



VIETNAM DAILY NEWS

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Market Analysis

1. Markets soar as bargain hunters snap up bank stocks

Vietnamese market surged on Monday as investors sought bargains in beaten down banking stocks. The VN-Index at the Ho Chi Minh Stock Exchange rose 1.64 per cent to close at 878.67 points.

More than 476.5 million shares were traded on the southern exchange for VND7.4 trillion (US\$318 million).

Market breadth was positive with gainers outnumbering losers by 286 to 99.

The benchmark index has gained nearly 31 per cent in the two months since March 24 to May 21, making the Vietnamese stock market one of the best performers globally in April and May.

Large caps performed well on Monday, with the VN30-Index rising 1.89 per cent to close at 821.47 points, as 29 of the 30 largest stocks by market value and liquidity closed in the green.

Twenty three out of 25 sectors posted gains, including retail, insurance, securities, information and technology, food and beverage, rubber, seafood, banking, real estate, agriculture, logistics, construction, and construction materials.

The banking index, which fell last week, gained 2.87 per cent as bank stocks attracted strong interest from investors.

Notable gainers were BIDV (3.4 per cent), Vietinbank (4.4 per cent), Military Bank (3.8 per cent), VPBank (5.1 per cent), Techcombank (2 per cent) and Tien Phong Bank (3.1 per cent).

Last week, most of them had been down with losses of 1.7-3.3 per cent.

Some of the biggest winners among large caps were Vinhomes (3.3 per cent), Vinamilk (1 per cent), Mobile World Group (1.65 per cent), and PetroVietnam Gas JSC (1.2 per cent).

“The VN-Index is expected to run into resistance at 880-888 points in the next few sessions,” Bao Viet Securities Company said.

There would be both corrections and sharp gains as the upward trend continues, it said.

“The market will see wild divergence among sectors in early June. Small- and medium-cap stocks might probably attract cash flows in this context.

“Large-cap stocks are not expected to fluctuate much amid an ETF review session in the first half of June. However, bank stocks may see positive movements and support the market.”

The HNX-Index on the Ha Noi Stock Exchange closed 3.94 per cent up at 114.14 points.

Nearly 86.5 million shares were traded on the northern exchange for VND937.6 billion.

Asia Commercial Bank hit the 10 per cent ceiling amid news of its imminent shift to HOSE.

Macro & Policies

2. January-May foreign investment inflows reach \$13.9 billion, promising strong rebound

According to statistics published by the Foreign Investment Agency (FIA) under the Ministry of Planning and Investment, foreign investors poured \$13.89 billion in total into Vietnam during January-May, signifying a decrease of 17 per cent on-year due to the impact of the COVID-19 pandemic.

The period saw 1,212 newly-registered projects with a total registered capital of \$7.44 billion, down 11.1 per cent in the number of projects but up 15.2 per cent in capital value.

Meanwhile, 436 existing projects were allowed to raise investment by more than \$3.45 billion, up 31.4 per cent on-year.

According to the agency, foreign-invested capital disbursement reached \$6.7 billion in the five months, equivalent to 91.8 per cent of last year's corresponding period.

Foreign investors pledged to pour capital into 18 sectors, in which manufacturing and processing took the lead with nearly \$6.87 billion, accounting for 73.6 per cent of the total capital. It was followed by power production and distribution (\$3.92 billion); real estate (\$800 million); and wholesale and retail (\$776 million).

Among the 54 localities receiving foreign investment in the period, the southern province of Bac Lieu ranked at the top with \$4 billion. The

southern province of Ba Ria-Vung Tau came second with \$1.93 billion and Ho Chi Minh City placed third with \$1.6 billion.

Singapore is still the largest foreign investor of Vietnam with the total capital of \$5.3 billion, followed by Thailand with \$1.46 billion, China with \$1.27 billion, and Japan with \$1.26 billion.

At a recent meeting hosted by the prime minister, the representatives of the Ministry of Planning and Investment (MPI) and localities shared that after studying investment opportunities in the country, foreign investors found Vietnam a safe and promising investment destination and a likely candidate for their diversification of supply sources.

The PM also agreed to establish a special working group headed by the Minister of Planning and Investment to catch this wave of new investment.

The special working group was established to build competitive investment attraction policies to tap into the wave of investment going into this global strategic relocation. The policies to be created include incentives on tariffs, access to land, as well as solutions to prevent further disruptions to the supply chain and a lack of human resources. In addition, as a key priority for investors is stability and legal consistency, the special working group will complete the relevant legal framework.

3. HCMC kicks off discount program for goods, services

Alongside the program, the municipal department will organize a consumption promotion fair in Thu Duc District from July 2 to 5, which is expected to ramp up domestic consumption and help enterprises recover trade and production activities after the coronavirus pandemic is effectively controlled.

The department is also planning to organize a conference on the connection between the seller and the buyer in September.

Multiple supermarkets, commercial centers and some major electronics retailers such as Nguyen Kim and Thien Hoa have committed to participating in the program, stated the city's department.

Le Thi Thanh Lam, deputy general director of Saigon Food, told Thanh Nien newspaper that the firm will offer discounts to customers on various goods. Frozen products will be discounted by up to

50%, while the firm will offer higher discounts on clothes, footwear and handbags, she noted.

A director of a fashion store chain stressed that although promotions can go up to 100%, very few firms would offer this rate. Most of them will offer discounts of up to 70% on some products, the director added.

He also said that with the cap on promotions lifted, enterprises will have the opportunity to promote sales, which had dropped due to the coronavirus pandemic.

Stating that the demand for goods at many member firms of the HCMC Rubber and Plastics Association is declining, Nguyen Quoc Anh, chairman of the association, said that offering discounts and promotions might be a solution to stimulate consumption.

However, as the profit margins on the production activities of this industry are not high, many products including plastic washtubs, baskets and rubber tires will only be discounted by up to 20%.

Anh hoped that more such programs and policies to support the poor and struggling firms would be launched.

4. Domestic routes resuming, international flights pending

As Covid-19 has been temporarily contained in Vietnam, the Ministry of Transport has allowed air carriers to resume their domestic services. Contrary to the gloomy picture during social distancing, airports in the country are bustling again.

As per the statistics of the Airport Corporation of Vietnam (ACV)—when Covid-19 did not break out, in early January 2020—the number of domestic flights were about 1,500. In April, when social distancing measures were imposed nationwide, only 51 domestic flights took off and landed everyday. On April 5, there were only 34 flights.

However, since social distancing was revoked on May 7, the number of flights has been going up. Currently, some 644 flights take off and land everyday, with the peak falling on May 10 when the total was 765. The tally of domestic flights taking off and landing in May is projected by ACV to be equal to 60% of the time before the epidemic.

Apparently, the domestic aviation market seems to be recovering rapidly. It is partly because of reduced airfares. Ticket prices for May and June have been brought down in an attempt to attract air travelers. The two private carriers Vietjet Air and Bambo Airways have launched a multitude of low-cost ticket sale programs. For example, Vietjet, after finishing their program for selling one-way tickets at VND18,000 each (excluding taxes and fees), has proceeded with another in which tickets are sold at VND0 (also excluding taxes and fees).

Bambo Airways, similarly, are offering one-way tickets at the price of VND45,000 (excluding taxes and fees). In addition to the sale of cheap tickets, this airline also sells air tickets and hotel rooms as a package, and runs a program via which air tickets may be paid in installment with zero interest.

Having rarely implemented ticket promotion, Vietnam Airlines is now also in the “race” for airfare discounts and charge reduction of accompanying services to lure passengers. Recently, the national flag carrier has offered one-way tickets at VND99,000 (or VND579,000 including taxes and fees). Since May 18, tickets at prices starting from VND49,000 (VND525,000 including taxes and fees) have been available for Vietnam Airlines-Jetstar Pacific code-share flights.

To earn some revenue in the tough times when international flights have not resumed yet, from May 16 to 27, Vietnam Airlines operated five new domestic services including Hai Phong-Nha Trang, Vinh-Da Lat, Vinh-Buon Ma Thuot, Thanh Hoa-Buon Ma Thuot, and HCMC-Tuy Hoa. The number of air passengers has been growing fast because of airfare cuts and local hotels' policies on discounted room rates. Air carriers hope lower ticket prices will stimulate travel demand, and they will thus be able to earn some to partly offset the loss of their revenue.

During the Reunification Day (April 30) and International Labor Day (May 1) holidays, 230,000 passengers were carried on airplanes (an average

of 39,000 passengers per day, equal to 38% of the average daily rate of 2019).

On the recovery of the domestic aviation market, Dinh Viet Thang, general director of Civil Aviation Administration of Vietnam (CAAV), said the number of airline passengers during the summer travel season this year would be only 60% of the figure in 2019. Students will still go to school around this time, said Thang, while the number of tourists is falling due to fears of the epidemic. “Although the domestic market is showing signs of recovery, it is not until 2021 will it be fully recovered,” he predicted.

From the perspective of air carriers, Le Hong Ha, deputy general director of Vietnam Airlines, said the prospect of a sluggish summer travel season this year would thwart domestic airlines' efforts to immediately recover. Therefore, Vietnam Airlines is joining hands with players in the travel industry—including tour operators, hotels and resorts—to draw up ticket demand stimulus sale programs, offering preferential fares for domestic flights or packages of tickets for multiple services. Therefore, the number of air travelers is expected to rise again.

No schedule for international flights yet

While air carriers are restarting their domestic services, international flights are still inactive as the situation of Covid-19 in other parts of the world remains complicated. Currently, only a few flights are licensed to carry Vietnamese citizens back to the country, as airlines are not yet permitted to operate international flights commercially.

Dinh Viet Thang said the international aviation market was unpredictable at the moment and that the resumption of international flights would heavily depend on the developments of Covid-19 in the key markets for tourism. It is probably not until the end of 2021 will the international aviation market be as good as it once was in 2019, he predicted.

Meanwhile, Le Hong Ha of Vietnam Airlines forecast that international markets such as China, South Korea and Japan, where the epidemic is now well controlled, may recover faster than others. The flag carrier has considered several scenarios, gathered resources and drawn up programs for customer care in these countries once Covid-19 is kept in check given the fact that these are its major markets.

Since it is unknown when international flights will resume, Vietnam Airlines has to shift their focus to cargo transport. It is estimated that Vietnam Airlines will add more than 360 flights for international and domestic freight this May. Revenue from increased cargo transport is forecast to reach VND800 billion, a fairly modest sum which is however very important at present.

As the passenger transport market has not fully recovered, Dinh Viet Thang recommended airlines should step up the operation of cargo flights and domestic services for passengers. CAAV said it will offer carriers the greatest support possible to restore their domestic market share through the issuance of flight permits and policies on tax reduction already approved by the Government.

5. Government to boost firms, private investment to accelerate post-pandemic growth

The COVID-19 pandemic has pushed enterprises into difficulties and the Government's target of having one million firms by the end of this year might be a long shot, according to the Ministry of Planning and Investment.

The number of new firms set up in the first four months of this year fell by 13.2 per cent against the same period last year while the number of firms

temporarily halting operations rose by 33.6 per cent.

The Agency for Business Registration forecast that even in the best scenario, the number of new firms this year would be around 125,000, 13,000 less than 2019.

A survey conducted by the ministry at the end of April found that about 86 per cent of firms suffered negative impacts of the COVID-19 pandemic.

In this landscape, the Government identified domestic private investment among drivers of economic growth, besides strengthening exports, accelerating public investment, encouraging domestic consumption and attracting foreign direct investment.

Unprecedented fiscal and credit packages were really helpful to enterprises to overcome the difficult time, Vu Tien Loc, Chairman of the Viet Nam Chamber of Commerce and Industry (VCCI) said.

VCCI's survey conducted earlier this month revealed that 55 per cent of firms would maintain their operation scale in the third quarter of this year, 22 per cent planned expansion while only 21 per cent would narrow their business. VCCI said that the trend was better than the findings a month ago.

Besides urgent measures to support firms after the pandemic, the Government was also hastening administrative reforms to create favourable conditions for businesses and attract private investment.

Latest figures showed that some 3,893 out of 6,191 business prerequisites were removed or simplified together with 6,776 out of 9,926 categories of goods subjected to customs checks, which helped save an estimated VND6.3 trillion.

A Prime Minister's working group was also set up to review the existing legal documents to remove overlaps or inconsistencies as well as the regulations which were infeasible or causing difficulties to enterprises.

In the latest effort, the Government issued Resolution No 68/NQ-CP mid-May, setting targets for the 2021-25 period that at least 20 per cent of the number of regulations would be removed or simplified and at least 20 per cent of compliance costs firms incurred to adhere to Government regulations which were in effect as of May 31 would be reduced.

Phan Duc Hieu, Deputy Director of the Central Institute for Economic Management, said that the resolution was a more comprehensive administrative reform programme than implemented previously.

Under this regulation, any regulations which caused difficulties to enterprises must be removed, this was different, Hieu said.

Tran Dinh Thien, former Director of Viet Nam Institute of Economics, said that the resilience of the post-pandemic economy would largely depend on the ability of enterprises to stand up.

Thien, however, noted that the resources should not be wasted on inefficient businesses, instead, should focus on those which brought efficiencies.

6. Garment exports forecast to plummet due to lack of orders

In April alone, exports of Vietnamese garment and textile products saw a month-on-month decline of 20 per cent to \$2.3 billion, the association's statistics revealed.

Truong Van Cam, deputy chairman of Vitas, said these figures were anticipated to fall much further in May and June due to the majority of export orders being cancelled or delayed.

According to the Viet Nam National Textile and Garment Group (Vinatex), the domestic textile and

garment industry could lose up to 50 per cent of orders in May. Meanwhile, the recovery of supply amid falling demand might lead to a 20 per cent reduction in prices worldwide, it said.

The group also predicted that textile and garment exports would rebound in the third and fourth quarters with low-cost products accounting for the lion's share of turnover.

However, the nation's 2020 apparel exports could decrease by 20 per cent over the previous year

because of a drop of between 20-25 per cent was expected in global, said Vinatex's general director Le Tien Truong.

Truong said it was the right time for textile and garment producers to source raw materials from countries that were part of the Viet Nam- European Union Free Trade Agreement (EVFTA) so that their products could meet the EVFTA's "rules of origin" requirements and benefit from the tax reductions.

The firms should also hunt for small-scale orders with higher quality requirements, he said.

For Vinatex, in the second quarter, the group would continue to produce face masks and medical protective clothes to meet the high demand for these products in many foreign markets while

ensuring stable operations to catch up with the customers' demands once the market showed signs of recovery.

Last year, Viet Nam generated \$39 billion from textile and garment exports, up 7.6 per cent year-on-year, according to Vitas.

The US remained the largest consumer of Vietnamese apparel products with \$12.5 billion, up 9 per cent year-on-year and accounting for 39 per cent of total export turnover.

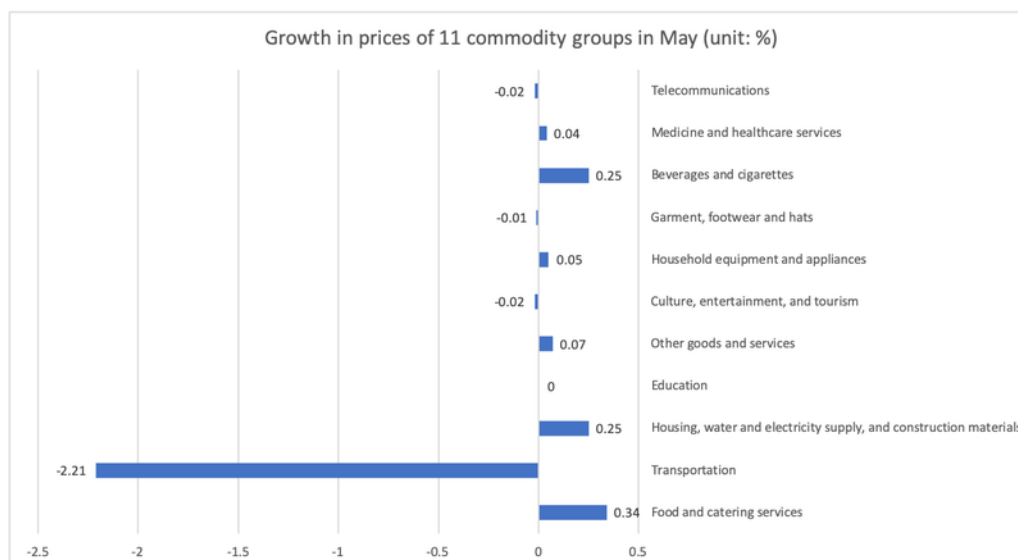
The EU was next with \$4.4 billion, up 2 per cent or equivalent to 11.3 per cent of the total. China and Japan were the runners-up with \$4.25 billion and \$4.2 billion, up 7 per cent and 4.4 per cent, respectively

7. Vietnam's consumer price index declines 0.03% in May

Vietnam's consumer price index (CPI), the main gauge of inflation, in May saw a slight decline of 0.03% against the previous month, according to the General Statistics Office (GSO).

months of 2020, the highest five-month growth rate over the last three years.

Four out of 11 commodity groups, which are components of the basket for CPI calculation,



Data: GSO. Chart: Hai Yen.

The rate declined 1.24% versus the end of 2019, the lowest in the 2016 – 2020 period, but went up 2.4% year-on-year, resulting in an increase of 4.39% year-on-year of the CPI in the first five

witnessed month-on-month declines in prices. Among them, transportation posted the sharpest decrease of 2.21%, mainly due to reductions in fuel prices on April 28 and May 15, shaving 0.21 percentage points off the overall CPI.

Other groups that saw their prices down in May were post and telecommunications (-0.02%); culture, entertainment, and tourism (-0.02%); and garment, footwear and hats (-0.01%).

Meanwhile, the seven groups that saw their prices up in May were food and catering services (0.34%); beverages and cigarettes (0.25%); housing, water and electricity supply, and construction materials (0.25%); household equipment and appliances

(0.05%); medicine and healthcare services (0.04%); other goods and services (0.07%); only education remained flat.

According to the GSO, core inflation in May went down 0.03% month-on-month, resulting in an increase of 2.54% year-on-year and a rise of 2.88% in the first five months compared to the same period of 2019.

Corporate News

8. HID: Approving the business plan in 2020

↑ 6.87%

Halcom VietNam Joint Stock Company announces the business plan in 2020 dated May 28, 2020 with the following details:

The business plan in 2020 will be submitted to the 2020 Annual General Meeting of Shareholders to approve.

Unit: VND billion

No.	Content	2020	2019 (unaudited)	% ratio
1	Total revenue	303.8	361.24	-16%
2	Total expenses	273.1	348.34	-21.7%
3	Profit before tax	30.7	12.9	+137.98%
4	Corporate income tax	5.9	2.98	+97.98%
5	Profit after tax	24.9	9.89	+151.8%

9. CTS: CTS to borrow an additional loan

↑ 5.71%

The CEO of Vietnam Bank for Industry and Trade Securities Joint Stock Company (CTS) decided to withdraw loan capital according to the loan agreement with Vietcombank, as follows:

- Capital amount: VND180,039,452,055

- Loan term: 29 days
- Purpose: to supplement the working capital/ investment.

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