



VIETNAM DAILY NEWS

February 19th, 2020



Table of content

Table of content

1. Economic worries drag VN stocks for a 3rd day
2. Veggie, fruit exporters seek new markets through EVFTA
3. Vietnam's GDP growth to suffer a blow from coronavirus: economist
4. Post-Covid-19 tourism promotions trigger concern
5. Hanoi sees improved tourist numbers
6. Restructuring markets for sustained growth
7. Digiworld sets sight on ambitious \$443.5 million revenue target
8. GTN: Change of personnel

Market Analysis

1. Economic worries drag VN stocks for a 3rd day

Vietnamese shares fell with regional markets on Tuesday on worries of the global economic recession.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange dropped for a third straight day, losing 0.73 per cent to end Tuesday at 927.93 points.

More than 187.7 million shares were traded on the southern bourse, worth nearly VND3.55 trillion (US\$152.7 million).

That included more than 164.3 million shares transferred via order-matching deals, worth VND2.73 trillion.

Market sentiment worsened as investors worried about the slow recovery of manufacturing activity in Asia, led by China, according to MB Securities Co (MBS).

Concerns were raised following tech giant Apple's negative quarterly earnings forecast, which may hamper the recovery of the regional industry and manufacturing activities.

In addition, worries about further negative developments due to the coronavirus clouded market sentiment.

On the Vietnamese stock market, investors remained cautious amid these concerns, MBS said in its daily report.

Large-cap companies continued to hold back the market. The large-cap tracker VN30-Index shed 0.53 per cent.

Sixteen of the 30 largest stocks by market value and trading liquidity declined.

Those losers included FLC Faros Construction (ROS), brewer Sabeco (SAB), property firms Vingroup (VIC) and Vincom Retail (VRE), steel maker Hoa Phat (HPG) and dairy company Vinamilk (VNM).

The 16 declining large-caps lost between 0.3 per cent and 6.9 per cent.

Real estate, energy and mining, food and beverage, building materials, and transportation and logistics also underperformed on Tuesday, according to vietstock.vn.

Positive gains were seen in the technology, banking, retail, healthcare and pharmaceuticals, and seafood processing industries.

One positive thing was investors sought opportunities in mid-cap and small-cap items instead of selling large-caps and running away from the market, MBS said.

The mid-cap and small-cap tracking VNMID-Index and VNSML-Index rose 0.14 per cent and 0.39 per cent on Tuesday.

MBS forecast the VN-Index would continue struggling between 900 points and 920 points.

On the Ha Noi Stock Exchange, the HNX-Index was up 0.46 per cent to end at 110.07 points.

The northern market index slid 0.16 per cent on Monday.

More than 44 million shares were traded on the Ha Noi stock market, worth nearly VND870 billion.

Macro & Policies

2. Veggie, fruit exporters seek new markets through EVFTA

The recent ratification of the European Union-Vietnam Free Trade Agreement (EVFTA) by the European Parliament (EP) is expected to help with the market expansion of Vietnamese farm produce, including fruits and vegetables, in the face of the coronavirus outbreak disease (COVID-19), according to insiders.

China has always been one of the biggest importers of Vietnamese agricultural produce. In 2019, Vietnam exported 3.74 billion USD worth of fruits and vegetables, 65 percent of which went to China.

However, since the Lunar New Year, China has temporarily closed its border gates due to the spread of the acute respiratory disease caused by the novel coronavirus (COVID-19), causing difficulties for Vietnamese exporters.

In that context, the ratification of the EVFTA by the EP on February 12 has significant meaning.

According to Vietnamese Minister of Industry and Trade Tran Tuan Anh, the EU is one of Vietnam's most important trade partners.

Once the agreement takes effect, the EU will eliminate import duties on almost all tariff lines for Vietnam. This will be an excellent chance for Vietnamese agricultural businesses to boost exports to the market of over 500 million people, he said.

He advised businesses, especially small-and medium-sized firms, to study opportunities and challenges when making inroads into the market, and strive to improve the quality and design of products, and ensure rule of origin, technical standards, and food safety and hygiene.

3. Vietnam's GDP growth to suffer a blow from coronavirus: economist

Electronics, automobile, machinery and textile sectors have taken the greatest hit due to their scale and a high level of dependence on Chinese inputs, according to Alicia Garcia Herrero, a fellow at Asian Financial Think Tank and chief economist for Asia Pacific at NATIXIS Bank.

However, the actual economic value of the supply chain disruption is most profound for Japan, South Korea and the island of Taiwan considering their more integrated supply chains with China's mainland and Southeast Asia, Garcia Herrero wrote in an article published by the think tank.

While Vietnam's GDP decline is the greatest through its value chain, it is notable that the country's GDP surpassed 7 percent in 2019 and may continue to top growth in Asia even with the supply chain drag.

Though the impact on Japan's GDP growth might prove to be mild, it is the largest Asian economy outside of China, so "the nominal value of that is the second highest, only behind South Korea." From a

global value chain disruption and nominal value perspective, it means the impact will be mostly felt by South Korean and Japanese firms, according to Garcia Herrero.

She noted that the shutdown of epidemic epicenter Hubei Province and restrained reduction of activities in areas such as South China's Guangdong have directly hit the regions' production lines. A sizeable investment in Southeast Asia depends on Chinese inputs for production.

On Monday, major labor-intensive provinces in China resumed production, highlighted by high population flows in the Pearl River Delta and Yangtze River Delta regions.

In Chinese manufacturing hub Foshan, Guangdong Province, at least 600,000 workers returned to work and the local resumption ratio among large-scale enterprises surpassed 50 percent on Saturday.

The economist underscored that the world is now more exposed to China than it was in 2003, when the country was hit by the SARS epidemic and its manufacturing export share remained at only 8

percent then; by 2018, it had soared to 19 percent. That means a supply chain disruption will have a greater impact than before not just in Asia, but also in the US and Europe, Garcia Herrero said.

4. Post-Covid-19 tourism promotions trigger concern

Travel and hotel operators in the city attended the meeting, held by the HCMC Tourism Department, to discuss measures to recover the tourism sector following the Covid-19 outbreak.

Most of the operators had approved a plan to offer good deals to attract tourists. Some noted that discounts of 30%-35% could be effective, adding that service providers such as aviation and hotel operators should cooperate to restore the sector.

However, service prices for promotion programs should be lowered effectively so that services can easily be offered at regular prices when the local market bounces back, they remarked.

A Park Hyatt Saigon representative suggested the operators provide customers with various free services such as gifts instead of offering large discounts.

Similarly, Phan Xuan Anh, chairman of travel firm Viet Excursions, pointed out that it was not a sound move to request hotels to slash room rates of some VND5 million in half. Hotels could run buy-one-get-one-free programs, aiming to woo travelers as well as encourage them to experience other services, he suggested.

Many enterprises represented at the meeting also requested more information on efforts to control Covid-19 from local authorities. They are in need of official online channels, available in different languages, to reassure tourists amid fears of the disease. The sooner tourists are fully briefed on the situation, the better hotels can reduce the number of booking cancellations.

According to Huynh Phan Phuong Hoang, deputy director of Vietravel Company, official information on the issue from local authorities could help travel staff recommend safe destinations to tourists during the outbreak.

In addition, tour guides can capture photos of tourists currently enjoying their time in Vietnam, posting them on social media platforms to spread upbeat messages about local destinations that are free of the disease and must be added to travel bucket lists, said Nguyen Ngoc Toan, director of tour firm Images Travel.

In the coming months, the municipal tourism authority will take multiple steps to support local tour firms and hotels affected by the disease, including ramping up promotion and marketing activities, while seeking financial support from the Government.

5. Hanoi sees improved tourist numbers

The department reported that the city's tourism number was now 60-70% of that before the coronavirus outbreak.

Since the epidemic outbreak, Hanoi has witnessed a considerable fall in Chinese visitors. However, those from other markets such as Japan and India have still increased.

Many tourism firms such as Hanoitourist, Vietrantour and Hanoi Redtour have boosted ways

to attract tourists from European, American and Australian markets.

Thang Long Water Puppet Theatre's managing director Chu Luong said despite the fall in Chinese visitors the theatre had still seen the usual numbers of European and American bookings. Many performances had sold out.

Nguyen Viet Hung, deputy director of Yen Vien Bus Company which operates Hanoi City Tour service,

said that the number of tourists using the service had been on the rise over recent days. The company also provided masks free of charge for passengers.

More travellers have visited other Hanoi tourist attractions such as the Temple of Literature, Thang Long Imperial Citadel and Hoa Lo Prison.

Director of Hanoi Department of Tourism Tran Duc Hai said with fears of the epidemic, safety must be top priority. Local tourist sites have been requested to tighten control over sterilisation to ensure visitor safety.

6. Restructuring markets for sustained growth

Together with numerous enterprises and business associations, the Vietnam Tourism Advisory Board last week met with the Ministry of Planning and Investment (MPI) to talk about their member companies' woes caused by the rampant novel coronavirus (COVID-19) epidemic.

According to the board, prior to the outbreak, Vietnam welcomed about 700,000 Chinese tourist arrivals a month. Their monthly spending amounted to VND7 trillion (\$304.3 million). Last year, 5.8 million Chinese came to the country, accounting for 32.2 per cent of all international tourists. However, no Chinese person visits Vietnam now.

The board estimated that if the COVID-19 emergency ends in the first quarter of 2020, the total direct loss for the tourism industry in the first three months of 2020 could be \$6-7 billion. However, if the epidemic is contained in the second quarter of the year, the total direct loss of the industry in the first half of the year may be \$15-18 billion.

According to the MPI, COVID-19 has negative impacts not only on tourism, but also on almost all industries, which heavily rely on imports and exports to and from China. For example, the manufacturing industry has been feeling the pinch from the outbreak. Many major technological and manufacturing groups in China such as Toyota, Hyundai, Foxconn, Samsung, LG, and Apple have temporarily shut down their plants in China.

Hyundai has decided to extend a \$1 billion package to support companies globally that supply materials and equipment. The package is implemented in the form of loans or technical support. In another case, Apple is reported to be suffering from a loss. Though it does not conduct

any direct manufacturing in Vietnam now, it has many partners in the country such as LG and Foxconn. In its initial plan, Apple was to heavily increase its exports from Vietnam-based partners remarkably. However, the outbreak may undermine this plan this year, a representative of the MPI's Foreign Investment Agency said.

According to the MPI, all enterprises in industries such as textiles and garments, electronics, automobiles, and pesticides are facing difficulties due to material shortages, 30-60 per cent of which are imported from China. "Enterprises' material stock can help them maintain production until late February. If material shortages continue, they will have to halt production in March," stated a report from the MPI's Agency for Enterprise Development. "The hindered production will take a heavy toll on economic growth, budget revenue, employees, and the whole society."

The MPI estimated that if COVID-19 ended by April, Vietnam's first-quarter export turnover would be \$53.9 billion, down 8.3 per cent on-year, with turnover from China being \$6.8 billion, down 9.5 per cent on-year. Vietnam's first-quarter import turnover would be \$55.5 billion, down 3.2 per cent on-year, with turnover from China being \$14 billion, down 13.6 per cent on-year.

In case of the epidemic lasting until late June, Vietnam's second-half export and import turnover would hit \$58.5 and \$62 billion, respectively, down 8.1 and 3.1 per cent on-year.

With such negative impacts, if the epidemic was eradicated in the first quarter, the GDP for 2020 would likely rise by 6.25 per cent on-year, with the climbs of the first, second, third, and fourth quarters being 4.52, 6.08, 6.92, and 6.81 per cent, respectively. If COVID-19 was brought under

control in the second quarter, the GDP this year would likely ascend by 5.96 per cent on-year, with the growth rates of each quarter being 4.52, 5.1, 6.7, and 6.81 per cent, respectively.

Minister of Planning and Investment Nguyen Chi Dung said that despite great difficulties, now is the time for Vietnam to review its health and resilience, and boost economic restructuring, with less dependence on a single foreign market. “This is also a chance to find ways to diversify export and import markets, increase public investment, and spur on growth, laying a foundation for 2021 and beyond,” he said.

Minister Dung ordered all relevant departments and agencies in his ministry to review investment projects. Procedures for all major projects invested by the state and the private sector must be expedited so that they can become operational. “While private investment has slowed down, increasing public investment will help businesses recover production,” he said.

Currently, VND227.45 trillion (\$9.89 billion) worth of public investment for 2020 remains undisbursed. The MPI also sees that, amid the COVID-19 outbreak, many sectors can benefit, such as e-commerce, online shopping, delivery, and ICT.

The Central Institute for Economic Management (CIEM) is now compiling a special report on economic restructuring, which will be submitted to the MPI before being submitted to the prime minister. “Regulations for e-commerce and ICT must be improved, facilitating the operation of enterprises,” said CIEM director Tran Thi Hong Minh.

Last week, Prime Minister Nguyen Xuan Phuc confirmed the 6.8-7 per cent economic growth target for 2020. “We have an opportunity to reorganise production and restructure the market, as well as to focus more on the domestic market and diversify and expand export markets,” he stressed.

Corporate News

7. Digiworld sets sight on ambitious \$443.5 million revenue target

↑ 0.35%

Digiworld JSC (Digiworld, code DGW) continues to set a double-digit growth target for 2020. Digiworld is gunning for revenue growth of 20 per cent, reaching VND10.2 trillion (\$443.5 million). Meanwhile, with the expected profit margin improving (by 1 percentage point), the company aims to increase after-tax profit by 25 per cent, from VND161 billion (\$7 million) to VND201 billion (\$8.74 million).

This business plan will be submitted to the shareholders for approval at the annual meeting held on March 31. The list of shareholders attending the meeting will be closed on February 27.

In 2019, the company's revenue and after-tax profit both exceeded the plan by 20 per cent. Specifically, the sales of Digiworld reached VND8.6 trillion (\$373.9 million), up 43 per cent from the previous year. The company's spending on sales activities and sales in 2019 increased by 83 per cent, from VND134 billion (\$5.83 million) in 2018 to VND245 billion (\$10.65 million) in 2019.

This is the third year the company has set foot in the two new categories of FMCG and healthcare, through the distribution of consumer goods and supply of functional foods, besides its traditional strength of ICT products, including laptops and tablets, mobile phones, and office equipment.

Starting with the distribution of Kingsmen healthcare products (in August 2017) and acquiring 50.3 per cent of CL Co., Ltd., a business specialising in distributing high-end fast-moving Japanese consumer products, such as Kodomo toothpaste, Zact Lion whitening toothpaste, Systema toothbrush, Essense laundry detergent, Bio Zip washing powder, or Bubbi King dishwashing liquid in the third quarter of 2017.

Subsequently, Digiworld had several co-operation programmes to develop consumer goods, with the most notable activity being the co-operation with Nestlé Group in early 2019. Accordingly, Digiworld is the distributor of Nestlé's medical nutrition product.

8. GTN: Change of personnel

↓ -0.76%

GTNFOODS Joint Stock Company announced personnel change as follows:

- Ms. Mai Kieu Lien was appointed as Chairman of the BOD in the term 2020-2024 as from February 15, 2020.

- Ms. Ha Thi Dieu Thu was appointed as Head of the Supervisory Board in the term 2020-2024 as from February 15, 2020.

- Mr. Trinh Quoc Dung replaced Mr. Ta Van Quyen as the legal representative as from February 15, 2020.

Research Team: Tsugami Shoji Researcher 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

Website: www.japan-sec.vn