



VIETNAM DAILY NEWS

May 05th, 2020



Table of content

Table of content

- 1. Selling pressure behind market's loss**
- 2. Downturn in Vietnamese manufacturing sector intensifies**
- 3. Vietnam supermarkets increase sales from online segment**
- 4. Business cash flow issues in Vietnam trump global average: survey**
- 5. Vietnamese consumers increasingly favor small-sized MPVs**
- 6. Viet Nam News Economy Special mechanism needed for Hải Phòng to further its development**
- 7. Chinese investors step up acquisitions of Vietnamese firms amid Covid-19 crisis**
- 8. Vietnam's economic prospects in 2020**
- 9. SBT: Setting up a Branch**
- 10. PLX: Notice of balloting shareholders in writing**

Market Analysis

1. Selling pressure behind market's loss

Strong selling pressure dragged the local stock market down steeply today, May 4, with the VN-Index of the Hochiminh Stock Exchange losing almost seven points.

The market entered the first morning phase of May on a downbeat note amid weak cash flow. The benchmark index extended downward momentum in the afternoon due to the absence of positive news and increasingly heavy selling pressure.

Closing the day, the VN-Index fell 6.64 points, or 0.86% against last session to stay at 762.47, with losers doubling gainers by 251 to 110. Trading volume on the southern bourse expanded 14.2% at 285.5 million shares while value dropped 4.5% at over VND4 trillion. Shares traded in block deals contributed over VND1 trillion to the total value.

Up to 22 stocks in the VN30 basket encountered losses while the remaining eight made gains. Insurer BVH and brewery firm SAB were among the major drags on the main index as they declined over 4.5%. Steelmaker HPG, dairy company VNM, and consumer goods firm MSN inched down 2.3%, 1.4%, 2.3%, respectively.

Among bank stocks, only HDB continued to extend rally and added 4.4% to VND21,550 per share. The remaining lenders such as CTG, EIB, BID saw dull trade.

Electricity firm POW also came under strong profit-taking pressure and snapped a six-day winning streak, ending at its floor price of VND9,820 with matching volume exceeding 9.8 million shares.

Meanwhile, two members in the Vingroup family bucked the market trend with housing developer VHM gaining 2% to close at its intraday high of VND64,900 and retailer VRE increasing 1.5%. However, the two could not help the main index from shedding points.

Selling pressure also caused the northern market to end in the negative territory. The HNX-Index lost 1.12 points, or 1.05% versus the session earlier at 105.72, with 59 winners and 92 losers.

The fall of many bigcap stocks was behind the northern bourse's steep decline. Lender ACB slid 1% while its fellow SHB tumbled 1.9%. Other stocks including VCG, PVS, PVI, PVB also ended in the red.

Macro & Policies

2. Downturn in Vietnamese manufacturing sector intensifies

A survey of Nikkei and IHS Markit released on Monday showed the index was well down on the reading of 41.9 seen in March, which itself had signalled a record monthly deterioration in the health of the sector. Business conditions have now worsened in each of the past three months.

The extent of the decline was unprecedented in more than nine years of data collection.

According to the survey, record falls were seen in output, new orders, employment and purchasing amid company shutdowns and the cancellation of orders. Meanwhile, business sentiment turned negative for the first time since the survey began.

“The impact of COVID-19 was most keenly felt with respect to manufacturing production and new orders. Both fell severely during April amid order cancellations and company closures. The decline in overall new business was outpaced by that seen for new export orders, reflecting the effects of the virus in markets all around the world,” the survey stated.

Approximately two-thirds of respondents signalled that output decreased during the month. As such, declines were registered across each of the three broad sectors covered by the survey, led by intermediate goods firms.

A lack of new orders fed through to a steep reduction in backlogs of work. Lower workloads led manufacturers to reduce staffing levels, while there were also some reports of employees having resigned. The resulting decrease in employment was the sharpest on record, the second month running in which a new low has been registered.

Purchasing activity also decreased at a substantial pace, linked to lower new orders, a reduction in production requirements and company closures.

As a result, stocks of purchases declined sharply. Stocks of finished goods also fell, albeit to a lesser extent than in March.

Meanwhile, difficulties obtaining imported goods, material shortages and issues travelling meant that suppliers' delivery times lengthened to the greatest extent since the survey began in March 2011.

Input prices decreased for the first time in 16 months during April, and at a marked pace that was the fastest since September 2015. Panellists linked the fall in input costs to a lack of demand for inputs and lower oil prices.

With input costs falling, manufacturers continued to lower their output prices, extending the current sequence of decline to three months. The latest reduction was sharp and the joint- fastest in the survey's history, equal with that seen in June 2012.

For the first time in the series so far, firms were pessimistic regarding the outlook for production over the coming year. Sentiment dropped amid fears that the impact of the COVID-19 pandemic could last for a prolonged period. Around 40 per cent of respondents signalled a negative outlook in April.

“The latest Vietnam manufacturing PMI report highlights the devastating impact that the COVID-19 pandemic and efforts to restrict its spread have had on the Vietnamese manufacturing sector. April saw an unprecedented decline in the sector, led by severe contractions in output and new orders. Whether April proves to be the nadir of the downturn will depend on how firms and their customers respond to an easing of the lockdown and reopening of businesses that have been closed temporarily,” Andrew Harker, Economics Director at IHS Markit, said.

3. Vietnam supermarkets increase sales from online segment

Sales from online segment of some big supermarkets in Vietnam increased during

national holidays when the retailers launched promotion campaigns for essential products and

fresh food as consumption in the period has surged.

Saigon Co.op-owned Co.opmart and Co.opXtra. Food supermarkets saw an increase of 30% in orders in the two days of April 30 and May 1 compared to the period before social distancing was imposed. On May 1 alone, the number of orders via phones and Zalo app spiked, mainly orders of seafood, vegetable and fruits, soft drinks, face masks, kitchen and cooking items with promotions.

The volume of some frozen items and vegetable sold doubled the previous week, according to Saigon Co.op.

According to Do Quoc Huy, marketing director of Saigon Co.op, in anticipation of an increase of 30-40% of the purchasing power in the national holidays, they have actively prepared to stimulate consumption.

Vinmart, another supermarket chain, has launched its promotion program “Brilliant summer, sales at all levels” with discounts to many items, especially VinEco vegetable and MeatDeli meat from May 1-14.

Big C supermarket has also rolled out program “A week of imported pork” with a 34% discount on pork prices. “In the holidays, the supermarkets were not crowded compared to the previous ones, though the city People’s Committee has loosened social distancing orders,” Nguyen Thi Phuong, deputy general director of Central Retail, which operates the Big C supermarket chain, was quoted as saying. “Local consumers still avoid crowded places due to Covid-19.”

Boost to online channel

Earlier, many retailers have switched from traditional to online channels to adapt to the change in shopping habit due to the Covid-19 pandemic.

From mid-March to present, online sales of supermarkets have increased by 25-30%, according to the Hanoi Department of Industry and Trade, mainly thanks to the supermarkets’ efforts in boosting their online services.

From the beginning of February, Big C supermarket has deployed “Call for ordering” service with free delivery for any invoice value of VND200,000 (US\$8.5) or more. So far, the number of online orders has increased by over 200% compared to the period before the outbreak of Covid-19 in Hanoi.

Co.opmart has promoted online shopping services on its website. Nguyen Thi Kim Dung, director of Co.opmart Ha Dong supermarket told Kinh te & Do thi that since March, online channel sales volume of all the supermarkets nationwide has increased 10 times compared to the normal days.

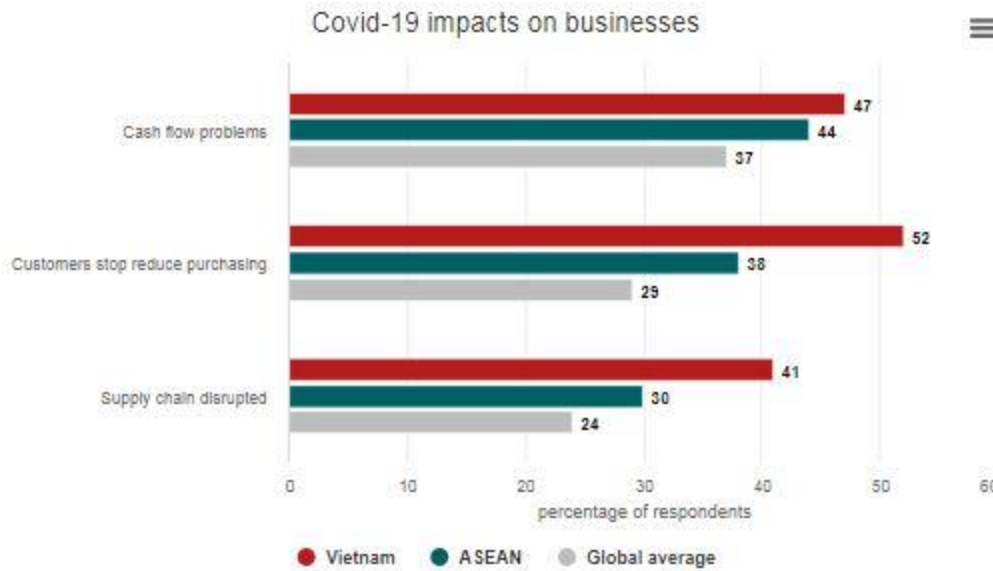
BRG Retail’s supermarket system has also boosted online sales through fanpages and emails since the outbreak of Covid-19 in Vietnam. Other supermarkets have also actively stimulated demand by promoting cooperation with e-commerce marketplaces such as Tiki, Shopee and Lazada.

According to local economists, the Covid-19 pandemic has affected the economy but will be an impetus to accelerate the industrial 4.0 in many aspects, especially online shopping services. This will also boost the habit of cashless shopping in the upcoming times.

4. Business cash flow issues in Vietnam trump global average: survey

52 percent of respondents reported customers stopping or reducing purchases because of the new coronavirus pandemic, compared to 29 percent globally, according to “Covid-19 Global Survey” by the Association of Chartered Certified Accountants (ACCA).

41 percent reported their supply chain disrupted, compared to 24 percent globally, stated the survey, which polled 10,000 world business leaders in March, with 279 in Vietnam.



Other challenges Vietnam businesses face include a reduction in employee productivity, having to defer the launch of new products and services, and inability to obtain supplies.

The Vietnam Tourism Advisory Board (TAB) recently proposed a VND150 trillion (\$6.5 billion) credit package for travel companies, which are among the most severely hurt by the pandemic.

The Handicraft and Wood Industry Association of Ho Chi Minh City (HAWA) also sought a 50 percent

reduction in or scrapping of value-added tax, income tax and land fees for six months.

Covid-19 has caused major damage to Vietnam's key sectors in the first four months of this year.

The number of companies suspending business in the first quarter rose 26 percent year-on-year to 18,600, according to the General Statistics Office.

Nearly five million Vietnamese workers have had to suspend work or lost their jobs as of mid-April, it said.

5. Vietnamese consumers increasingly favor small-sized MPVs

39,442 seven-seater MPVs were sold in 2019, accounting for 17 percent of total sales of passenger cars in Vietnam last year, Vietnam Automobile Manufacturers Association (VAMA) stated in its latest report.

This is an increase of 112 percent over sales of the same segment in 2018, and almost three times higher than the 2015-2018 average of 14,652 small-sized MPVs sold per year.



A major driver of demand for these small-sized MPVs, most of which cost less than VND1 billion (\$43,000), had been the boom of ride-hailing services in the past five years, which urged many people to think of investing in cars to do business, the report noted.

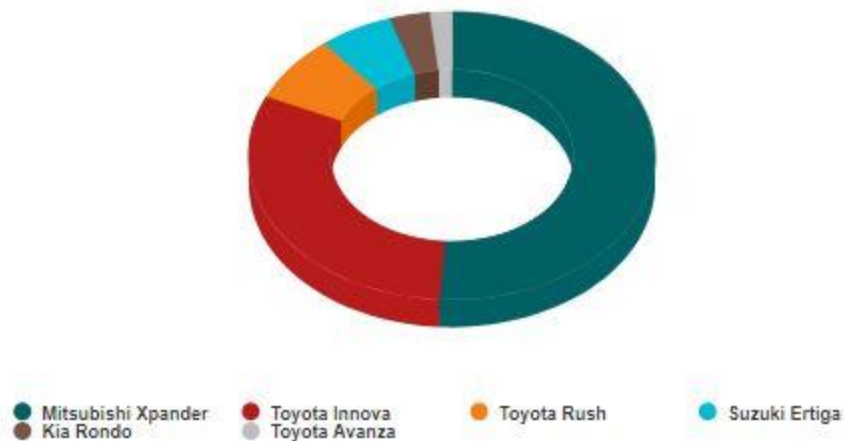
Small-sized MPVs are the third option for most people behind the traditional sedan or hatchback, as they are more spacious, allowing drivers to carry more passengers when using them as taxis, doubling down as a family vehicle when not used for commercial purposes. Most driver do not

require larger MPVs for these purposes, according to VAMA.

Small MPVs also attract customers because of its low investment costs, with most banks willing to provide credit of up to 80 percent of the vehicle price with different credit purchase schemes, it said.

According to the report, the leading model in this segment last year was the Mitsubishi Xpander, accounting for 51 percent of small-sized MPVs sold. It was followed by the Toyota Innova with 31 percent, and the Toyota Rush at 7.5 percent.

Small-sized MPV sales by model



Competition in this segment is expected to heat up this year with Japanese automaker Suzuki having just introduced the XL7, a new MPV model, last week.

Japan's Mitsubishi is also expected to release a new MPV model called Xpander Cross this year,

which would bring the number of models competing for the family car segment to eight, double the number available in 2015, VAMA said.

A total 229,706 passenger cars were sold in 2019, up 19.6 percent over the previous year, it added.

6. Viet Nam News Economy Special mechanism needed for Hải Phòng to further its development

At a working session with leading officials in the city, he assigned ministries and authorities to study and help the Government work out such plans at the earliest possible date.

The PM highlighted that Hải Phòng achieved the highest Gross Regional Domestic Product (GRDP) growth in Việt Nam with 14.9 per cent while that of the whole country was only 3.82 per cent. He also spoke highly of the city's creative and resolute measures in the COVID-19 fight.

The leader also stressed authorities must not lax in the fight which must be carried out along with the socio-economic development.

About strategic development strategies, PM Phúc pointed out that sea-based economy, high-level industry and tourism must be the three strategic pillars of the city from now to 2045, adding that it must become a smart and modern city.

As for the tasks for the rest of this year, the leader said the city must shoulder the heavy responsibility of the pioneer and an important growth leader of the country. The city's development goals had not changed even in the context of the pandemic, he stressed.

PM Phúc recommended that Hải Phòng implement concerted measures so as to create a more favourable business environment and push up the private economic sector. He also expressed his belief that with its firm determination and creativeness, the city would achieve the goal of fighting the COVID-19 and boosting socio-economic development at the same time.

The city should also pay attention to the organisation of the Party congresses at various levels towards the 13th National Congress of the Party, the leader concluded.

Road opening

Earlier the same day, PM Phúc attended a ceremony held to officially open the Nam Cầu Bính intersection in Hải Phòng City. The key project aims to celebrate the 65th anniversary of Hải Phòng Liberation Day (May 13, 1955-May 13, 2020).

The construction began in September, 2018 with a total investment of VNĐ1.5 trillion (US\$64.3 million).

It included the construction of a 190m-long tunnel connecting Bạch Đằng road and Hồng Bàng road with two lanes. Each lane is 0.75m wide.

The same day, PM Phúc attended a launch ceremony for a project to preserve an historical relic in Cao Quý Village, Liên Khê Commune, Thủy Nguyên District in Hải Phòng.

The project, which also includes the construction of a 3.5-km road linking a highway to the 30,700-sq.m relic site, costs VNĐ427 billion (US\$18.6 million). The site will house an exhibition centre with many historical objects locally unearthed to be put on show.

Speaking at the ceremony, PM Phúc recalled the three glorious military victories against foreign invaders on the Bạch Đằng river section which runs through the locality. He described the one in 1288 against the Yuan-Mongol army as representing the power of the people's war, heroism, staunch will and solidarity of the Vietnamese nation.

The Cao Quý relic, together with others related to the Trần Dynasty (1225-1400) in nearby Quảng Ninh and Hải Dương provinces, serves as a source of invaluable material for deeper research into Việt Nam's history, the leader said.

He also spoke highly of the important role and work by historians and archaeologists for their discovery of the site and studies into the part of history which it relates to.

The site was recently discovered with many trunks planted on the bed inclined to the upper reaches of the river. Historians believe this is the tactic of the Trần Dynasty using iron-headed poles to defeat the fleet of the invading Yuan-Mongol army.

7. Chinese investors step up acquisitions of Vietnamese firms amid Covid-19 crisis

According to data from the Foreign Investment Agency, Chinese investors were involved in more than 100 cases of capital contributions and share purchases at Vietnamese firms last month. This has brought the number of investments from Chinese investors during the year to 557 cases, with over US\$230 million being invested in total. Compared with the same period last year, the number of transactions of this kind increased by 154 (over 38%), with an additional US\$65 million.

As for direct investments, Chinese investors funded 135 projects in the January-April period.

This reflects the investors' preference for capital contributions and share purchases rather than foreign direct investments.

The high number of transactions and capital from Chinese investors mostly target small- and medium-sized Vietnamese enterprises.

This investment trend is not a surprise to observers and foreign investment consultants.

According to experts, stagnant business and production activities as a result of the pandemic have attracted foreign investors, especially from China, for acquisition opportunities in Vietnam.

Truong Thanh Duc, a lawyer from Basico Law Firm, noted that the shares of many domestic firms have lowered in value significantly during the pandemic, allowing foreign investors with financial capacity and experience to quickly buy in.

Chinese firms have increased their investments in Vietnam over the past two years, and more opportunities are available for foreign investors due to the difficulties facing domestic firms during the current pandemic, according to Duc.

Before the Covid-19 outbreak, domestic firms had contacted Basico for consultation or support in selling their shares or transferring control to Chinese investors.

According to Duc, the Foreign Investment Agency's data only reflects the tip of the iceberg, and actual acquisitions by Chinese investors could be even higher.

For instance, many Chinese enterprises and individuals, operating as Vietnamese firms, have been buying coastal estates or land in prime locations to convert their land-use purposes.

Vietnamese partners with a poor understanding of business and management activities can be exploited through capital contributions.

Chinese investors typically invest in sectors that are easy to enter based on similar experiences, where heavy investments, as in the case of service provision or goods production, are not required.

However, the acquisition of Vietnamese firms is not the only concern.

According to experts, once Chinese investors acquire Vietnamese businesses, it is likely that they will not increase investment and production but will import goods from China for export to a third country under Vietnamese-made labels.

8. Vietnam's economic prospects in 2020

These figures partly reflect Covid-19's detrimental impacts on the world's economy.

Vietnam's economy is not an exception. GDP growth in the first quarter was only 3.82% year-on-year, the lowest during the past 11 years. It is still relatively commendable given the downturn that most countries have experienced. However, they do not fully reflect the challenges haunting the economy since many export orders have been affected since March only and social distancing has been strictly enforced in Vietnam only since the beginning of the second quarter. In particular, the growth figures exclude the informal economy, which is barely included in GDP.

Besides this, amid the China-U.S. trade war, China's exports to the United States are in trouble. As such, Chinese firms have been incentivized to use Vietnam as a neutral zone to process goods before exporting them to the United States to avoid taxes.

This practice would ultimately create problems for Vietnamese producers and attract high tax penalties on Vietnamese goods from importing countries.

Duc pointed out that if the pandemic lasts too long, more Vietnamese businesses will be acquired.

Instead of registering a new business, which involves several lengthy procedures, investors prefer to acquire operational firms, as this saves time and gives them access to an existing customer base, supply chains and human resources.

Apart from Vietnam, Chinese investors have enhanced acquisitions in other countries as well. Many of these countries, including India, have taken steps to control these acquisitions.

Experts believe that the domestic market should have effective investment policies in place and must introduce necessary regulations to ensure safe investment attraction and socioeconomic development.

Agriculture and mining have posted negative growth in the first and second regions due to climate change, diseases and adverse conditions in the global market for mining products. Manufacturing industries posted laudable growth (+7.12%), but second-quarter prospects are rather gloomy as the number of new orders dropped to only 41.9 points in March, below the median of 50 points.

Service was hit the hardest by border closure and social distancing. Some sectors that posted negative growth in the first quarter include accommodation and food & beverage (-11.0%), finance and supporting industries (-3.5%), as well as transport and warehousing (-0.9%). These

industries are expected to continue plunging in the second quarter, when precautionary measures are intensified.

Demand has fallen, too. Many sectors are reliant on external sectors, so although they still clocked up growth, drastic damage was recorded in the first quarter, especially since March, when the export value of some industries has fallen significantly.

Vietnam's total export value in the first quarter of 2020 rose by 8.1% year-on-year and its trade surplus was US\$3.84 billion. However, Vietnam's biggest export markets will be adversely affected in the future when the U.S. has just adopted social distancing since the end of March and the disease is spreading in European Union (EU) countries. Demand from China and Japan will be less encouraging than in the first quarter since China has started production again and Japan has declared a nationwide state of emergency due to Covid-19 since April.

Growth prospects in 2020—4.2% in the rosy scenario

Vietnam's economic prospects in 2020 and beyond hinge on the ability to control the pandemic nationally and globally.

The rosier scenario is based on the assumption that Covid-19 is completely under control in Vietnam in mid-May and economic activities start to recover. However, many sectors, especially tourism, accommodation and transport have just started to improve.

The most deleterious effect of Covid-19 will take place in the second quarter, with a decrease of 2-3% in agriculture, forestry and fishery. Manufacturing industries may face negative growth for the first time due to supply disruption and export order cancellation and delays. Transport, warehousing, accommodation, food and beverages, as well as art and entertainment will face a drastic drop (20-50%). Meanwhile, health care, the media, finance, banking and insurance can maintain stable growth by virtue of activities pertaining to disease prevention and damage control.

In this rosy scenario, Vietnam's economic growth is forecast at about 4.2% in 2020.

In the neutral and pessimistic scenarios, the disease is assumed to continue affecting Vietnam until the third or fourth quarter of 2020. The world may need to continue with lockdowns and social distancing due to the recurrence of Covid-19 in many economic and financial hubs. Vietnam's economy may grow by only 1.5% in the neutral scenario and -1% in the pessimistic scenario.

Regardless of scenario, it will be difficult for sectors such as aviation, tourism and fashion export to fully recover in Vietnam in the period following Covid-19 if other countries have yet to keep this disease under control. Enterprises must try to adapt and transform their production. For example, the apparel industry can focus on making face masks and personal protective gear.

In the short run, fueling public investment in the second half of this year may offset temporary issues plaguing production. Vietnam's economic prospects in subsequent years hinge on whether a vaccine or successful treatment can be found.

It is noteworthy that GDP growth does not fully reflect the challenges facing the economy since the informal sector, which is severely affected, is excluded. Lockdowns and social distancing have caused this sector, estimated at about 30% of GDP, to almost shut down.

Policy focus

A protracted budget deficit over the past decades means that Vietnam's fiscal resources are limited. Even when the economy boasts sizzling growth and budget revenue soars, the Government's spending outpaces revenue by about 3.5% of GDP. Consequently, Vietnam lacks fiscal buffers to respond to financially intensive shocks such as Covid-19. Moreover, monetary policy is constrained by inflation and forex targets.

Given resource constraints, Vietnam's policies should be focused to avoid profligacy. Vietnam has promptly and actively battled Covid-19. However, the longer social distancing measures take place, the higher the economic costs will be. Meanwhile, the disease persists. Regardless of scenario,

Vietnam must come up with disease prevention measures while supporting production instead of imposing a total ban on every sector as in the case of some localities. Economic growth aimed at minimizing the harmful impacts of Covid-19 should be given as much priority as fighting the disease.

Social security measures such as unemployment benefits, support for those temporarily out of a job, as well as subsidies for the poor and those whose livelihood is affected by social distancing should be the priority and must be implemented quickly before tragedies occur. In particular, those in the informal sector should be given more attention since they take up a significant share of the workforce, are vulnerable and may not qualify for existing support.

Meanwhile, support for enterprises should be differentiated. Exemption or reduction of financial costs such as interest rates and land rents should apply to firms that must cease operations. Lower land rents, postponement in social security payments, debt restructuring, interest rate reduction and value-added tax payment extension should apply to firms affected by the crisis but still in operation, subject to clearly defined criteria. Companies that are barely affected by the crisis since they have adapted well should be offered credit incentives and institutional support since they have the pillars of the economy at the moment.

Even when Covid-19 is under control domestically, many export-oriented sectors may still face long-term challenges if the disease has not vanished from economic and financial hubs worldwide. Boosting public investment in the second half of 2020 will therefore be critical. However, it does not mean expanding public investment uncontrollably. Vietnam should focus on projects that are nationally important, already approved and financially ready. Perhaps a project can be broken down into smaller contracts to be carried out across localities, so that more firms can enjoy business opportunities and the multiplier effect will increase. At the same time, a reduction in regular spending (at least 10%) should be considered so that there will be resources to rectify the negative consequences triggered by the pandemic.

Ultimately, together with short-term measures to deal with Covid-19, Vietnam should embrace long-term strategies that transform its macroeconomic foundations and reduce risks in the future. Inflation, the interest rate and the exchange rate must remain stable to pave the way for a post-pandemic recovery. Many flaws in economic policy management have arisen, so efforts to improve business institutions and environment should be sustained. In particular, Vietnam should gradually develop fiscal buffers to guard against shocks such as Covid-19; it is better late than never

Corporate News

9. SBT: Setting up a Branch

↑ 2.91%

Thanh Thanh Cong - Bien Hoa Joint Stock Company has set up a branch as follows:

- Name of branch: Thanh Thanh Cong - Bien Hoa Joint Stock Company – Da Nang city

- Address: 169 Nguyen Huu Tho street, Hoa Thuan Tay ward, Hai Chau district, Da Nang city.

- Head of the branch: Mr. Tang Kim Tay

10.PLX: Notice of balloting shareholders in writing

↓ -0.50%

Viet Nam National Petroleum Group announces a record date as follows:

File Attachment

[164322_s-in-writing--MN.pdf](#)

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