



VIETNAM DAILY NEWS

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Market Analysis

1. VN stocks rise on earnings hopes

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 1.17 per cent to end at 869.13 points – its highest level since March 6.

The VN-Index has increased by a total of 1.92 per cent in the past two trading days.

The minor HNX-Index on the Ha Noi Stock Exchange rose 1.23 per cent to close at 110.49 points, making for three-day growth of 4.49 per cent.

More than 393.4 million shares were traded on the two exchanges, worth VND6.3 trillion (US\$271.7 million).

Positive market sentiment boosted most sector indices, with the banking, insurance and securities industries among the best-performing on Tuesday.

The three sector indices advanced 2.4 per cent, 3.6 per cent and 4.1 per cent, respectively, according to vietstock.vn, on the firms' second-quarter earnings prospects.

Gainers in the three industries included SSI Securities (SSI), HCM City Securities (HCM), Bank for Investment and Development of Vietnam (BID), VNDirect Securities (VND), MB Securities (MBS) and insurer Bao Viet Holdings (BVH).

Other sectors such as rubber, building materials, construction, plastics and chemicals, mining and energy, and retail also had good gains.

Other Asian stock markets also advanced on Tuesday on hope for a coronavirus cure and the re-opening of global economies.

According to Thanh Cong Securities (TCSC), good market growth and high trading liquidity showed market sentiment is still positive and investors are willing to participate in the market.

“The last two-day increase shows the VN-Index will likely extend its growth further,” TCSC said, while corporate earnings will remain one of the main driving factors on the market.

“But a correction will happen anytime soon as the market has kept rallying for the last two months,” the brokerage firm added.

The VN30 futures, which mature in June, added 27.4 points to end Tuesday at 809.4 points. Its underlying index VN30 rose 7.76 points to 815.01 points.

“The gap of nearly five points between the VN30 futures and the large-cap tracker VN30-Index indicates investors still believe in a potential correction,” Sai Gon-Ha Noi Securities (SHS) said in its daily report.

In the next day, the VN-Index may keep rising to test 880 points while its short-term bottom will be 840 points, SHS forecast.

Macro & Policies

2. VCCI launches annual programme determining sustainable enterprises

The Vietnam Chamber of Commerce and Industry (VCCI) kicked off its annual programme on evaluating and identifying sustainable enterprises around the country in Hanoi on May 26.

Now in its fifth year, the programme is open for submissions until August 15, with a ceremony to honour selected businesses scheduled for November.

According to Pham Hoang Hai from the Vietnam Business Council for Sustainable Development (VBCSD), enterprises in all sectors and of all sizes can lodge a submission, which is free.

The 2020 version of the Corporate Sustainable Index (CSI), updated by VBCSD and experts across socio-economic fields, has 127 criteria in the four categories of sustainability, leadership, the environment, and employment.

It is in line with FTAs Vietnam has signed recently, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam FTA, as well as with key changes in the country's management policy regarding labour and the environment. It also includes contents relating to Vietnam's 17 sustainable development goals and the national action plan to realise the UN's 2030 Agenda on sustainable growth.

VCCI Chairman Vu Tien Loc said the programme is not only a contest but also focuses on creating changes in doing business that balance economic benefits, social development, and environmental protection in the long term.

The past four editions of the programme attracted the participation of more than 1,500 enterprises, of which 300 were honoured for their contributions to sustainable growth.

3. Exports to Germany rocket despite COVID-19

According to the General Department of Customs, iron and steel exports were up 27-fold in quantity and 29-fold in value compared to the same period of 2019, reaching US\$2 million.

Even though the growth is significant, the value gained overall does not affect the total export turnover to the German market.

Other billion-dollar groups also witnessed impressive growth.

Machinery, equipment, tools and spare parts earned \$199 million in value, up 50 per cent.

Toys, sports equipment and parts also recorded a 187 per cent growth with a turnover of \$46.5 million.

Coffee is another bright spot in the picture, having gained 26.5 per cent in value and achieved \$176 million in turnover.

4. Vietnam, Canada work to optimise benefits of CPTPP

Minister of Industry and Trade Tran Tuan Anh has suggested agencies in Vietnam and Canada to devise a mechanism to exchange information and handle trade defence cases.

Anh made the request during a video conference with Canadian Minister of Small Business, Export

Promotion and International Trade Mary Ng on May 25.

The meeting aimed to bolster bilateral cooperation and maximise the benefits of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), paving the way for businesses of both nations to access trade

and investment information as the economies gradually recover from the COVID-19 pandemic.

At the event, Anh spoke highly of the two countries' efforts to effectively implement the CPTPP, with detailed action plans to create favourable conditions for firms to make inroads into and explore each other's markets.

Relevant agencies has promptly and efficiently dealt with problems incurred during the implementation of the agreement, he noted, facilitating Vietnamese firms' participation in the CPTPP and Vietnam-Canada trade relations.

The Vietnamese minister suggested the two countries enhance connectivity in the supply chain, production and exports, particularly of face masks and personal protective equipment in the wake of the pandemic.

Vietnam and Canada need to strengthen trade promotions both offline and online, he added.

Canada has been invited to be an Honorary Country at the Vietnam International Food Industry Exhibition (Vietnam FoodExpo) this year, which is expected to bolster cooperation in the fields of agriculture, industry and trade, he said.

Anh took the occasion to thank the Canadian Government for providing technical assistance for Vietnam in the framework of the Canadian Trade and Investment Facility for Development (CTIF) and the Expert Deployment Mechanism for Trade and Development (EDM) projects.

He asked the Canadian side to consider the establishment of an inter-governmental committee on economy and trade to share information, review cooperation and discuss measures for economic, trade and investment ties.

5. Hit by Covid-19, Vietnam enterprises turn to domestic market

While the Covid-19 pandemic is causing a demand shock for export-reliant countries, including Vietnam, Vietnamese enterprises are turning to the domestic market of close to 100 million people to overcome this difficult period.

Vietnam will improve its investment climate and create optimal conditions for Canadian projects, Anh pledged, voicing his hope that the new cooperation mechanism will foster investment in strategic sectors of mutual concern.

For her part, Mary Ng underlined the important role of Vietnam, which is Canada's largest trade partner in Southeast Asia, in its trade diversification strategy towards the Asia-Pacific region.

Echoing Anh's views, she said the two ministries need an enhanced cooperation mechanism to help firms access information and increase capacity to overcome the difficulties caused by the economic recession and the ongoing pandemic.

As Vietnam is holding the ASEAN Chair in 2020, the Canadian minister hoped that the country will support Canada's talks on free trade agreements with other ASEAN members and its run for a non-permanent seat at the United Nations Security Council for the 2021-2022 tenure.

The two ministers agreed to hold regular video conferences at all levels to carry out activities, bolster trade and promptly remove bottlenecks for businesses, contributing to the bilateral economic partnership.

Two-way trade has been on the rise in recent years, the ministers noted, especially since the CPTPP took effect. The figure hit 4.77 billion USD in 2019, a year-on-year surge of 23 percent. Vietnam exported goods worth around 3.91 billion USD to Canada last year.

In the first four months of 2020, bilateral trade reached 1.42 billion USD despite the complex developments of COVID-19, seeing a marginal decline of 2.8 percent compared to the same period last year.

Former Director of the Central Institute for Economic Management (CIEM) Le Dang Doanh said the move is in the right direction.

Doanh cited statistics as saying that total goods retail sales and consumer service revenue in the

first four months of 2020 still managed to increase 0.4% year-on-year to VND1,224.5 trillion (US\$52.58 billion).

This showed the domestic market remains a viable option for Vietnamese enterprises in the post-pandemic period.

To Hoai Nam, vice president of the Vietnam Association of Small and Medium Enterprises (VinaSME), said Vietnam is one of a handful countries having successfully contained the pandemic, therefore, domestic market at this moment is key for enterprises to boost sales.

“There is strong demand for basic necessities, especially home appliances or apparels,” Nam said.

“Other sectors such as education and training, domestic tourism, hospitality services, public investment and manufacturing would have more opportunities to grow,” he added.

A national survey conducted by the General Statistics Office showed Vietnam has entered the period known as the demographic dividend, in which the active population makes up 60% of the total, and household spending increases 10.5% annually.

These are the key conditions for Vietnamese enterprises to boost sales and expand their market shares.

Stronger linkages in distribution networks needed

However, Vice Director of Hanoi Promotion Agency (HPA) Nguyen Thi Mai Anh said for enterprises to take advantage of the domestic

market, there must be close cooperation between producers and retailers.

A strong linkage in this regard would help domestic enterprises enhance competitiveness and promote brands.

Anh said this also opens up opportunities for Vietnamese firms to penetrate export markets via foreign distribution networks in Vietnam.

On this issue, Le Viet Nga, deputy director of the Domestic Market Department under the Ministry of Industry and Trade, said in spite of large number of goods supply – demand matching programs in place, the amount of agricultural products sold via these programs only accounts for only 20% of total production.

Nga attributed this low amount to a lack of efficiency in cooperation between manufacturers and retailers.

As most manufacturers are of small-scale production, retailers do not have sufficient information to form sustainable linkages for goods distribution.

Echoing Nga's view, President of the Vietnam Retailers Association Vu Thi Hau added many retailers are just waiting for producers to come. Therefore, they do not have first-hand knowledge of the actual production process, or bring more specialties from other provinces/cities into their distribution networks.

The same happens to producers as they do not pay attention to trade promotion events and opportunities of looking for potential partners, Hau concluded.

6. WB: EVFTA could lift Vietnam's exports by 12 percent by 2030

The World Bank (WB) has predicted that the EU-Vietnam Free Trade Agreement (EVFTA) could help Vietnam's GDP and exports grow 2.4 percent and 12 percent, respectively, by 2030, the Ministry of Industry and Trade (MoIT) has reported.

The deal is also expected to bring 100,000 to 800,000 people out of poverty.

The WB believes Vietnam could enjoy greater benefits from joining the EVFTA and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) if it conducts overall economic and institutional reform to comply with their conditions.

WB Country Director in Vietnam Ousmane Dione said Vietnam could optimise the deals and reap unprecedented benefits.

Requirements on the rules of origin is one of the challenges Vietnam needs to overcome, he said, as a number of Made-in-Vietnam products still rely on imported materials - 62 percent in electronics and 53 percent in automobiles.

He suggested that Vietnam improve links between domestic suppliers and foreign enterprises that lead global supply chains.

Vietnam will become a destination for EU and global investors because of the EVFTA, he added. When FDI increases, however, the number of trade complaints will also pile up.

He therefore advised Vietnam to launch a systematic mechanism to deal with complaints between the State and investors. At the same time, priority should be given to key currency earners post-COVID-19.

MoIT will partner with the Ministry of Science and Technology this year to supplement and amend the revised Law on Intellectual Property 2009 and review decrees relating to the EVFTA.

From 2021-2025, it will work with the Ministry of Finance to supplement and amend the revised Law on Insurance Business 2010.

In the near future, it will popularise the complaint settlement mechanism in the EVFTA and other FTAs to which Vietnam is a member.

Corporate News

7. Vietcombank among Forbes' top 1,000 listed companies worldwide

↑ 1.73%

The Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) found a place among the 1,000 largest companies in Forbes' recent "The World's Largest Public Companies 2020" report, released in its Global 2000 annual rankings.

The bank, the only concern from Vietnam to be ranked among the largest 1,000, was listed 937th, up 159 places from 2019. Its ranking in 2015 was 1,985.

Vietcombank posted strong profit growth last year, with profit before tax reaching 23.16 trillion VND (994 million USD), up 24 percent year-on-year and surpassing the targeted 12 percent. The

result put it among the top 200 banking institutions in the world in terms of profit.

Vietcombank is currently the only Vietnamese bank to possess total assets of 50 billion USD and is the most valuable company on the country's stock market.

Vietnam has three other representatives on Forbes's top 2,000 largest companies: the Bank for Investment and Development of Vietnam (BIDV), Vingroup, and Vietinbank.

Forbes's Global 2000 ranks the 2,000 largest publicly-listed companies worldwide. Ratings are based on scores for revenue, profit, assets, and market capitalisation.

8. VietinBank plans to increase chartered capital

↑ 0.43%

The Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank) planned to increase its chartered capital from its accumulated profits or paying dividend by stocks. The plan is being completed by the competent State agencies to complete the legal procedures for implementation.

Chairman of VietinBank's Board of Directors Le Duc Tho made the statement at its 2020 annual general meeting of shareholders held in Hanoi on May 23.

"The capital raising requirement of VietinBank is extremely urgent. Unlike other commercial banks, VietinBank could not raise capital through additional issuance solutions to investors due to its limitations: State ownership in joint stock commercial banks having State capital must not be less than 65 percent while the foreign investors' ownership percentage is a maximum of 30 percent," he said.

This year, the bank was assigned a credit growth limit of 8.5 percent by the State Bank of Vietnam (SBV). However, if the economy sees a good recovery, Vietinbank would submit to increase the limit.

VietinBank expected outstanding loans to grow by 4-8.5 percent in 2020. The mobilised capital would grow in line with the use of capital, balanced with the growth rate of outstanding loans, expected at 5 to 10 percent. Meanwhile, the non-performing loans (NPL) ratio would be controlled at less than 2 percent.

The bank has not set a specific profit target this year, but affirmed to ensure business effectiveness and improve its operation. It will closely follow changes and impacts of COVID-19 to update its profit plan based on the approval of authorities.

VietinBank clarified tasks in the restructure plan and resolving bad debts in the 2016-2020 period,

improving profitability and renewing business structure, customers and managing growth quality.

VietinBank would meet requirements of Basel II as soon as it completes the equity capital increase. Especially, it would complete the development strategy in 2021-30 and middle-term business plan in 2021-2023. It would continue to restructure credit categories, increasing the portion of small-and-medium sized enterprises and retail segments while diversifying revenue structure.

“As the global and domestic economy faces many challenges, the whole system of VietinBank will implement practical and effective solutions to support businesses and people to overcome difficulties, having breakthrough developments after the COVID-19 pandemic,” the chairman said.

Responding to shareholders' questions about bad debt, he said that it was difficult to predict the impact of COVID-19 because the pandemic had not been controlled. Influence from other countries would greatly affect an open economy like Vietnam.

The bank has implemented necessary support measures to accompany customers to stabilise production and business activities, offering many support programmes.

However, many customers of VietinBank are affected by decreasing incomes, affecting consumer loans, business and production.

VietinBank's capital adequacy ratio (CAR) has been at 10 percent according to Basel I and 8.6 percent according to Basel II which is under SBV's stipulated level.

The bank estimated that its profit would reach 6 trillion VND (258 million USD) by the end of the second quarter of the year. The bad debt rate would be controlled at 1.5 percent.

VietinBank bought 3.1 trillion VND from Vietnam Asset Management Company (VAMC) while the company still owned over 9 trillion VND, of which over 50 percent has been set aside.

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