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Market Analysis

1. Market closes flat

Energy and petroleum stocks boosted the southern market index up in early trade following a strong rebound of oil prices on Wednesday night. Brent crude gained 0.8% to end at US\$62.54 a barrel on the global market.

However, stocks then went down steadily as investors raised selling pressure, pushing the VN-Index of the Hochiminh Stock Exchange down a slight 0.47 point, or 0.05%, at 1,012.3. Technology group FPT and electronics store chain operator MWG were key laggards, slumping 3.6% and VND2.6% at VND58,300 and VND116,800, respectively.

Market trade contracted sharply due to the lack of large block deals, with volume and value shedding 27% and 33% against the previous day at 209.4 million shares worth VND4.5 trillion. Construction firm ROS again led the HCMC bourse for liquidity with over 31 million shares traded, gaining 0.2% at VND25,000.

Notably, seafood stock HVG came under strong profit taking after previous strong gains, plunging to the floor price of VND7,230 on matching volume of 2.4 million shares. In the previous 20 sessions, HVG had up to 19 rising sessions, including 14 days hitting the ceiling prices.

According to BIDV Securities Company, in addition to conflicting signals about the trade agreement United States President Donald Trump mentioned in a speech on Tuesday, profit-taking pressure in volatile areas showed that the main index would need more time to settle.

The final quarter of the year would lack news for the stock market and the domestic market had already reached the new high, so a short-term correction is likely. Investors could still opt for stocks that are fundamentally favorable, it said in a report.

Saigon-Hanoi Securities Company said the market may continue to witness negative movements until demand returns. The VN-Index may continue correcting and hovering around the support zone of 1,000-1,005 points in the last trading session this week.

The HNX-Index of the Hanoi Stock Exchange fell 0.96 point, or 0.9%, compared with Wednesday to close at 106.24. Lender ACB was the most actively traded stock with 2.28 million shares exchanged, but it dropped 2% at VND24,500.

Macro & Policies

2. Vietnam advised to cut tax incentives for long-term development

Tax incentives had led to a decrease in State revenue in Vietnam over recent years, Nguyen Duc Thanh, Director of the Vietnam Institute for Economic and Policy Research (VEPR), said at a conference in Hanoi on November 13.

The conference, themed "Towards a fair tax system", pointed out that although Vietnam had posted impressive economic growth recently with a ten-year high GDP of 7.1 percent last year and possible higher growth this year, Vietnam's extraordinary economic track record had not been accompanied by a similar pathway in tax revenues.

Though tax incentive policies had contributed to the country's economic growth, boosting investment, the conference thought it was time for Vietnam to rationalise such incentives for big companies as lowering corporate income tax rates and the existence of many tax incentives for foreign investors had decreased tax revenues.

"In the long term this could harm the sustainability of the country," Oxfam's tax policies expert Johan Langerock told Viet Nam News.

According to data given at the conference, budget revenue decreased from 27.3 percent of GDP in 2010 to 23.7 percent in 2016. Revenue from corporate income tax decreased sharply, from 6.9 percent of GDP in 2010 to 4.3 percent in 2017.

Regarding the fact that tax incentives had attracted foreign investment to Vietnam, VEPR Director Thanh told Viet Nam News: "FDI policies should be reconsidered."

"Enterprises that only arrive in Vietnam to enjoy tax incentives were not the outstanding ones. Outstanding enterprises want transparent tax policies for their investments, not just the incentives," he said.

Thanh calculated that from 2012-2016, Vietnam's total corporate income tax incentives for businesses accounted for 7 percent of the total

state budget revenue, 1.4 times higher than highest budget spending on health in 2012

Agreeing with Thanh, Langerock told Viet Nam News: "The Vietnamese Government gives presents for foreign investors, who will not stay in Vietnam. So it is better to give such presents to local companies, especially the local SMEs."

Langerock added that certain incentives for local SMEs could help strengthen the economy in the long term as he believed local SMEs had big potential for development and would play an import role in the region in the future.

While Vietnamese authorities have not been paying enough attention to analyzing the efficiency and effectiveness of its tax expenditure policies, a study from the Organisation for Economic Cooperation and Development OECD found the social cost of tax expenditures (meaning those given as tax incentives) in Vietnam was "too large to be further ignored". According to the OECD, the revenue loss was estimated at 1 percent of the GDP, meaning a staggering amount of over 50 trillion VND (2.15 billion USD).

According to a recent survey by Grant Thornton on private equity prospects in Vietnam, 69 percent considered rising disposal income and middle-income status the most important factors for investing in Vietnam; 60 percent considered high and stable economic growth and only 13 percent considered Government incentives and subsidies as the most important factor.

The Oxfam expert said Vietnam could get rid of large tax incentives without harming its growth or competitiveness.

Langerock said some ASEAN countries were pushing each other into an aggressive race to the lowest corporate taxes. As an example, he said Singapore had created a lot of tax incentives for international enterprises, making itself a "tax haven" that troubled neighbouring countries with unfair competition.

He said as the next ASEAN chairman in 2020, Vietnam should act to stop tax competition, suggesting Vietnam should raise awareness and

debate the issue of tax competition and tax incentives at a regional level./.

3. Local food-processing industry ripe for investment

The conference, which was held by the Vietnam Trade Promotion Agency (Vietrade), under the Ministry of Industry and Trade, and the Foreign Investment Agency, under the Ministry of Planning and Investment, was aimed at stimulating foreign direct investment in the food-processing industry, reported the Vietnam News Agency.

A large number of foreign-invested food-processing projects have been set up in Hanoi; HCMC; and the southern provinces of Dong Nai, Binh Duong and Long An, according to the Industry and Trade Investment and Promotion Center of Vietnam with Vietrade.

These projects are mainly involved in the agricultural, aquatic and beverage processing sectors where investors can recoup their investments quickly.

The center's director, Le Hong Minh, noted that local governments should take a proactive approach in zoning areas for the production of agricultural raw materials for investors. Also, land should be transferred to investors in line with prevailing regulations.

Minh noted that regulatory agencies should create flexible systems for mobilizing capital and encouraging the investors to develop their farms.

Vietnam enjoys considerable advantages in processing agricultural, forestry and aquatic products. The food-processing industry is thus forecast to have a growing need for capital attraction and technology investment, he remarked.

The country has established a system for producing agricultural, forestry and aquatic products, with a designed capacity of some 120 million tons of input materials needed per year, stated Vietrade's deputy head, Hoang Minh Chien.

With some 7,500 firms and thousands of facilities and households involved in the produce-processing segment, the industry is growing at 5%-7% per year, added Chien.

However, there remain hindrances in the production value chain related to raw products and the low quality of materials and processed products.

He pointed out that supplies of input materials have yet to stabilize. Moreover, local producers whose competitiveness remains modest are heavily reliant on a number of foreign consumption markets.

To be competitive in developed markets requires the local processing industry to comply with stringent requirements on food security and quality, according to Dr. Frauke Schmitz-Bauerdick, director, Vietnam, at Germany Trade & Invest.

She stressed that proper machinery and equipment serve as a key factor in ensuring the quality of food products.

Increasing product value through food processing is an important trend that the local food-processing industry needs to pursue now, she continued.

She urged local food producers to be actively engaged in global supply chains as Vietnam is a member of many free trade agreements.

Some other officials suggested the Government take steps to raise the processing rate of agricultural, forestry and aquatic products as a top priority.

4. Temporary suspension of import and re-export of plywood to the US

This is a key part of the MoIT's newly-issued Circular No 22/2019/TT-BCT, according to the ministry's Department of Import and Export.

It will be applied to traders engaged in trade, temporary import and re-export; management agencies and organisations on merchanting trade,

temporary import and re-export; and agencies, organisations and individuals involved in merchanting trade, temporary import and re-export business.

The circular takes effect from December 27 this year to December 31, 2024.

5. HCM City reforms customs procedures

Customs clearance will be conducted right at the wharf in Cat Lai port in Ho Chi Minh City under a project that was officially launched by the municipal Customs Department on November 13.

The project will help save up to 70 percent of customs clearance time and ease congestion at the port.

Dinh Ngoc Thang, head of the department, said the project demonstrates determination of the southern hub's customs sector to speed up the reform and modernisation of customs services, towards the goal of cutting 70 percent of customs clearance time thus saving about 5 trillion VND (215.3 million USD) spent on such services each year.

Besides, the project also helps to reduce costs of container storage, freight unloading and infrastructure upgrading, among others, while enabling transportation businesses to maximize their capacity.

The project will first benefit customs agents and 200 selected businesses based on their customs record. Last year, these firms posted a total import value of 21.7 billion USD, making up 38.5 percent of the city's accumulative import revenue, and tax contribution worth 54.76 trillion VND, accounting for 50.5 percent of the department's State budget collection./.

6. Oil-fired electricity production to triple as dams go dry

It would increase from 2.6 billion kilowatt-hours this year to 8.6 billion kWh, monopoly distributor Vietnam Electricity (EVN) said in a note Wednesday.

Water levels in hydropower dams in the north and central regions have fallen to their lowest in years, it said. Hydropower production this year would be 13 percent less than the target, it added.

Dwindling supply of gas and coal adds to the challenge, while renewables only account for 2.5 percent of total production though the designed capacity is 9 percent.

Vietnam is facing difficulties in producing enough power to fuel a fast-growing economy.

With power shortages expected from 2021 onwards, the country might need to import 3.6 billion kWh of power from Laos and China, rising to 9 billion kWh in 2023, the Ministry of Industry and Trade had said in July.

The World Bank has estimated that Vietnam needs \$150 billion for energy sector development by 2030, with electricity demand growing by 8 percent a year in the next decade.

Corporate News

7. Stock market briefs Nov 15, 2019

↑ 2.90%

HCMC – VPBank (VPB) will sell 31 million treasury shares to current employees in 2019, which have a total value of VND310 billion. The shares will be taken from VPB's total 123 million treasury shares under the employee stock ownership plan. Some 30% of the shares will be restricted from trading for one year, 35% will be available for trading after two years and shareholders will be able to trade the remainder after three years.

HCMC – Property group Novaland (NVL) has decided to issue 18.6 million shares for employees, or 2% of its total outstanding volume, within the last quarter of 2019. Of the figure, nearly 809,000 shares will be available for trading and 17.8 million shares will be restricted from transfer within one year.

HCMC – Dong Phu Rubber Company (DPR) said its gross profit sank 40.9% year-on-year to over

VND159 billion in the January-October of this year, meeting 69.3% of the full-year target. Of the amount, DPR made a profit of VND13 billion from rubber business and production. Its revenue also decreased 15.2% to VND577 billion between January and October, meeting 79.2% of the entire year's goal.

HANOI – Gia Lai Hydropower Company (GHC) will spend VND41 billion paying a second dividend of VND2,000 per share for 2018 on the record date of November 20. The company will make the payment on December 10.

HANOI – Military Insurance Corporation (MIC) said its net profit skyrocketed by 5.2-fold year-on-year to VND27 billion in the third quarter of this year. Its revenue rose 1.7% to VND413 billion in the period. MIC has filed for listing on the Hochiminh Stock Exchange. The company is now trading 130 million shares on the market for unlisted public enterprises, or UPCoM.

8. VSH: BOD resolution on the holding of 2019 EGM

↑ 5.73%

On November 14, 2019, the Board of Directors of Vinh Son - Song Hinh Hydropower Joint Stock Company approved to hold the 2019 Extraordinary General Meeting of Shareholders as follows:

- Record date: December 04, 2019
- Meeting time: December 23, 2019
- Meeting venue: Quy Nhon Hotel, 8-10 Nguyen Hue, Quy Nhon City.

- Content:
 - + Report on the progress of Thuong Kon Tum Hydropower project;
 - + Report on the result of bond issuance and the plan for mobilizing capital for Thuong Kon Tum Hydropower project;
 - + Other issues

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