VIETNAM DAILY NEWS

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Market Analysis

1. Market steadies amid ETF quarterly review

The Vietnamese stock market edged up on Friday as large-cap stocks varied on exchange-traded fund reviews

The benchmark VN-Index on the Ho Chi Minh Stock Exchange rose 0.36 per cent to end at 864.47 points.

The VN-Index struggled to post a weekly gain of 1.37 per cent amid increased profit-taking pressure.

The minor HNX-Index on the Ha Noi Stock Exchange closed Friday at 109.81 points, up 0.16 per cent from the previous day.

The northern market index increased by nearly 2.6 per cent this week.

Nearly 375 million shares were traded on the two local exchanges, worth VND5.42 trillion (US$233 million).

Market sentiment was quiet on Friday as investors awaited the US-based exchange-traded fund iShares MSCI Frontier 100 ETF to complete its quarterly portfolio review, MB Securities Co (MBS) said in its daily report.

The US fund is investing in some large-cap stocks such as property firms Vingroup (VIC), Vinhomes (VHM) and Vincom Retail (VRE), dairy firm Vinamilk (VNM), steelmaker Hoa Phat (HPG), Vietcombank (VCB), consumer goods producer Masan (MSN), aviation business Vietjet (VJC), brewer Sabeco (SAB), and PetroVietnam Gas (GAS).

Among those stocks, VIC ended flat, VHM and VRE were up 2.1-2.2 per cent, VCB increased by 0.8 per cent, VNM inched up 0.2 per cent, GAS, SAB and HPG rose 0.7 per cent each, while MSN and VJC fell 0.2-0.3 per cent.

The fund's quarterly review had little impact on the overall market as other foreign investors kept net-buying Vietnamese shares, MBS said.

The review resulted in net foreign selling of more than VND83 billion on the Vietnamese stock market on Friday.

Foreign investors net-bought a total of VND275 billion worth of Vietnamese shares on Thursday.

Amid selling pressure from the US fund, the large-cap tracker VN30-Index inched up 0.27 per cent with half of the 30 largest stocks by market value and trading liquidity declining.

The variation of large-cap stocks showed investors were looking for temporary opportunities in the mid-cap and small-cap sectors, MBS added.

The mid-cap tracker VNMID-Index and small-cap tracker VNSML-Index on Friday gained 0.66 per cent and 0.86 per cent, respectively.

The local stock market had shown signs of slowing in recent days as stocks had struggled to increase, Thanh Cong Securities (TCSC) said in a note.

"Stocks are varying and their trading is becoming more unpredictable, making it harder for investors to earn profits at the moment," the company said.

Macro & Policies

2. Vietnam cuts aviation fees to support coronavirus-hit enterprises

Under a circular issued on May 27, a 10% cut will be offered to individuals and organisations using airport infrastructure and providing flight operation services, airport businesses, and those on foreign flights leaving and arriving at Vietnamese airports.

At the same time, those providing verification for granting certificates and licenses in civil aviation activities and entry permits to restricted areas at airports will have their fees reduced by 20%.

The circular is valid until the end of 2020 and the fees and charges will return to the normal levels in 2021.The data indicates a positive sign that foreign investors are accelerating their projects' progress as the Covid-19 pandemic has been initially contained in Vietnam.

3. Adjusting growth targets

In addition, the Government cautiously recommended the NA consider and adopt the guideline on several specific mechanisms and policies to revive the economy in the new situation. Accordingly, the Government asked for the NA's permission to proactively adjust the 2020 public investment plans among ministries, sectors and localities within the expenditure estimate on development investment; convert the investment mode for important transport projects from that of a public-private partnership to the use of the state budget; exempt and reduce a number of tax obligations concerning the areas and subjects suffering heavy losses due to COVID-19; postpone the increase of basic salary for civil servants, public employees and the armed forces and pensions from July 1, 2020; and consider launching new economic stimulus packages if the pandemic continues to be prolonged on a global scale.

According to the NA-assigned targets, Vietnam's GDP growth rate in 2020 will be 6.8% while inflation will be kept below 4%. However, the unexpected outbreak of COVID-19 in more than 200 countries around the world has made this goal a major challenge which, as assessed by the Government, is difficult to be achieved. Given that fact, the proposal to adjust the growth targets is necessary and consistent with objective reality, looking directly at the socio-economic situation and forecasting the international and domestic situation in the near future. Under the Government's updated scenario, the country's GDP will grow by about 4.5% in 2020. The Government has also set a higher growth target of 5.4% in the event of a favourable global situation, with the disease being put under control and the global market recovering. Meanwhile, the consumer price index (CPI) for the whole year will rise by 4% on average; total state budget revenue will see a reduction of VND163 trillion (US$7.04 billion) compared to the assigned estimate; state budget deficit will be equal to about 4.75% of GDP; and public debt will equal 55.5% of GDP. The two targets for state budget deficit and the debt-to-GDP ratio will increase by 1.31% and 3.2%, respectively, compared to the initial targets. In the context that the global economy is predicted to fall into a more serious recession than previous crises, the Government's growth target of over 5% holds great significance. It is not only a sufficient threshold to deal with employment for workers, maintain people's quality of life and ensure social security, but is also a needed level to fulfil the average growth target of 6.5. % set for the period of 2016-2020. However, the enclosed risk is that adjusting up the budget deficit will lead the nation to borrow more, thus influencing public debt and, furthermore, this may affect the maintenance of macroeconomic stability – a very important foundation that Vietnam has achieved in the past ten years. This is the most disturbing problem.

The adjustment of socio-economic targets is a big and unprecedented issue, because the targets set in the NA's Resolution are concretised from the Resolution of the Party Central Committee. On the basis of the Government's proposal, the decision on the adjustment of growth targets will be made by the competent levels, with the current political and legal bases taken into account. According to economic experts, the adjustment of GDP growth target and relevant macro targets in accordance with the new developments in the domestic and international socio-economic situations will create favourable conditions for the Government in its management work, towards realising the dual goal of successfully combating the pandemic and reviving the economy after the disease.

4. May CPI shows slight reduction due to dropping petrol, power, rice prices

The consumer price index (CPI) in May decreased by 0.03 percent against the previous month and 1.24 percent against last December, but increased by 4.39 percent year-on-year, the General Statistics Office (GSO) reported on May 29.

The average index for the first five months was up 4.39 percent from that of the same period last year. In the period, basic inflation rose by 2.88 percent year-on-year.

According to the GSO, in May, four out of the 11 commodity groups experienced price reductions: transport (2.21 percent); culture, entertainment and tourism (0.02 percent); post and telecommunication services (0.02 percent); and garment, headwear and footwear (0.01 percent).

Increases were seen in prices of restaurant and catering service (0.34 percent); beverage and tobacco (0.25 percent); housing and building material (0.25 percent); other commodities and services (0.07 percent); household appliances (0.05 percent); and medicine and medical services (0.04 percent).

Meanwhile, prices in the education group remained unchanged.

In the month, CPI in urban areas was down 0.17 percent, while that in rural areas was up 0.11 percent.

Do Thi Ngoc, head of the GSO's Price Statistics Department, attributed the falling CPI to decreases in prices of petrol, electricity, rice, and housing rent.

In May, gold prices moved up in tandem with global gold prices, surging 2.41 percent from April to hover around 4.71 million VND (203.7 USD) per tael.

The VND/USD exchange rate reduced 0.41 percent, with one USD exchanged for 23,219 VND.

5. Vietnam parliament set to ratify trade deal with EU at ongoing gathering

The ratification of the EU – Vietnam Free Trade Agreement (EVFTA) and the EU – Vietnam Investment Protection Agreement (EVIPA) is in the agenda of the ongoing session of Vietnam's National Assembly (NA), according to Doan Khac Viet, vice spokesperson of the Ministry of Foreign Affairs (MoFA).

These agreements are significant steps forward in terms of strategic and economic aspects in the Vietnam – EU relations.They will bring substantial benefits for the people and enterprises from both Vietnam and the EU, Viet said at the MoFA's regular press conference on May 28.

Once the EVFTA and EVIPA come into force, it would indubitably create a new driving force for the comprehensive partnership between Vietnam and the EU, Viet continued.

At the opening of the NA's session on May 20, Vietnam's Vice President Dang Thi Ngoc Thinh requested the NA to approve both the EVFTA and EVIPA.

Thinh said these deals would help tighten Vietnam – EU cooperation in economy, trade and investment, especially at a time when the Covid-19 has disrupted global value chains.

Compared to the no-EVFTA scenario, Vietnam's GDP is forecast to expand by an annual average of 0.28 – 0.63 percentage points in the short term; 1.24 – 2.02 percentage points in the mid-term

(2022 – 2024); and 3.53 – 4.37 percentage points in the long run (2025 – 2030).

Regarding job creation, the corresponding increases would be 26,000 – 66,000; 56,000 – 81,000; and 34,000 – 43,000.

Meanwhile, the EVIPA is expected to boost the attractiveness of Vietnam's investment environment when multinationals are diversifying their global value chains and shift investment capital to safer destinations.

On March 30, the European Council (EC) adopted a decision on the conclusion of the EVFTA following the ratification by the European Parliament on February 12. This decision cleared the path, on the EU side, for the entry into force of the agreement, said the EC.

Following the NA's ratification of EVFTA and EVIPA, both would enter into force 30 days after Vietnam and the EU have notified each other that their respective legal procedures have been completed.

6. Vietnam takes new tax step to stimulate car market

The Vietnamese government has agreed to remove import tariffs for auto parts and accessories, which are currently cannot be manufactured domestically.

The decision, set to take effect from July 10, is part of the government's Decree No.57 dated May 25, 2020 on amending and supplementing a number of articles of the Decree No.125 on export duty schedule, preferential import duty schedule and lists of commodities and their flat tax rates, compound tariff and "out-of-quota" tariff rate, aiming to increase the localization rate and enhance the competitiveness of Vietnam's automobile industry.

In order to qualify for this new policy, enterprises must provide sales contract of auto parts with local auto manufacturers and/or assemblers, those that are given operation license by the Ministry of Industry and Trade.

Moreover, enterprises should have business license related to production of auto parts and accessories, as well as have their own car production facilities in Vietnam.

The review period for preferential tariff treatment for enterprises are from January 1 – June 30 or from July 1 – December 31, annually.

For parts and accessories that only require basic processing, rather than a thorough process to become final products, would not be entitled to the 0% tariff rate.

Local auto manufacturers previously voiced concern over the insufficient support from Decree No.125 for the automobile industry, as it failed to create considerable advantages for domestic cars over imported ones from other ASEAN countries.

The auto parts manufacturing sector in Vietnam currently enjoys incentive policies for investments, but such incentives are not remarkably attractive compared to other sectors, leading to low localization rates.

Moreover, domestically produced auto parts are also facing fierce competition from imported products in ASEAN, which are having zero import tariff under the effect of the ASEAN Trade in Goods Agreement (ATIGA).

Monthly data from the Vietnam Automobile Manufacturers Association (VAMA) revealed car sales in Vietnam are reported at 64,100 units in the first four months this year, down 36% year-on-year.

Sales of domestically assembled cars reached 40,574 units during the period, down 33% compared to the same period of last year, while imported completely-built-units (CBUs) totaled 23,526 units, down 40%.

Corporate News

7. FRT: Revenue to drop fifth in Q2

↑ 5.22%

Revenue in the first three months rose 1.9 per cent on-year to VNĐ4.14 trillion (US$179 million) while profit fell 44.7 per cent on-year to VNĐ35.6 billion.

FPT Retail performed well in the first two months of the year, but the coronavirus outbreak in March stalled the business, the chairwoman said at the annual shareholders' meeting.

In April, FPT Retail closed 170 or a third of all FPT Shop stores across the country due to the social distancing order, she said.

The stores were re-opened in May but demand dropped as customers' income was affected, leading to lower consumption of non-key products such as phones and electronic devices, Điệp said.

Poor performance in the first three months made FPT Retail lower its revenue forecast by 8 per cent on-year to VNĐ15.32 trillion in 2020.

Full-year pre-tax profit was predicted to decline a fifth to VNĐ220 billion. The company offered shareholders a maximum 15 per cent cash dividend for 2020.

ICT device sale revenue is forecast to drop 14 per cent on-year to VNĐ13.82 trillion in 2020. The figure in 2019 was VNĐ16.1 trillion.

The pharmaceutical store chain Long Châu was expected to pick up during the year.

In 2020, FPT Retail plans to open 150 new Long Châu drug stores in the country to raise the total to 220 and upgrade technological system to cut costs and improve the benefits to consumers.

The drug store segment is expected to triple its revenue in 2019 to VNĐ1.5 trillion at the end of this year.

8. VIC: Forecast revenue up 12 percent

↑ 0.00%

Conglomerate Vingroup JSC plans to earn 145 trillion VND (6.2 billion USD) in revenue this year, up 12 percent year-on-year.

The information was released during the group's annual general meeting of shareholders (AGMs) held on May 28 in Hanoi.

Post-tax profit is expected to decrease 35 percent to reach 5 trillion VND.

Due to the impact of the COVID-19 pandemic, Vingroup Chairman of the Board of Directors Pham Nhat Vuong said its tourism arm Vinpearl was most ravaged by the disease.

"However, the group still seeks solutions to stimulate domestic demand for tourism, especially inbound because we could not offer services for foreign clients during the pandemic," he said.

"According to statistics, Vietnam greets 80 million domestic visitors and 18 million foreign visitors each year," Vuong said.

The Vingroup chairman said if the disease was controlled and people could not travel abroad, domestic tourism would be strongly boosted. Therefore, Vinpearl can partially offset the damage caused by COVID-19, he said.

Earlier, in a conference with businesses of Hanoi on April 16, Vingroup said that during the disease outbreak, Vinpearl stopped 70 percent of its hotel services and ceased operation of 100 percent of its entertainment services.

In the period, revenue from tourism and entertainment plunged. The group still maintained a hotel staff of more than 18,000 and must ensure income for all of them.

Industrial real estate will be one of Vingroup's main segments in the future, Vuong said.

Vinhomes Joint Stock Company (Vinhomes), real estate arm of Vingroup, has started to implement some projects in Hai Phong and other localities. Some projects have been licensed for site clearance, so construction can be gradually started by the end of next year.

The VinFast automobile manufacturing complex has been converted into an industrial park managed by Vinhomes with a total area of 335 hectares.

The group has decided to delay the investment project in Lach Huyen Port because it is incapable of arranging funds for the project at present.

For the industrial segment, Vuong said VinFast is researching new markets for export besides existing markets.

"We aim to focus on the US as this is one of the most fastidious markets in the world, if you can penetrate this market, to some extent, we can be able to reach others," he said.

"With the automobile segment, Vingroup determines to invest heavily and drastically and accept to compensate for losses from three to five years, with the goal of increasing market share," he said.

At the meeting, the Board of Directors agreed on the plan not to pay dividend for 2019, using all the remaining profits to invest in business. This is the second consecutive year that Vingroup retained its profit and has not paid a dividend.

The last time it paid a dividend was in June 2018.

In order to proactively cope with the instabilities caused by COVID-19, the group will stick with austerity measures, strictly control the expansion of spending and investment, optimise operational efficiency in existing fields.

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