



VIETNAM DAILY NEWS

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Market Analysis

1. Strong selling pressure drives stocks down

Strong selling pressure drove the local stock market down steeply today, June 11, with both the VN-Index and HNX-Index losing nearly 4%.

With losing stocks outnumbering winners by 312 to 82, the benchmark VN-Index on the Hochiminh Stock Exchange declined 3.63%, or 32.63 points, against the session earlier to 867.37 points. The VN30 Index closed the day down 3.84% to 806.87 points, with no stocks in the VN30 basket advancing.

Trading volume and value on the southern market increased by 29.42% and 39.15%, respectively, to 707.5 million shares worth nearly VND10 trillion.

There were 10 bluechips plunging to the floor prices, such as construction firm ROS, securities corporation SSI, lender CTG, electricity firm POW and mobile phone retailer MWG.

All of them had good liquidity. SSI and CTG had 9.2 million shares transacted at VND14,900 and VND22,950 per share, respectively, while POW had 8 million shares traded at VND10,500 each.

ROS led the southern market by liquidity with more than 43 million shares changing hands at VND3,230 per share, followed by industrial zone

developer ITA with 39.7 million shares traded at VND5,600 per share.

On the Hanoi Stock Exchange, the HNX-Index fell 3.63%, or 4.62 points, to 116.06 points, with losing stocks outnumbering winners by 104 to 64. There were 124 million shares worth nearly VND1.22 trillion traded on the northern market, up 66% in volume and 56% in value against the previous session.

Five stocks in the HNX30 basket dropped to the floor prices, including property group HUT, securities company SHS, housing firm NDN, asset management corporation TVC and real estate company NRC.

Among the bluechips, securities company SHS plunged to the floor price at VND11,700 per share, while property firm CEO closed the day down 6.8% to VND9,600 per share. Petroleum stocks PVS, PVB and PVC dipped 7-9%, while bank stocks ACB and SHB fell 4.3%.

Property group HUT, petroleum stock PVS and lender SHB led the northern market by liquidity, each with over 11 million shares traded, followed by lender ACB with 9.16 million shares.

Macro & Policies

2. Vietnam remains top destination in Asia for MNCs' shifting production out of China

As of last October, of the 33 companies that had shifted production out of China since its trade spat with the US began, 23 have moved to Vietnam, with the rest relocating to Malaysia, Thailand and Cambodia, Nikkei Asian Review cited data from the World Bank.

Indonesia ranks higher than rival Vietnam in the United Nation's Competitive Industrial Performance Index. Mean monthly earnings for both medium-skilled and low-skilled workers in Indonesia are lower than in Vietnam, according to the World Economic Forum.

However, Indonesia has historically struggled to attract foreign direct investment (FDI), which was equal to just 1.8% of the country's gross domestic product in 2018. That was a lower share than regional competitors Vietnam, Thailand and Malaysia.

"Economies that are more likely to benefit from such geographical diversification are those with higher degrees of export similarity [to] China, and therefore [have] supply chains already in place," Nikkei quoted a recent report published by the Citigroup. "Vietnam, India, Malaysia, Taiwan and Thailand could therefore be near-term beneficiaries."

Already US tech leaders such as Microsoft and Google are stepping up efforts to relocate production of new devices from China to potential sites in Vietnam and Thailand. Apple will produce millions of its AirPods wireless earphones in Vietnam for the first time this quarter.

FDI to Vietnam in May is estimated at US\$1.55 billion, the highest monthly figure since February. 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.

Overall, disbursement of FDI projects in Vietnam totaled US\$6.7 billion in the first five months of 2020, representing a decline of 8.2% year-on-year as impacts from the Covid-19 grew.

Prime Minister Nguyen Xuan Phuc on May 23 agreed to set up a task force that will help the country prepare for new wave of FDI inflows in the post-Covid-19 period.

This task force is responsible for promoting investments in the country, which can be done by approaching potential investors looking for new destinations and supporting those who are having difficulties in Vietnam.

3. Removal of permanent residency requirement to pressurize Hanoi's budget

Around one million people living in Hanoi with temporary resident status would officially become the city's residents if conditions for registering permanent residency are removed, thus putting pressure on the city's budget and socio-economic infrastructure, Secretary of the municipal Party Committee Vuong Dinh Hue said on June 9.

According to the 2019 census, Hanoi has more than eight million residents, Hue was quoted by VnExpress as saying at a meeting on June 9. If requirements for permanent residency registration in the capital city are removed as per the draft

amended Law on Residence, the city's population will increase by about one million.

Currently, a person needs to live during two to three years in Hanoi on the condition of temporary resident status continuously to be eligible to register permanent residency.

"The amount of recurrent budget allocated to a city depends on the size of its population. If Hanoi's population increases, recurrent budget spending will rise as well. So drafters need to take this into account," Hue suggested.

"In theory, it is correct to streamline administrative procedures to ensure people's right of residency and avoid red tape, but urban migration also needs to be controlled," Hue said.

The Law on Capital City promulgated in 2012 provides the conditions for registering permanent residency in Hanoi. However, under the draft amended Law on Residence, those conditions would be removed to ensure equal rights of residence for all Vietnamese.

The draft amended Law on Residence is expected to remove the population management through permanent residence booklet, or "ho khau", replacing it with personal identification number.

The booklet has been in effect since the 1960s as an instrument of public security, economic planning, and population management. In the post-war

period, the booklet was used as a means to ration food and apply jobs under the then planned economy.

But in the new context of economic reforms since the late 1980s and a socialist oriented market economy, ho khau has been still in place to prevent massive rural to urban migration, to no avail.

The booklet has come to signify Vietnam's excessive red tape. It is required in most administrative procedures including filing a birth certificate application, enrolling school, getting married, buying a house or registering a vehicle.

The decades-old management method is considered backward and aggravate red tape by tying one person's life and career to a particular city or province.

4. South benefits from smart farming

However, Smart farming has played an important role in developing agriculture in the Southern Focal Economic Zone.

In the past few years, smart farming has been used successfully in many localities in the zone, attracting great attention from farmers and the business community.

The HCM City-based Quang Trung Software Park has introduced a number of smart farming models, including ones that use LED lamps and systems to grow vegetables in containers with high output and quality.

According to figures from the HCM City Department of Agriculture and Rural Development, agricultural land accounts for over 46 percent of the land in the zone compared to just 34 percent in HCM City.

Dr Tu Minh Thien, deputy chief of the HCM City Hi-tech Agricultural Park, said ecological agriculture and improvement in quality were both needed.

The zone should be developed into a national centre for hybridisation with laboratories that use advanced technologies and create new innovative

technologies for agricultural use. It should also build brand names for regional specialities.

HCM City had led the way in smart farming models for farmers and the business community.

Thien said its Department of Agriculture had focused on the development of sustainable urban agriculture "using biotechnology and is a hub for developing high-quality plant and animal varieties".

This acted as an impetus for sustainable agricultural development in the Southern Focal Economic Zone.

"Smart farming also can help turn HCM City into a centre for technology, including biotechnology," he said.

Statistics from the Vietnam Chamber of Commerce show that investment in the zone accounts for only 1 percent of total investment in agricultural development in Vietnam and 3 percent of companies' investments in business and production activities.

Ninety percent of investment in agricultural development is from small and medium-sized enterprises.

Thien said relevant agencies had yet to issue policies to promote smart farming and tech companies had not focused on agriculture.

5. Transfer pricing among FDI firms in Vietnam at alarming rate: State Audit

Transfer pricing among foreign-invested firms operating in Vietnam is increasing at an alarming rate, evidenced by the fact that while foreign-invested companies report losses, the majority of their Vietnamese peers in the same fields are generating profits, especially in garment and footwear, according to Doan Xuan Tien, deputy State Auditor General.

So far, nearly 50% of foreign direct investment (FDI) firms in Vietnam said they are operating at a loss, said Tien at a conference on June 9, for which he attributed transfer pricing, among other reasons, to this issue, the governmental portal reported.

The issue causes losses of up to hundreds of millions of US dollars to the state budget, Tien stressed, adding FDI firms make up 20% of GDP, 25% of total social investment, 40% of industrial production value, and 50% of external trade.

Many investors are looking for ways to transfer obsolete machines and equipment to recipient countries, including Vietnam, Tien added.

The consequence is that it is very difficult to evaluate the real value of these machines. This practice implies environmental pollution, low product quality and high costs, he stated.

Tien attributed the growing trend of transfer pricing to Vietnam's shortcomings in managing FDI projects, including a lack of consistency between the target and action to attract FDI; the country's incentive policies to attract FDI do not base on competitive advantages of each province and city; ambiguity in administrative process to apply for such policies; among others.

Notably, in Ho Chi Minh City, nearly 60% out of 3,500 FDI firms have been reporting losses for many years, and in Binh Duong province, the rate is 50% in the 2006 – 2011 period.

Tien, however, noted while FDI firms continue to suffer losses, they keep expanding operations here.

Tien pointed to an example of Coca-Cola, saying since its first presence in Vietnam in 1992, the US firm has reported an accumulated loss of VND3.76 trillion (US\$162.93 million) by December 2012, exceeding its original investment capital. In fact, Coca-Cola's production capacity has been growing at an average pace of 20% annually.

Another case is Metro Vietnam, which has increased its registered capital to US\$301 million after 12 years operating in the country. However, the firm reported accumulated losses of VND1.65 trillion (US\$71.5 million), and a profit of VND173 billion (US\$7.5 million) in 2010. Nevertheless, Metro Vietnam has expanded nationwide with 19 retail supermarkets.

Nguyen Mai, chairman of the Association of Foreign Invested Enterprises (VAFIE), commented outdated machines and technologies used by FDI firms are causing overuse of energy and severe level of pollution.

Deputy State Auditor General Tien suggested it is essential for State Audit of Vietnam to enhance efficiency during the auditing process, while there should be more clarity in legal framework regarding the audit.

Nguyen Thi Phuong Hoa from the National Economics University suggested government agencies could disclose the audit results related to cases of transfer pricing, as a warning to those violating transfer pricing regulations.

Hoa referred to UK experience in dealing with Starbuck's act of transfer pricing for 13 years. The publication of the audit results led to a widespread boycott by UK customers towards Starbuck and this business eventually had to repay the tax arrears of between US\$6.3 and US\$7.6 million in 2012.

6. Hanoi strives to ensure safe and stable investment environment for investors

Hanoi's upcoming investment promotion conference would send a strong message on the city's determination to ensure a safe and stable investment environment for investors, according to the municipal People's Committee.

The event, themed "Hanoi 2020 – Investment and Development Cooperation", will take place at the National Convention Center on June 27.

Statistics from the Hanoi Promotion Agency (HPA) revealed since 2016, investment capital to Hanoi has been increasing steadily.

In the 2016 holding, Hanoi signed memoranda of understandings for the implementation of 95 projects. The figure rose to 135 in 2017, 160 in 2018 with record registered capital of VND397.33 trillion (US\$17 billion), 11 of which were foreign-invested projects worth US\$5.4 billion.

HPA Director Nguyen Gia Phuong said the event also presents opportunity for Hanoi to promote its potential and vision for development.

Since Hanoi's initial containment of the Covid-19 pandemic, the city has shifted focus towards economic recovery and targeted an economic growth rate of 1.3 times higher than the national average.

The upcoming conference is set to attract up to 1,500 delegates, including international experts, investors and senior government officials.

Hanoi is determined to be the pioneer among Vietnam's localities in rebooting the economy in the post pandemic period, stressed the municipal Party Committee.

According to the municipal People's Committee, the process would boost Hanoi's administrative reform and enhance the city's business and investment environment towards the ultimate goal of achieving high economic growth.

Chairman of the Hanoi People's Committee Nguyen Duc Chung on May 9 tipped that, at the upcoming event, the city will issue investment licenses for some 100 projects. Among them, domestic investors are expected invest nearly VND330 trillion (US\$14.28 billion), including 26 social housing projects worth VND72 trillion (US\$3.11 billion) for low-income buyers.

Chung also revealed foreign-invested projects to be licensed by Hanoi this time worth a total US\$3.5 billion, and the city would continue to call for investment in IT, logistics and e-commerce.

Director of Hanoi's Department of Planning and Investment Nguyen Manh Quyen said in May, there were 2,024 newly established enterprises with registered capital of a combined VND24.79 trillion (US\$1.07 billion).

This resulted in a total of 12,260 newly establishments in the five-month period for VND181 trillion (US\$7.86 billion), down 10% year-on-year in the number but up 9% in capital, Quyen added.

Chairman of the Vietnam Chamber of Commerce and Industry (VCCI) Vu Tien Loc said the growing trend of FDI to Hanoi demonstrate the local authorities' efforts to reform administrative procedures and ensure a favorable investment environment.

7. Supermarkets to help lychee farmers sell their produce

Last weekend specialised trucks started to transport fresh thieu lychees, a unique variety grown in Bac Giang's Luc Ngan District, for distribution at nearly 1,000 outlets of Saigon Co.op across the country.

The volume this year will be 20 per cent higher than last year.

A spokesperson for Saigon Co.op said the retailer has bought fresh lychees directly from Luc Ngan and

Hai Duong Province's Thanh Ha District, all meeting VietGap quality or safe fruit certification standards.

This year Saigon Co.op has begun selling some agricultural products, including thieu lychees, online.

Customers can order them using MoMo e-wallet, and the supermarket will deliver home.

Besides fresh lychees, canned lychees that can be kept for a long time are also available at Co.opmart, Co.opXtra and Co.op Food at VND40,000 (US\$1.7).

Also last weekend Central Retail transported fresh thieu lychees grown in Luc Ngan District in five 20-foot containers to its Big C and Go! supermarkets across the country for consumption and export to Thailand.

Nguyen Thi Phuong, deputy general director of Central Retail Group in Viet Nam, said a purchase team has visited lychee farms in Luc Ngan District to make purchasing and distribution plans.

A week of promotion will be held in Ha Noi to sell the fruit at 38 Big C and Go! stores across the country, she said.

This year Big C and Go! are expected to buy around 1,000 tonnes, three times the volume they bought last year.

Central Retail will display the fruit at the best locations in its stores and offer a series of special promotions.

Central Retail will continue to export Luc Ngan lychees to Thailand and display them on the shelves of Tops and Central Food Hall supermarkets (Central Group's food retail chain) to introduce the fruit to consumers in Bangkok.

In addition to Saigon Co.op and Central Retail, the two provinces are also in touch with other retailers such as Aeon, MM Mega Market, Lotte Mart, Vinmart, and Hapro, agricultural product wholesale markets across the country and fruit processing plants to help farmers sell their lychees.

This year the fruit was grown on a total area of 28,100ha in Bac Giang Province and the output has risen by 10,000 tonnes this year to 160,000 tonnes.

Deputy Director of Bac Giang Province's Department of Industrial and Trade, Pham Cong Toan, said due to the COVID-19 pandemic, this year the province plans to promote its lychees mostly in the domestic market, and only 40 per cent would be exported.

According to the Hai Duong Province Department of Industry and Trade, the output is 55,000 tonnes this year, double that of last year.

Corporate News

8. HVN: Vietnam Airlines eyes July resumption of international flights

↓ -6.35%

The national flag carrier said in a release to airfare agents that it plans to fly to South Korea, Taiwan, Hong Kong and several Southeast Asian destinations.

In South Korea, it plans to operate daily return flights between Hanoi/Ho Chi Minh City and the Incheon International Airport near Seoul and up to four return flights a week between Hanoi/HCMC and Busan City.

The airline is also planning three to four return flights a week from Hanoi and HCMC to Hong Kong and Taiwan.

Laos and Cambodia are also possible destinations, it said.

Vietnam Airlines CEO Duong Tri Thanh stressed that this was only a plan that depended on permission from the Vietnamese government.

"Vietnam Airlines is ready to resume flights as soon as the restrictions are lifted," he told VnExpress,

adding that Japan was another possible destination.

The national flag carrier is the first one in Vietnam to announce plans to resume international flights after a hiatus of three months due to Covid-19 restrictions.

Vietnam has allowed resumption of domestic flights resume since April, but is yet to announce specific plans for resumption of international flights.

The government has said it is considering allowing flights to destinations that have had no new Covid-19 cases for at least 30 days, including Tokyo, Seoul, Guangzhou, Taiwan and Laos.

Vietnam has gone nearly two months without community transmission of the novel coronavirus. It has confirmed 332 Covid-19 cases so far, of whom 320 have recovered.

9. PLX: Information on selling the treasury shares

↓ -6.92%

On June 04, 2020, Viet Nam National Petroleum Group announces the selling of treasury shares as follows:

- Number of treasury shares before trading: 103,064,846 shares
- Number of shares registered to sell: 15,000,000 shares

- Purpose: to supplement capital for business and development investment.

- Expected trading period: from June 18, 2020 to July 17, 2020

- Trading method: Order matching or put through.

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