



# VIETNAM DAILY NEWS

April 20th, 2020



## Table of content

### Table of content

1. Stocks extend rallies on economic recovery hopes
2. HCMC's economic growth in Q1 lowest in 10 years
3. 70 pct of Japanese firms in Vietnam face revenue losses due to pandemic
4. Little promise in outlook for Q2 exports to US, EU
5. Shrimp exporters look forward to H2 comeback
6. Bình Phước cashew processors face shortage of capital, raw materials
7. HPX: Board Resolutions No.12\_April 16, 2020
8. SMB: SMB allowed to extend the time to hold AGM 2020

## Market Analysis

### 1. Stocks extend rallies on economic recovery hopes

The Vietnamese stock market continued its revival on Friday as liquidity received huge support from market confidence along with positive trading of global markets.

Viet Nam's benchmark VN-Index on the Ho Chi Minh Stock Exchange added 1.14 per cent to end this week at 789.60 points.

The index gained on all five trading days this week, advancing a total of 4.18 per cent. Since its three-year low of 659.21 points on March 24, the VN-Index has soared nearly 20 per cent.

The HNX-Index on the Ha Noi Stock Exchange rose 1.58 per cent to close Friday at 110.46 points, a three-day increase of nearly 3.1 per cent.

The northern market index this week rose a total of 4.03 per cent from the previous one.

More than 363.4 million shares were traded on the two exchanges, worth VND5.93 trillion (US\$253.5 million).

Of the total, 319.7 million shares were handed over in matched orders, worth VND4.74 trillion.

The local market stayed in touch with global stocks on hopes for the re-opening of major economies and the introduction of a new drug for the coronavirus, MB Securities Co (MBS) said in its daily report.

"Trading liquidity reached the one-month high and positive market sentiment lifted not only

large-cap stocks but also mid-caps and small-caps," the brokerage said.

"That should be a good signal as the stock market has rallied in the couple of days but investors are still hungry and cash inflow has not peaked yet," MBS said.

Retail, information and technology, mining and energy, banking, logistics and transport were among sectors that improved a lot on Friday, according to vietstock.vn.

Leading companies in those sectors advanced, lifting the large-cap, mid-cap and small-cap trackers on the two exchanges up between 1.2 per cent and 2.1 per cent.

The strongest gainers included digital retailer Mobile World Investment (MWG), brewer Sabeco (SAB), Military Bank (MBB), tech group FPT (FPT), PetroVietnam Coating Corp (PVB), and Duc Giang Chemicals Group (DGC).

"Investors are counting on the possibility of the market's strong recovery," Thanh Cong Securities Co (TCSC) said in its daily report.

But the recent four-week rallies meant potential profit-taking may occur soon while foreign investors still net-sold local shares, putting pressure on the market, TCSC warned.

Foreign investors offloaded a net value of more than VND421 billion.

## Macro & Policies

### 2. HCMC's economic growth in Q1 lowest in 10 years

Speaking at a meeting on April 16, HCMC Vice Chairman Le Thanh Liem said that more than 1,520 businesses had shuttered in the first quarter, up 54.5% year-on-year, while nearly 5,090 businesses had suspended operations.

Nearly 1,000 people in the city lost their jobs, while more than 6,420 others were suspended from work. The Covid-19 pandemic is expected to affect 70,000 workers, especially those working for small- and medium-sized enterprises, in the coming months.

Service activities were the hardest hit. Revenues for catering services, education and real estate dropped by 32%, 26% and nearly 30%, respectively.

Exports were a bright spot, with revenues reaching more than US\$9.85 billion, up 7.5% year-

on-year. The city's key exports included electronics (up 11%) and chemicals (up 8%).

While the city's Index of Industrial Production in the first quarter of 2019 had increased by 6.24%, it dropped by 0.99% this year.

Liem said the city will step up support for businesses in the second quarter, enabling them to access the Government's stimulus packages.

HCMC Party Committee Secretary Nguyen Thien Nhan noted that the city's 0.42% growth in the first quarter was worrisome. However, the city will still prioritize fighting the coronavirus and people's safety over economic growth.

"Once we effectively contain the pandemic, production, trade and services will gradually recover," he remarked.

### 3. 70 pct of Japanese firms in Vietnam face revenue losses due to pandemic

The Japan External Trade Organization (JETRO)'s survey of over 1,000 Japanese businesses operating in Ho Chi Minh City and southern provinces found 60 percent had a 10-50 percent fall in revenues in March.

Over 70 percent of them forecast the severe impact to continue during the second quarter and beyond.

Thirty six percent said their revenues for the year would drop by 20-40 percent while 5 percent said they would fall by over half.

Thirty percent said the pandemic could cost them 10 percent of their revenues.

Sixty one percent wanted the Vietnamese government to provide quick and accurate information about the pandemic and the measures it is taking.

Fifty percent wanted the government to soon restart flights between Vietnam and Japan and relax entry restrictions.

The restriction of movement meant many companies had to adjust their personnel plans, including for foreign experts.

According to data from the Ministry of Labor, Invalids and Social Affairs, 24,410 foreigners have not returned to the country to work.

Japan was Vietnam's fourth largest investor in 2019 after South Korea, Hong Kong and Singapore.

Vietnam's infection tally was 268 as of Friday morning with 91 people now in hospital and the remaining 177 being discharged after recovering.

Covid-19 has spread to 210 countries and territories, claiming 145,300 lives.

#### 4. Little promise in outlook for Q2 exports to US, EU

The COVID-19 pandemic has already made it quite difficult for Vietnamese goods to enter the US and EU markets and the outlook for the second quarter is also gloomy, according to Cong Thuong (Industry & Trade) newspaper.

In the first quarter of this year, Vietnam earned 59.08 billion USD from exports, up just 0.5 percent year-on-year, while imports stood at 56.26 billion USD, down 1.9 percent, the General Statistics Office (GSO) has reported.

The country therefore posted a trade surplus of 2.8 billion USD compared to 1.5 billion USD in the same period last year. Many trade experts said this in an acceptable figure given the coronavirus outbreak.

There are signs, however, that prospects in the second quarter will be even bleaker, especially regarding exports to the US and EU, both of which have been hit hard by COVID-19.

Bui Trong Tu, Deputy Director of the GSO's Trade and Services Statistics Department, said almost all export contracts Vietnamese businesses have struck with partners in these two key markets have been suspended.

Exports are certain to be greatly affected if the pandemic continues throughout Q2, he forecast, as in addition to China, the US and the EU are among the largest importers of Vietnamese goods, particularly textiles, garments, and footwear, and aquatic products.

The number of apparel and footwear orders from the two markets fulfilled in April and May are projected to fall sharply. New orders to be

delivered in June or later, meanwhile, haven't even been negotiated.

Wood processing companies said if the situation surrounding the pandemic does not improve by the end of April then some will have to cut production by 70 percent.

If the outbreak remains during the second quarter, most will have to cease production for export contracts. Only a few producing wooden items for sale on the domestic market will be able to sustain operations, but only at 10-15 percent of capacity.

In the electronics industry, Samsung Electronics Vietnam has reported that the US and EU account for more than 50 percent of its export value. Global revenue for Samsung Electronics this year is likely to decline, and it may have to revise its export target to about 45.5 billion USD, compared to an actual 51.38 billion USD in 2019.

Meanwhile, switching the shipment of key products to other markets such as India, the Republic of Korea, and Japan cannot be done overnight, and it will be difficult to compensate for losses incurred as exports to the US and the EU tumble, the Cong Thuong newspaper noted.

Given this, businesses are pinning their hopes on the US and EU controlling the pandemic, especially given the EU-Vietnam Free Trade Agreement (EVFTA) is set to take effect this year.

An increase of 20 percent in exports this year was not unrealistic under the agreement, according to GSO General Director Nguyen Bich Lam, with the greatest beneficiary being aquatic products./.

#### 5. Shrimp exporters look forward to H2 comeback

Vietnam's shrimp industry has found itself surrounded by difficulties since the beginning of this year due to COVID-19 but many exporters are now looking forward to a comeback in the second half after the pandemic is brought under control globally.

According to the Vietnam Association of Seafood Exporters and Producers (VASEP), the country's shrimp exports grew 2.6 percent to 383 million USD in the first two months of this year.

Despite posting a 37.5-percent decline in exports to one of its leading customers - China - which was in a nationwide lockdown, exports to other markets saw significant growth, for example Japan (16.5 percent), the US (22.3 percent), and the Republic of Korea (RoK) (12.4 percent).

The sector began feeling the pinch from COVID-19 in March, however, when the pandemic quickly spread throughout the rest of the world. Shrimp export value tumbled 15 percent year-on-year during the month to just 208 million USD, resulting in Q1 shipments falling 4.3 percent from a year earlier.

Most of Vietnam's key markets have been badly hit by COVID-19, such as the EU and the US, where importers are suffering from shrinking sales and high inventories.

Authorities across Europe, the US, and the rest of the world have forced bars and restaurants to shut down and people to stay home, hitting seafood orders and causing prices to tumble.

VASEP estimates that about 20-40 percent of orders have been delayed or cancelled, with new orders being few and far between.

Domestic exporters have made every effort to remain resilient and survive amid the spread of the pandemic. Many have shifted focus to new foreign markets, boosted sales domestically, or created new processed products for supply to foreign retailers.

Insiders believe that if the pandemic fades by the end of the second quarter then global shrimp demand will likely rebound shortly after. They have advised local exporters to retain a certain amount of shrimp in stock so they are ready when orders return.

According to analysis from Rabobank, a fall in orders during the first half of 2020 will likely affect prices in the second half, since there may be large inventories in place.

Prices may fall during the current crisis but a steep rise is likely later in the year as supply dries up, assuming the market returns to normal, Robobank said./.

## 6. Bình Phước cashew processors face shortage of capital, raw materials

The province has around 134,000 hectares of land for cashew, and over 1,400 processing and exporting businesses that sell to markets such as the US, Australia and China.

Only 30 of them are able to import raw cashews for processing. The rest are small and micro businesses.

Processing businesses need around 600,000 – 800,000 tonnes of raw cashew annually, but the province is only able to provide 200,000 tonnes. Imports, which come from African countries, Indonesia and Cambodia, have high costs, which reduces profitability.

During the first two months of the year, the province exported US\$61.7 million worth of cashews, and the value of each tonne of cashews was 23.1 per cent lower than that of the same period last year.

Vũ Mạnh Tùng, owner of a cashew processing facility in Phú Riềng District, said there was a shortage of raw materials because businesses were not investing enough in material production zones, and co-operation between businesses and farmers was weak.

Other cashew processing facilities in the province are also receiving fewer orders compared to last year due to COVID-19, and some small businesses have had to close down.

In addition, lack of access to capital is a major concern, said Nguyễn Anh Hoàng, director of the Department of Industry and Trade.

Many businesses have had to take out loans, and when there is market turbulence, banks issue fewer loans or tighten loan conditions, making it harder for businesses to get loans.

The province is working on a plan for concentrated cashew production areas that will improve value chains and link farmers to businesses. It is also facilitating investment in hi-tech, traceability, and geographical indicators.

Businesses have been encouraged to diversify their products and improve marketing to their consumers.

## Corporate News

### 7. HPX: Board Resolutions No.12 \_April 16, 2020

↑ 0.19%

According to Board Resolutions No.12 dated April 16, 2020, the Board of Directors of Hai Phat Investment Joint Stock Company approved the change of charter capital as follows:

– The registered charter capital: VND1,999,963,050,000

– The new charter capital: VND2,299,955,060,000

– Date of change: April 16, 2020

– Reason: issuing shares to pay dividends for 2018.

### 8. SMB: SMB allowed to extend the time to hold AGM 2020

↑ 1.36%

On April 15, 2020, the Department of Planning and Investment of Dak Lak Province issued a document allowing Sai Gon – Mien Trung Beer Joint Stock Company (SMB) to extend the time to

hold the Annual General Meeting 2020. Accordingly, the company will take place the Annual General Meeting before June 30, 2020.



**Research Team:** Tsugami Shoji    Researcher    [jsi@japan-sec.vn](mailto: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](mailto:info@japan-sec.vn)

Website: [www.japan-sec.vn](http://www.japan-sec.vn)