# VIETNAM DAILY NEWS

**June 15th, 2020**

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# Market Analysis

## 1. Strong Local stocks to struggle with increased caution

The Vietnamese stock market is forecast to struggle this week with rising caution among investors as they wait for the market to reach its balance point.

Viet Nam's benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) last week ended at a three-week low of 863.52 points, falling total 25.6 per cent during the week.

Market trading liquidity increased sharply from the previous week. An average of nearly 589 million shares were traded in each trading day, worth VND8.1 trillion (US$347.6 million).

"The market ended a five-week gaining streak as the VN-Index gave up the resistance of 910 points on pressure from the international markets," Sai Gon-Ha Noi Securities (SHS) said in its weekly report.

The VN-Index posted its biggest loss in seven weeks on Thursday as it tumbled 3.63 per cent as a large-scale sale was triggered following a pessimistic economic outlook by the US central bank.

The market was even pushed back to a one-month low of 841 points on Friday but purchasing for discounted stocks helped narrow the loss.

"The index finished the week in the zone of 840-880 points so there will be struggles in coming days," SHS said.

The VN30 futures, which matures on June 18, ended last week at 805 points while its underlying asset VN30-Index finished at 807.76 points.

"The gap between the blue-chip tracker VN30-Index and its futures indicates investors are becoming cautious," SHS said.

The US central bank Federal Reserve at its meeting on Wednesday night kept interest rates unchanged and delivered a gloomy economic outlook for the world's largest economy.

Worries about the second coronavirus wave on states' re-opening and emerging tensions between the US and China had a negative impact on market sentiment.

According to analysts, the confidence in Vietnamese shares may be dragged down as strong domestic purchase, most of which comes from "F0" investors – new and unexperienced ones – has kept the VN-Index rallying since late March.

Prior to Thursday, the VN-Index had gained a total of 36.5 per cent in 2.5 months to a 3.5-month high of 900 points from its 2.25-year low of 659.21 points.

More than 100,000 new accounts were opened in the past three months, with about 68,600 accounts being registered in March and April.

Domestic individual investors have been hunting beaten-down stocks during the COVID-19 pandemic, keeping the Vietnamese stock market progressing.

But amid pressure from international stocks, individual investors are the most vulnerable due to a lack of experience and information.

"When the VN-Index cannot conquer 900 points, it makes investors believe the market is running out of momentum," and "large-cap stocks are stalling," analyst and trader Nguyen Hong Diep told ndh.vn.

"Secondly, investors look at the US stocks and any downtrend of the US market worries them, thus, triggering the sell-off," he said.

The US stock market progressed on Friday night as bargain hunters returned to scoop stocks up following their big losses the previous day.

High individual purchasing power means the market bubble inflates, so it must decline to make the market grow sustainably, said.

Phan Dung Khanh, director of investment consultancy at Maybank Kim Eng, said the 2.5-month rally has made stocks become more expensive given the downtrend of the macro-economy.

A downtrend is needed to help the market increase in the long term, he said, as individual investors will run from the market and leave the room for institutional ones to fill in.

While individual investors sought exit from the market, foreign ones net-bought total nearly VND418.5 billion worth of local shares last week. Net foreign selling was VND315 billion in the previous week.

Aside global stocks, the shake-up in the US-based exchange-traded fund VanEch Vectors Vietnam ETF's portfolio will also affect the market trading this week, Bao Viet Securities (BVSC) said in a note.

The fund on Saturday announced Vietnamese stocks are kept at 15 in the list of 25 investees but total weight of Vietnamese shares fell to 67.48 per cent from 67.98 per cent.

The fund will reduce its ownership at residential property firm Vinhomes (VHM), aviation firm Vietjet (VJC), consumer staples firm Masan (MSN), PetroVietnam Power (POW), sugar company Thanh Thanh Cong-Bien Hoa JSC (SBT), and electrical firm Gelex (GEX).

Stakes in dairy producer Vinamilk (VNM), steel maker Hoa Phat (HPG), insurer Bao Viet Holdings (BVH) and SSI Securities (SSI) will be raised.

"The VN-Index is expected to recover and head toward the resistance zone of 883-891 points early next week," Bao Viet Securities (BVSC) said.

The index is forecast to "receive support from the zone of 840-850 points," the company said.

# Macro & Policies

## 2. Enterprise management platform launched

This is one of the "Make-in-Viet Nam" digital platforms selected by the ministry to promote a comprehensive and wide-ranging digital transformation.

This is an activity in a series of events introducing the made-in-Viet Nam digital platforms to implement the national digital transformation programme by 2025.

1Office is a platform that transforms the total management activities of businesses from personnel, customers, and communications on a single platform.

It creates an online working environment, bringing high efficiency for the entire enterprise.

Talking to the press on the sidelines of the event, Nguyễn Huy Dũng, director of the Authority of Information Technology Application, said that this was an overall platform to help businesses transform from a normal to a digital environment, and from the traditional to cyberspace.

The platform had the same functions but the price was cheaper than foreign commercial products, he said.

In particular, the cost for 1Office is affordable from VNĐ2,000 (10 US cents) per user per day.

Deputy Minister Nguyễn Thành Hưng said the platform was a clear demonstration of the creative capacity of Vietnamese digital technology enterprises in general and 1Office in particular.

The deputy minister also emphasised that with the push from the COVID-19 pandemic, digital transformation would help Vietnamese businesses be flexible in changing operation models, and reducing costs to maintain operations to survive and recover strongly.

“The Ministry of Information and Communications expects that Vietnamese digital technology businesses will grasp the opportunity, develop more digital platforms to serve a comprehensive and wide-ranging digital transformation in economic and social fields, contributing significantly to the goals of the national digital transformation programme," said Hưng.

## 3. Stringent regulations threaten to quell investment appeal

The National Assembly's (NA) Standing Committee in its Document No.537/BC-UBTVQH14 featured adjustments of the draft amendments to the Law on Investment 2014 after comments from NA deputies. The requirement for pre-approved ventures and relevant certificates at an earlier stage aims to further enhance the selection of foreign investment, thus increasing quality.

“The performance of these regulations will allow authorised state agencies to select foreign-invested projects based on the capacity of financiers, investment fields, locations, and resources for project development such as land, natural resources, energy, labour, technology, and more,” states the document.

In spite of this, many NA deputies and lawyers are worried that the rule might result in possible legal impediments for international ventures.

Vaibhav Saxena, lawyer at Vietnam International Law Firm, said that the draft amendments (including the draft Law on Investment 2014 and the draft decree on guidelines for some articles of the Law on Investment 2014) provides almost the same procedure. However, comparing to the initial investment laws, the draft amendment provides much stricter procedure with some fundamental changes for a foreign investor to establish a business entity in Vietnam.

“Article 22 on the fundamental conditions to establish a business entity of the draft amendment to the Law on Investment 2014 provides more detailed conditions for foreign investor to establish business entity comparing to the Law on Investment 2014. Among those, foreign investors are required to comply with market access conditions prescribed under Article 9 of the draft. This article is still subject to further discussion of the NA due to its ambiguity. Especially, the 'market access conditions' term is urged to be clarified," he told VIR.

Similarly, Nguyen Thanh Ha, lawyer of Vietbid Consulting Co., Ltd. said, "The new regulation would not actually increase the quality of foreign investment. It will take more time and cost more for businesses. Instead, the government could announce a list of closed or conditional business lines, with the remainder open to investors."

Changes in legal procedures have been among the most talked-about issues among foreign-invested enterprises in Vietnam. The European, American, Japanese, and South Korean chambers of commerce have already raised their voice over the situation.

"We are concerned about recent changes in policy and regulations, which are not consistent with international best practices. These changes expose many foreign investors to considerable risks and obstacles in executing their investments," said Adam Sitkoff, executive director of the American Chamber of Commerce in Hanoi.

Meanwhile, Antoine Logeay, chairman of the EuroCham Legal Sector Committee, said that the draft proposes conditions for market access to foreign investors. "These include a new point on 'other conditions as stipulated in the laws, ordinances, and decrees'. This new wording is ambiguous and foreign businesses are concerned that it may be used to impose unreasonable business conditions on them and restrict market access to Vietnam, for example by imposing new requirements for licences or sub-licences," he explained.

The Southeast Asian nation is currently facing stiffening competition among regional countries which have recently announced new policies to lure foreign investment. For example, Indonesia's sprawling capital of Jakarta is bettering governance with 16 new policy packages and an omnibus law on taxation, licensing, labour, and small- and medium-sized enterprises.

The amendments to the Law on Investment 2014 will be fine-tuned to further ease procedures for international ventures, encouraging upcoming relocations and igniting a new wave of FDI, especially after the EU-Vietnam Free Trade Agreement takes effect.

## 4. PM welcomes Exxon Mobil's investment in Vietnam

However, Prime Minister Nguyen Xuan Phuc told President of Exxon Mobil LNG Market Development Inc. Irtiza Sayyed during a phone talk on June 11 that Vietnam welcomes the group's plans of investment in Vietnam.

He said Vietnam is among countries that are able to early contain the COVID-19 epidemic and is striving to seize the opportunity for development. During the process, the country has great demand for power, so the Vietnamese Government welcomes Exxon Mobil's investment in a complex of ports, LNG storage facilities and LNG-fuelled power plants using advanced technology in Hai Phong.

The PM said with a total capacity of 4,000 MW, this project will help boost the development of not only Hai Phong but also the entire northern key economic zone.

Phuc also appreciated Exxon Mobil's plan to build a gas-fired power complex with total capacity of 3,000 MW in the southern province of Long An. The group will ensure stable LNG supply for the power complex from the US and other countries. The import of LNG from the US will contribute to a more harmonious trade balance between Vietnam and the US, he said.

Sayyed praised Vietnam for containing the COVID-19 epidemic with effective measures, which he said will create a safe and reliable environment for international investment and trade in the country.

## 5. EVFTA's openness poses challenges for Vietnamese retailers

Data from the Ministry of Industry and Trade revealed that Vietnam exported goods worth US$41.45 billion to the EU and spent US$14.9 billion on imports from the union in 2019, earning a trade surplus of US$26.55 billion.

The Ministry of Planning and Investment estimated that the EVFTA could boost Vietnam's imports from the EU by 33.06% by 2025 and 36.7% by 2030.

Although products made in Vietnam still account for more than 60% of goods currently sold at supermarkets, the Vietnamese retail market is seeing fierce competition between local giants like Saigon Co.op, VinCommerce, Bach Hoa Xanh and Satra and their international rivals such as Lotte, Big C, and Circle K. This is only expected to get more intense once the country opens its doors wider to EU businesses.

"The EVFTA will boost high-quality investments from the EU and its partners to Vietnam, accelerating the restructuring and renovation of the country's retail sector," the Domestic Market Department under the Ministry of Industry and Trade said in a statement, adding that Vietnamese retailers that fail to adapt to the fast-changing business environment would find it tough to survive.

Challenges that Vietnamese businesses, especially small and medium-sized retailers and distributors, would face are increasing competition, underdeveloped e-commerce infrastructure and management and food safety and hygiene. With lower competitiveness compared to EU enterprises, they stand to be taken over or lose their market share.

The Ministry of Industry and Trade noted that deadlines for realizing commitments at the EVFTA would also be challenging for Vietnam. For other free trade agreements, the participating parties are required to realize their commitments in 10 years. However, the EVFTA requires Vietnam to realize its commitments in five to seven years, with some provisions expected to be executed right after the EVFTA comes into effect or within two or three years.

According to the Domestic Market Department, Vietnamese products, especially farm produce, livestock products and seafood, will have to compete with cheap but quality goods from the EU in the domestic market.

## 6. Thousands lose jobs to pandemic in Vietnam

New orders have been dwindling since March, said Cu Phat Nghiep, trade union chairman at Pouyuen Vietnam Co. Ltd., a Taiwanese run footwear maker and Ho Chi Minh City's largest employer with over 60,000 staff.

New orders for June have fallen 50 percent year-on-year, and while this has gradually increased for July, August and September, the company has nothing for the fourth quarter yet, Nghiep said.

The union leader said the company was doing its best to retain workers, but could only work on old orders now. "The company expects to let go of around 6,000 employees, we are finalising the list and will announce it on June 20," Nghiep said.

The employees losing jobs will be in operations that have not received new orders, and they will be let go gradually in accordance with a three-month roadmap from June 20 to August this year, he added.

Local shoemaker Hue Phong Leather Shoe Co. Ltd., based in HCMC's Go Vap District, has also recently sent a document to the municipal Department of Labor, War Invalids and Social Affairs detailing plans to reduce operations due to the Covid-19 crisis.

The company said that despite looking at many possible solutions it was still unable to recover production to pre-Covid-19 levels, and will have to let 2,222 workers go and relocate its premises to Tra Vinh Town in the eponymous Mekong Delta province.

Many businesses outside the textiles and footwear industries are also reporting reductions in wages and personnel.

The representative of game development company in Ho Chi Minh City, who wished to remain anonymous, said they were struggling with plummeting sales. The company representative said they were planning to cut 50 percent of their staff and reduce wages of the rest by between 20-25 percent.

According to a survey done by recruitment firm VietnamWorks covering 400 enterprises and 3,400 job seekers, over 40 percent of enterprises said they have lost the capacity to maintain and continue business development after the nationwide social distancing campaign ended on April 23.

Three-fourths of these businesses said that they had to reduce personnel to survive through the crisis, while the rest said they had to both cut down on staff and reduce salary and benefits.

Truong Van Cam, vice president of the Vietnam Textile and Apparel Association (VITAS), said that textiles has been the most affected industry as it is heavily dependent on exports. New export orders fell 25 percent year-on-year in April, and over 30 percent in May, as a result of Covid-19 forcing the closure of major export markets, in turn slashing demand, he said.

In addition, the shortage of raw input materials was a major reason companies had to cut down production and reduce the labour force, he said.

According to the General Statistics Office (GSO), as of May, 39.6 percent of FDI enterprises said they faced input material shortages. 56.9 percent of all materials importing companies reported shortages. As many as 70.3 percent and 71 percent textiles and footwear firms reported shortages, respectively.

The pandemic has cost nearly five million workers their jobs as of mid-April, taking Q1 employment figures to a 10-year low, with just 75.4 percent of population in working age having jobs.

Manufacturing was the worst affected with 1.2 million jobs lost, followed by wholesale and retail (1.1 million) and accommodation and catering services (740,000), according to the General Statistics Office.

## 7. Manufacturers urged to take advantage of online platforms to reach global buyers

Last Cao Thị Phi Vân, deputy director of the HCM City Investment and Trade Promotion Centre (ITPC), said despite the pandemic, Việt Nam is considered a safe investment destination by the international community thanks to its political and social stability and high economic growth.

Việt Nam has basically contained the outbreak and started to restore production and business activities, but its exports have been seriously affected by the pandemic as many of its major markets are still under lockdown and global trade has been disrupted by travel restrictions, she said at an online meeting on Tuesday in HCM City (June 9).

To recover foreign trade, Vietnamese enterprise must take advantage of online platforms to maintain their links with traditional partners and identify new importers since the pandemic could take a long time to end, she said.

While offline platforms enable suppliers and buyers to meet face-to-face and gain credibility, online platforms are the most convenient channel, providing year-round exposure for buyers to check and learn about suppliers' capability and submit online inquiries, she said.

Thiery Mermet, CEO of Source of Asia, an international business development company based in HCM City, said the outbreak has already affected the whole economy, changing consumers' buying habits, forcing many businesses to adapt to better serve customers' online shopping needs since traditional sales channels have been affected.

Sellers and buyers are no longer able to directly interact with each other, adding more challenges to market forecasting and significantly reducing business opportunities, he said.

Amid the outbreak, businesses have the option of either reducing production and waiting for the pandemic to end or actively renovating themselves and coming up with new business strategies and new marketing tools, he said.

The first option is safer but only those who choose to change can make use of the gaping holes in the global supply chains and be fully prepared when the pandemic ends, he said.

Zacharie Blondeau, supply manager of SOA, said the most traditional and effective way to connect with international trade is face-to-face to share information and verify products before making decisions, but the current outbreak has made this mode unfeasible.

"Online platforms are considered one of the most effective ways for exporters to boost exports."

To maintain the flow of goods and find new customers, businesses must actively switch to online platforms, he said, adding Instead of inviting customers to trade fairs of visiting factories, businesses could connect with customers through online tools and use virtual reality technology to introduce products.

Blandie de Quatrebarber, director of international relations at SOA, said Vietnamese businesses should employ digital tools to seek new customers.

"They should make their products regularly available on online platforms such as websites and social media, and maintain close contact and become familiar with customers and their cultures."

Other experts said businesses should be aware that online business could become popular in future thanks to cost and time savings.

So businesses need to build appropriate marketing tools and strengthen their connection with local support services providers in target markets to quickly access the markets, they said.

They also need to research and develop new products, to catch up with consumer trends to conquer the market, they suggested.

Manufacturers should also study prices, consumer tastes and trends in potential markets, and have labels and packaging in English and the local language, they said.

They should also focus on building brands, using technology in production and improving designs, they said.

Many Vietnamese SMEs have little experience in digital or online marketing and lack information about the field and quality human resources, according to the experts.

A recent survey by Global Sources, a B2B media company based in Hong Kong, found that 80 per cent of global buyers preview product and supplier information online before they decide to go to a show to meet with targeted suppliers.

# Corporate News

## 8. VNM: Vinamilk to soon export products to RoK

↓ -3.52%

Vinamilk's presence in the RoK market with its innovative and high-quality milk products has contributed to affirming the competitiveness of both Vinamilk's quality and brand in international markets.

Vinamilk has had over 10 years to research and develop its business on the RoK market.

With a methodical approach to foreign markets, before starting to promote exports, Vinamilk and its partners spend a lot of time studying the market, researching and developing products.

For high-demand markets like the RoK, Vinamilkalso focuses on investing in brand recognition, image and design to create a positive first impression when the products are introduced.

Starting in June 2020, Vinamilk's soymilk and milk tea products are being sold on Korean e-commerce sites like 11St and eBay.

Vinamilk opened 2020 with a US$20 million dairy export contract to the Middle East signed at the Gulfood Dubai International Fair.

Recently, Vinamilk was rated by Forbes Viet Nam as one of the Top 50 Best Listed Companies in Viet Nam in 2020 and also the only nutritional company in these rankings.

## 9. POW: PV Power to build four new LNG-fired plants

↓ -0.48%

The PetroVietnam Power Corporation (PV Power), a subsidiary of the Vietnam Oil and Gas Group (PetroVietnam), has completed plans for the construction of four liquefied natural gas (LNG)-fired power plants.

According to information presented at the company's annual general meeting of shareholders on June 12, the four projects are the Nhon Trach 3, Nhon Trach 4, Mien Trung 1, and Mien Trung 2 thermal power plants, which will be equipped with mixed-flow gas turbine technology and use LNG.

Nhon Trach 3 and Nhon Trach 4 have a capacity of 1,500MW each and are located at the Ong Keo Industrial Park in the southern province of Dong Nai's Nhon Trach district. They are projected to meet rising power demand in Ho Chi Minh City and Dong Nai and Ba Ria-Vung Tau provinces.

Located at the Chu Lai Industrial Zone in the central province of Quang Nam's Nui Thanh district, Mien Trung 1 and 2 are both expected to have a capacity of 750MW each, with each consuming about 820 million cubic metres of fuel per year.

PV Power aims to generate 21.6 billion kWh of electricity this year and earn over 35.4 trillion VND (1.52 billion USD), with pre-tax profit to surpass 2.39 trillion VND.

The meeting heard that despite facing difficulties due to the COVID-19 pandemic in the early months of this year, PetroVietnam's electricity output reached 9 billion kWh between January and May, representing 41.9 percent of the target set for this year. Revenue exceeded 12.9 trillion VND in the period, or 38.4 percent of the annual target.

PV Power has supplied 200 billion kWh to the national grid since it began operation 13 years ago, confirming its position as the leading power supplier in the country.

**Research Team:** **Tsugami Shoji** *Researcher* jsi@japan-sec.vn

**Disclaimer**:



***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*