21, the market price of CMG reached 37,400 dong/share, up 68.3% YTD.

### 9. DPM: Profit plunged in Q3/2019

↓ -3.75%

Petrovietnam Fertilizer and Chemicals Corporation (DPM) has just released the consolidated financial statement Q3/2019. In this quarter, the net revenue decreased by 14% to VND1,893 billion while the pretax profit was VND75.37 billion to plunge by 60.5% y-o-y.

The net revenue declined while cost of goods sold over the net revenue edged up by 5.77% compared with Q3/2018. This is the reason why the gross profit margin decreased to 16.6%. In this quarter, financial income increased by billion12.3 billion, equivalent to 58% y-o-y to VND33.6 billion.

This income was mainly from interest received. Meanwhile, selling expenses, and general and admin expenses over the net revenue inched down by 22 and 43 basic points respectively.

However, the above factors could not prevent the plunge of the profit due to the decline in the net revenue and the increase in the cost of goods sold. In this quarter, DPM generated a pretax profit of VND75.37 billion, and decreased by 60.5% y-o-y. The pretax profit margin declined from 8.7% in Q3/2018 to 4.0% in the same period of this year.

In the past 9 months of 2019, DPM achieved a net revenue of VND5,399 billion, and decreased by 22.6% while the pretax profit was only VND117 billion to sink by 73% y-o-y.

In the last 5 quarters, the liquidity and capital structure was managed and controlled well. Particularly, the current ratio increased from 2.64 in the Q3/2018 to 3.43 in the Q3/2019 while the quick ratio was from 1.62 to 2.24.



In addition, liabilities over equity ratio ranged from 0.33 to 0.43 while debt/equity was safely maintained at 0.15 – 0.16.

The market price of DPM decreased by 29% compared with one at the beginning of the year. DPM is being traded at P/E=15x. ROE=4.79%. EPS forward = VND434.41.

**Research Team:** Tsugami Shoji      Researcher      [jsi@japan-sec.vn](mailto: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](mailto:info@japan-sec.vn)

Website: [www.japan-sec.vn](http://www.japan-sec.vn)