VIETNAM DAILY NEWS

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Market Analysis

1. Market drops for third straight day

On the Hochiminh Stock Exchange, the VN-Index dropped 5.74 points, or 0.56%, versus last Friday at 1,016.75. Transaction improved 16% in volume and 11.3% in value to nearly 210.4 million shares worth VND4.6 trillion, in which block deals accounted for over VND1 trillion.

The VN30 basket reported eight rising stocks, in which construction firm ROS and lender MBB were the most liquid stocks on the southern market with 28.5 million shares and 13.6 million shares traded, respectively. Meanwhile, 19 stocks closed in the red and three others moved flat.

Most securities enterprises said that the market ran out of growth momentum as the effect of the corporate earnings season had been reflected in the growth of blue chips earlier. Most of the 30 largest companies by market capitalization and trading liquidity had released their third-quarter earnings reports such as lender VCB, steel company HPG, retailer VRE and property giant VHM.

According to Stockplus, as many as 706 enterprises out of 832 listed companies on the Vietnamese stock market generated profits during the third quarter of this year.

Telecommunications, insurance and banking were the sectors with the highest net profit growth during the period. In contrast, communication, chemicals and petroleum were the sectors with the strongest declines.

Speaking to tinnhanhchungkhoan.vn, Ngo Quoc Hung, senior analyst at MB Securities Company's market strategy department, said the VN-Index had met some strong resistance when it tried to beat the 1,025-1,030 point zone, which was also the previous peak in October 2018.

The index's struggle was normal and any declines early this week are also predictable, especially after the benchmark index and most VN30 stocks have made the strongest rallies so far in the year.

Normally, the market needs to settle down after breaking through a resistance point, and it is the 1,000 points in the case of the VN-Index, so that it can target sustainable growth. Therefore, any declines from now on are only technical as the market is still in its uptrend scenario, Hung added.

On the Hanoi Stock Exchange, the HNX-Index dipped 0.51 point, or 0.48%, at 106.76. There were 24 million shares valued at VND266.5 billion transacted, down 15.2% and 28.5% against the previous session, respectively.

Macro & Policies

2. Power shortage could happen in Vietnam from 2019: Deputy PM

Vietnam is likely to face power shortage right in 2019 instead of 2020 or 2022 as it was warned earlier, Deputy Prime Minister Trinh Dinh Dung said.

The shortage might come sooner due to the delay of some big power projects which are from one to five years behind the schedule, Dung said at a Q&A session at the ongoing National Assembly session.

"Power shortage will become more obvious in the near future if we don't have drastic measures to cope with," the Deputy PM during a session where Minister of Industry and Trade Tran Tuan Anh was grilled last week.

The Deputy PM addressed some challenges, as follows:

(1) The structure of the electricity sector has been evolving over the past years, requiring an adjustment to the national power plan to 2020 with a vision to 2030 (Power Plan VII).

If the government fails to adjust the plan, it's hard to generate enough power to meet the demand, he noted.

(2) Investment needs for power generation and transmission are huge, about US$130 billlion from now until 2030, or US$12 billion per year, including US$9 billion for power production and US$3 billion for power transmission.

The Deputy PM said it's hard to mobilize such an amount of money for the power sector in the next decade and financial shortage remains one of the big challenges for Vietnam.

(3) The structure of the electricity sector is different among regions. Indeed, the northern and central regions consume 50% of the total power volume but produce more than 60% while the southern region consume 50% and produces 40%.

It requires both money and efforts to build the 500-kV North-South line – tranche 3, Dung urged.

(4) Power transmission network in several areas is not inline with the newly generated volume which largely comes from renewable sources.

To ensure enough power for the development, the Deputy PM pointed out several tasks that should be fulfilled for the 2021-2030 period.

(i) Soon put into operation key power projects namely Thai Binh 2 Thermal Power Plant, Song Hau 1 Thermal Power Plant, Long Phu 1 Power Plant as well as speed up some others, such as Van Phong 1 Thermal Power Plant, Nghi Son, Nhon Trach Power Complexes.

(ii) Supporting gas-fueled projects namely Ca Voi Xanh and Block B, and LNG-to-power projects of Son My, Long Son, and Ca Na in the would-be Power Plan VIII.

(iii) Encouraging private investment in power transmission to soon make the supply and demand matched.

3. Vietnam gov't insists on estimating trade deficit in 2020 after 4 years of surplus

The Vietnamese government expects to have a trade deficit curbed at 3% of total export value in 2020, indicating the first trade gap after four consecutive years of having surplus, according to a government report submitted to the National Assembly.

In order to justify such a target, Minister of Industry and Trade Tran Tuan Anh said the country posted trade surpluses over the past few years thanks to fast-growing exports, averaging 14.5% in the 2016 – 2018 period, in which exports grew by a two-digit rate, 21.8% and 13.3% in 2017 – 2018.

However, taking into consideration unfavorable domestic and global economic conditions in 2020, the MoIT expected this would be a challenging year for Vietnam's exports, said Anh.

Anh pointed to growing uncertainties in the world economy, and the global economic growth has been revised downward in 2020 by various global economic institutions.

Moreover, trade and economic policies of major economies such as the US or the EU could change rapidly and have multiple impacts, not to mention a growing number of fresh trade tensions around the world.

In reality, such impacts have already led to a slowdown in Vietnam's exports in the first 10 months.

Anh also referred to the growing trend of protectionism as many countries are willing to violate regulations of the World Trade Organization (WTO) to protect domestic production.

Additionally, many Vietnam's export staples are facing numerous challenges, including the EU's yellow card imposed on Vietnam's fisheries, fiercer competition in agricultural and seafood exports, slow development of supporting industries, among others.

Anh noted Vietnam's rapidly growing exports to the US recently could lead to the latter's tightening control over its imports.

Meanwhile, Vietnam's industrial sectors still rely on input materials for production and exports.

Anh expected there could be another wave of investment to Vietnam in 2020 in anticipation of the enactment of the EU – Vietnam Free Trade Agreement, as well as impacts of the US – China trade war, leading to a surge in imports of equipment, machinery and input materials.

In this context, the MoIT expects Vietnam's import growth in 2020 at 8 – 10%, higher than that of exports at 6 – 7%, resulting in a minor trade deficit.

4. Foreign investors eye hotels in Vietnam: JLL

JLL said in its latest snapshot report for Vietnam's hotel market that the industrial renaissance has driven corporate demand for hotels across the country.

Other factors, such as visa exemptions, the introduction of new direct air routes and improved marketing efforts, have also boosted the country's appeal to leisure travelers.

Like much of Southeast Asia, leisure demand has been driven by mainland Chinese tourists, hitting record arrival growth last year, according to the report.

The local hotel transaction market has shown exciting signs so far this year. For example, the Grand Ho Tram Strip resort has been sold to the Warburg Pincus investment fund.

Also, Malaysia's Berjaya Corporation has successfully divested its entire 75% stake in TPC Nghi Tam Village Limited. The village owns the Intercontinental Hotel, with a value of more than US$53.4 million held by the domestic hotel investor, Hanoi Hotel Tourism Development Co., Ltd.

Foreign and domestic investors have shown varying investment preferences, according to JLL.

While foreign investors are actively seeking investment opportunities with higher returns in Vietnam through operating hotel assets with in-place cash flow, the majority of domestic investors are interested in developing hotels and resorts from vacant land banks.

"We also witnessed domestic investors' interest in hotel investment growing in recent years. With the country's geographic advantages and strong economy, combined with the domestic political situation, local investors are willing to pursue high-value deals, bringing fierce competition to foreign investors," Trang Vo, vice president of JLL Hotels and Hospitality Asia Pacific, noted.

Hospitality snapshot in HCMC

Hanoi and HCMC are expected to remain the top two cities on the radar, followed by Danang and Nha Trang, the top two coastal destinations. JLL stated that hotels in the downtown areas will bring higher and more stable cash flow than coastal resorts and hotels.

In HCMC, despite market-wide year-on-year average daily rate growth of 5.8% as of year-to-date (YTD) August 2019, the pressure from new supply reduced occupancy by 4.8 percentage points.

As of YTD September 2019, international visitor arrivals in the city grew 14.3% year-on-year, reaching 72.9% of the targeted number of visitors for 2019. International arrivals are expected to grow, following the positive results of the annual International Tourism Event organized in early September.

The city's hotel market added 1,114 rooms to its existing stock, as of YTD September 2019, lifting the overall supply to some 20,200 rooms. In 2020, new supply is projected to slow down as the Government has tightened the approval policy for new development projects.

As of YTD August 2019, the hotel trading performance was healthy with positive growth of 5.8% for an average daily rate of US$118 and 0.7% for revenue per available room at US$81. The occupancy rate is up 4.8 percentage points, marking year-on-year growth of 68.8%.

Given the limited new hotel room supply in 2020, market-wide performance is projected to see positive growth in the short to medium term, according to JLL.

5. High land prices hinder Khanh Hoa from attracting new projects

According to a report on the investment promotion program in the province, Khanh Hoa attracted 33 projects with combined registered investment of some VND6.7 trillion in the 10-month period in 2018.

Besides an underdeveloped infrastructure, the lack of supporting industries centers and incentives and time-consuming and complicated procedures, the province did not call for investment in the Bac Van Phong economic zone while the National Assembly was considering the law on special economic zones.

However, the high land price has been blamed for the poor investment turnout. Khanh Hoa is one of the localities with the highest land prices in Vietnam, so the costs for site clearance are high.

In October, the province had 98 foreign-invested projects with total registered capital of more than US$3.5 billion, lower than that seen in other localities, such as HCMC, Binh Duong and Dong Nai.

In addition, investors tended to avoid large projects in the province. In 2016-2019, the province attracted 182 projects with registered capital of nearly VND107.4 trillion, but most projects were of small and medium size.

Several investors have expressed interest in large projects in the Van Phong Economic Zone such as the Ninh Tho industrial development center, Ninh Hai industrial complex, Ninh Tinh industrial development center and Bac Van Phong deep water seaport. However, these projects have shown no progress.

6. Slowdown in FDI's export growth to impact Vietnam's economy in 2020

As exports from foreign direct investment (FDI) firms currently account for 69% of Vietnam's export turnover, the sector plays a decisive role to the country's exports, stated SSI report.

"Export growth of the FDI sector is slowing down at an alarming rate of 5% in the first nine months of 2019, much lower than that of the domestic sector at 16.2%. A number of key export products witnessed low growth rate, or even decline," said the report.

Specifically, phone and parts recorded are the largest export staple but only expanded by 2% during the January – September period, slower than the 16% growth recorded in the same period of last year.

Similarly, exports of electronic products only grew 11.7% year-on-year against the 14% of the comparable period in 2018, textile exports up 8% (versus 15% in the same period last year), equipment with 1.9% (versus 29% in the same period last year), and cameras down 25% (versus 43% in the same period last year).

SSI attributed inefficient operations of multinationals such as Samsung and a slowdown of global economic growth to a decline in the FDI sector's exports. Such trend could persist and impacts Vietnam's economy in 2020, stated the report.

Nevertheless, there have been spotlights of the sector's exports. Shipments of car parts and accessories totaled US$3.9 billion in nine months, up 13.7% year-on-year, and those of wooden products were US$3 billion, up 18.4%, with the latter experiencing an export growth below 10% in the last two years.

SSI said wooden products are subject to high import tariffs due to the US – China trade war, so there could have been a wave of relocation of wood product manufacturing plants to Vietnam.

Vietnam's exports of wood and wooden products to the US in the first nine months reached US$3.65 billion, up 34% year-on-year, higher than the rates of 19% and 15% recorded in the same period of 2017 and 2018, respectively.

Overall, FDI inflow to Vietnam remains positive, ensuring strong growth of the FDI sector and spillover effects to domestic services and supporting industries, stated SSI.

Low growth rate in export markets in 2019 and may be in 2020 could hamper Vietnam's economic growth. Nevertheless, this could be an opportunity for Vietnam to restructure manufacturing sectors and diversify export products.

SSI expressed concern over the deficiency of Vietnam's infrastructure system and increases in input prices. Higher land rental fees and surge in labor costs could make Vietnam less attractive in the eyes of investors, particularly as the country's appeal is still dependent on cheap labor.

Low capacity of road and sea transportation is an issue that should be promptly addressed.

Changes in policies management in Vietnam are key to continue attracting FDI, stated the report. Free trade agreements and opportunities from the trade war only bring substantial benefits to Vietnam if bottlenecks in infrastructure and human resources are properly removed.

By then, the FDI sector, along with the private sector, could truly turn into two driving forces for Vietnam's rapid and sustainable economic development, concluded the report.

7. Vietnam passenger car import surges 150% in Jan-Oct

Vietnam imported 92,230 passenger cars, or cars with less than nine seats, in the first ten months of 2019, up 150% year-on-year, according to the Ministry of Industry and Trade (MoIT).

This resulted in Vietnam importing an average of 9,230 cars per month and over 300 cars per day, leading to car imports of nearly US$1.75 billion during the 10-month period, up 250% year-on-year.

In October, Vietnam imported 15,000 vehicles, in which 90% were passenger cars worth US$206 million. Meanwhile, 37,800 were assembled locally, up 1.3% year-on-year, accumulating a total of 284,200 in the January – October period, up 8.6%.

According to the MoIT's statistics, imported car parts and accessories also witnessed a hike of 123% year-on-year in October at US$400 million.

As of September, Vietnam imported 109,000 automobiles of all types worth US$2.4 billion, up 167.8% in quantity and 157% in value year-on-year.

The majority of imported cars to Vietnam are from Thailand, Indonesia, Japan, China and Germany, accounting for 97% of total cars imported into Vietnam to date.

In 2019, Vietnam is projected to have a record car trade deficit of US$3.4 billion, stated the MoIT.

Car imports into Vietnam from ASEAN countries are rising fast as the ASEAN Free Trade Agreement (AFTA) became effective, leading to zero import tariff.

"Car imports would continue to increase thanks to stronger domestic demand, in turn causing negative impacts on the domestic automobile production industry and the country's trade balance," said the MoIT in a report.

The concentration of a high number of car makers and assemblers in such a small-size automotive market is one of the main reasons for the sluggish development of Vietnam's automotive industry, stated the MoIT.

More importantly, Vietnam's car making industry depends heavily on the multinational production chains and has only participated in the simple phase of the global value chain with low added value products. Meanwhile, local companies have not been able to master core technologies such as engine and control systems.

Corporate News

8. PAN: Board Resolution on ESOP

↓ -0.52%

On November 08, 2019, the Board of Directors of the PAN Group Joint Stock Company approved the rules of the employee stock ownership plan (ESOP), list of key staff for ESOP and plan for issuing shares.

- Issuer: The PAN Group Joint Stock Company
- Stock code: PAN
- Par value: VND10,000/share
- Estimated issue volume: 3,000,000 shares
- Issue price: VND10,000/share
- Issue time: in Quarter IV/2019.

9. Stock market briefs Nov 11, 2019

↑ 0.70%

HCMC – Logistics firm Gemadept Corporation (GMD) will close the list of shareholders to pay a cash dividend at a ratio of 15% on November 15. GMD will spend about VND445 billion on the payment given its outstanding volume of nearly 297 million shares.

HCMC – Gelex Electrical Equipment Company has bought 30 million shares in ceramics firm Viglacera (VGC) to raise its ownership from 19.4% to 12.7%. Earlier, it had registered to buy 40 million VGC shares. The investor is expected to spend around VND630 billion on the purchase.

HCMC – Binh Dinh Pharmaceutical and Medical Equipment Company (DBD) said its consolidated net profit fell 28.3% year-on-year to VND32.3 billion in the third quarter of this year. DBD's net revenue decreased 15.8% to VND308.8 billion in the period.

HANOI – Tien Phong Plastic Company (NTP) has completed the issuance of 8.92 million shares for bonus giving at a 10-for-100 ratio to raise its registered capital by 10% to VND982 billion. NTP made a consolidated net profit of VND301 billion on revenue of VND3.39 trillion in the January-September period of this year, up 35.7% and 5.6% year-on-year, respectively.

HANOI – Pawn shop chain F88 expanded its footprint with 23 new branches opened in the third quarter of this year, bringing the total number of branches to 106 across Vietnam. F88 has received Smart Certification for practices that reflect and promote consumer protection.

HANOI – IDICO Corporation (IDC) has received approval from the Hanoi Stock Exchange to move the listing of 192 million shares to the northern bourse from the market for unlisted public enterprises, or UPCoM. IDC made a consolidated net profit of VND327 billion on revenue of VND3.5 trillion between January and September, up 51.9% and 26.2% year-on-year, respectively.

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