



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. VN-Index plunges to 2-year low

Domestic stocks took a sharp nosedive today, March 9, in tandem with the global downturn as developments of the Covid-19 outbreak turned worse over the weekend.

The Hochiminh Stock Exchange saw the VN-Index closing the session at a two-year low of 835.49, losing a whopping 55.95 points, or 6.28%, against the previous session. Up to 368 stocks on the market declined while only 34 others managed to increase.

The VN30-Index also slid a hefty 6.35% as 23 stocks in the basket plunged to the floor prices. Dairy firm VNM, housing developer VHM and lender BID were the key factors behind the index crash.

A few small and speculative stocks bucked the trend, with mining firm AMD going up to the ceiling price of VND3,270 and taking the lead by liquidity with 20.6 million shares traded. QCG, a property enterprise, hit the upper limit for the eighth consecutive session, standing at VND6,380, on matching volume of 13.1 million shares.

Major stock indexes across Asia also witnessed a crash with Japan's Nikkei losing 5.7%, South Korea's Kospi down more than 4%, China's Hang Seng down 3.5% and Australia's S&P/ASX plunging more than 6%.

Nearly 110,000 people have been diagnosed with the virus, with the number of deaths topping more than 3,800 globally. In Vietnam, the Ministry of Health today reported one more case, raising the total number of virus infections to 31, after the number had stood at 16 for two weeks.

According to securities experts, the local stock market would struggle as fears about the coronavirus, which causes the Covid-19 diseases, and its impact on the global economy dampened investors' confidence in risky assets. They are looking for shelter in safe havens such as gold and government bonds.

Speaking to [tinnhanhchungkhoan.vn](http://tinnhanhchungkhoan.vn), Nguyen Trung Du, director of investment department at VNDirect Securities, said the worldwide developments of the coronavirus would still weigh on the market sentiment.

"The market sentiment would be unpredictable in the coming time after latest case updates. It is difficult to count on a strong rebound for local stocks at the moment," he said.

As for the Hanoi Stock Exchange, the HNX-Index slumped 7.31 points, or 6.43%, at 106.34. Lender ACB was the most heavily traded stock on the northern bourse with 16.7 million shares changing hands, shedding 7.9% against last Friday at VND23,300.

## Macro & Policies

### 2. EVFTA to boost Vietnam's growth in long term: GSO head

The European Union-Vietnam Free Trade Agreement (EVFTA) and the EU-Vietnam Investment Protection Agreement (EVIPA), scheduled to become effective in July, will help improve Vietnam's business and investment climate and boost its institutional reform, thus contributing to fostering its growth in a long term, according to an official.

In a recent interview granted to the Vietnam News Agency, General Director of the General Statistics Office (GSO) Nguyen Bich Lam cited the European Trade Policy and Investment Support Project (MUTRAP)'s prediction as saying that the EVFTA will help Vietnam's gross domestic product (GDP) increase by 2-2.5 percent, especially its exports to the EU up 75 percent and its imports from the union up 25-35 percent.

The European Parliament's ratification of the EVFTA made Vietnam the first developing country in the Asia-Pacific having free trade relations with the EU, thus helping affirm the country's important political position and role in the region.

Once the agreement takes into effect, over 99 percent of tariff lines will be lifted after seven years, facilitating the export of Vietnamese products to the EU.

The agreement will open up more opportunities to attract investments from the EU, Lam said, adding it will also create pressure both directly and indirectly for Vietnam to improve its institutions and business environment through stricter requirements on the business and investment climate, fair competitiveness, sustainable development and labour conditions.

The GSO head also cited reports' results as saying that the EVFTA will help increase Vietnam's GDP by 2.18-3.25 percent in 2020-2023 and above 4 percent in the next years.

However, besides positive impact, Lam pointed to several challenges facing the Vietnamese economy.

Weaknesses in domestic enterprises' competitiveness and weak, overlapping law and policy systems, unequal growth in several industries and limited awareness of people and enterprises are the biggest challenges, he stated.

Furthermore, once the agreement becomes effective, the EU's goods with high quality and attractive packaging will flood the Vietnamese market, thus causing more pressure on Vietnamese products.

To take advantage of the EVFTA, he suggested the Government reform economic institutions to create an environment and economic policies in accordance with the agreement's contents, and encourage local businesses to invest in technology to increase their products' quality and competitiveness.

The Government should complete the legal framework to eliminate trade frauds and make transparent origins of goods in international commerce between Vietnam and the EU, and at the same time, increase the quality of education and training, especially vocational training to meet higher market demand.

It is also important to put forward scientific, strategic and long-term steps during industrialisation and urbanisation, he said, adding that administrative procedures must be simple to prevent corruption so as to ensure a sustainable and long-term relationship in business and investment.

The Government should assign a specific organisation, such as the Vietnam Chamber of Commerce and Industry, to provide guidance for the business community to make them understand more about the EU market as well as its requirements. Meanwhile, enterprises themselves should study the EVFTA to have suitable movements, Lam added./.

### 3. MoIT extends safeguard measure application on imposed fertiliser

The Ministry of Industry and Trade has decided to extend the safeguard measure on imported monoammonium phosphate (MAP) and diammonium phosphate (DAP) fertilisers.

The duration for applying this safeguard duty is two years, starting from March 7 this year.

The safeguard duty stands at about 1.05 million VND (46 USD) per tonne in a one-year time starting from March 7 and will drop to 1.03 million from March 7 next year.

It will be 1.01 million VND starting from March 7 to September 6, 2022.

According to the World Trade Organisation, a safeguard measure can be extended up to eight years, subject to a determination by competent national authorities that the measure is needed and that there is evidence the industry is adjusting./.

### 4. HCMC's imports of manufacturing materials plunge

As the city's import turnover dropped sharply in the first two months of the year, the department's tax collection fell by over VND1.6 trillion compared with the figure seen last year, reaching some VND15.6 trillion, reported *Tuoi Tre* newspaper.

Among 12 groups of products seeing import revenue declines, imports of input materials totaled slightly over US\$1.9 billion, down 18% against the year-ago figure.

Specifically, the textile and garment industry imported US\$245 million worth of fabric, down 24% year-on-year. Besides this, the city spent over US\$208 million buying plastic materials, down 33%.

The steel industry's import turnover, valued at roughly US\$189 million, dropped by over 13%, while that of the pharmaceutical industry tumbled a whopping 43%.

The city imported US\$257 million worth of consumer goods, dipping 27%. Imports of other commodities also edged down 2.4% to US\$537 million.

Many manufacturers in the country continue to struggle to find an adequate volume of input materials amid the coronavirus outbreak. Most of them have had to operate at 70% below capacity, while other businesses that ran out of materials operate at 50%. As a result, associations and sectors cooperated with enterprises to seek out new suppliers.

Nguyen Phuong Nam, vice general director of Saigon Newport Corporation, stated that the volume of commodities transported through Cat Lai Port in March and April could experience a steep fall due to Covid-19, which is linked to the new coronavirus.

Many Chinese ports have shut down, affecting imports of input materials, he added.

### 5. Support packages take effect, but need to be stronger

Support packages from the Government and banks would contribute to partly reducing difficulties for enterprises affected by COVID-19, but stronger measures should be taken for the hardest-hit industries, experts said.

Prime Minister Nguyen Xuan Phuc announced at a meeting last week that a 30 trillion VND (1.3 billion USD) fiscal support package would be implemented to help businesses cope with the coronavirus epidemic.

Commercial banks also pledged to offer a 285 trillion VND (12.39 billion USD) preferential credit package to affected enterprises, Phuc said.

According to finance expert Can Van Luc, the fiscal support package will be made by the Government through measures such as tax breaks, delayed tax payments and acceleration of State spending on infrastructure projects.

The Government hasn't so far detailed the plans for the fiscal package, but it was forecast that on top of fast-tracked public spending on infrastructure projects, government spending will also be directed toward industries which are hard-hit by the virus. These industries include tourism, transport and agriculture.

Meanwhile, the credit support package will cover interest rate reduction and debt payment rescheduling for struggling firms conducted by commercial banks.

"As capital for the 285 trillion VND preferential credit package comes from commercial banks without aid from the Government, it will not be a Government's stimulus package," Luc noted.

Banking and financial expert Nguyen Tri Hieu said it was necessary and urgent for the Government to provide the support packages for businesses as many firms had used bank loans but now, they had to scale down or even disrupt their production and business due to the epidemic.

However, Hieu suggested, for businesses seriously hit by the epidemic, stronger support measures should be taken.

He explained that though commercial banks pledged 285 trillion VND preferential loans with interest rate cuts of some 0.5-1 per cent per year for firms, the interest rate was still high when production and business performance has been seriously affected.

"As the loans come from commercial banks, without any aid from the central bank, I think the interest rate will remain high for struggling firms as banks still have to pay high input costs and earn profits," said Hieu.

Currently, the short-term lending rate at banks averages at 7-9 percent per year, and 9-11 percent per year for medium- and long-term loans.

Nguyen Quoc Hung, director of the State Bank of Vietnam (SBV)'s Credit Department, also admitted he was not sure whether enterprises could absorb the 285 trillion VND credit package as the businesses were facing both production and market difficulties.

It was difficult for banks to boost lending at this time as capital demands were very low, Hung said, citing SBV's data that credit growth of the entire banking system in the first two months of this year slowed sharply, inching up only 0.06 percent against the 1 per cent rate in the same period last year, due to adverse impacts of the COVID-19 epidemic. Compared with the end of last year, credit even decreased by 0.18 percent.

"The Government should offer stronger support, such as cutting the policy interest rate by some 0.5 percentage points to provide lower interest rate fund for commercial banks, who then can lend to struggling firms at better interest rates," Hieu suggested.

A lower interest rate was very important, especially under the current context when businesses were shrinking production or even closing their doors, and had no capital demands, he noted.

Central banks of many other countries have so far also taken strong measures, attempting to contain the coronavirus' economic fallout, Hieu said, citing the Federal Reserve last week was the latest to slash its interest rates by half a percentage point, its biggest single cut and first emergency rate move in more than a decade since the depths of the 2008 financial crisis, as a pre-emptive move to protect the economy from the coronavirus.

Meanwhile, analysts from Fitch Solutions believed the Government's fiscal support package would see a larger deficit this year versus the Government's prior forecast.

"We are revising our forecast for Vietnam to record a fiscal deficit of 3.8 percent of GDP (excluding debt principal repayments) in 2020, versus 3.4 percent previously... Accounting for

debt repayments, our 2020 deficit forecast is revised to 7.4 percent of GDP, from 7.0 percent previously,” Fitch analysts said.

In light of this fiscal package, Vietnam's expenditures will be also expected to grow by 8.1 percent, from 7.4 percent previously, over the first 2019 full year estimates, according to the analysts./.

## 6. Aluminium, steel exporters urged to consider requesting tax exemption

Firms which export derivative aluminium and steel to the US need to work with their partners on requesting tax exemption in case their products satisfied conditions for exclusion, according to the Trade Remedies Authority of Vietnam.

The authority said that the Trump Administration in February imposed additional duties of 10 percent and 25 percent on derivative aluminium articles and derivative steel articles, respectively, under Section 232 of the Trade Expansion Act of 1962, as amended.

The proclamation exempted articles from countries that had previously negotiated exemption agreements with the US.

As a result, the additional 10 percent duties applicable to derivative aluminium articles did not apply to those from Argentina, Australia, Canada and Mexico while the additional 25 percent duties applicable to derivative steel articles did not apply to those from Argentina, Australia, Brazil, Canada, Mexico and the Republic of Korea.

Specially, the proclamation provided for a product exclusion process.

Details for the exclusion process could be accessed at the website of the Bureau of Industry and

Security of the US Department of Commerce at the address [www.bis.doc.gov](http://www.bis.doc.gov).

The imposition of additional duties of 10 percent on aluminium imports and 25 percent on steel imports initially began on March 23, 2018, after the US Department of Commerce found that such items were being imported into the US in such quantities as to threaten to impact US national security.

As the domestic industry might not have achieved the target capacity utilisation because of the significant increase in imports of certain derivative aluminium and steel products since March 2018, the scope of Section 232 duties on aluminium and steel was expanded to include certain derivative products.

The Trade Remedies Authority of Vietnam cites statistics of the US International Trade Commission that the additional duties affected 785 million USD worth of steel imports and 480 million USD of aluminium imports in 2019.

Vietnam exported derivative aluminium and steel products to the US worth 1.8 million USD and 1.63 million USD in 2019, respectively, accounting for 0.38 percent and 0.21 percent of the US' total import of these products./.

## Corporate News

### 7. BIDV clears bad debts at VAMC

↓ -6.94%

At BIDV's shareholders' meeting late last week, Tú also announced the bank targeted to keep the bad debt ratio at below 1.7 per cent this year.

The bank also set a pre-tax profit target of VNĐ12.5 trillion in 2020, as well as a credit growth target of 9 per cent and mobilised capital of 9 per cent. Its dividend payment was expected at 7 per cent.

However, the plans were the most positive scenario without considering the impacts of the Covid-19 epidemic, Tú noted, adding the bank would try its best to complete the plans assigned by BIDV's general meeting of shareholders, but

adjustments could be made in case of necessity and would be reported to shareholders.

He explained in 2020, Việt Nam's economy in general and the banking industry, including BIDV, in particular, were forecast to face many difficulties and challenges, especially the severe impacts of the Covid-19 epidemic.

According to the VAMC, 12 banks have so far cleared all their bad debts kept at the VAMC. They include Vietcombank, Techcombank, MB, VIB, OCB, Nam A Bank, TPBank Agribank, VPBank, SeABank, Kien Long Bank and BIDV.

### 8. Stock market briefs Mar 9, 2020

↓ -6.98%

HCMC - FPT Digital Retail Joint Stock Company (FRT) has announced to relieve Nguyen Bach Diep from the post of general director from March 7. Hoang Trung Kien will replace Diep in the next three years. Diep is still chairwoman of the board of FRT. The replacement is conducted when FRT is facing difficulties in business. It generated only VND204 billion in profit last year, down by 41% over 2018, and the FRT price is now hovering around VND20,000, down 75% over the initial price in April 2018.

HCMC - SAM Holdings Corporation (SAM) has approved an investment of over VND657 billion in Tam Thang 2 Industrial Park in Quang Nam Province and another investment of some VND1.4 trillion in a residential area project in Nhon Trach District, Dong Nai Province.

HCMC - Nguyen Van Sang, chairman of F.I.T Group Joint Stock Company (FIT), has bought more than 6.75 million FIT shares via order-matching transactions, raising his ownership at the firm to 9.84 million shares, or 3.86%.

HCMC - FLC Mining Investment and Asset Management JSC (GAB) has adjusted its plan to use over VND550 billion raised from the sale of over 55 million GAB shares. Specifically, GAB will use VND107 billion to expand its factories and invest in equipment and VND332 billion to fund the Coastal Hill Quy Nhon project. The remaining VND113 billion will be added to its working capital.

HANOI - Southern Gas Trading Joint Stock Company (PGS) has approved a plan to acquire Vietnam Liquefied Gas Co., Ltd from Huynh Do Thanh Khiet at VND1,000.

HCMC - Nguyen Quang Huan, chairman of Halcom Vietnam JSC (HID), has registered to buy 4.2 million HID shares from March 11 to April 9 via put-through and order-matching transactions. If successful, his ownership at HID will increase from 27.68% to 34.82%.

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