



VIETNAM DAILY NEWS

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Market Analysis

1. VN shares rally higher on new rate cuts

After struggling in the morning session, Vietnamese shares lifted in the latter half as a rate cut by the central bank boosted market sentiment.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 0.84 per cent to end Tuesday at 835.32 points.

The VN-Index has increased by a total of 9.55 per cent in the last six trading days.

More than 322.2 million shares were traded on the southern bourse, worth nearly VND5.80 trillion (nearly US\$249 million).

The total included more than 290 million shares, worth VND5.04 trillion, being traded in the order-matching system.

The market succumbed to profit-taking pressure in the morning as the VN-Index fell as much as 1.04 per cent.

Banks helped drive the market as the sector index went up 1.3 per cent, according to vietstock.vn.

The banking sector was boosted by news that the State Bank of Vietnam on Wednesday will cut short-term saving interest rates by 0.3-0.5 percentage points and lending rates by 0.5 percentage points, MB Securities Co (MBS) said in its daily report.

Short-term saving rates will not be higher than 4.75 per cent per annum and lending rates will not exceed 6 per cent per annum.

This is the second time the SBV has cut interest rates in the last two months to help local firms get access to low-rate loans and recover amid the coronavirus pandemic.

Lower saving rates means investors would not seek short-term profits in bank savings and they would be encouraged to spend money on other assets, including stocks, according to securities firms.

TPBank (TPB) was the best-performing stock, surging 6.9 per cent to end Tuesday at VND20,050 apiece. Other key bank stocks such as Military Bank (MBB), Techcombank (TCB), Vietinbank (CTG) and Vietcombank (VCB) rose between 1.5 per cent and 2.4 per cent.

Other well-gaining sectors included insurance, food and beverage, plastics and chemicals, technology and information, and seafood processing.

Liquidity had increased strongly in the last month and market breadth remained positive, proving market sentiment was quite positive at the moment, MBS said.

Foreign investors net-buying local stocks was also a boost for the market after they had remained net sellers since January 30, MBS added.

Technical indicators were showing it was the chance for the VN-Index to beat 880 points in the coming days, the brokerage firm added.

On the Ha Noi Stock Exchange, the HNX-Index inched up 0.18 per cent to close at 111.78 points.

The northern market index has rallied a total 6.04 per cent in the five trading days since May 6.

Nearly 58 million shares were traded on the northern bourse, worth VND543.5 billion.

Macro & Policies

2. Local support industry finds it hard to attract foreign investment

Vietnam's support industry is struggling to attract foreign investment as multinational companies look for alternative options during the COVID-19 pandemic.

That was the message from the Vietnam Association of Support Industry (VASI) who said most of their members are small-scale and they fall short when it comes to meeting demands of companies looking to move to Vietnam.

Truong Thi Chi Binh, VASI vice chairwoman, said just a few domestic companies could meet the workload requirements demanded by multinational organisations.

And, as reported by the Nguoi lao dong (Labourer) newspaper, she feels the government should intervene and negotiate direct with international firms on behalf of the support industry.

She said there should also be detailed plans put in place offering incentives for medium-sized companies to expand production meeting demand of the foreign firms and build effective programmes to encourage start-up companies in the support industry.

To solve current difficulties caused by COVID-19, VASI proposed the government cut taxes and fees, and delay payment of tax and loan interest, Binh said, as it would encourage production and business in the support industry.

In the long term, the State needs to have a legal system and policies in place to encourage development of the support industry and cut administrative procedures. It also should build and develop domestic corporations that produce finished products.

Meanwhile, Nguyen Dinh Cung, member of the Prime Minister's Economic Advisory Group, told zingnews.vn the Government could set up a special working group to negotiate directly with foreign groups to move investment to Vietnam after the pandemic.

The working group would help local and foreign companies know each other's demands, he said, which would increase quality and efficiency of investment.

Cung also noted the State should simplify administrative procedures, including investment and business procedures, to attract high quality foreign investment.

According to the association, some local enterprises in the support industry have been able to continue production during the pandemic.

However, a half of VASI member companies in the first quarter of this year reduced revenue by 50 percent compared to 2019, Binh said, adding that about 85 percent of them are expected to reduce by 70 percent in the second quarter.

Some companies producing plastic and mechanical components received more orders due to the difficulties in supply from China but as soon as China recovered production, these orders have gradually decreased, she said and the orders are expected to stop completely in the next few months.

In the future, the global supply chain will still take time to recovery, which may close the door to exports markets and force businesses to close./.

3. Dong Thap's mission to elevate opportunities for new investors

Dong Thap has been praised for its stable performance as one of the five best performers in governance quality and the single locality in the top five of the Provincial Competitiveness Index (PCI) tally for 12 consecutive years. What is your reaction to these achievements?

In the recent past, the province's management was heartened as Dong Thap came second nationwide in the 2019 Provincial Governance and Public Administration Index (PAPI) which was rated on by local people. Now, based on the newly-released 2019 PCI ranking the province was consistent with the second position, and continues to be championed among the best performers in governance quality. With such achievements, 2019 could be regarded as a successful year for Dong Thap.

On this occasion, I want to send sincere thanks to the business community for their assessments, that have been a big source of inspiration for our local management to stay consistent in making further strides in the realm of administrative procedure reform acceleration, as well as changing the perception about the role of businesses in driving socio-economic development in the locality.

The most important achievement the province has posted, however, does not only come from our ranking, but also in our accessing careful studies being announced each year which have helped us to notify what we need to further strive to gradually perfect management methods and policies, from there providing better support for business development.

We expect the business community will always accompany local management authorities on a constructive basis, striving to build up an increasingly beautiful and thriving Dong Thap.

How has the province been working towards making Dong Thap a magnet luring in businesses and investors?

For many years, Dong Thap has been taking wide-ranging measures to constantly improve the local investment climate and support business development, making this our management focus.

The province's key advantage lies in the human factor – that is the management at all levels who always go avant-garde in resolving investment and business activities of enterprises. To better the local investment environment and support business development, Dong Thap has taken businesses as our companions and advisors in propelling provincial development.

Under the slogan 'Always walking in step with businesses', in past years the province has been impartial in changing the management mindset shifting from the ask-give mechanism into a pro-business approach, from there making businesses feel secure when setting foot and expanding production activities in the province.

Each employee at state management agencies has been making efforts to improve their service quality and is dedicated to supporting business operations. This is the whole journey changing the mindset which stems from the province's management, then spreading spillover effects into the whole system.

These constant efforts towards ensuring prosperity of businesses and the province alike have helped Dong Thap to stay secure as one of the top five performers in the national PCI tally.

What will the province do in upcoming years to further improve scores in the PCI?

The ranking has had positive impacts on local socio-economic development, so we have set forth a raft of concrete measures for further PCI improvement.

Along with this, right after the tally was announced, the province has made inclusive assessments, looking into limitations and how to tackle as well as acquire useful recommendations on ways to manage the economy and further improve the business climate, and from there presenting new plans to stimulate investment, create more jobs, and lift up local social and economic development.

Dong Thap will also speed up the administrative reform process, helping firms to save time on settling investment and business procedures,

striving to put in place pro-business administration to facilitate business development.

One highlight is that Dong Thap has been deploying the model of “four stops on one working day” referring to the process of receiving, settling, and delivering results of making administrative procedures in business setup and registration.

Efforts also gear towards creating diverse channels to communicate with the business community such as through email, social network connections, and even coffee shop meet-ups.

To learn more about the issues, members of local management agencies have often come to visit businesses, approaching startup projects at cafés based in diverse districts and towns in the province. This is a fresh step promoting the business coffee model in 2020.

We have also come up with other models as timing for home-based implementation of administrative procedures, and sending results to customers via posts, or conducting public services online at one-stop shop divisions combined with communal cultural post offices. As of now, the average time to handle new business setup

registration is only 1.27 days and 1.22 day for changes to business registration. All procedures were settled in a timely manner.

Dong Thap is also committed to pushing forward the department and district competitiveness index in order to spread the innovative mindset to the grassroots level. This would help our management to craft out suitable measures to better the province's PCI ranking in the forthcoming time.

In addition, diverse practical programmes took place recently to promote business startups. Consequently, new business setups amounted to 525 in 2019, with VND3.4 trillion (\$149.5 million) in total registered capital.

Due regard has been paid to investment promotion activities to ensure investors receive information in a timely manner. Last year, Dong Thap approved investment proposals of 35 projects valued at VND6.53 trillion (\$283.8 million), including two foreign-invested projects. In Dong Thap, our management believes the opportunities of investors and businesses are the opportunities of local government and people alike, so we are doing our utmost to best support them.

4. Bắc Giang will boost domestic lychee consumption due to difficulties in export

If Bắc Giang could not export lychees this year due to the COVID-19 pandemic, the province would focus on promoting domestic consumption as Việt Nam is a potential market with about 90 million people, according to Chairman of Bắc Giang Province People's Committee Dương Văn Thái.

This is one of the province's three scenarios for consuming this fruit this year. The other two scenarios are lychees could still be exported, Thái said.

This year, Bắc Giang Province has over 28,000ha of lychees with an estimated output of over 160,000 tonnes, an increase of 10,000 tonnes year-on-year.

Of which, Bắc Giang has 19 lychee growing areas granted codes by Japanese side to export lychees with a total area of 103ha, and an estimated

output of 600 tonnes in Yên Thế and Lục Ngạn districts.

According to the Ministry of Industry and Trade, customs clearance for import and export goods is still being implemented slowly at the northern border gates due to the strict pandemic prevention measures. This has affected the export of many kinds of fruit, including lychee.

The ministry has recommended enterprises exporting farm produce, including lychees, to consider transporting of export goods by train to reduce volume of goods getting held up at the border gates.

Minister of Agriculture and Rural Development Nguyễn Xuân Cường said his ministry has actively worked with provinces and cities producing agricultural products, especially Bắc Giang and Hải Dương which account for 50 per cent of the total

lychee output nationwide, to develop solutions on boosting consumption of those products.

In 2020, Hải Dương has a total lychee area of about 9,750 hectares producing an estimated output of 45,000 tonnes, nearly double compared to 2019.

5. Over 18,000 HCMC-based household businesses stop operations

Tax collections from household businesses have plunged due to the impact of Covid-19, the disease caused by the coronavirus, according to the HCMC Tax Department.

Between January and April, the number of household businesses registering for suspension owing to the pandemic accounted for 7.5% of the city's total operational ones.

The city's tax department has offered an exemption from tax payments of VND12.7 billion each month to these suspended household businesses, the local media reported.

Apart from this, as a series of individual and household businesses suspended their operations following the prime minister's Directive 15, tax collection revenue from these businesses dropped by an additional VND82.8 billion in April.

As for enterprises active in the city, the first four months of 2020 saw over 1,520 firms register for dissolution, soaring by 54.8% year-on-year. Meanwhile, the city attracted a mere US\$1.05 billion in foreign investment, dipping by 33% against the year-ago period.

The HCMC Tax Department noted that stagnant business activities due to the social distancing measures to prevent the spread of Covid-19 drove the total tax revenue in the four-month period down by 7.9% year-on-year. The total revenue met only 30% of the target.

In January-April, the city witnessed revenue from multiple types of taxes tumble. Corporate income tax revenue, for example, fell by 11.08% year-on-year, while the revenue from value added taxes inched down by 6.3%.

6. Vietnam faces fierce competition to attract capital flight from China

Vietnam is under fierce competition from other countries to attract companies that are looking to shift production out of China.

Last year, the escalation of the US – China trade war was considered one of the key factors behind a shift in investment from China to other countries. And now, as the Covid-19 pandemic came into the picture, companies are accelerating their efforts to relocate production out of China.

Vietnam, with its early success in containing the Covid-19 pandemic, is having a jump-start among potential investment destinations in attracting a new wave of foreign direct investment (FDI).

Since the end of last year, Apple has been recruiting a series of senior positions in Hanoi and Ho Chi Minh City, fueling rumors that the US-based tech giant is moving to build a plant here. The firm is expected to produce millions of its

popular AirPods wireless earphones in Vietnam for the first time in this quarter, a sign the company is accelerating its diversification of production out of China, *Nikkei Asian Review* reported.

Samsung, another tech giant, is also mulling over a shift of production chains for some high-end smartphones to Vietnam.

A race for investment inflow

However, Nguyen Mai, chairman of the Association of Foreign Invested Enterprises (VAFIE), told *VnExpress* that Vietnam is not the only country in Asia eyeing capital outflows from China.

Vietnam's neighboring countries in Southeast Asia and India are quickly adjusting their FDI policies to grasp this new opportunity.

According to Bloomberg, in April, the Indian government reached out to more than 1,000 companies in the US and through overseas missions to offer incentives for manufacturers seeking to move out of China.

India is prioritizing medical equipment suppliers, food processing units, textiles, leather and auto part makers among more than 550 products covered in the discussions.

Bloomberg said Indian officials told companies that India is more economical in terms of securing land and affordable skilled labor than if they moved back to the US or Japan, even if overall costs are still higher than China. They have also offered an assurance that India will consider specific requests on changes to labor laws, which have proved a major stumbling block for companies, and said the government is considering a request from e-commerce companies to postpone a tax on digital transactions introduced in this year's budget.

In a similar move, Thailand has been encouraging foreign investors coming to the country with a series of tax incentives and a revision of the Business Law.

Malaysia last year announced a supporting program for foreign investors worth US\$240 million in tax incentives for those choosing the country as the destination for their businesses.

Legal reforms continue to be key factor

JLL in its latest report suggested among countries that are providing incentives for investors in “a new normal” that Vietnam is not the most attractive destination.

Moreover, not all economic sectors in Vietnam are prepared to absorb new capital inflows, and supporting industries are an example.

Truong Thi Chi Binh, vice chairwoman of the Vietnam Association for Supporting Industries

(VASI), said the sector in Vietnam lacks the necessary conditions for technology transfer, while other countries such as Thailand, Indonesia and Malaysia are considered more favorable destinations.

Binh said the majority of enterprises operating in supporting industries in Vietnam are of small and micro scale with less than 200 employees, therefore, they could only receive small orders with low sophistication.

Meanwhile, companies moving out of China are looking for orders at large quantity and highly sophisticated products.

Binh also pointed out that Vietnam does not have a complete ecosystem for manufacturing. For some products, companies must send them to Thailand or China for undergoing certain processing before being finished in Vietnam.

VAFIE Chairman Mai said Vietnam must act faster to overcome other competitors in attracting new FDI flows.

Chairman of the Vietnam Chamber of Commerce and Industry (VCCI) Vu Tien Loc said the country must be proactive in joining new supply chains, instead of waiting for investors to come and form a new value chain.

Mai urged Vietnam to pay more attention to improving the infrastructure and technological systems, as well as the quality of human resources.

Moreover, the investment procedures should be simplified, together with other initiatives for investors along the implementation process.

VCCI's representative said the legal reform is the key factor for Vietnam to attract the new investment capital and eventually help the country break into ASEAN's top 4 countries in terms of business-friendliness.

Corporate News

7. VRE: Approval on contracts with related parties in 2020

↓ -0.79%

Century Synthetic Fiber Corporation reports the On May 08, 2020, the Board of Directors of Vincom Retail Joint Stock Company approved contracts/transactions between Vincom Retail Joint Stock Company and related parties in 2020.

“Approving in principle, for Vincom Retail Joint Stock Company to enter any arising contracts/transactions in 2020 with its

subsidiaries, in which Vincom Retail Joint Stock Company directly or indirectly owned more than 51%, and with other related parties in accordance with Vincom Retail Joint Stock Company's charter and the Law on Enterprise with the following thresholds:”

No.	Type of transactions	Threshold
1	Capital transfers/share transfers/project transfers/ asset purchase contracts (including deposit contracts/agreements for the above transactions)	Less than 5% of the total consolidated asset value of Vincom Retail Joint Stock Company at the nearest time
2	Business cooperation contracts (BCC), joint venture/partnership contracts (including deposit contracts/agreements for the above transactions)	Less than 5% of the total consolidated asset value of Vincom Retail Joint Stock Company at the nearest time
3	Loan/Guarantee agreements/transactions between Vincom Retail Joint Stock Company and its subsidiaries or related parties, and guarantee transactions between Vincom Retail Joint Stock Company and its subsidiaries.	Less than 1% of the total consolidated asset value of Vincom Retail Joint Stock Company at the nearest time
4	Contracts/transactions for regular business activities of Vincom Retail Joint Stock Company	Less than VND 500 billion”

(the translation is referenced from Vingroup).

8. GEX: Board decision on transactions with a related party

↓ -0.97%

According to Decision No.03/2020 dated May 06, 2020, the Board of Directors of Viet Nam Electrical Equipment Joint Stock Corporation (GELEX) approved the following issues:

1) The transfer of assets which are the contributed capital between GELEX with the related party Gelex Energy Ltd.

2) The deposit agreement between between GELEX with the related party Gelex Energy Ltd

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