



VIETNAM DAILY NEWS

May 08th, 2020



Table of content

Table of content

1. Blue chips drive VN-Index to fourth straight gaining session
2. CAAV ends social distancing on aircraft
3. Electricity pricing adjustment scheme shelved
4. Solutions beyond fiscal support to boost Vietnam's long-term economic growth
5. Khanh Hoa acts to revive tourism sector
6. Year-end is new completion date for Hanoi's first underground metro station
7. VJC: BOD approved the record date to hold AGM 2020
8. ROS: Change of personnel

Market Analysis

1. Blue chips drive VN-Index to fourth straight gaining session

VN-Index rose 13.59 points, or 1.78 percent to 796.54 points Thursday, with nearly all 30 market blue chips in the green.

After surging 2.41 percent on Wednesday with liquidity at over VND6 trillion (\$256.17 million), the highest trading volume in the past month, VN-Index continued to see strong growth Thursday though total trading volume slumped to only VND4.3 trillion (\$183.6 million), slightly above last month's average.

215 stocks gained while 130 lost on Ho Chi Minh Stock Exchange (HoSE), on which VN-Index is based. VN30-Index for the stock market's 30 biggest capped stocks rose even further by 1.93 percent, with 26 stocks in the green and three in the red.

The biggest contributors to VN-Index this session included stocks of Vietnam's three biggest state-owned banks and SAB of major brewer Sabeco, which led gains this session having risen 7 percent to hit ceiling price.

The three aforementioned banks altogether added 3.45 points to the index, according to data from brokerage VNDIRECT, with BID of BIDV surging 4.3 percent, VCB of Vietcombank adding 3.1 percent, and CTG of VietinBank rising 1 percent.

VIC of private conglomerate Vingroup, and VHM of its real estate subsidiary Vinhomes, the first and third biggest capped tickers on HoSE, added 1.1 percent and 0.9 percent, while VRE of Vingroup's retail subsidiary Vincom Retail shed 0.8 percent.

Other major gainers this session included HPG of leading steelmaker Hoa Phat Group, up 6.3 percent, CTD of construction giant Coteccons, up 2.8 percent, VJC of budget carrier Vietjet Air, up 2.8 percent, and VPB of private lender VPBank with 2.6 percent.

Oil and gas stocks were some of the lesser gainers this session, with GAS of energy firm PetroVietnam Gas and PLX of petroleum distributor Petrolimex edging up 0.1 percent and 0.2 percent respectively, while POW of electricity generator PetroVietnam Power gained 2.5 percent.

In the opposite direction, ROS of real estate developer FLC Faros topped losses with 1.1 percent, while HDB of private lender HDBank shed 0.5 percent. Being the smallest cap on VN30-Index, ROS was also one of the most volatile, fluctuating between floor to ceiling in over half of its trading sessions.

Meanwhile, HNX-Index for stocks on Hanoi Stock Exchange, home to mid and small caps, added 1.55 percent, while UPCoM-Index for stocks on Unlisted Public Companies Market nudged up 0.06 percent.

Foreign investors continued to be net sellers on all three bourses to the tune of VND117 billion (\$4.99 million) this session.

Macro & Policies

2. CAAV ends social distancing on aircraft

Airlines were earlier asked to ensure the number of passengers on board does not exceed 80% of the aircraft's seating capacity.

CAAV also allowed airlines to increase flight frequency on routes between Hanoi, HCMC and Danang.

The removal of these restrictions has helped lower air ticket prices significantly and is expected

to boost the aviation sector, which has suffered a strong blow due to the fallout from the coronavirus pandemic.

Hanoi-HCMC air tickets from national flag carrier Vietnam Airlines and low-cost carrier Vietjet on May 7 cost VND689,000 per person, including taxes and charges, and VND99,000 per person, excluding taxes and charges, respectively.

3. Electricity pricing adjustment scheme shelved

State-owned utility Vietnam Electricity (EVN) sent an electricity pricing revision report to the ministry on December 30, 2019. Based on the report, the ministry has developed electricity retail price adjustment options and sent them to the relevant agencies, ministries, departments, local authorities, organizations and associations to ask for suggestions.

As of March 26, the ministry had received 130 suggestions, based on which it completed the electricity retail tariff adjustment options and sent them to the prime minister for consideration.

However, on March 31, the ministry proposed postponing the electricity tariff adjustment until

the coronavirus is completely eliminated, explaining that the Government, agencies and ministries are busy responding to the pandemic and its aftermath.

The ministry earlier introduced a draft on the electricity price adjustment, proposing five electricity rates based on the levels of electricity consumption, instead of the previous six rates.

According to the draft, electricity rates will increase progressively from the first to the fifth price cap, with the first cap set at 0-100 KWh; the second cap, 101-200 KWh; the third, 201-400 KWh; the fourth, 401-700 KWh; and the fifth, 701 KWh or more.

4. Solutions beyond fiscal support to boost Vietnam's long-term economic growth

In addition to fiscal measures already in place to mitigate the Covid-19 impacts on the economy, Don Lam, CEO of VinaCapital, said there are more ways for Vietnam to boost the economic growth in the short-, mid-, and long terms.

Funneling credit to small and medium enterprises (SMEs)

The State Bank of Vietnam (SBV), the country's central bank, has asked the cooperation of commercial banks to help support local businesses by extending loans with below-market lending rates. The economic impact of those

concessionary loans will be borne by the banks themselves.

To date, Vietnam's commercial banks have reportedly restructured US\$44 billion in loans for businesses hurt by Covid-19, and extended US\$22 billion in new loans to such businesses at concessionary interest rates at the behest of the SBV.

Despite these initiatives, many companies are reporting that they have been unable to access to the credit they need to fund their working capital and/or to pay salaries during this difficult time.

Banks are apparently reluctant to lend to some of those businesses in doubt of their repayment capacity.

According to Don Lam, the difficulty small businesses face in accessing credit is not unique to Vietnam. The US government set up a special fund with its own money that is intended to finance small businesses negatively impacted by the Covid-19, but there have been media reports that less than one-in-ten firms that applied for these loans have actually been able to receive them.

Therefore, Don Lam suggested the Vietnamese government could study a different approach for lending to SMEs from the German government. Unlike the scheme in the US, Germany's government is not lending its own money, but it is guaranteeing the loans made by the country's commercial banks to small businesses affected by the pandemic.

.Such a government-backed loan scheme could work in Vietnam because it would minimize the government's spending (i.e., the government would only lose money if businesses fail to repay their loans). Additionally, the government has a variety of ways at its disposal to reduce loan losses.

Infrastructure development, job creation

The most feasible way for the Vietnamese government to stimulate the economy immediately is by ramping up infrastructure spending, as new projects can absorb large numbers of relatively low-skilled workers, one of the most affected groups by the pandemic.

Don Lam cited experiences from China and the US that major infrastructure projects would help solve the unemployment issue.

While the country's garment industry is struggling with a plunge in demands from major markets such as the US, or the EU, Don Lam suggested the Vietnamese government could help garment firms shift their focuses from apparel to personal protective equipment (PPE).

According to Don Lam, there will be massive demand for such products for years to come, especially since China currently exports about

one-quarter of the world's face masks and consumers in the US and Europe have become increasingly wary of buying medical-related products made in that country.

In addition to PPE, a wide range of other medical products and services will also be in high demand in the years to come, so it would be ideal if Vietnam were able to attract FDI into high-value niches such as the manufacture of medical devices.

That said, the Vietnamese government could take steps to foster the development of other medical-oriented businesses with a lower degree of complexity, such as the "Clinical Research Outsourcing (CRO)" industry. CRO firms organize the medical trials of new drugs and handle the burdensome administrative processes including the application to the FDA on behalf of pharmaceutical companies. So far, about three-quarters of their medical research activities have been outsourced to CRO firms.

The CRO industry has been relocating to emerging market countries (and especially to China) for several years, largely to cut costs. The demand for CRO services will clearly grow at a much faster pace in the years ahead in the post Covid-19 pandemic period.

Attracting high quality FDI

A survey from Harris Polling that was conducted earlier this month revealed over 70% of Americans think that US firms should scale back their manufacturing in China. There have also been an increasing number of articles in publications such as The Economist and Foreign Policy, as well as comments from notable investors like Mark Mobius, and from organizations like JETRO and AT Kearny all predicting that Vietnam is set to benefit from an acceleration in the movement of manufacturing out of China.

Therefore, a wave of FDI inflows is inevitable after the Covid-19 medical issue is resolved, which could be in around one year from now, stressed Don Lam. However, the Ministry of Planning and Investment (MPI) can start taking steps now to promote high quality FDI inflows for years to come.

For example, the MPI can document and promote the measures that have been taken to successfully manage the outbreak.

Thanks to the Vietnamese government's early and far-reaching public health policies, combined with

the innovative measures such as the unique “scoring system” approach to evaluate the risks of the spread of the virus to various businesses, Vietnam could retain its position as an attractive destination for FDI, concluded Don Lam.

5. Khanh Hoa acts to revive tourism sector

Nha Trang-Khanh Hoa Tourism Association was asked to report pandemic-related obstacles faced by tourism operators and suggest solutions to the provincial government yesterday, May 6, for consideration, reported *Nguoi Lao Dong* newspaper, quoting Pham Minh Nhut, vice chairman of the association.

The provincial government has approved a proposal to exempt beach rentals for tourism operators that have set up umbrellas and chairs on beaches along Tran Phu and Pham Van Dong streets from March 1 to June 30 to serve tourists.

Also, lessees who run parking lots along the coastal road of Tran Phu in Nha Trang City will enjoy a rental exemption in April and a 40% reduction in March, May and June.

Besides this, enterprises and organizations affected by Covid-19, which is linked to the new coronavirus, have been told to submit applications to extend debt payment deadlines and enjoy

lending rate cuts to the State Bank of Vietnam's Khanh Hoa Branch for consideration.

As of April 30, Vietnam Bank for Social Policies' Ninh Hoa Town transaction office in the province had adjusted the terms of debts and extended payment deadlines for 241 borrowers. The bank offered loans worth over VND55 billion to over 2,000 customers.

The provincial Tourism Department has also adopted many measures to restore the tourism sector, including making preparations to launch a tourism promotion program that will run from June to December this year.

Due to the spread of Covid-19, the central coastal province in the first quarter of the year catered to a mere 644,000 tourist arrivals, equivalent to some 41% of the year-ago figure. With the sharp decline in tourist arrivals, the province's tourism sector encountered losses of some VND5.4 trillion, according to Nguyen Thi Le Thanh, deputy director of the Tourism Department.

6. Year-end is new completion date for Hanoi's first underground metro station

Work on S9, the first of four underground stations on the Nhon – Hanoi Railway Station route, began in June last year, and the Hanoi Metropolitan Railway Management Board had originally planned to complete all the four last year.

It has not given a reason for the delay or said when the other three will be completed.

The station is on Kim Ma Street in Dong Da District.

After the first floor is reinforced, workers will dig further to build a second floor where the trains will run.

There will also be eight elevated ones on the Nhon – Hanoi Railway Station line, the second in the city after Cat Linh – Ha Dong.

It will run 12.5 kilometers from Nhon in the western district of Nam Tu Liem to the city railway station in the downtown area. Of this four kilometers will be underground.

It will have 10 trains made in France, with the first set to arrive in July. Test runs on the elevated section are scheduled by the end of the year, with commercial operations set to begin next year.

It was originally scheduled to be completed in September 2017, but has seen frequent delays.

The first line, which has also been delayed for years, is in the final step of safety evaluation, but a deadline for commercial operation has not been set.

Corporate News

7. VJC: BOD approved the record date to hold AGM 2020

↑ 2.77%

The Board resolution dated May 05, 2020, the Board of Directors of VietJet Aviation Joint Stock Company approved the record date to hold the Annual General Meeting 2020 as follows:

- Record date: May 25, 2020
- Meeting time: expected in June 2020
- Meeting venue: Notice later.

8. ROS: Change of personnel

↓ -1.11%

The Board resolution dated May 05, 2020, FLC FAROS Construction Joint Stock Company approved the following issues:

1) Approving the appointment of Mrs. Huong Tran Kieu Dung – member of BOD as Chairwoman of BOD as from May 05, 2020.

2) Approving the appointment of Mr. Le Thanh Vinh as Chief Executive Officer (CEO) as from May 05, 2020.

3) Approving the appointment of Mr. Nguyen Thien Phu as Deputy Chief Executive Officer as from May 05, 2020.

4) Approving the change of Mr. Nguyen Thien Phu as Legal Representative, he replaces Mrs. Huong Tran Kieu Dung.

Research Team: Tsugami Shoji *Researcher* 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

Website: www.japan-sec.vn