VIETNAM DAILY NEWS

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Market Analysis

1. Shares suffer virus second-wave fears

Shares suffered a steep fall on Monday as fears mounted that the global coronavirus pandemic could return in a second wave of infections.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange plunged 3.6 per cent to end at 832.47 points.

The VN-Index lost a total of 25.6 per cent last week.

More than 708.2 million shares were traded on the southern bourse, worth nearly VND22.7 trillion (US$974 million).

Viet Nam's stock market was slammed by the decline in global market as worries about a second wave of disease darkened the outlook for world growth.

The pan-European STOXX 600 fell 2.5 per cent with all sectors and regional markets trading deep in the red after losses accelerated in the final hours of trading in Asia.

Earlier, Japan's Nikkei fell 3.5 per cent and South Korean shares tumbled 4.8 per cent.

Futures for the S&P 500 also extended losses, falling 2.9 per cent.

The blue-chip share tracker VN30-Index dropped 3.6 per cent to 778.71 points.

Twenty-five of the 30 largest stocks by market valuation and trading liquidity declined while five increased.

Among decliners were Viet Nam National Petroleum Group (PLX), falling 2.7 per cent; dairy firm Vinamilk (VNM), losing 5.1 per cent; Bank for Investment and Development of Viet Nam (BID), falling 6.1 per cent; PetroVietnam Gas JSC (GAS), declining 3.4 per cent; Techcombank (TCB), falling 5 per cent; Vingroup (VIC), losing 3.1 per cent; Hoa Phat Group (HPG), down 4.2 per cent; Vietinbank (CTG), falling 4.3 per cent and Sabeco (SAB), dropping 3.5 per cent.

On a sector basis, 24 out of 25 sectors on the market lost ground, including banking, insurance, securities, real estate, energy, retail, wholesale, information and technology, agriculture, healthcare, rubber production, food and beverage, seafood processing, logistics and construction.

On the Ha Noi Stock Exchange, the HNX-Index was down 2.64 per cent to close Monday at 113.82 points.

The northern market index scaled back nearly 1 per cent in total last week.

More than 88.7 million shares were traded on the northern bourse, worth nearly VND527.5 billion.

According to Bao Viet Securities Co, VN-Index may experience a bull trap toward 840-845 points on Tuesday.

"However, as mentioned previously, if breaking down the support of 840 points, the index will enter a downtrend and head toward strong support 780-810 points in the short term. Besides, the market will possibly see a considerable fluctuation at the end of the week amidst ETFs' review session and the maturity of June futures contracts," the company said.

Macro & Policies

2. WHA ready to rebound with Vietnam

The 3,200-hectare WHA Industrial Zone 1 – Nghe An is located at Dong Nam Nghe An Economic Zone in the central province of Nghe An. After two years of construction, the project has finished 143.5 of the 498ha of the first phase and has already attracted secondary investors from Japan, Thailand and China with its international-standard and modern infrastructure.

The land plots come in all shapes and sizes (500-10,000 square metres), fitting the requirements of any investor.

Moreover, the industrial zone (IZ) also boasts a state-of-the-art water supply system with the daily capacity expandable to beyond 15,000 cubic metres – one of the primary factors ensuring effective production. Additionally, the IZ also has a wastewater treatment plant running on biotechnology, including an underground filtration system (3,200-9,600cu.m a day). The IZ uses a dike holding pond and pumping system to manage storm water.

Another one of WHA IZ 1 – Nghe An's strengths is its green industrial zone model with the same high environmental standards that WHA applies at its 11 industrial estates in Thailand, with the IZ management board actively promoting eco-friendly and sustainable growth.

Its good performance has boosted WHA IZ 1 – Nghe An's contribution to the state budget and furthered the ongoing economic restructuring towards higher added value production in the industry, accelerating industrialisation and modernisation in Nghe An province. At the same time, the IZ will create jobs for local residents. WHA has signed agreements with universities and colleges in Nghe An's Vinh city to recruit personnel. As the whole world is engulfed in the fight against COVID-19, Vietnam emerges as a lucrative investment destination thanks to the local government's strong efforts to grease the wheels of industry and facilitate a rebound.

Despite a plunge in total foreign investment during the first months of 2020, the market has retained its good prospects, as reflected by the multitude of foreign investors angling to expand capital at their current projects in the country to capitalise on Vietnam's growing network of trade agreements.

Additionally, a series of global industry leaders are establishing presence in the country, such as Thailand's Stark Group which has fully acquired two local metal firms for a total of $240 million.

According to the Vietnamese General Statistics Office, as of May 20, the nation recorded about $13.9 billion in total foreign investment, down 17 per cent on-year. Of this, 436 projects licensed last year expanded capital by $3.5 billion, up 31.4 per cent on-year.

Moreover, through the EU-Vietnam Free Trade Agreement (EVFTA) adopted by the National Assembly (NA) last week, the country is growing more attractive for foreign investors, especially those from the EU. As of late 2019 the EU was the fourth-biggest partner of Vietnam with more than 2,240 projects worth $24.67 billion or 7.6 per cent of the total foreign capital pouring into the market. EU companies tend to invest in high-tech and services such as telecommunications, finance, office leasing, and retail. Accordingly, they are present in 18 of 21 economic sectors in which manufacturing, processing, real estate and communications occupy a major part.

"The EVFTA and other FTAs will likely boost foreign investment in the country. It will also encourage international corporations to expand their investments here and secure their supply chains," said Nardone.

Currently, Vietnam is trying to making itself a more business-friendly destination. This week, the NA will likely adopt the new Law on Investment and the new Law on Enterprises, among others, further facilitating investors' projects in the country.

Along with the positive policy changes, the health crisis has accelerated the relocation of many businesses to Vietnam. Specifically, global tech giant Apple has most recently announced to bring about 30 per cent of its AirPods production to Vietnam. Accordingly, Luxshare ICT in the northern province of Bac Giang was selected for the task. With the backdrop of the health crisis, Panasonic in late May declared halting the operations of its washing machine factory in Bangkok to migrate the facility to a branch in Vietnam. The factory, along with a research and development (R&D) centre in Thailand, will be closed by next March.

After shifting to Vietnam, Panasonic could select Thang Long Industrial Park II in Hanoi to integrate its manufacturing lines from Thailand and as a result build the largest washing machine factory and R&D centre in Southeast Asia.

According to consultancy firm Savills Vietnam, nearly 20 overseas companies are following this example. Some of them include South Korean aerospace manufacturer Hanwha Aero Engine, Japanese carmaker Yokowo, and Hong Kong-based textile producer Huafu Industrial, as well as one of Apple's assembly partners, Chinese Goertek.

3. Car sales in Vietnam surge 62% in May amid Covid-19 under control

The number of cars sold in Vietnam in May surged 62% month-on-month to 19,081 units, indicating the gradual recovery of the auto market in the post-Covid-19 period, according to monthly data from the Vietnam Automobile Manufacturers Association (VAMA).

This included 13,009 passenger cars, up 67% month-on-month; 5,810 commercial cars, up 59%; and 262 special-purpose vehicles, down 16%.

The sales volume of locally assembled cars in May was 11,095 units, up 50% month-on-month, and that of imported cars was 7,986, up 83%.

Overall, car sales in Vietnam in the January – May period are dropped 36% year-on-year to 83,181 units across all segments. Upon breaking down, 59,098 were passenger cars, down 36% year-on-year; 22,579 were commercial vehicles, down 28%; and 1,504 were special-purpose vehicles, down 39%.

Sales of domestically assembled cars reached 51,669 units during the period, down 32% compared to the same period of last year, while imported completely-built-units (CBUs) totaled 31,512 units, down 38%.

Truong Hai Auto Corporation (Thaco) led the market in May with 5,829 units sold, followed by TC Motor (4,833) and Toyota (4,167).

Prime Minister Nguyen Xuan Phuc's decision to slash the registration fee for domestically-produced cars by 50%, scheduled to take effect from June 20, is set to further boost sales of made-in-Vietnam cars in the two remaining quarters of this year.

Additionally, the deadline for payment of excise taxes for domestically-produced/assembled cars has been delayed until late 2020. The government said it would consider adjustments to the current excise tax policy to support domestic production.

Statistics from the General Department of Vietnam Customs (GDVC) revealed in the first five months of 2020, Vietnam imported 36,800 cars worth US$800 million, down 42.5% year-on-year in volume and 44% in value.

In May, the number of imported cars increased 5.7% month-on-month to 5,000 worth US$110 million, down 5.7% in quantity and 15.8% in value.

According to the GDVC, 50% of imported cars in Vietnam in May came from Indonesia with 2,500 cars, Thailand with 1,100, and Japan with 370, among others.

4. Oxford Economics revises up Vietnam’s 2020 GDP to 2%

However, The UK-based think tank said in a statement that a sharp slowdown in Vietnam this year is unavoidable, but the novel coronavirus outbreak is contained and exports are holding up better than might have been expected, so the firm revised up its forecast.

"There is little doubt that Vietnam's economy has been hit hard by the current crisis," said Oxford Economics, adding that the country's gross domestic product growth slowed to just 3.8% year-on-year in the first quarter – the slowest since the first quarter of 2009.

The firm predicted the second quarter will be much worse given that tourist arrivals have since dried up completely.

Also, exports are falling for the first time since the global financial crisis in 2007-2008, and that social distancing rules only came into effect in late March.

"Despite this, there are reasons to be positive. Vietnam has done a better job than most in the region at containing the virus," said Oxford Economics.

The think tank said the country did go into lockdown, but it was relatively short and came to an end in late April.

"Since the restrictions were lifted the high frequency data that we follow suggest that activity has rebounded much faster than elsewhere in Asia," said the firm.

Routing requests by the American technology company Apple have recovered to pre-crisis levels, while mobility data from Google suggest that workplace attendance is also back where it was before the crisis.

A slump in price pressures should also benefit the economy. Due mainly to a sharp drop in fuel price inflation, inflation has fallen from a peak of 6.4% year-on-year in January to just 2.4% in May. "This is a much bigger drop than elsewhere," said the UK think tank.

Not only has the drop in inflation provided a boost to consumer's purchasing power, it has also allowed the State Bank of Vietnam to cut interest rates aggressively, according to the firm.

It added Vietnam's central bank has cut policy rates by 150 basis points, more than any other in the region apart from Pakistan, since the start of this year.

The country's export sector is also proving more resilient than might have been expected. The firm cited trade figures as showing that exports in May were down by 15.5% year-on-year. This compared with average growth of 15% since the global financial crisis.

However, this is a much better performance than Oxford Economics had originally anticipated given the slump in global demand.

The firm said imports are also falling, so the drag from net exports will be much smaller than the headline export figures might imply.

"Relative to what we were expecting at the start of the year, the slowdown in Vietnam would also be less marked than is likely in other countries in the region," said the firm.

Vietnam is expecting a dramatic economic recovery following the coronavirus pandemic, with the GDP growth forecast at 5%, said Prime Minister Nguyen Xuan Phuc at a conference in May.

Re-opening to foreign tourists

Oxford Economics said in another statement that some countries are now cautiously looking to reopen tourism sectors. Thailand and Vietnam have both unveiled plans to start admitting foreign tourists from July.

Recoveries are likely to be slow. Having successfully eliminated the virus at home, these countries are being careful about who they allow in, according to the firm.

Vietnam is only accepting visitors from countries that have reported no new daily infections for 30 days. This could set the stage for Vietnam to re-open its border with China, which last year accounted for around a third of all arrivals.

However, the firm noted that visitors from Europe, the United States and other parts of Asia where the virus is not yet fully contained, would be excluded for the foreseeable future. These countries combined accounted for around 50% of arrivals last year.

Furthermore, demand is also likely to be very weak. The guidance from governments around the world is still to avoid international travel. Even when travel advice changes, many will remain wary of getting on an aeroplane.

Without an effective vaccine, international travel will be the last sector of the global economy to recover, according to Oxford Economics.

"If the pandemic leads to people spending more at home, either on "staycations" or on other goods and services, they could experience a small net boost to GDP. Whether this is enough to offset missing out on a foreign holiday is a different matter!" said the firm.

5. Government to develop policies to promote key economic regions

The Ministry of Planning and Investment would draft a Government resolution about tasks and solutions to accelerate the development of key economic regions, based on collecting proposals from relevant ministries and localities, and report to the Government in the meeting in June.

Focus must be on completing the planning of key economic regions and of provinces lying within the region to promote the strength of every locality and make the region a growth driver of the country.

Specific mechanisms and policies must be raised to attract private investment in developing the infrastructure system, especially in transport projects and projects against flooding, saline intrusion, erosion and coping with climate change.

Action plans must also be developed to attract investment flow from the shift of the global value chain, eyeing big multinational groups and those with high, modern and environmentally-friendly technologies.

The PM also asked the administrative reforms to be hastened to create favourable conditions for investors.

Incentives in investment and credit could be considered for key economic regions to attract large-scale projects in some prioritised sectors.

The Northern Key Economic Region would focus on attracting hi-tech, processing, manufacturing, electronics, service, banking, finance and logistics projects to form research and development centres which would promote the application of science and technologies as well as innovation.

The Central Key Economic Region would prioritise the development of marine economy and the eco-system for the automobile industry, transport services and tourism.

The focus of the Southern Key Economic Region would be attracting large-scale and hi-tech projects to build value chains.

The Cuu Long (Mekong River) Delta would focus on developing hi-tech agriculture, agriculture processing industry, tourism of Phu Quoc Island as well as efficiently implementing measures to promote the sustainable development of the region in line with coping with climate change.

The PM also asked key economic zones to improve linkages to promote economic growth.

6. Denmark supports Vietnam's offshore wind power development

The Danish Energy Agency (DEA) and the Vietnamese Electricity and Renewable Energy Authority have recently organised a webinar seeking ways to help Vietnam optimise its estimated 160GW offshore wind power energy.

Speaking at the event, DEA deputy director general Martin Hansen said that the organisation of the high-level offshore wind event is a testament to the extraordinary government-to-government energy partnership that Vietnam and Denmark have developed since 2013.

He expressed his delight to see that cooperation and activities within offshore wind are on track despite the COVID-19 pandemic.

The official affirmed Vietnam has a huge potential for offshore wind, which could play a key role in the green transition of the country.

Since 2009, Denmark has provided over 60 million USD in non-refundable aid for Vietnam in the fields of energy and climate change.

The third phase of the two countries' partnership cooperation programme in the energy field will begin in late 2020 until 2025, with the focus on offshore wind power.

7. Barcodes indispensable in global e-commerce

Last The use of barcodes is an indispensable condition and a challenge when participating in global e-commerce.

Nguyen Thi Mai Huong, head of the Conformity Assessment Department under the Directorate for Standards, Metrology and Quality, Ministry of Science and Technology, said that barcodes were an international language to draft information packages on orders, shipping and payment in electronic information exchange services.

Therefore, using barcodes is indispensable when participating in e-commerce globally, at the same time, promoting market development, expanding market share, participating in international markets and boosting imports and exports worldwide, said Huong.

In international trade, using barcodes helps manufacturers and suppliers avoid commercial fraud, and protect consumers' rights.

Barcodes help promote trade and international integration by facilitating businesses in global e-commerce and product traceability.

They also integrate with customs and tax authority data to facilitate declarations, clearance, and tax calculation; and support the flow of imports and exports, said Huong.

Countries are increasingly checking the origin of products and goods thanks to barcodes.

In the context of increasing trade tensions between countries, origin fraud has greatly affected the production of genuine businesses, the reputation of products and the business environment of each country.

To make sure there is no room for fraud of origin, some countries have implemented measures to crack down on fake goods and origin fraud to ensure the prestige of products of its nation.

The use of barcodes of foreign partners in Vietnam contributes to helping Vietnamese goods be exported more smoothly.

In addition, there are also some cases where businesses intentionally use foreign barcodes without authorisation, making Vietnamese export goods face difficulties in international markets.

Therefore, it was necessary to strongly implement solutions to support Vietnamese exporters to raise their responsibility in the use of barcodes before Vietnamese and international laws, as well as ensuring the image and reputation of Vietnamese products and goods.

In the context of businesses affected by the COVID-19 pandemic, implementing the direction of the Prime Minister at a meeting with businesses last year, the Ministry of Science and Technology has actively implemented a series of solutions to support businesses such as reducing the time for administrative procedures to certify the use of foreign codes within one working day.

The ministry will also consider and accelerate the handling of administrative procedures on level 4 online public services and research to integrate with the national one-stop shop portal to meet the Government's requirements on the implementation of e-government.

In addition, the Ministry of Science and Technology has proposed the Ministry of Finance to reduce 50 percent of the fee for granting and certifying the use of foreign codes.

The Ministry of Finance has also issued Circular 45/2020/TT-BTC dated May 26, which takes effect from May 26 to December 31 this year.

Registration fee to use foreign barcodes will be 50 percent of the fee rate regulated in Circular 232/2016/TT-BTC dated on November 11, 2016 of the Ministry of Finance.

In addition, the Ministry of Science and Technology has also worked with relevant ministries and branches on sustainable development and national competitiveness enhancement.

Corporate News

8. MSN: Masan to buy out Vinacafe

↓ -3.59%

Masan Beverage Company Limited (MB) announced at the weekend that it offered to buy 401,000 shares for around VND90 billion ($3.86 million) by order matching or via agreement between June 17 and July 16.

MB, a subsidiary of consumer goods producer Masan Consumer Corporation, has been buying stakes in Vinacafe Bien Hoa JSC since 2011. The latest transaction was made in February 2018 when it bought nearly eight million shares for VND1.6 trillion (around $68.67 million) to increase its holding to 98.49 percent.

Ticker VCF of Vinacafe Bien Hoa JSC trades at VND216,000 ($9.3) on the stock market.

The company targets net revenues and net profits this year of VND3.3 trillion ($141.59 million) and VND780 billion ($33.47 million), respectively.

Vinacafe, which was established in 1968, has led the instant coffee market for a long time.

9. HDB: HDBank to pay dividend at a rate of 65 percent

↑ 1.49%

The Ho Chi Minh City Development Joint Stock Commercial Bank (HOSE: HDB) plans to pay a dividend of 65 percent for 2019, 50 percent in stocks and 15 percent in bonus shares.

The lender announced this at its annual general meeting in HCM City on June 13.

The charter capital of HDBank, as it is known, will increase from the current 9.8 trillion VND to nearly 16 trillion VND after the dividend payment.

The bank aims to increase its charter capital to meet the State Bank of Vietnam's requirements to improve its financial capacity to develop its client network, expand market share and business scale, diversify banking services, and improve risk management capability.

The bank also aims to supplement its medium- and long-term capital, enhance its infrastructure, and build a headquarter with a modern information technology system.

This year HDBank expects its total assets to increase by 33 percent to 305 trillion VND, deposits to 275 trillion VND, up 35 percent, and loans outstanding to 178 trillion VND. It targets an increase of 13 percent in pre-tax profit.

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