



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Shares narrow losses, fewer gold buyers on the God of Wealth Day

Investors helped cushion the fall on the Vietnamese stock market on Monday amid steep declines across the Asia.

On the Ho Chi Minh Stock Exchange (HOSE), the VN-Index closed down 0.91 per cent to 928.14 points. It lost more than 3 per cent in the morning.

On the Ha Noi Stock Exchange, the HNX-Index narrowed morning losses of 2.4 per cent to 1 per cent to end the session at 101.31 points.

A total of 341.5 million shares worth VND6.44 trillion (US\$276.3 million) were traded on the two markets.

Vietnamese stocks performed well given widespread slumps across Asia amid rising concerns over the outbreak in China, with \$420 billion wiped out from the Chinese market on Monday when stocks sank nearly 8 per cent.

“The panic pulled the VN-Index below the psychological threshold of 900 points. However, in the afternoon session, thanks to the recovery of some key blue chips such as BID, CTG, HPG, NVL, the market's further decline was prevented,” a BIDV Securities Co's daily report said.

Only five of the top 30 shares by market value and liquidity on the HOSE gained, while 22 lost value.

Lender BIDV (BID) and Vietinbank (CTG) rose by more than 3 per cent while steelmaker Hoa Phat Group (HPG) and property developer Novaland Investment Group (NVL) increased around 1 per cent.

Big losers included insurer Bao Viet Holdings (BVH), PV Gas (GAS), Vietjet (VJC), Petrolimex (PLX), PV Power (POW), PetroVietnam Fertiliser & Chemicals (DPM), Coteccons Construction (CTD) and Saigon Securities Inc (SSI), with losses of between 3-6 per cent.

BIDV Securities Co's analysts predicted a strong outbreak of influenza would be a risk for the

market in the short term with no effective control measures available.

Investors should be cautious and closely follow developments of the epidemic, they said.

Fewer gold buyers on God of Wealth Day

Though jewellers had stockpiled 'lucky' gold products for God of Wealth Day which falls on February 3 this year, most customers stayed away out of fear for coronavirus.

According to legend, the God of Wealth returns to heaven on the 10th day of the first lunar month, so people traditionally buy gold on that day to ensure good luck and prosperity throughout the year. In recent years, people have been queuing up from 3-4am to buy 'lucky' gold.

Together with ordinary items, products for sale include charm bracelets made of 24k and 18k gold. Items in the shape of animals are also popular.

Duong Anh Tuan, deputy general director of DOJL, said that in preparation for the day, his firm had prepared 280,000 products, an increase of 30 per cent.

However, the coronavirus as well as higher gold prices had caused a slump in customer numbers. To prevent exposure to crowds, some customers bought products last weekend.

On Monday morning, gold prices in the city hit nearly VND45 million (\$1,945) per tael (1.2 ounces), up VND7.5 million per tael compared to God of Wealth Day in 2019.

In the afternoon, it declined more than VND500,000 per tael at big businesses like SJC, DOJL and Bao Tin Minh Chau, as global gold prices dipped after hitting a near four-week high after China's central bank cut reverse repo rates and injected liquidity into markets to help support an economy hit by the coronavirus outbreak.

## Macro & Policies

### 2. Vietnam major airlines face no-growth scenario in 2020 on coronavirus

Vietnam major airlines such as national carrier Vietnam Airlines and budget airline Vietjet Air are predicted to face a no-growth scenario in 2020, due to slower growth or even a decline in the number of international tourists on fear of the outbreak of the new coronavirus (nCoV), according to KB Securities.

This is not to mention the joining of new airlines in the aviation market, making the competition fiercer.

According to KB Securities, international flights accounted for 66% of revenue for Vietjet Air (2019) and 65% for Vietnam Airlines (2017). In recent years, major driving forces for local airlines mainly came from opening new international flight routes as the domestic market become saturated.

Amid the ongoing outbreak of nCoV in China and countries around the world that claimed 362 deaths and 17,297 cases of infection as of today, the Vietnamese government requested the Ministry of Transport (MoT) to suspend flights to and from nCoV-stricken areas, while Vietnam will stop receiving Chinese tourists.

Meanwhile, Hanoi's authorities have stopped issuing visas for foreigners, including Chinese nationals, who have been in China for the last two weeks.

KB Securities expected the nCoV outbreak to cause severe consequences to the aviation industry and tourism similar to Severe Acute Respiratory

Syndrome (SARS) from November 2002 to July 2003.

Countries in East Asia – Pacific witnessed a boom in their respective aviation industries during the 1999 – 2002 period with the average compound annual growth rate (CAGR) of 9.9%. However, SARS plummeted the growth number of tourists via air transportation to 0.7% in the region in 2003, however, the number rebounded strongly to 39% in 2004.

In case of nCoV, KB Securities predicted the impact to be more difficult to evaluate for Vietnam, due to (1) the close proximity between Vietnam and China and the spread of the disease which is faster than SARS; (2) the ratio of Chinese tourists to foreign arrivals coming to Vietnam is increasing every year, reaching 32% in 2019 as airlines open more flight routes to Chinese provinces and cities.

It is predicted that the number of Chinese tourists to Vietnam would decline 75% and no growth in the number of foreign tourists during the outbreak, while the disease would last shorter than SARS (six months) due to the quick responses from the international community. For the final months of the nCoV epidemic, KB Securities assumed the number of tourists to grow at an average of 15%, equivalent to growth rate in the whole 2019.

With such assumption, KB Securities predicted there would be no growth in foreign tourists arrival to Vietnam in 2020, ranging from -1% to 2%.

### 3. How can Vietnam's e-commerce players foster greater market growth?

Although neighboring countries like Indonesia, Singapore, Malaysia, and Thailand are leading the regional e-commerce market, Vietnam has proven to be a rising force to be reckoned with.

It is Southeast Asia's third-largest e-commerce market, following Indonesia and Thailand. What's more impressive is that such numbers are achieved despite the country's relatively limited digital infrastructure.

A growing internet population, increasing user penetration, and at-scale foreign investments in local retail players like Tiki, Sendo, and Thagoididong are among the factors that made this milestone possible.

However, local consumers seem to favor foreign e-commerce retailers over the local ones – especially Amazon, who entered the market early last year.

According to a study, consumers' concerns about the quality of products and delivery time are straining greater growth possibilities and will most probably contribute to a higher preference towards foreign retailers.

When consumers' perceptions were surveyed, 30 percent revealed that the quality of e-commerce goods purchased is not exactly what they expect.

Twenty-six percent, on the other hand, cited limited choices of online goods compared to physical stores as well as poor delivery time to have affected their behaviors towards e-commerce.

This signals a need for local players to review their business models, operational efficiency, logistics capabilities, and proposed selling points to win back consumers.

Despite the huge foreign funding inflow in local e-commerce retailers and investment by the key retailers themselves, it is clear that the right business plans are not in place.

Local players must strive to understand the needs of the local market, the limitations of their journeys, and the flaws that are hindering greater user penetration.

Not to mention, local players must make greater efforts to diversify goods selection, improve the quality of products, offer transparency in the supply chain, and augment logistics efficiencies.

Building partnerships within the supply chain and leveraging the right technology can solve some of the challenges cited above.

Again, e-commerce players must understand what it means to be digital and what it takes to truly deliver on the promises of digital convenience and efficiency.

Of course, some may argue as to why a preference towards foreign retailers should be a worry. Well, for a developing country, it is highly critical for economic growth to be stimulated by local business activities in order to reduce poverty, increase employment, improve livelihood, and encourage greater digital efforts.

Nonetheless, Vietnam is a rising e-commerce tiger that will very soon catch up with neighboring markets and emerge as a flourishing economy – as long as local e-commerce players address their limitations.

#### 4. Franchising model on the rise in Vietnam logistics industry

After becoming a franchisee for a local logistics company in Ninh Binh in early 2019, Nguyen Thai now runs a network of delivery service points covering all districts across the northern province. He has over 900 customers, mostly shops, and guarantees delivery within the province on the same day including of cash-on-delivery (COD) orders.

"This is a time when COD orders are growing at a dizzying pace, and there is fierce competition between major players," he said.

According to the Vietnam Logistics Business Association's latest survey, there are around 30,000 logistics companies in the country, including 4,000 international ones. The industry has been growing at 12-14 percent annually and is now worth \$40-42 billion.

A recent change in this industry has been the shift from traditional businesses to e-commerce players, making the delivery market appealing. But those wanting to enter the industry need to make large initial investments since a logistics company needs both technology and wide coverage.

Thus, becoming a franchisee of an existing company instead of building one's own brand is preferable to many and this benefits both parties: the franchisor can quickly expand its network while the franchisee inherits an existing network, brand and customer base, according to industry insiders.

Since 2019 the market has been buzzing with the entry of well-known global companies such as ZTO Express and BEST Express.

BEST already has seven centers and over 100 service points, including 20 and 26 in Hanoi and Ho Chi Minh City.

According to industry insiders, franchisees need to invest around VND500 million (\$21,600) in facilities at each service point besides paying VND200 million and VND175 million as deposit and franchise fee.

"In China and Thailand, we have applied this model and it has proven quite successful in helping small and medium businesses participate in the digital economy," Johnny Chou, founder and chairman and CEO of BEST, had said at the company's launch in Vietnam last year.

"I know small and medium businesses want to be part of the digital economy, but they are too small and don't have enough resources."

ZTO Express currently has some 12 service points. SuperShip, a local startup, also franchises and demands lower fees than its foreign competitors.

To become a service point for a district, a franchisee needs to pay SuperShip VND50 million, which covers both fees and deposit, for a three-year contract, and invest VND50 million in facilities.

Le Sy Van, a franchisee in central Thanh Hoa Province, said: "The boom in e-commerce has led to the rapid development of many industries, especially logistics for e-commerce."

According to Le Thanh Hoai, founder and CEO of SuperShip, in addition to the 128 service points that have already been opened, the company has over 30 waiting to be opened and plans to increase the number to 500 by June 2020.

Under the company's franchising model, the total revenues across the system are split evenly between all the different units involved in the delivery.

"This means when one unit expands its customer base, there will be more revenues for the entire system."

The franchising model is also trending globally in the delivery industry.

Delivery companies are no longer following a strategy of searching for customers in each locality, but are focusing on developing their brands well in one locality or country and investing in a tech platform before selling this platform to franchisees in other localities and countries.

As a result, their revenues now come more from franchisees rather than fees paid by customers.

## 5. Viet Nam News Economy National IIP down about 6 per cent in January

This reduction was due to the Tết (Lunar New Year) holiday at the end of January this year, reducing the number of working days, said GSO economists.

The mining sector saw the strongest reduction of 18.4 per cent year on year in IIP in the first month this year.

The processing and manufacturing sector, responsible for a large part of domestic industrial production, reported IIP reduction of 4.8 per cent while the IIP of electricity production and distribution fell by 3.5 per cent.

Meanwhile, the IIP of the water supply and waste-sewage treatment sectors rose by 1.6 per cent year on year.

Many industrial products had a strong reduction in output, such as automobiles (38 per cent), sugar (30.4 per cent), motorbikes (22 per cent), liquefied petroleum gas (21.2 per cent), coal (18.5 per cent), milk powder (18.4 per cent) and raw steel (15.1 per cent).

Other products with decreased outputs included televisions (14 per cent), animal food (12.7 per cent), casual clothes (12.1 per cent), fertiliser (11.5 per cent), electric equipment (11.1 per cent) and crude oil (10.7 per cent).



However, some industrial products achieved growth in production, including metal ore (34.3 per cent), steel bars and steel angle bars (23.5 per cent) and mobile phones (10.4 per cent).

GSO officials said the reduction in industrial production in January was temporary due to the long Tết holiday.

Production was expected to recover soon because, in January, the number of labourers in industrial enterprises increased by 0.5 per cent year on year, they said.

## **6. Viet Nam News Economy Favourable policies expected to drive Việt Nam auto market growth**

Last November a special consumption tax policy was proposed by the Ministry of Finance to reduce or waive the tax on domestically made car components, which can help reduce costs.

Meanwhile, a proposal to increasing the tax on certain types of vehicles was also made last year, which is expected to increase the prices of imported cars if it is approved.

The ministry of Industry and Trade (MoIT) has also proposed other policies such as lower corporate income tax for the auto industry and its supporting industries.

There are also favourable policies on the cards for manufacturers of cars with nine seats or fewer, a capacity of more than 50,000 vehicles a year and able to export within five years. They include waiver of land rentals and usage fees, financial aid for technology transfer and access to low-interest loans.

The MoIT and the State Bank of Việt Nam have also been considering policies to increase demand

for cars, such as lower loan interest rates for buying domestically produced cars.

Production of cars in the country has been increasing since last year, with Trường Hải Auto Corporation expanding the capacity of its KIA car manufacturing plant from 20,000 to 50,000 a year and TC Motor's new factory slated to be completed this year with a capacity of around 100,000 cars.

Other companies such as Ford and Toyota have also expanded their capacity.

Inspections of imported cars will be less stringent, changing from for each batch of imports to particular models. Each model would need only one vehicle tested for emissions and safety.

According to the MoIT, the growth of the auto market has been better than expected in recent years, with a rate of 20 - 30 per cent a year.

In 2020 around 450,000 - 500,000 cars are expected to be bought in Việt Nam, up from 400,000 units last year.

## Corporate News

### 7. SBT: Explanation for the fluctuation of business result in Q2.2019-2020

↓ -2.96%

Thanh Thanh Cong - Bien Hoa Joint Stock Company explains the fluctuation in the consolidated financial statements in the fiscal year 2019 – 2020 (from 10/01/2019 to 12/31/2019) compared to the same period of last year as follows:

The Company's consolidated profit after tax of the second quarter in the fiscal year 2019 – 2020 increased by VND 9 billion and accumulated six months of 2019-2020 increased by VND 45 billion compared to the same period because of the following causes:

- Sugar consumption increased by 32% compared to the previous year and the company continues to maintain the growth rate in business operations, aiming to expand market share this year.

- Besides, in the second quarter of 2019-2020, SBT reduced VND 41 billion in financial expenses, showing a successful first step in the roadmap to restructure capital resources, increasing competitiveness with other Large Sugar Enterprise in ATIGA area.

### 8. Vincom Retail celebrates 17 per cent in pre-tax profit

↑ 0.50%

Vincom Retail JSC (HoSE: VRE) has just announced its fourth-quarter financial statement with a decrease in revenue, despite growing profit against the past year.

Specifically, VRE's net revenue reduced by 8.5 per cent to VND2.784 trillion (\$121 million), including VND1.951 trillion (\$84.83 million) in revenue from property leasing, up 30.9 per cent on-year, and VND785 billion (\$34.13 million) from property trading. As a result, VRE reported VND1.111 trillion (\$48.3 million) of pre-tax profit, up 23 per cent on-year.

In this quarter, Vincom Retail launched nine commercial centres across the northern, central, and southern areas of the country, including six Vincom Plazas in Cao Lanh, Di An (Binh Duong province), Cam Pha (Quang Ninh), Soc Trang, Kon Tum, Bac Kan, and three Vincom+ units in Phu Tho town (Phu Tho province), Ninh Hoa town (Khanh Hoa), and Thai Hoa (Nghe An).

For the full year, Vincom Retail recorded VND9.259 trillion (\$402.57 million) in revenue

and VND3.578 trillion (\$155.57 million) in pre-tax profit, up 1.5 and 17 per cent on-year, respectively. The company gained VND2.849 trillion (\$123.87 million) in gross after-tax profit, up 18 per cent on-year, and exceeded the goal set forth by 5 per cent.

As of the end of December 2019, Vincom Retail operated 79 commercial centres across 43 cities and provinces with the retail area of 1.6 million square metres. The total assets of the company were estimated at VND35.822 trillion (\$1.56 billion), down 7.4 per cent compared to the beginning of the year due to a VND1 trillion (\$43.48 million) drop in balance of deposits. The financial loan balance was also maintained at VND2.8 trillion (\$121.74 million), capturing around 8 per cent of the total assets.

VRE also reaped VND5.589 trillion (\$243 million) in undistributed after-tax profit, as well as 56.5 million treasury shares, which were bought in mid-December for VND1.954 trillion (\$84.96 million).

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