



VIETNAM DAILY NEWS

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Market Analysis

1. VN stocks lose ground on recession worries

Vietnamese shares dropped further on Monday as worries about the developing coronavirus pandemic and its economic impacts dominated the news.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange lost 1.83 per cent to end at 747.86 points.

The VN-Index lost a total of 14.5 per cent last week.

The HNX-Index on the Ha Noi Stock Exchange was down 1.74 per cent to close at 99.62 points.

The northern market index tumbled a total of 10.8 per cent last week.

Nearly 333.5 million shares were traded on the two exchanges, worth VND5 trillion (US\$215.7 million).

The figure included more than 247 million shares being traded through the order-matching method, worth VND3.43 trillion.

Selling pressure pounded large-cap stocks and dragged the VN30-Index and HNX-Index down 2.58 per cent and 0.74 per cent, respectively.

In the VN30 basket, 24 of the 30 largest stocks by market capitalisation and trading liquidity declined while only four advanced.

Phu Nhuan Jewellery JSC (PNJ), sugar producer Thanh Thanh Cong-Bien Hoa JSC (SBT) and VPBank (VPB) were hammered as they plunged 6.9-7.0 per cent each.

Other large-cap stocks that were also hit strongly by selling pressure included Vietinbank (CTG), Bank for Investment and Development of Vietnam (BID), HDBank (HDB) and Cotecons Construction Corp (CTD).

Market sentiment remained weak despite the US Federal Reserve cutting its lending rate to near zero per cent on Sunday, MB Securities Co (MBS) said in a note.

Similar actions taken by other central banks was not enough to boost market sentiment.

Unpredictable developments of the coronavirus pandemic COVID-19 and its impact on the global economy and equity markets were weighing on investor sentiment, MBS said.

Foreign investors were net-sellers, adding to market woes, the company said.

Foreign investors on Monday net-sold a total of VND420 billion. They have offloaded a total of nearly VND4 trillion this month and nearly VND5.15 trillion since the beginning of the year.

Monday's decline proved investors were still panicked that the disease would last longer than expected and a global economic recession was likely, Thanh Cong Securities Co (TCSC) said in its daily report.

The Vietnamese market would continue to struggle in the short term until positive signs appeared in the fight against COVID-19, the company forecast.

Macro & Policies

2. Northern Vietnam train services suspended for lack of passengers

Haraco, formally known as Hanoi Railway Transport JSC, announced Saturday that it will suspend one of two pairs of daily trains running between Hanoi and Lao Cai Province, which borders China, from Monday.

Daily trains between Hanoi and Hai Phong City, Ha Long Town of Quang Ninh Province, Dong Dang Town of Lang Son Province and Thai Nguyen Town of Thai Nguyen Province will be reduced to one pair of trains going in either direction on each route, Haraco said.

The suspensions will start from Monday, while a specific date for service resumption has not been set by Haraco.

The company has decided to temporarily close these services because passenger numbers have declined sharply as a result of the Covid-19 pandemic, said Pham Thi Anh Dao, head of Stations at Haraco.

Before the outbreak, each train between Hanoi and Lao Cai and Hai Phong carried on average 300-400 passengers, but this number has fallen to

just over 100. Trains to Lang Son, Ha Long and Thai Nguyen only carry four or five passengers each trip, down from a few dozen before Covid-19, she said.

The company said it has had to isolate nearly 70 employees who had operated on trains carrying people who later tested positive for Covid-19 or are suspected of having contracted the coronavirus.

Haraco, which manages services in the northern region, has already stopped trains to China in mid-February, reduced the number of cars and ticket prices on domestic routes, saying the epidemic had reduced passenger numbers by 40 percent year-on-year.

Vietnam recorded 41 new cases since March 6, raising the total number so far to 57. All the earlier 16 patients recovered and were discharged from hospitals by February 26.

The Covid-19 outbreak has thus far spread to 157 countries and territories, with the death toll climbing to over 6,500.

3. Social entrepreneurship takes root though Vietnam still not affluent

In Vietnam, parents would be extremely worried if young people want to work for a social enterprise, while in Australia, the whole family would be proud, said Truong Thi Nam Thang, Director of the Hanoi-based National Economics University's Center for Social Innovation and Entrepreneurship.

"Typical of a society in transition, we still have to take care of our basic needs and are very materialistic, often asking each other how much money we make and whether we have a beautiful car or house," Thang said in a recent talk on corporate sustainability organized by global workforce solutions company ManpowerGroup in Hanoi.

Thang said in contemporary Vietnamese society, successful traditional entrepreneurs are seen as occupying the highest social status.

Social entrepreneurship, on the other hand, does not pursue profit as an end in itself but as a tool to achieving some social good.

Thus more developed economies such as Australia, Canada and Singapore rank among the Thomson Reuters Foundation's 2019 list of the top 10 countries for social entrepreneurship, Thang said, pointing out people are more receptive to being a social entrepreneur.

Within the Vietnamese business community, Thang said the idea of corporate social responsibility exists in various forms and degrees, an older, watered-down concept of social

responsibility compared to the more drastic and recent ideas of corporate sustainability and social entrepreneurship in the global context of young people's growing concerns for ethics and truth.

With corporate sustainability and social entrepreneurship, businesses try to balance the interests of shareholders and wider stakeholders, and ensure environmental and social justice for future generations.

Despite a common misperception that social entrepreneurship is only for the rich, Thang and other experts at the event suggest that there is a lot going on in this quarter here in Vietnam.

Indeed, according to a 2019 survey commissioned by the British Council, the seeds of social enterprise were sown here in three phases: before 1986 by collectively owned cooperatives serving disadvantaged communities, from 1986 to 2015 by foreign-funded NGOs and from 2015 when social enterprises were legalized.

In 2014 social enterprises were incorporated in the Enterprise Law, making Vietnam one of just a few countries to give them such a legal status. The law defines social enterprises as businesses which reinvest at least 51 percent of their profits to achieve their registered social or environmental objectives.

According to the British Council study, Vietnam has over 19,000 social enterprises made up of SMEs, cooperatives and NGOs. This count is close to a UNDP estimate.

In an earlier study in 2018 on social impact businesses (a wider concept than social enterprises) funded by the National Economics University and UNDP, the number of such businesses were found to be around 22,000, or 4 percent of all active enterprises.

Social enterprises in Vietnam, often micro firms (with 15 people and an annual income of less than VND1 billion, or \$43,000), aim to create jobs in diverse sectors ranging from agriculture to education, support disadvantaged people such as those with disabilities and encourage women and young leaders.

Most social enterprises in Vietnam are profitable, relying on their own business activities as their main source of income rather than donations or grants.

Speaking along with Thang at the same corporate sustainability event, Nguyen Diem Anh, founder of the NGO Center for Research and Media for Sustainable Development (CSD) stressed the importance of social enterprises staying competitive in the market with good products and services rather than capitalizing on some touching social story.

Social enterprises hiring disabled people, for instance, should attract customers first and foremost with high quality, beautiful design and reasonable prices rather than their social mission though the later does help a great deal in brand building, she said.

"We wouldn't want our customers to buy our products once for charity and then never return," she said, citing Kym Viet as an example of competitiveness.

Founded by a group of people with disabilities in 2013, Kym Viet hires hearing impaired and mobility impaired people to make stuffed animals. Since 2017 the company has been making profits, employing 18 people and achieving an annual turnover of VND2.5 billion (\$108,000).

Pham Viet Hoai, Kym Viet's chairman, recently said that now that his company is in good shape with regular clientele and plans to expand and recruit more disabled people, its greatest challenge is accessing funding.

In the British Council study too, over half of the surveyed social enterprises said they faced difficulties in raising funds.

Thang said the best one can do is to invest in social enterprises themselves.

Anh said having a community of like-minded social enterprises is also important because such a network can assess and promote members' products among themselves and to the wider society.

She said her team is also lobbying for a law that is similar to the U.K.'s Social Value Act which requires the government to allocate at least 15

percent of its expenditure to buy goods and services from social enterprises.

4. Dwindling oil prices a double-edged sword for Viet Nam's economy

The world watches, and so does Viet Nam – where export of crude oil has been contributing significantly to the State budget.

Despite a rebound on Friday, Brent crude lost 24 per cent of its value last week, trading at US\$34.97 per barrel – the biggest weekly drop since December 2008. The US West Texas Intermediate (WTI) crude also slipped about 20 per cent to \$31.73 per barrel.

“Viet Nam will not be immune to the crisis,” economist Nguyen Tri Hieu told *Viet Nam News*, but said the impacts could be double-edged.

When the crude oil price decreases, it would push down the cost of imported petroleum products, benefiting transport businesses and manufacturing industries which consume a lot of petroleum.

“Cheaper freight costs also result in lower cost for business which in turn helps curb inflation,” Hieu said but warned that a steeper fall in oil price would threaten to hit the country's revenues.

Reverse in export-import

The year 2018 marked a milestone that shifted Viet Nam from a net exporter of crude oil to net importer after seeing a surge in importation to serve the country's refining demand.

In 2018, Viet Nam exported 3.96 million tonnes of crude oil, a steep fall compared to an average 8.3 million per year during 2012-17. Meanwhile, the import volume rose to 5.17 million tonnes, seven times higher than the annual import figure during 2012-17.

The export turnover in 2018 reached just over \$2 billion, down substantially from \$8.2 billion in 2012. By contrast, import turnover increased from \$647 million in 2012 to \$2.74 billion in 2018.

This trend continued in 2019, when Viet Nam exported 3.98 million tonnes of crude oil, fetching \$2.03 billion, and imported 7.6 million tonnes for \$3.6 billion. Import of refined petroleum products was 9.8 million tonnes worth \$5.95 billion, data from the General Statistics Office showed.

Meanwhile, the contribution of oil revenue to the State budget is declining, from about 30 per cent in the early 2000s to about 3.5-4 per cent in recent years.

As of December 15, 2019, oil was estimated to contribute VND53.3 trillion (more than \$2.3 billion) to the State budget, equivalent to about 3.5 per cent of total budget revenues.

However, the State budget revenue in 2019 was based on the planned oil price of \$65 per barrel and in 2020, the oil price may be projected at \$62-64 per barrel. According to many studies, the loss of \$1 in oil price could affect the budget revenue by about VND1 trillion.

“Oil is still an important source of revenue for the State budget,” Hieu said.

If the oil price fell below \$40 per barrel, the net effect on the economy would be adverse while the price above this level could be acceptable, he said.

Scenarios for low oil prices

On Wednesday, Viet Nam National Oil and Gas Group (PetroVietnam) issued a directive providing urgent tasks and solutions to cope with the double impacts of the COVID-19 pandemic and the decline in oil prices.

The group has requested its units to prepare the plan for short-term shock and the situation of long-lasting low prices at \$30, \$35, \$40, \$45 and \$50 per barrel. Details of the group's financial situation corresponding to the above prices and recommendations must be submitted for consideration.

The group also demanded its subsidiaries to actively monitor and update market information on supply and demand, prices of crude oil and petroleum products and build specific plans and scenarios for coping.

Oil prices are forecast to be volatile in the near future after Saudi Arabia and the United Arab Emirates pledged to raise production and lower prices following the collapse of talks on supply restraint between the Organisation of Petroleum Exporting Countries (OPEC) and Russia.

Though Russia is seen to have an upper hand with competitive production cost compared to most other oil producers in the world, OPEC may be in a

better position at this time due to sharp declining demand from other economies which are suffering from the pandemic as well as from airlines with mass flight cancellations, according to Hieu.

“Russia may have to reduce production if demand continues to fall. This will depend on how the pandemic is evolving in the coming months and its impacts on the world economy,” he said.

Goldman Sachs expected a record oil surplus of six million barrels per day by April.

The oil spat may be short-lived and the world is seeing “who will blink first”.

5. Rosy signs show bright prospect for rice export

Vietnam is enjoying strong growth in both rice export volume and value, and more export chances are still ahead as some free trade agreements (FTAs) have come into force and consumers around the globe are boosting purchase to ensure food security amid the COVID-19 outbreak.

In the first two months of 2020, about 900,000 tonnes of rice worth 410 million USD were shipped abroad, up 27 percent in volume and 32 percent in value year on year, according to the Ministry of Agriculture and Rural Development (MARD).

Export prices averaged 478 USD per tonne in January, rising 7 percent from the same period last year. The Philippines was the biggest importer, accounting for 31 percent of total rice shipments. Meanwhile, Mozambique and Angola were among the markets with biggest growth rates.

Phan Xuan Que, General Director of the Vietnam Northern Food Corporation (VINAFOOD 1), said after the Lunar New Year holiday in late January, the rice market has been very vibrant. Prices set for both export and domestic sale surged by 30 – 50 USD per tonne, depending on varieties and quality.

He noted rice prices are usually adjusted on the quarterly or yearly basis, but they have been

changed week by week in the first months of this year, which is a very rare situation, especially when the Mekong Delta – the country's largest agricultural production hub – is currently in the harvest period of the winter-spring crop.

These positive signs show Vietnam is likely to achieve the rice export target of 6.7 million tonnes worth over 3 billion USD this year, according to him.

Explaining the reason for good prices in all segments, Que said as countries opened their markets for rice imports early, businesses have inked big contracts and stepped up purchase of inputs. Besides, China, which previously dominated the African market with about 3 million tonnes of rice annually, has been affected by the COVID-19 outbreak, creating a chance for Vietnamese rice in this market.

Strong demand from the Philippines and Malaysia has also helped raise prices of Vietnamese rice, thus helping the grain to narrow the price gap with the Thai counterpart and surpass the Myanmar and Indian rivals.

The MARD's Agro Processing and Market Development Authority said demand for Thai rice stays flat as drought in this country has driven concerns about supply sources.

Export prices of Vietnamese rice are likely to rise further since they are still much lower than those of other producers' rice, the authority noted, adding that global consumers are boosting purchase while China doesn't increase its shipments in order to ensure food security to cope with the COVID-19 epidemic.

Que attributed the rosy export signs partly to the agricultural restructuring, which in turn has helped restructure export markets to reduce dependence on certain markets. Moreover, the competitiveness of Vietnamese rice, including that of components in the rice value chain from production, supply, processing and transportation, has been improved.

However, he said the agricultural sectors as well as businesses should continue to keep a close watch on changes in the market to concurrently attain food security and export targets.

According to the MARD, the COVID-19 outbreak has little impact on Vietnam's rice sector, and there are likely more opportunities for export to East Africa. Besides, companies should also gear up to capitalise on advantages generated the FTA between the EU and Vietnam when this deal takes effect./.

6. Vietnam Airlines reverses suspension of Europe services

After it announced the decision as a Covid-19 prevention measure, the carrier received messages from many Vietnamese people in Europe wishing to return home, so it has reverted to its previous schedules, a Vietnam Airlines representative said late Saturday.

However, they will interview and measure the body temperature of passengers before boarding to ensure they are healthy enough to return. The airline will refuse to take on board passengers showing signs of a cough or fever, the carrier stated.

Passengers must also wear masks, gloves and have their health monitored on the flight. After landing, passengers will be quarantined for 14 days in accordance to regulations. All crew members will wear special medical protective gear to prevent contracting the novel coronavirus, it added.

Vietnam Airlines had announced Saturday it will stop carrying passengers from London, Paris and Frankfurt to Vietnam from Sunday onwards, but

would continue operating Vietnam to Europe flights to transport passengers back to their home countries.

The move came after the Vietnamese government suspended entry for visitors coming from or going through the U.K. and Schengen countries in the previous 14 days, with Europe emerging as the new epicenter of the Covid-19 pandemic.

The only carrier in Vietnam with direct flights to European countries like England, Germany and France, Vietnam Airlines is set to reduce the number of weekly flights from Hanoi and Saigon to the continent by 14, starting March 25.

Vietnam has recorded 37 new active cases over the past week, raising the country's total Covid-19 infections to 53. All the previous 16 patients had been discharged from hospitals by February 26.

The Covid-19 outbreak has thus far spread to 151 countries and territories, with the death toll climbing to over 5,800.

Corporate News

7. Tan Hiep Phat heiress holds 22 per cent YEG shares

↓ -6.91%

Tran Uyen Phuong, deputy general director of local beverage manufacturer Tan Hiep Phat on March 12 spent nearly VND10 billion (\$434,780) to buy 134,480 more YEG stocks, raising her stake in the company from 21.61 to 22.04 per cent.

The sale took place right after the soft-drink maker and Yeah1 signed an agreement on strategic partnership about developing applications on Yeah1's platforms and rolling out marketing programmes this year.

Phuong previously bought 6.76 million YEG stocks for VND300 billion (\$13 million). That made her second only to Yeah1 chairman Nguyen Anh Nhuong Tong who holds 25.52 per cent.

At the time of the purchase, YEG was at VND50,000 (\$2.17) per share. Since then, it rose to VND70,000 (\$3) per stock. This means Phuong has earned about VND173.2 billion (\$7.53 million) in profit in a single month of investment in the media firm.

8. BID: Change of personnel

↓ -6.29%

Joint Stock Commercial Bank for Investment And Development Of Vietnam announced personnel change as follows:

- Mr. Tran Long was appointed as Deputy CEO in 05 years as from March 12, 2020.

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