



VIETNAM DAILY NEWS

May 18th, 2020



Table of content

Table of content

- 1. VN stocks in the red for third day**
- 2. Foreign investors call for greater flexibility in Vietnam's upcoming PPP law**
- 3. Vietnam remains among 4 most optimistic countries worldwide despite Covid-19**
- 4. Vietnam positioned for early move to 5G**
- 5. Vietnam's early containment of Covid-19 enhances foreign investor sentiment**
- 6. Vietnam among most optimistic countries despite pandemic**
- 7. Vinamilk hit by not-so-fresh milk accusations**
- 8. Vingroup makes jump in Forbes Global 2000 list**

Market Analysis

1. VN stocks in the red for third day

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) dropped 0.65 per cent to close Friday at 827.03 points.

The VN-Index has lost a total of nearly 1 per cent in the last three days and a total of 1.63 per cent this week.

The HNX-Index on the Ha Noi Stock Exchange tumbled 2.08 per cent to end at 109.02 points, totalling a weekly loss of 0.91 per cent.

More than 374.6 million shares were traded on the two exchanges, worth VND5.88 trillion (US\$252 million).

Of the total figure, nearly 329 million shares were traded in the order-matching system, worth VND4.83 trillion.

On the two exchanges, declining stocks outnumbered gainers by 328 to 165.

Large-cap, mid-cap and small-cap stocks were in negative territory. The three trackers were down between 0.87 per cent and 1.09 per cent, data on HoSE showed.

In the large-cap VN30 basket, 20 of the 30 largest stocks by market value and trading liquidity declined while only six advanced.

Large-cap stocks that were hit hard included insurer Bao Viet Holdings (BVH), Bank for

Investment and Development of Vietnam (BID), consumer firm Masan (MSN), Sacombank (STB), and petrol firm Petrolimex (PLX).

Declining large-caps were down between 0.6 per cent and 2.9 per cent.

On the positive side, foreign investors remained net buyers for the fourth consecutive day, buying a net value of VND95 billion on the two exchanges.

Agriculture and energy sectors performed well. The agriculture sector index gained 2.4 per cent, according to vietstock.vn.

Shares of the two agriculture firms – Hoang Anh Gia Lai (HAG) and HAGL Agrico (HNG) – were up 2.1 per cent and 3.6 per cent after car manufacturer Thaco wanted to raise its stake in the latter to 28.62 per cent from 26.29 per cent.

Positive crude prices supported the energy sector as PetroVietnam Drilling and Well Services (PVD) rose nearly 1 per cent.

According to Rong Viet Securities (VDSC), the market is weakening after having rallied in recent weeks. Selling pressure has increased but not by enough to pull the market down sharply.

Investors were becoming more cautious, VDSC said, adding risk management was becoming a priority.

Macro & Policies

2. Foreign investors call for greater flexibility in Vietnam's upcoming PPP law

There may be concern that an open and flexible public-private partnership (PPP) law may lead to policy abuses, but on the contrast, limited investor protection to a greater extent can be disincentive to “good investors”, according to Toru Aguin, chief representative of Japan Bank for International Cooperation (JBIC) in Vietnam.

More flexibility in PPP law needed

As the Covid-19 pandemic has led to growing global uncertainties, foreign investments are becoming risk-averse and may slowdown, Aguin said at an online conference discussing the prospect of Vietnam's upcoming PPP law on May 13.

“In this context, for Vietnam to develop quality PPP infrastructure, it is essential to develop a legal environment which more than ever responds to the expectations and concerns of foreign investors,” Aguin suggested.

Referring to recent estimation made by the Economic Commission of the Party's Central Committee that Vietnam would need US\$15 billion annually for energy investments, Aguin said he has “high hopes” for the PPP, especially as national budget is limited and cannot afford such a huge amount.

Aguin recommended the PPP law to provide appropriate support from the government, saying this is essential for foreign investors and lenders to see high predictability and stability of PPP business in the long run.

This would include guarantees for contractual performance and foreign currency convertibility,

as well as proper recognition of the Step-in Right of foreign lenders in case of emergency as a security holder.

Moreover, every single PPP project is different. Therefore, the law should leave room for parties' agreement on a project-by-project basis, he said.

On this issue, Nguyen Thanh Hai, lawyer at Baker McKenzie, said investors expressed concern over risk sharing mechanism and project's financial feasibility.

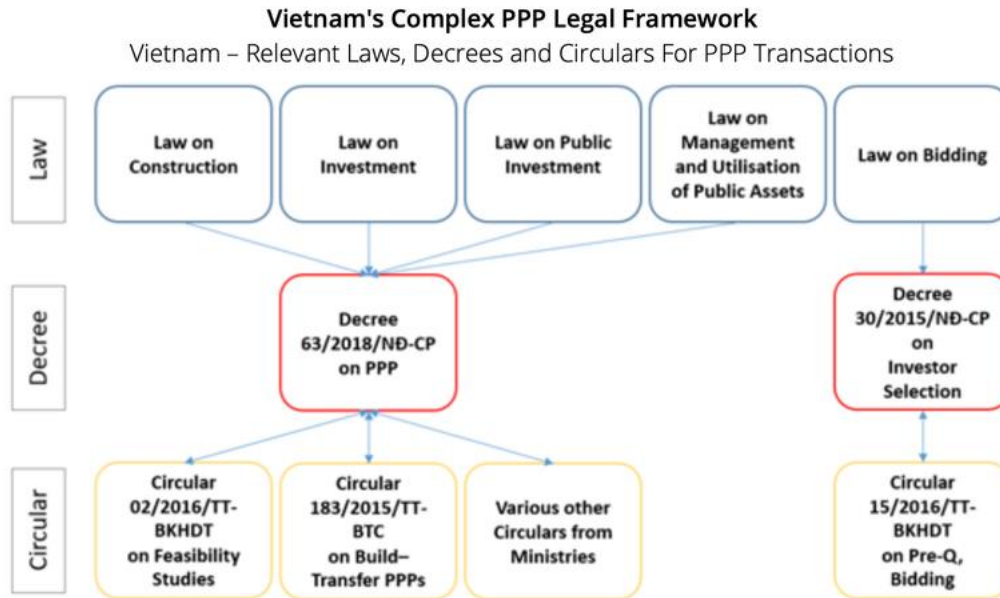
“The law should allow greater flexibility for investors during the contract negotiation process. The government should have a long-term vision of 10 years or more”, Hai said.

Managing Director of Korea Overseas Infrastructure and Urban Development (KIND) in Vietnam Park Jae Hyun said while it is clear that the government should share risks with investors in public projects, the government should reconsider the risk sharing mechanism in terms of revenue.

Park said the government should raise the threshold to trigger risk sharing mechanism when the actual revenue is equal to 90% of the financial plan, instead of 75% as in the current draft law.

Efficient PPP law to boost economic growth

Regarding suggestions from foreign businesses and investors, Chairman of the Vietnam Chamber of Commerce and Industry (VCCI) Vu Tien Loc said the government expects the PPP law to create breakthrough in Vietnam's infrastructure development, otherwise, Vietnam would fail to attract high quality foreign capital inflows.



Source: National Sources, Fitch Solutions

As the country is further integrating in global economy, a well-developed legal environment would make an investment destination more attractive than the others, Loc stressed.

Loc agreed with previous opinions there should be clear details in the law to ensure mutual benefits, as well as risk sharing between all parties involved.

According to Loc, PPP mechanism should be expanded to other fields of energy and public services, and not only limited to transportation infrastructure, a move Loc said would help utilize experience and expertise of private investors.

Loc noted as government agencies are still struggling to disburse the target amount of US\$30 billion in public investment, partly due to complicated administrative procedures.

“It is essential for Vietnam to avoid a similar situation in drafting the PPP law, so that more resources are utilized in the most efficient way and lay the foundation for stronger economic growth,” Loc urged.

There is currently an absence of a unified legal framework governing PPP in Vietnam similar to that seen in some of its regional peers (e.g. the Philippines, Thailand).

Instead, there are provisions covering PPP dispersed in other pieces of legislature, such as the Law on Investment, Law on Construction and the Law on Bidding, continues to government directives on PPPs alongside Decree 63. As such, in a bid to further improve the current PPP framework, the Standing Committee of the National Assembly had passed a resolution for the creation of a PPP law back in 2017.

While certain types of government guarantees are provided for through various laws and decrees, the inadequacy of these guarantees and the lack of clarity of related articles and provisions have been a common stumbling block for foreign participation in Vietnamese PPPs.

Furthermore, there is no guarantee for project revenues, considered a major financial risk for investors and a key issue which is currently being addressed by the implementation of the new PPP law.

Fitch Solutions, a subsidiary of Fitch Group, said a lack of a unified PPP legal framework is the main factor that Vietnam's infrastructure sector growth potential is capped at 6.1% per year through 2029, despite having one of the fastest growing economies in the world.

Fitch forecast Vietnam's economy to grow at an average of 6.4% year-on-year in real terms over the next decade through 2029, as it emerges as a

choice for manufacturing hub and continues to attract foreign direct investments.

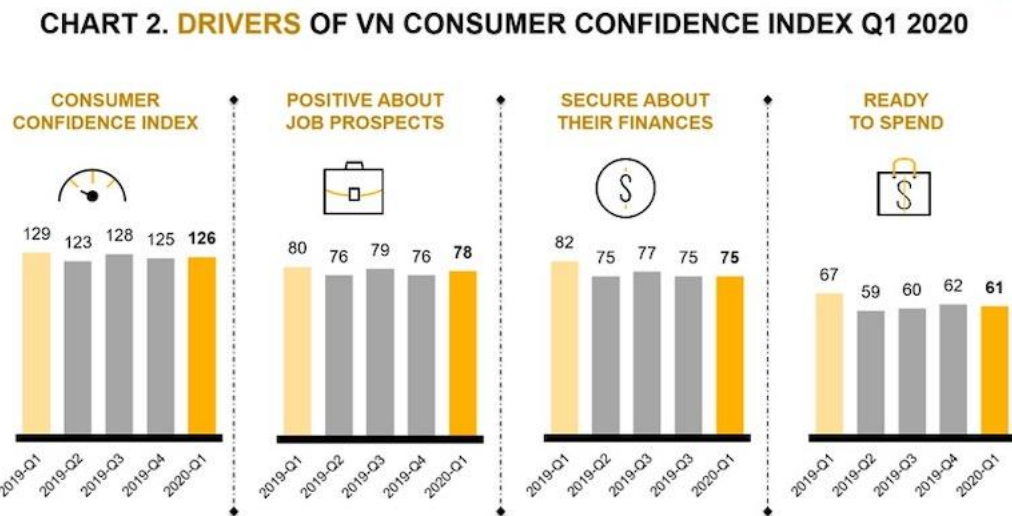
“A comprehensive PPP law is currently being crafted and discussed in Parliament. When passed,

we believe the law will reduce project risk and be a boost to growth of Vietnam's PPP market,” stated Fitch.

3. Vietnam remains among 4 most optimistic countries worldwide despite Covid-19

With the Consumer Confidence Index of 126, Vietnam continued to rank fourth in the world for having the most positive consumers, after India,

the Philippines and Indonesia, according to a latest survey.



Source: The Conference Board® Global Consumer Confidence™ Survey in collaboration with Nielsen

Source: the Conference Board® Global Consumer Confidence™ Survey in collaboration with Nielsen

Compared to the last quarter of 2019, Vietnamese consumer confidence remains stable with one-point increase, from 125 to 126, according to the Conference Board Global Consumer Confidence Survey in collaboration with Nielsen, a global measurement company.

The main reasons for this slight increase are consumer optimism about job prospects improved, while optimism about personal finances and spending intentions remained stable.

However, consumer confidence index seemed to decrease compared to the same quarter of last year (down 3pp) which is largely predictable due to the Covid-19 pandemic.

Other measures from the survey suggest that, prior to the slump in demand, consumers

primarily saw the spread of Covid-19 as a health crisis rather than an economic one. As a result, health replaced the economy as the top concern in many markets, with the high percentage of consumers identifying health as their biggest concern over the next six months, including Vietnam.

In Q1, 49% of the Vietnamese consumers (up 4% vs Q4 2019) continued to rank health as their top concern, the highest level globally, followed by Pakistan (47%), Latvia (40%) and Singapore (39%). Health had been the top concern for four consecutive quarters.

As job security was ranked in the top two concern in Q1, there was a jump in the number of those concerned about job security (up 3% vs Q4 2019) while the percentage of consumers who were care about work/life balance decreased sharply, from 27% to 22%.

CHART 3. MAJOR CONCERNS OF VIETNAMESE CONSUMERS Q1 2020



Source: The Conference Board® Global Consumer Confidence™ Survey in collaboration with Nielsen

Source: Conference Board® Global Consumer Confidence™ Survey in collaboration with Nielsen

“With people increasingly aware of the impact of the Covid-19 pandemic on jobs, even part way through quarter one, their spending intentions reflected this uncertainty. On the other hand, as companies began to experiment with working from home, the blurring between home and work life has its challenges but also represents a real-time time saving for many employees” said Louise Hawley, managing director of Nielsen Vietnam.

In this quarter, there was a new factor that came back into the top 6 concerns of Vietnamese consumers: Parent's welfare and happiness, with 10% of respondents indicating that they're worried about it. “With schools closed since the Tet break, many parents have struggled with having children at home all day while worrying about their education. This comes alongside the demands of working, for many also working from home, so it's natural that this has come to the surface as a worry for parents,” Hawley added.

4. Vietnam positioned for early move to 5G

In a report, the company stated commercial services could be introduced as early as the middle of this year, after trials which commenced in May 2019. It expects the government to boost backing for the technology by creating test beds or through enterprise grants.

Fitch Solutions noted potential delays to launches due to Covid-19 (coronavirus), as operators reduce 5G investments to focus on increasing capacity of their 4G networks, but added the government could pressure the state-owned companies to accelerate next-generation deployments.

To cope with rising usage during a lockdown, Viettel, Vinaphone and Mobifone introduced larger mobile data allocations.

Approvals

While the government hasn't assigned 5G spectrum or licences, Fitch Solutions noted it could convert the trial licences.

Viettel, which received its trial licence in January 2019, demonstrated the first 5G connection in Vietnam in May 2019.

In March, Mobifone said it completed tests on a pilot 5G network in four cities and was prepared to launch commercial service.

Market leader Viettel, which claims be developing its own 5G gear, is partnering with Ericsson and Nokia, Mobifone is working with Samsung and Vinaphone is using Nokia gear.

Conglomerate Vingroup signed a deal with Fujitsu and Qualcomm in June 2019 to manufacture 5G smartphones in the country. The group started making 4G handsets in December 2018, after acquiring a majority stake in Spain-based device maker BQ.

Fitch Solutions believes the impact of 5G deployments will be greatest in the enterprise segment, particularly in the manufacturing sector, with government initiatives supporting industry uptake.

5. Vietnam's early containment of Covid-19 enhances foreign investor sentiment

Vietnam's early containment of the Covid-19 pandemic has laid a solid foundation to cement confidence among the business community and investors in the country's economic environment, according to Le Thi Thu Hang, spokesperson of the Ministry of Foreign Affairs.

"In addition to effective measures against the pandemic, the government identifies efforts to boost socio-economic development key to ensure greater economic resilience against future shocks," Hang said at an online press conference on May 14.

To realize this priority, Hang added Vietnam has striven to ensure the continuity of the supply chain, as well as trading activities with other countries; improve the business environment via simplification and removal of business conditions; upgrade the infrastructure system, among others.

Meanwhile, Vietnam has been actively utilizing its advantages in existing free trade agreements (FTAs); easing difficulties in handling administrative processes for enterprises and investors; creating favorable conditions for highly qualified experts and personnel entering Vietnam upon meeting safety requirements.

Referring to information of Vietnam's involvement in talks with India, the US, South Korea, Japan, New Zealand and Australia regarding future cooperation and economic recovery in the post-pandemic period, Hang said there have been informal discussions on these issues.

During these talks, Vietnam and other countries have updated the Covid-19 situation in each country and of the world, while sharing experience and measures in the fight against the pandemic.

Hang said all parties have explored the possibilities of providing medical equipment and humanitarian aid. Countries have agreed that priorities should be given to maintaining flows of movements and trade, as well as creating utmost conditions for economic reopening and recovery during the post-pandemic period.

"Vietnam is of the belief that through constructive mechanisms of cooperation and communications, all countries and the world community could soon contain the pandemic and help economies return to development track," Hang asserted.

6. Vietnam among most optimistic countries despite pandemic

With a Consumer Confidence Index of 126 percentage points, up one point from the previous quarter, Vietnam maintained its position behind

India, Philippines and Indonesia, according to a Global Consumer Confidence Survey by market research company Nielsen.



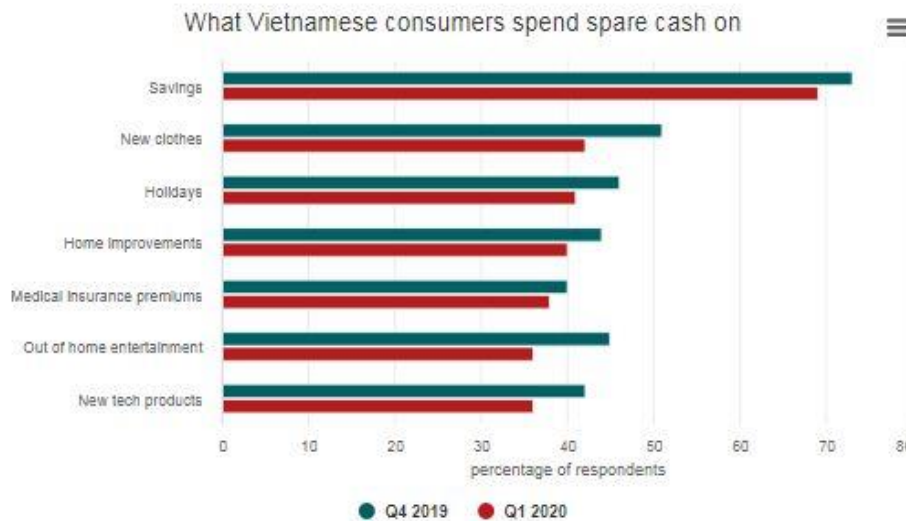
The global average index was 106 percentage points, and a reading above 100 is considered positive.

Health remained the top concern among the Vietnamese, cited as such by 49 percent of the respondents, up four percentage points quarter-on-quarter. This was the highest ratio globally.

There were rising concerns about job security, which came second with 40 percent, up three percentage points quarter-on-quarter.

"With people increasingly aware of the impact of the Covid-19 pandemic on jobs, even part way through quarter one, their spending intentions reflected this uncertainty," said Louise Hawley, managing director of Nielsen Vietnam.

Vietnamese people spent less of their spare cash on new clothes, and out of home entertainment, both down nine percentage points quarter-on-quarter, and tech products, down six percentage points.



Savings remained the top spending category as in previous quarters.

The pandemic has slashed consumer spending as more people spent more time at home, avoiding

entertainment venues like cinemas, bars and restaurants and any form of travel, Hawley said.

Vietnam's Covid-19 tally jumped to 312 Friday morning after 24 citizens repatriated from Russia

were confirmed positive. Friday morning marked 29 days straight that Vietnam has gone without any cases caused by community transmission.

Corporate News

7. Vinamilk hit by not-so-fresh milk accusations

↓ -1.95%

Vinamilk has recently been accused of vague ingredients composition in producing so-called “fresh milk”, causing the country's leading dairy group entangled in a devastating rumour on social networks.

Earlier this month, a Facebook account posted a status with pictures it claimed were customs data of Vinamilk's raw materials imports, most of which is skimmed milk powder. The account also assumed that Vinamilk uses these ingredients to produce “fresh milk”, questioning the quality of Vinamilk's fresh milk and pointing out that the “Shake well before use” instruction has been a permanent fixture on the milk bottles.

Another Facebook user claimed that Vinamilk's “pure fresh milk” is actually reconstituted milk which consists of about 20 per cent of fresh milk, while the remainder is milk powder, butter, and additives. These added ingredients are not soluble in fresh milk, therefore, after a certain time they will be precipitated. That is why consumers must “shake well before use”. The user also mentioned other fresh milk products from different brands on the market that do not require to be shaken before pouring a glass.

The rumour caused a storm on social media and spread like wildfire. Consumers also left unflattering comments about the Vietnamese dairy giant, with most accusing it of deceiving consumers by advertising liquid milk (reconstituted milk) as pasteurised, UHT fresh milk. The users even said that they will boycott the products of the company.

On Vinamilk's side, the company has also quickly confirmed its quality-ensured raw materials with clear origins. Accordingly, Vinamilk prides itself as a top dairy producer in Vietnam by both production volume and value with an aggressive expansion plan, leading the liquid milk, yoghurt, and condensed milk, nutrition powder, and cheese markets.

The company also exports dairy products to many countries and territories and its baby formulas are one of the most-exported products. In addition to domestic raw materials, Vinamilk also imported all raw materials and ingredients of its powdered milk from the United States, Australia, New Zealand, the European Union, and Japan.

Regarding fresh milk materials, Vinamilk claims to have been promoting the development and improvement of raw fresh milk supplies. The company owns 12 dairy farms, co-operates and signed direct contracts with nearly 6,000 dairy farmers, and manages nearly 130,000 cows with an average raw milk output of 950-1,000 tonnes a day.

“Vinamilk's fresh milk products are produced purely from raw fresh milk, ensuring compliance with the provisions of Circular No.29/2017/TT-BNNPTNT dated December 29, 2017 on the national technical regulations for raw milk, promulgated by the Minister of Agriculture and Rural Development,” stated Vinamilk's managing director Phan Minh Tien.

However, many people also cited statistics from the Department of Livestock Production under the Ministry of Agriculture and Rural Development, which prove that the total domestic raw milk supply is less than 200,000 tonnes per year, satisfying only some 22 per cent of the domestic demand.

Meanwhile, 150,000 of this 200,000 tonnes are sent to processing plants. Therefore, Vinamilk's claims of 950-1,000 tonnes of daily raw milk output with some 130,000 cows and 6,000 farmers seem a little over the top. The firm has yet to give an explanation about why consumers are instructed to “shake well” before using Vinamilk fresh milk products.

8. Vingroup makes jump in Forbes Global 2000 list

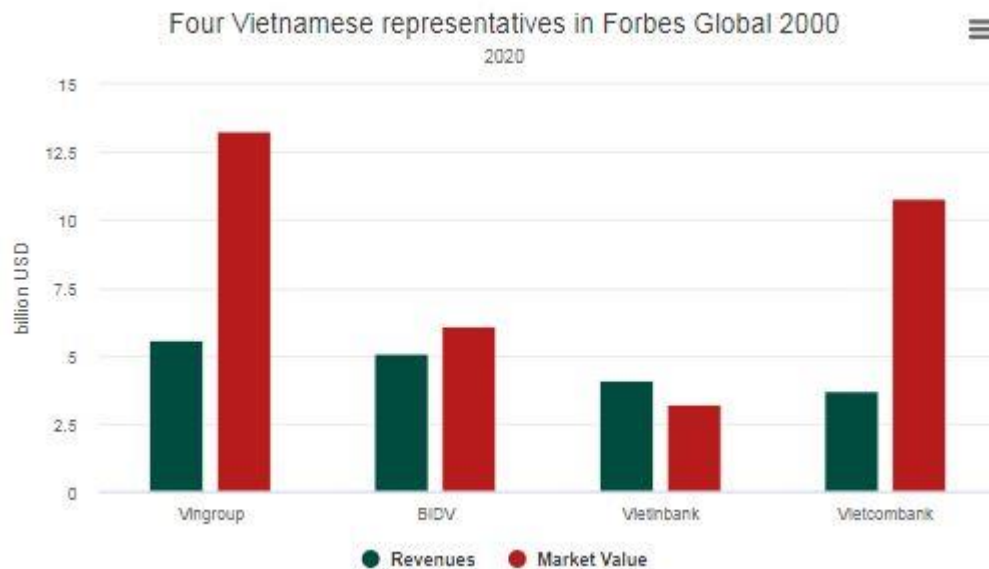
↑ 1.04%

The annual Global 2000, which ranks companies based on their revenues, profits, assets, and market value, released on Thursday saw Vietcombank jump 159 spots to 937th with revenues of \$3.7 billion and a market value of \$10.8 billion.

BIDV rose 268 places to 1,448 with corresponding figures of \$5.1 billion and \$6.1 billion, and

VietinBank, 174 places to 1,595 with \$4.1 billion in revenue and \$3.2 billion in market value.

Vingroup ascended 213 spots to 1,534 with revenues of \$5.6 billion and a market value of \$13.3 billion, the latter value being the highest in the Vietnamese stock market. It has been expanding rapidly after starting as a property company, entering retail, logistics, agriculture, education, healthcare, auto, and electronics.



The companies that made it into the 18th annual Global 2000 are based in 64 economies and account for more than \$42.3 trillion in annual revenues and \$201.4 trillion in assets.

U.S. companies dominated the list with 588 entries, followed by China with 324. Rounding off the top five are Japan, the U.K. and Canada

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