



VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index ends three-session losing streak

VN-Index edged up 0.09 percent to 928.76 points Wednesday after three consecutive losing sessions. Ho Chi Minh Stock Exchange (HoSE), Vietnam's main bourse on which VN-Index is based, saw 202 stocks rise and 152 fall. Order matched transactions were VND2.5 trillion (\$107.39 million), slightly below last month's average of VND2.6 trillion (\$111.68 million).

VN30-Index for the bourse's 30 biggest market caps rose further with 0.25 percent, on which 16 gained and 11 lost.

ROS of real estate developer FLC Faros topped gains this session with a 6.9 percent rise, the highest it could go in a trading session. The blue chip is currently one of the most volatile on the VN30, either hitting its price floor or ceiling for most sessions in the past month.

It was followed by PNJ of Phu Nhuan Jewelry, up 2.2 percent, SBT of agricultural firm TTC Sugar, up 2.2 percent, and MWG of electronics retail giant Mobile World, 1.5 percent.

VIC of Vingroup, Vietnam's biggest private conglomerate, also ended three straight losing sessions, having risen 0.5 percent.

In these three sessions, VIC lost between 1.8 percent and 3.2 percent, but before had been one of the most stable stocks on VN30, seldom gaining or losing over 0.3 percent per session in the past quarter.

Banking sector and oil and gas sector stocks saw split results this session. In the group of Vietnam's three biggest state-owned lenders by assets, CTG of VietinBank and VCB of Vietcombank added 1.1 percent and 0.1 percent, respectively, while BIDV shed 1.3 percent.

VPB of VPBank was the only stock of a private mid-sized lender to have gained this session, up 1.5 percent, while the rest fell. Major losing stocks included STB of Sacombank and EIB of Eximbank, which fell 1.3 percent and 0.6 percent.

POW of Vietnam's second-biggest electricity generator PetroVietnam Power gained 1 percent, PLX of petroleum distributor Petrolimex added 0.2 percent, while GAS of energy firm PetroVietnam Gas dropped 0.8 percent.

The biggest losing stock this session was VRE of Vingroup's retail arm Vincom Retail, down 1.3 percent.

Meanwhile, HNX-Index for stocks on Hanoi Stock Exchange, Vietnam's second main bourse for small and midcap stocks, shed 0.7 percent, while UPCoM-Index for unlisted public companies added 0.27 percent.

Foreign investors were net sellers for the seventh consecutive session on all three bourses, with a net sell of VND220 billion (\$9.45 million). Selling pressure was mostly focused on VIC of Vingroup and MSN of food conglomerate Masan Group (up 1.4 percent).

Macro & Policies

2. Trade Ministry advises limiting goods transportation to northern border

According to the ministry, as of February 17, 171 container trucks full of farm produce, electronics, hand sanitizers and face masks passed the Huu Nghi international border gate in Lang Son, while the border gate saw the buildup of 338 trucks carrying containers of farm produce and electronic parts.

Lang Son Province has a number of trucks still waiting for export procedures, including 10 at the Coc Nam border gate and four at the Chi Ma border gate.

In Lao Cai Province, the number of container trucks crossing Kim Thanh international border gate No. 2 amounted to 239, with 56 carrying goods for export and 150 transporting goods for import, Motthegioi news site reported.

At present, over 200 container trucks of fruit are stuck at the border, according to the ministry's report.

Given the large backlog at the border gates, Minister of Industry and Trade Tran Tuan Anh on February 18 sent an urgent dispatch to the authorities of provinces and cities, asking them to

review production activities to gain control over farm produce exports through the northern border.

Minister Anh said that the Covid-19 outbreak has taken a heavy toll on the country's economy in general and production, trade and export activities in particular.

Despite various measures being adopted to switch to exports through formal channels to China, the exchange of some agricultural products, mainly fruits, at border markets is still a prevalent export practice.

The ministry has been directing import-export management offices in many localities to prioritize the issuance of certificates of origin for batches being exported through formal channels, Anh said.

The volume of farm produce being transported to the northern border for outbound shipment is rising. Though most of these agricultural products are likely to be shipped overseas, progress will be slower than usual as the multiple steps of infection prevention take time.

3. Prices of imported automobiles from Europe to remain high

The European Parliament has given their consent to the EVFTA, while Vietnam's National Assembly will consider and ratify the deal in May, so that the deal may take effect in July this year.

Although many Vietnamese consumers expected the prices of CBU automobiles imported from Europe to drop in July, Vietnam has only committed to cutting tariffs for cars with a gasoline engine capacity of over 3,000 cubic centimeters and diesel engine capacity of over 2,500 cubic centimeters after nine years, and for other vehicles, after 10 years.

At present, imported cars from Europe to Vietnam are subject to a maximum tax rate of 70%. Under the country's commitments in the EVFTA, the rate must be raised to 78% before being reduced gradually to 0%.

Since 2018, automobile imports from Thailand and Indonesia have been exempt from import duties, according to Vietnam's commitments under the ASEAN Trade in Goods Agreement, but the selling prices of these cars have not been lowered accordingly.

Therefore, experts are concerned that vehicles imported from Europe will join this trend.

4. Mekong Delta considers VND67-trillion expy projects

The ministry has assigned Cuu Long Corporation for Investment Development and Project Management of Infrastructure, or Cuu Long CIPM, to conduct feasibility studies (FS) for Chau Doc-Can Tho-Soc Trang Expressway and Ha Tien-Rach Gia-Bac Lieu Expressway.

The projects when put into service will connect with two sections of the North-South Expressway: HCMC-Trung Luong-Can Tho and Chon Thanh-Duc Hoa-My An-Cao Lanh-Vam Cong-Lo Te-Rach Soi.

Once the FS are completed, the ministry will send them to the prime minister and collect feedback from the relevant ministries and agencies before presenting them to the National Assembly, Transport Minister Nguyen Van The told Tuoi Tre newspaper on February 18.

If the National Assembly agrees to add the projects to a portfolio of public investment projects for the 2021-2026 period, the ministry will carry out essential procedures for the execution of the projects.

According to Cuu Long CIPM, the Ha Tien-Rach Gia-Bac Lieu expressway project will require over VND33 trillion in funding, which is set to come from sponsors, legal sources and the reciprocal capital of the Vietnamese Government.

This expressway will run through the four provinces of Kien Giang, Hau Giang, Soc Trang and Bac Lieu in the delta, with a total length of 225 kilometers and width of 17 meters in the first phase. Although designated as an expressway, the four-lane road allows vehicles to travel at a maximum speed of only 80 kilometers per hour.

The second project, the 154-kilometer-long Chau Doc-Can Tho-Soc Trang Expressway, will start from Chau Doc City in An Giang Province and stretch to Soc Trang, requiring total investment of over VND34.4 trillion.

Similar to the first expressway, it will have four lanes with a designed speed limit of 80 kilometers per hour in the first phase. The road will be further expanded to 24.75 meters in width, with two emergency stopping lanes and speed limits of 100-120 kilometers per hour.

5. Transport sector enters slow lane due to coronavirus

Nguyen Van Quyet's 40-seater bus on Monday left Hanoi for a northern province carrying five passengers.

"This is still better than other days when I had to drive an empty bus for six hours," the 43-year-old driver said.

Before the coronavirus outbreak, each of Quyet's trips included at least 30 passengers, and with a co-driver he could make three a day to Lao Cai Province, bordering China.

But as the number of passengers fell because of the epidemic, Quyet's monthly salary dropped by half to VND10 million (\$429).

Sao Viet Bus, Quyet's employer, slashed its Hanoi-Lao Cai route buses from 30 to 10 since the outbreak as the number of passengers fell by half.

CEO Do Van Bang said the company is bearing losses worth billions of Vietnamese dong (VND1 billion = \$42,900) a month, therefore the cutdown of trips was inevitable. "But even with fewer trips, some busses carried only one or two passengers."

Other transport companies face the same dilemma, with the coronavirus dampening travel demand and hurting the logistics industry.

My Dinh Bus Station, one of the largest in the capital and usually packed with commuters, proved unusually deserted in recent weeks with passenger numbers falling by up to 40 percent.

"The number of buses here has never been this low. The virus has had a huge impact on travel habits," said Ly Truong Son, station director.

Chauffeur companies are struggling too. DNT Joint Venture International Company Ltd has seen its 25 buses and minivans idling away in the parking lot the past few days, a contrast to the same time last year.

"We have not been able to sign any contracts for the next few months. The business is almost paralyzed."

DNT's monthly revenue has dropped six times to VND500 million (\$21,500) since the outbreak." We estimate a loss of over VND7 billion (\$300,500) in the first quarter."

Son Ha Logistics Company, operating over 100 container vehicles, now run only two trips a month along certain routes compared to five previously as some of its trucks remain stuck at the northern border with China.

"We are losing over VND3 billion (\$128,800) a month," said spokesperson Nguyen Thai Hoc.

The impact of the outbreak urged Hanoi Transport Association to call an emergency meeting with business leaders last week to brainstorm solutions.

Bui Danh Lien, association chairman, said many small and medium transport companies are at risk due to dropping revenues amid large bank debts.

The association has requested government support in delaying repayment deadlines and cut down road fees on agriculture produce containers until the end of the second quarter.

Meanwhile, the epidemic continues to hurt drivers like Quyet, who has only met his family once since the outbreak commenced as he tries to limit transmission of the virus.

"If the number of passengers keep falling, I could lose my job."

6. Politburo encourages private investment in energy sector

General Party Secretary and State President Nguyen Phu Trong, working on behalf of the Politburo, the most important decision-making committee of the Party, signed a resolution guiding a strategy for Vietnam's energy development until 2030 with a vision toward 2045.

The resolution stated that ensuring national energy security serves as a catalyst for socioeconomic development. The Politburo encourages the development of sustainable and environmentally friendly energy.

SOEs in the energy industry should be comprehensively restructured to focus on key sectors, separate business from the State management functions, adopt advanced management models and practices, and improve their international credit ratings.

Also, they should be transparent in their operations and enhance the efficiency of the exploitation and use of the national energy infrastructure, according to the resolution.

The Politburo stressed the need to fine-tune regulations on the assessment of resources and assets based on circumstances and international practices and to restructure ineffective State-owned energy enterprises and their loss-making projects.

The committee also urged the sale or long-term lease of SOEs' power plants, fuel depots and oil refineries on a trial basis.

Systems and policies applicable to a number of important energy projects, especially those involving power supplies, should be amended.

In addition, capital should be sufficiently allocated to State-owned energy enterprises so that they can fulfill strategies and tasks aligned with the country's defense and security.

The Politburo has ordered authorities to create a favorable and transparent environment, publish master plans and lists of investment projects and

call on the private sector to develop energy projects at home and abroad.

“Attention should be given to power generation projects and wholesale and retail energy sales in line with market systems,” according to the resolution.

The Politburo also called for further encouragement and attraction of foreign investment in the energy industry. The equitization of State-owned energy enterprises should be fast-tracked.

Also, investment systems should be effective, while administrative procedures should be further reformed to ensure the progress of electricity projects.

The Politburo ordered a review of policies on land, site clearance and compensation and measures against speculation, profiteering and vested interests in the energy sector.

Financial policies should be adjusted in a way that promotes private investment, especially through public-private partnerships.

Credit policies should be adopted in a flexible and efficient manner so that energy producers, especially those involved in green energy, can have easy access to funding sources.

Further, tax policies should be streamlined to encourage the production and use of clean and renewable energy, including wind and solar energy.

The Politburo stated that energy should satisfy domestic needs to realize the targets set in a strategy for socioeconomic development from 2021 to 2030.

Primary energy should be equivalent to some 175-195 million tons of oil by 2030 and 320-350 million tons of oil by 2045.

The total capacity of power sources should amount to 125-130 gigawatts, while power output should turn out some 550-600 billion kilowatts per hour.

The proportion of renewable energy sources in the total primary energy supply should reach 15%-20% by 2030 and 25%-30% by 204.

7. CPTPP pressurizes Vietnam to speed up institutional reforms

The Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) that has a clear timeline for signatories to realize their commitments would help speed up institutional reforms in Vietnam, according to Nguyen Thi Thu Trang, director of the WTO Center and Integration under the Vietnam Chamber of Commerce and Industry (VCCI).

“Given the CPTPP’s broad scope ranging from traditional trading activities to environmental norms and sustainable development, the deal is considered to set standards and direction for a number of institutional reforms in Vietnam,” Trang said at a conference under the program “Australia supports Vietnam’s economic reform” (Aus4Reform) on February 19, discussing the agreement’s role in Vietnam’s economic integration roadmap.

“This is clear that whether Vietnam could take advantage of the CPTPP would depend on the

country’s institutional capabilities and local enterprises’ adaptability,” said Tran Thi Hong Minh, director of the Central Institute for Economic Management (CIEM).

Nguyen Anh Duong, head of CIEM’s Macroeconomic Policy Department, noted the foreign direct investment (FDI) inflow to Vietnam has been increasing steadily in the 2010 – 2019 period, expanding at annual growth rates of 12.4% in number of projects, 5.1% in registered capital and 7.4% in disbursement rate.

Notably, actual FDI amount reached its peak at US\$20.4 billion in 2019, showing strong belief of investors in Vietnam’s business and investment environment, Duong said. “It reflects the significance of the CPTPP as it helps drive reforms in the country’s business environment.”

However, the majority of FDI inflow is still concentrated on low-value added sectors that use low or mid-level technologies, while there is only a handful number of high quality FDI projects, Duong added.

Meanwhile, Duong said Vietnam's utilization rate of preferential treatments in CPTPP remains modest as it's only been a year since the deal became effective, and local enterprises are still adjusting their operations to its requirements.

Specifically, Vietnam's exports to six member countries stood at US\$34.4 billion last year, up 8.3% year-on-year, and imports of US\$30.1 billion, up 1%.

Duong added there were expectations that the CPTPP would help Vietnam diversify its export markets, but in reality, this should be seen as a “long-term goal” and “depends on Vietnam's effort to restructure its trading activities with partners.”

Regarding the economic impacts of the CPTPP for Vietnam, Trang from the WTO Center and Integration said the institutional impacts at present may outweigh the economic ones, but as

commitments in the CPTPP is very similar to those in the EU – Vietnam Free Trade Agreement (EVFTA), a combined economic impacts from these two deals would not only be a major boost, but also motivation for the country to continue its reform process.

Trang said as the EVFTA is scheduled to become effective in the first half of 2020, this would “bring extra motivation for Vietnamese enterprises to step up their preparation processes to grasp opportunities from both CPTPP and EVFTA.”

In addition to Vietnam, the CPTPP comprises Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Singapore, New Zealand and Peru. President Donald Trump withdrew the US from the pact in January 2017 days after his inauguration.

The 11-nation deal economies represent around 13% of global economic output, including the world's third largest economy Japan, and embraces 500 million people. It provides tariff and non-tariff barriers cuts among its members and is designed around high standards on human rights, labor practices, and environmental standards.

Corporate News

8. Stock market briefs Feb 19, 2020

↓ -1.35%

HCMC – Citibank and Ingbank will arrange syndicated loans for the construction of PetroVietnam Power Construction Company's gas-fired power plants Nhon Trach 3 and 4 in the southern province of Dong Nai. Equipped with the mixed-flow gas turbine technology, the two thermal power plants will be the first in Vietnam using imported liquefied natural gas. They have a combined capacity of 1,500 megawatts.

HCMC – The National Payment Corporation of Vietnam (NAPAS) has announced exemptions and reductions on service fees on electronic switching for local banks. It will start the program from February 25 to help develop local cashless payments and promote the Government's plans to encourage electronic payments for public services during the Covid-19 epidemic.

HCMC – The national flag carrier Vietnam Airlines (HVN) began to use wide-bodied aircraft on the

route between Hanoi and HCMC on February 15. With the use of wide-bodied aircraft on the route, which is the busiest among domestic ones, the airline said it wants to provide flexible schedule and the best possible comfort for passengers.

HCMC – Digital World Company (DGW) is looking to increase its total revenue by a fifth in 2020 to VND10.2 trillion. The company is also targeting a post-tax profit jump by a quarter against last year to VND202 billion.

HANOI – Power Construction Company (PC1) has just decided to invest more into wind power projects by acquiring 4.8 million shares of both Phong Nguyen Wind Power JSC and Phong Huy Wind Power JSC, equivalent to 96% of each, according to *Dau Tu Chung Khoan*. PC1 expects to implement the mergers & acquisitions deals in the first quarter of 2020.

9. \$1.17 billion of Sabeco capitalisation evaporates

↑ 0.00%

Ending the trading session on February 17, the stock of Saigon Beer, Alcohol and Beverage (Sabeco), was VND186,000 (\$8.1), down 2 per cent compared to the end of the previous week. This is the lowest the ticker has been since July 2017.

Since the stock exchange reopened after the Lunar New Year holiday, Sabeco's shares have been continuously declining. Compared to the price level before the holiday, Sabeco shares dropped 19 per cent of their value. The company's market capitalisation fell by more than VND27 trillion (\$1.17 billion).

While Thai billionaire Charoen Cirivadhanabhakdi bought Sabeco at a VND320,000 (\$13.9) share price in December 2017, the ticker now stands 42 per cent lower.

Currently, 53.6 per cent of Sabeco shares are in ThaiBev hands, worth nearly VND64 trillion (\$2.78 billion), only 55 per cent of the nearly \$5 billion that ThaiBev spent on the acquisition.

Habeco, another giant in the beer industry, also witnessed many sessions of falling after the Lunar New Year. Habeco ended the trading session on February 17 at VND62,300 (\$2.71), down 13 per cent compared to the last trading session before the holiday.

In a recent analysis, expert from SSI Securities Corporation forecast the beer industry to suffer from the effects of the COVID-19 epidemic in the short term and new, stricter penalties for drink drivers from Decree No.100/2019/ND-CP.

Since Decree 100 came into effect early this year, beer consumption has declined significantly compared to the same period last year. Before the Tet holiday, a peak period for beer and alcohol consumption every year, many supermarkets and grocery stores staged promotions to reduce inventories.

According to SSI's analysts, the much higher penalty in Decree 100 will alter consumer behaviour at least in the short term. This is reinforced by the COVID-19 as customers tend to go out less frequently with friends.

The SSI report stated that Sabeco's beer sales at Tier I distributors and agents in January were sluggish. Sabeco lowered the first-quarter sales targets of its breweries. Habeco also recorded a 30 per cent on-year drop in beer sales in January.

With the short-term impacts of Decree 100 and the epidemic outbreak, SSI believes that Sabeco will rely on a cost reduction strategy. According to the company management board, the price of malt and hops is expected to continue to decline this year, which in turn could potentially lead to a further reduction in raw material costs.

Sabeco has also recently developed its supply chain and management systems to increase efficiency and cut operating costs. This is reflected in its net profit margin improving over the past year.

SSI expert predicted that Sabeco's net revenue in 2020 could reach VND37.3 trillion (\$1.6 billion), 2 per cent lower than in 2019. However, the analysts expect Sabeco's net profit to continue growing, reaching VND5.64 trillion (\$245.22 million), 5.1 per cent higher than last year.

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