VIETNAM DAILY NEWS

April 28th, 2020

Table of content

Table of content

Market Analysis

1. VN stocks pulled down by profit-taking

Vietnamese shares succumbed to selling pressure on Monday as investors booked profits after a three-day rally.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange dropped 0.76 per cent to end at 719.66 points.

The VN-Index retreated after having made a three-day increase of a total 1.28 per cent in the previous three trading days.

The HNX-Index on the Ha Noi Stock Exchange fell 0.63 per cent to close at 106.3 points, stepping down from a three-day rally of 2.17 per cent.

More than 348.7 million shares were traded on the two local exchanges, worth VND5.08 trillion (US$216.3 million).

Investors looked for profits after local stocks had gained and pushed the VN-Index up to near 780 points last week, Sai Gon-Ha Noi Securities (SHS) said in its daily report.

Bank stocks weighed down the market as the sector index dropped 2.5 per cent, according to vietstock.vn. Twelve of 13 listed banks on both markets declined.

The worst-performing bank stocks included Vietcombank (VCB), Bank for Investment and Development of Vietnam (BID), Military Bank (MBB) and Sai Gon-Ha Noi Bank (SHB).

Vietcombank shares dropped 3 per cent, BIDV shares lost 2.5 per cent, MBBank shares shed 2.2 per cent, and SHB shares were down 1.8 per cent.

Following banks were other financial stocks such as brokerage houses and insurers. Securities and insurance indices were down 1.2 per cent and 0.5 per cent, respectively.

The decline of financial-banking stocks also hurt the large-cap groups on both markets.

The large-cap trackers VN30 and HNX30 indices decreased by 0.74 per cent and 0.87 per cent, respectively.

Other large-cap companies that also saw share prices fall were petrol firm Petrolimex (PLX), sugar producer Thanh Thanh Cong-Bien Hoa (SBT), realty firm Vincom Retail (VRE), PetroVietnam Coating (PVB) and Sai Gon-Ha Noi Securities (SHS).

Large-cap VN30 futures ending May were down 4.6 points to finish Monday at 692.50 points, showing investors were still pessimistic about the market's future prospects, SHS said.

Data on both local exchanges showed investors fleeing from large-cap stocks into mid-cap and small-cap shares.

It was the earnings season, so it was normal that local shares differentiated, MB Securities Co (MBS) said in a note.

It had been expected that investors would seek profits in large-cap stocks and turn their attention to smaller ones, the company said.

The market growth would be bumpy in coming days but the short-term uptrend was maintained as cash flow remained high on the two exchanges, MBS added.

Macro & Policies

2. Sustainable connectivity with high-speed 5G

Is it possible to quadruple data traffic without increasing energy consumption? The answer is yes. It is possible to meet the massive traffic growth by lowering the total mobile network energy consumption from today's level. As per Ericsson estimates, the current yearly global energy cost of running mobile networks is estimated to be $25 billion, and this energy consumption would increase dramatically if 5G were to be deployed in the same way as 3G and 4G.

Yet, 5G can be a game changer. While every previous new generation of mobile networks has increased energy consumption and carbon emissions until now, 5G is the most energy-efficient standard ever developed. Uptake is faster than expected: poised to reach 2.6 billion subscriptions by 2025, covering up to 65 per cent of the world's population, and generating 45 per cent of total mobile data traffic globally. Thanks to the 5G standard and our development efforts, it is possible to significantly reduce energy consumption.

5G is designed to enable high performance and low network energy consumption. With it, the mobile system can be enabled to use smart sleep modes more effectively and extend coverage by using lower bands; while increasing capacity and speed with carrier aggregation. Fast and effective data transmission also enables the system to return to a low-load state faster.

Ultimately, the total 5G energy cost addition will be impacted by service provider deployment strategies and equipment choice. By modernising the network with the latest technology and replacing old equipment, it is possible to realise new business opportunities and, at the same time, create significant energy savings. The key to enabling network-wide power savings and reducing the total cost of ownership (TCO) lies in building 5G networks with precision.

At Ericsson, we have adopted an innovative and holistic approach to building an end-to-end 5G with the right technologies for optimal cost effectiveness. For a start, capable hardware is essential. New multi-standard hardware platforms offer a reduced physical footprint and the latest energy-reducing technologies that contribute to more energy-efficient networks.

Deploying the latest Ericsson Radio System (ERS) solutions and dual-mode 5G Core provides immediate energy and cost savings, and can facilitate a swift move to 5G in the future with a software installation.

ERS is a complete platform to build the highest-performing Radio Access Network and offers optimal modularity to ensure the lowest TCO. All ERS equipment shipped since 2015 is 5G-ready. Having equipment on the ERS platform ensures that the network can migrate to the most efficient technology as soon as devices and services are available.

Furthermore, with Ericsson Spectrum Sharing (ESS), service providers can run 4G and 5G simultaneously on the same frequencies, without adding new energy-consuming hardware.

Operators need to build 5G with precision by optimising network performance on the new 5G frequencies while keeping capex and opex within certain limits. When complemented with unique solutions such as Ericsson dual-mode 5G Core, ERS, and ESS, a swift 5G rollout is enabled without adding any further energy-consuming hardware. This means service providers can limit energy consumption growth when introducing 5G.

Ericsson's 5G software has energy saving engraved in its DNA. Its advanced features will continue to evolve and network efficiency will increase over time. Ericsson's energy-saving software functionality automatically switches equipment on and off to follow traffic demand as it varies over time. Experience from networks across the world shows that these functions could significantly reduce energy costs without any need for additional hardware investments.

Overall, by using AI, service providers are able to seize the opportunity to operate site infrastructure more proactively. Ericsson's portfolio offers tools to control passive equipment and enable predictive maintenance along with no-touch problem-solving.

With the recently launched data-driven service offering, Energy Infrastructure Operations, substantial savings can be reached through a 15-per-cent decrease in energy-related operating expenditure, a 15-per-cent reduction in site visits related to passive infrastructure, as well as a 30-per-cent reduction of energy related outages.

Integrating sustainability and responsible business practices and programmes across the company helps run operations more efficiently. Ericsson's focus on product energy performance can help reduce total cost of ownership for operators' networks as well as support positive social and environmental impacts.

With 31 live networks across 15 countries, Ericsson is committed to developing innovative products and solutions that enable the mobile industry to meet current and future traffic demands, while simultaneously addressing the energy consumption and climate challenge.

Ericsson has been a driving force in showing how digital technology can reduce carbon emissions by 15 per cent in sectors like manufacturing and transport by 2030. We are one of a handful of companies that have set science-based targets committed to supporting the limit of global temperature rise to 1.5°C, and to further demonstrate our leading position we have made an additional commitment to become carbon neutral by 2030.

3. Can Tho proposes IZ site change to boost investment efficiencies

Why do we need to change the site of these industrial zones (IZs)?

Since Can Tho city in the Mekong Delta became a first-grade centrally-governed urban centre in 2009, the price of land in the city's inner districts has jumped sharply each year. As Can Tho IZs are mostly located in inner districts and accommodate many residential homes, it takes a hefty sum to arrange compensation, land acquisition, and find a suitable land plot for resettlement of affected people.

This has significantly driven up the leasing cost that may triple those at other IZs in neighbouring localities. Besides that, it is quite complex to develop seamless infrastructure networks as long as IZ investment remains patchy.

In addition, as these IZs are located in areas regarded as having favourable conditions for social and economic development, they are not entitled to benefit from corporate income tax incentives.

What is the current state of the three IZs being proposed for a site change?

They are the 600-hectare O Mon IZ, the 400ha Bac O Mon IZ (both in O Mon district), and the 600ha Thot Not IZ second phase in Thot Not district. All three were approved by the prime minister for inclusion in Vietnam's IZ development planning to 2015 with a vision towards 2020. These IZs, however, have yet to deploy detailed planning or grasp their own infrastructure developers.

As for O Mon IZ, this area incurs high compensation and land acquisition costs because it hosts many residential homes. In addition, the area is close to a cement plant and power grid network of coal-fired O Mon thermal power plant, doing harm to the environment, so it has failed to attract investors despite many visiting for surveys over recent years. Bac O Mon IZ suffers the same fate as its planned location is close to O Mon IZ.

In regard to Thot Not IZ's second phase, the planned site runs parallel to the Vam Cong Bridge's approaching road heading to the region's Kien Giang province and National Highway 91 heading to An Giang province. This is close to Thot Not district centre, therefore, the land price and acquisition costs have remained high, failing to attract investors. Furthermore, Thot Not district urban development would pose growing pressure to IZ development in an environmental aspect.

What do the site removal proposals of the three IZs involve?

After careful survey, the Can Tho Export Processing and Industrial Zones Management Authority (CEPIZA) plans to remove O Mon IZ and Bac O Mon IZ to a new position contiguous to provincial road 922 heading to Thoi Lai and Co Do districts, crossing the Soc Trang Highway project leading to Can Tho, An Giang, and Cambodia as well as merging these two IZs into a single one with a scale of 1,000ha.

The new planned site sits parallel to newly-launched provincial road 922, crossing rice fields and mixed-use gardens with few residents. The compensation cost, therefore, would not be large. In addition, Can Tho currently has about 750ha space of agriculural land that could be turned into industrial land.

Simultaneously, Thot Not IZ's second phase, currently belonging to Thot Not and Vinh Thanh districts, is planned to be moved deeply into Vinh Thanh district in order to curtail investment costs.

What will be the effects of the proposed IZ site removals on Can Tho's investment attraction and socio-economic development?

The IZs moving to new positions can bring numerous advantages to local investment attraction. Along with this, the new sites are located in areas with unfavourable conditions for development, so they will benefit from corporate income tax incentives. Furthermore, land prices there are relatively low, just one third compared to the inner districts, making future IZs more competitive in land rental to attract tenants.

Not only that, these new proposed sites are contiguous to highways and newly launched roads with good infrastructure, providing impetus to facilitate goods flow of businesses and woo investors. New IZ development would help push up the pace of urbanisation in these rural areas, creating more jobs, and increasing the proportion of industry, trade and services, and from there driving the development of the whole region.

What is the current pace of legal setup related to IZ site relocation?

Can Tho People's Committee has assigned the CEPIZA to work with relevant departments and localities to complete the project and a statement for submission to the Ministry of Planning and Investment seeking approval to the Can Tho IZ revised planning proposal.

Meetings were also held with IZ infrastructure firms to revise the implementation of licensed projects, land lease, and re-lease situation at IZs in the city to report to the city authority, from there assessing the actual demands of businesses and the areas that should receive priority for development. This particularly regards to green businesses that can take the initiative in developing material areas to feed IZ development requirements.

4. Exporters required to register REX code before June 30

According to the Ministry of Industry and Trade (MoIT), the EU has asked Vietnamese firms to register the REX codes as soon as possible.

REX, or registered exporter system, is a system of certification of origin of goods based on self-certification. It has been applied in Viet Nam since January 1, 2019. Exporters therefore have to register the REX code instead of C/O form A. Firms which do not have the REX codes have been allowed to use C/O form A in the transition period. The period would end on June 30.

The Viet Nam Chamber of Commerce and Industry (VCCI) is in charge of receiving exporters' application for registration of REX Code and carrying out the registration.

However, the process of registering the codes has been slow, said the MoIT.

Earlier, the ministry sent a document to VCCI to accelerate the registration. Meanwhile, businesses exporting to the EU, Norway and Switzerland should quickly contact the VCCI to register the REX code.

MoIT also promulgated Circular 38/2018/TT-BCT regulating the implementation of certificates of origin of goods under Generalised System of

Preferences Treatment (GSP) that is the tariff for developing countries.

Accordingly, businesses could register for the REX codes online or directly sending applications to VCCI within six months from December 14, 2018.

Particularly for export shipments with a total value of not more than 6,000 EUR (calculated according to the factory price), traders are certified origin for that shipment without having to register the REX code as prescribed.

5. EU, US are potential markets for Vietnam's medical gear and masks: Trade minister

The US and EU markets are potential export markets for Vietnam's protective gear and masks during the Covid-19 pandemic, according to Minister of Industry and Trade Tran Tuan Anh.

Anh made the suggestion at a time when Vietnam's key export sectors encounter a severe fall in demand as a result of the pandemic. Enterprises should take advantage of existing free trade agreements (FTAs) in search of new market opportunities.

Meanwhile, the Ministry of Industry and Trade (MoIT) encourages local enterprises to shift their focuses to the domestic market, while utilizing e-commerce and expanding their supply chains at the same time.

According to Tuan Anh, the MoIT is expected to propose the government the waiver and reduction of taxes for labor-intensive sectors such as textile, footwear, and electronics industry, among others.

Previously, the MoIT said 50 local garment firms could produce eight million face masks per day, or around 200 million per month. The figure would be higher if the production capacity nationwide is taken into account

Under the growing impacts of the Covid-19 pandemic, face mask production is considered a viable solution for garment companies to maintain operations and offset losses from lower demand for garments.

Manufacturing sector under pressure

Truong Thanh Hoai, director of the MoIT's Heavy Industry Department, said as exports are declining, incentives are needed to help enterprises maintain operations, including preferential loans and reduction in land rental fees.

"Automobile, footwear and textile should be included in priority sectors that require drastic supportive measures," Hoai added.

In the first quarter, major industrial sectors, including textile, garment, footwear, electronics, were severely hit by the pandemic, with the garment and textile exports suffering a 19% decline.

Deputy Head of the MoIT's Import – Export Department Nguyen Cam Trang said companies are facing difficulties in exporting to major markets such as the US and EU as both are struggling with the Covid-19 pandemic.

Trang said more and more US and European importers have informed their Vietnamese partners of delaying or canceling orders for garment products.

The MoIT expected manufacturing activities in the coming quarters would face huge challenges due to weaker demand, which subsequently affects exports from now until the end of 2020.

Director of Heavy Industry Department anticipated a slump in the number of orders for electronic products, and the automobile industry to maintain operation at the minimum.

6. Covid-19 a wake-up call for business leaders: expert

Some businesses experienced a total shutdown, such as hotels, bars and restaurants, while others have faced supply chain issues and decreased demand, like the textile industry and retail sector.

“This external shock can be the ideal moment to review current business processes, such as hiring and workforce practices, supply and distribution chains, product development, and financial operations and strategies,” said Dr Burkhard Schrage, School of Business & Management Program Manager at RMIT University Vietnam.

A revamp of these processes will also be required by the digital revolution, often touted as a quintessential ingredient to get ahead in the global marketplace. A careful implementation of new processes can also make businesses more competitive in the long run.

“Now's the time to get your company ready for the future, and perhaps the pandemic may be a ‘blessing in disguise' to help companies sustainably compete in Vietnam and internationally,” Dr Schrage said.

He highlighted some important recommendations from recent research by management consulting firm McKinsey & Company, which focuses on why some businesses manage a crisis better than others, and come out of it in better shape than their competitors.

Businesses should address the immediate challenges, such as how to protect employees and manage the transition to a remote, decentralized workforce; and address the near-term cash and supply chain challenges, as well as identify other key threats in order to plan for different scenarios.

They need to create a detailed plan of post-crisis actions. While it is not possible to know the length of the crisis, businesses should be ready when the end is in sight.

According to the research, the world will be different after the crisis as consumers will value different features in products, competitors will compete differently, and supply chains will be configured unlike yesterday. McKinsey & Company called this the “next normal”. The key is to adapt the business quickly to this new world that emerges.

“In challenging times, businesses with disciplined leadership, high empathy for their employees and fast execution skills will come out ahead once the sun rises again. We still don't know what the ‘next normal' will look like. But we know it's going to be more digital, more agile, more resilient and with a more flexible workforce,” Dr Schrage said.

He concluded that business leaders will have to create a vision of the post-pandemic world and draft strategies to achieve this vision.

“Good execution, which needs to have the new rules of the game in mind, will ensure the sustainable success of your business.”.

Corporate News

7. D2D: Resolution on the AGM 2020

↑ 6.87%

Industrial Urban Development Joint Stock Company No.2 announces the Resolution of Annual General Meeting 2020 dated April 22, 2020 with the following contents:

File Attachment

170628_the-AGM-2020--PV.pdf

8. VCB: Notice of agreements with related parties

↓ -3.05%

On April 23, 2020, the Board of Directors of Joint Stock Commercial Bank for Foreign Trade of Viet Nam (Vietcombank) issued Resolution No.201 on the approval for the agreement between Vietcombank and FPT Information System Co., Ltd. (the related person is Mr. Truong Gia Binh, Independent Member of the Board of Directors) for the package of purchasing routers for Vietcombank.

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