VIETNAM DAILY NEWS

June 22nd, 2020

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Market Analysis

1. Shares set to gain on corporate earning hopes

The Vietnamese market is forecast to enter a new rising phase with investors waiting for positive second-quarter earnings reports, said brokerages.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 1.55 per cent to end Friday at 868.56 points.

The southern market index gained 0.58 per cent last week.

An average of 439 million shares were traded on the southern market during each session last week, worth VND8.6 trillion (US$370 million).

According to analysts from MBS Securities JSC, short-term correcting pressures have passed and caused no significant disturbance.

"With the pessimism gone, the market is set to enter a new rising phase and stocks with positive Q2 business results will attract cash flow," MBS said.

BIDV Securities Co (BSC) said in its daily report that the ETF restructuring process had been completed amid rising liquidity and good market breadth, indicating a positive trading trend next week.

Viet Dragon Securities (VDSC) said after an accumulation period with low liquidity, the VN-Index had rebounded significantly in Friday's trading session.

VDSC recommended that investors consider disbursing as the market corrects slightly next week to increase profits in their portfolios.

Agribank Securities JSC kept a prudent view that the market would fluctuate in the range of 830 - 870 points, continuing the sideways trend, moving in a stable range and will not form a specific trend for a long time.

The market recovered slightly last week amid mounting fears that the second wave of the COVID-19 pandemic was approaching some countries. However, stimulus measures from the US Federal Reserve have helped soothe global market sentiment, said Sai Gon-Ha Noi Securities Co.

"The market is forecast to fluctuate with a wide divergence among sectors next week, between 840-845 and 883-888 points," said Bao Viet Securities Co.

"The index may possibly face correction pressure during early sessions of this week before recovering toward resistance 883-888 points. However, please note that the market could enter a strong decline if breaking down 840-845 points," the company said.

Foreign investors net bought nearly VND14.7 trillion on the stock market, much higher than VND422 billion in the previous week.

Stocks of the 'Vin' family were the main driving force for the rebound last week with Vingroup (VIC) up 6.1 per cent, Vincom Retail (VRE) rising 7.4 per cent and Vinhomes (VHM) gaining 2.5 per cent.

Steel stocks also performed well with Hoa Phat Group (HPG) increasing 3.2 per cent and Hoa Sen Group (HSG) gaining 8.2 per cent.

On the downside, pillar stocks in the food and beverage group dropped the most, with Vinamilk (VNM) losing 2.5 per cent, Masan Group (MSN) declining 2.6 per cent and Sabeco (SAB) dropping 3.3 per cent.

Aviation stocks also fell with budget carrier Vietjet (VJC) decreasing by 3 per cent and national flag carrier Vietnam Airlines (HVN) losing 1.6 per cent.

Stocks of the oil and gas industry had mixed results with the Viet Nam National Petroleum Group (PLX) increasing by 1.9 per cent, PetroVietnam Technical Services Corporation (PVS) up 1.1 per cent, PetroVietnam GAS JSC (GAS) losing 2.7 per cent, PetroVietnam Construction Corporation (PVC) declining 6.2 per cent and PVPower (POW) decreasing by 0.8 per cent.

Macro & Policies

2. Fresh wave of German funds pending arrival

Since 2011, Germany and Vietnam are nurturing their strategic partnership involving co-operation projects at all levels and in numerous policy fields, especially in business relations. With a trading volume of almost €14 billion ($15.3 billion) in 2019, Germany is Vietnam's most important trading partner in the EU.

Over 380 German companies are represented in Vietnam, and their total investment amounts to more than $2.3 billion, creating around 40,000 quality jobs in Vietnam. Most of the German-invested projects are located in the business hub in southern Vietnam, including Ho Chi Minh City and Dong Nai and Binh Duong provinces.

Both countries have excellent economic relations and Germany enjoys an outstanding reputation in Vietnam, which is unique in this form in the ASEAN region. There are also many historical connections. With around 120,000 members, the Vietnamese community in Germany is relatively large.

We are all aware that this year is particularly challenging the global economy, as the pandemic continued to wreak havoc across the world. Our AHK World Business Outlook survey showed that German companies in Vietnam are understandably concerned about the effects of coronavirus on their business here but still remain optimistic and have high expectations.

A stunning 82 per cent reported adjusting revenue targets downward due to the coronavirus but 59 per cent expect that their company's operations and financial position will be stable at the end of the year.

In the mid-term, 20 per cent think that Vietnam's economy could even be better despite this epidemic. Nearly three quarters of German companies in Vietnam intend to keep investing in the country, and 27 per cent assume an increase in employment.

As a result of the Vietnamese government's commitment to creating the most favourable conditions for foreign investors and businesses and reaping the benefits of the EVFTA, economic growth will be boosted and more investors will be attracted to Vietnam.

Moreover, apart from Singapore, Vietnam is the only country in the ASEAN that is in all relevant free trade initiatives in the region on top of which it boasts the lowest market entry barriers for foreign firms.

Once the EVFTA comes into force, European and German companies can enjoy sound protection of investments with trade facilitation and increased investments in Vietnam. The elimination of bilateral tariffs and export taxes, together with the reduction of non-tariff barriers affecting the cross-border exchanges of goods and services, are expected to boost bilateral trade considerably and create new opportunities to access markets across a range of sectors.

This is particularly true in the automotive, green energy, electronics, IT, food processing, and healthcare industry.

For the long-term, we hope that German and European investors will increase investments in Vietnam based on the improved conditions here. We strongly believe that there will be many funds flowing into high-value projects.

German investors would bring their renown technology in management and training to this country, allowing for more value-added production and less waste of material and resources.

In addition, we see an increased interest and demand of German investors that look for suitable locations in Vietnam, following the China+1 strategy. This trend had started before the trade war as German investors in China were looking to diversify their operations by adding other locations in Asia.

Their concrete reasons for these diversifications are the reliability of Vietnamese partners as well as the rising wage costs in China. And when it comes to alternatives in the ASEAN region, German investors choose Vietnam first.

** Marko Walde - Chief representative Delegation of German Industry and Commerce in Vietnam*

3. Tax relief stimulus approach forecast to widen VN's fiscal deficit

"This is mainly due to the Government's COVID-19 fiscal stimulus having a strong focus on tax relief. Our deficit forecast is wider than the Ministry of Finance's 5.0-5.1 per cent deficit estimate, which already reflects the authorities' view for a wider deficit versus their initial 3.4 per cent target set for 2020 back in December 2019," according to Fitch's recent report.

Fitch explained the key difference between its assumptions versus the Government's is that it forecast real GDP growth of 2.8 per cent in 2020, sharply below the Government's 5.3 per cent, and this informs its downbeat fiscal revenue collection outlook.

According to data by the General Statistics Office, the State recorded a budget deficit of VND7.8 trillion (US$334.4 million) in the first five months of 2020, a sharp contrast against a VND77.9 trillion surplus over the same period of 2019.

As of May 15, total revenue collection was reported at VND529.6 trillion, 35 per cent of the year's estimate, led by strong personal income tax revenues of VND52.4 trillion, 40.7 per cent of the target, and land use fees of VND48.5 trillion, 50.6 per cent of the target.

State expenditure over the same period was estimated at VND537.4 trillion, 30.8 per cent of the annual estimate, of which current expenditure was VND385 trillion, capital expenditure was VND103.8 trillion, and interest payments were VND45.6 trillion, accounting for 36.4, 22.1 and 38.6 per cent of their respective annual targets.

While 2020 spending patterns appear broadly in line with 2019 in spite of the COVID-19 crisis, the higher level of spending against the annual plan versus 2019 still suggests potential frontloading of Government spending to aid the economy out of the crisis, especially in the capital expenditure component.

"In light of the Government's direction of implementing its fiscal stimulus, which is mainly focused on tax relief, we have revised down our forecast for expenditure growth to 8.3 per cent, from 9.0 per cent previously. We continue to believe that the Government will ramp up spending through a public infrastructure drive over the coming months to support Viet Nam's economic recovery process," Fitch said.

According to Fitch, this will also enhance the country's logistics infrastructure to handle more foreign direct investment amid the ongoing trend of supply chain diversification out of China, which Viet Nam continues to be a strong beneficiary of.

To date, Fitch estimated the COVID-19 relief fiscal stimulus to be about 3.6 per cent of GDP, comprising a VND180 trillion package in the form of delayed payments for value-added tax, corporate tax, and income tax, and a VND62 trillion social security package for vulnerable individuals and businesses impacted by the pandemic's economic shock. A wider deficit due to the above stimulus measures will imply additional borrowing.

"As such, we believe that this will see Viet Nam's public debt-to-GDP ratio nudge slightly higher over the near term, from the Government's estimate of 56.1 per cent in 2019, although we highlight that we expect public debt to remain well below the Government's statutory limit (debt ceiling) of 65 per cent of GDP," Fitch said.

4. Viet Nam urges India to lift trade restrictions on Vietnamese export goods

Do Quoc Hung, deputy director of the ministry's Asia-Africa Market Department said that India currently applied trade remedies to Vietnamese products such as galvanised steel, copper tubes, stainless steel, digital print frames and plywood. It also had restriction measures such as floor prices for Vietnamese pepper and cashews and import licences for Vietnamese incense products.

This conference was organised by the Viet Nam Trade Office and Vietnamese Embassy in India in collaboration with the Federation of Chambers of

Commerce and Industry of India (FICCI), Viet Nam's Ministry of Planning and Investment and the HCM City Trade and Investment Promotion Centre, reported the Vietnam News Agency correspondent in New Delhi.

This event was a good opportunity for Vietnamese and Indian businesses to grasp trade and investment policies, trends and needs of each country as well as seek investment and business partners.

In addition, participants at this conference discussed measures to promote further investment and trade activities between Viet Nam and India in the future, especially the post-COVID-19 pandemic era.

Speaking at the conference, Hung affirmed that MoIT had been working closely with the Indian Embassy in Viet Nam, the Vietnamese Embassy in India and the authorities of the two countries to support businesses of the two countries in solving difficulties in investment and business, especially during and after the COVID-19 pandemic.

Viet Nam had committed to reducing trade barriers for goods to avoid negative impacts on trade activities in all sectors, he said.

Viet Nam has participated in 16 free trade agreements in the region and the world, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Viet Nam Free Trade Agreement (EVFTA).

These agreements bring investment and business opportunities for Vietnamese businesses to expand their markets, but also for Indian businesses to strengthen cooperation with Vietnamese partners entering local and regional markets.

Le Thi Hai Van, deputy director of the Foreign Investment Department, Ministry of Planning and Investment, said at the conference that in the future, to promote investment and development cooperation, the two countries would need promotion activities to introduce their investment environment to regional businesses.

They should also hold trade promotion activities for businesses of the two countries to enhance bilateral business cooperation.

As of May 2020, India has 275 investment projects with a total capital of nearly US$900 million. However, according to Van, this figure is still lower than the potential of the two countries.

5. Vietnam discusses reopening air routes with China, South Korea, Japan

"At first, we will create favorable conditions for experts and managers from these countries to return to Vietnam for work and for Vietnamese interns and workers to travel to these countries," Hang noted.

According to the national committee for Covid-19 infection prevention and control, the Government should continue to tighten control over travel and migration to prevent infection within the community and safeguard the country's achievements in fighting the pandemic.

The committee stressed that Vietnam should only allow foreign experts, investors, diplomats and high-level officials to stay in the country for a short period of time so they can finish their work, such as negotiating and signing contracts.

The committee assigned Deputy Minister of Foreign Affairs To Anh Dung to lead a team in charge of collaborating with relevant agencies to ensure epidemiological safety and sufficient Covid-19 testing facilities for foreign experts, investors and diplomats coming to Vietnam.

Until now, Vietnam has repatriated over 8,000 citizens from Covid-19-hit countries.

The committee also proposed that the Government consider reopening commercial flights with countries and territories that have controlled the Covid-19 pandemic, improve its quick Covid-19 testing capacity and assign military-run telecoms carrier Viettel and Vietnam Posts and Telecommunications Group with managing a group responsible for identifying new Covid-19 cases and ensuring timely preventive measures.

6. Development strategy for building material sector to be devised

A development strategy is being drawn up for the building material industry for 2021-2030, with a vision to 2050, as the management and development of the sector are still facing a number of shortcomings.

According to a report at a working session in Hanoi on June 18, the building material industry has continually been invested and developed over the past years. The design capacity and production output of some products have risen twice or thrice compared to 10 – 15 years ago. Thanks to product diversity and quality meeting developed countries' standards, the sector has met the growing domestic demand and had its products exported.

In particular, Vietnam is currently the fifth biggest cement manufacturer in the world, after China, India, the US, and Russia. Its cement output has doubled within 10 years, from 45.5 million tonnes in 2009 to about 100 million tonnes, turning the country from a cement and clinker importer to the world's largest exporter of these commodities, with over 30 million tonnes shipped aboard in 2018 – doubling the figure of Thailand that stood second.

However, there remain a number of shortcomings in the management and development of building materials, participants heard.

Vice Chairman of the Vietnam Concrete Association Tran Ba Viet said the country ranks fifth in terms of cement production, but the cement export value is still low while this is an energy- and natural resource-intensive sector.

He suggested considering the export of precast concrete blocks which have much higher value while minimizing the shipment of clinker and cement.

Echoing the view, Chairman of the Vietnam Association for Building Materials Tong Van Nga said the country is exporting many cheap building materials. Meanwhile, it has yet to optimise by-products and waste of other industries, such as coal residues of cement and chemical production and thermal power plants, to produce building materials.

At the meeting, Deputy Prime Minister Trinh Dinh Dung said the building material sector has obtained major achievements but is still facing difficulties and challenges, including low content of creativity and added value in products, lack of new products able to compete with regional and global rivals, and insufficient attention to research and development.

He noted the most important task for the industry in the time ahead is meeting domestic demand so as to contribute to the construction sector and socio-economic development.

As global demand for building materials will also increase, the development of this sector will also help boost export, he added.

To that end, a development strategy for 2021-2030, with a vision to 2050, is necessary, the Deputy PM said, requesting that it must associate the sector's development with modern technology application, natural resources and energy saving, waste recycle, low carbon emissions, climate change adaptation, and environmental protection.

7. Ba Ria – Vung Tau to develop modern seaports, logistics services

A workshop was held in the southern province of Ba Ria – Vung Tau on June 18 to seek ways to develop seaports and logistics services, which are important components of the local economy.

Secretary of the provincial Party Committee Nguyen Hong Linh said from now to 2025, Ba Ria – Vung Tau is going to focus resources on developing modern seaports and related logistics services.

It will reserve 20 trillion VND (859.6 million USD) for investing in transport infrastructure linking seaports and regions, along with 2,000ha of land for developing the logistics system and a modern goods certification centre during the period.

The province will also select capable investors to develop seaport logistics services, set up a management board of the Cai Mep – Thi Vai port complex to create the best possible conditions for businesses and shipping firms when using the port system, and develop this complex into an export and import gateway of the southern key economic region, Linh noted.

Chairman of the provincial People's Committee Nguyen Van Tho said seaport and logistics services are defined as important components of the local economy, adding that Ba Ria – Vung Tau has worked with relevant ministries and sectors to carry out numerous solutions to boost investment in the services and reaped practical outcomes.

He cited statistics as showing that the volume of cargo transported by sea and handled in the province has increased by 10 percent between 2016 and 2020. In particular, container freight delivered by vessels has grown by over 20 percent annually.

At the workshop, Deputy Minister of Transport Nguyen Van Cong said the ministry is considering the allocation of medium-term capital to dredging the Cai Mep – Thi Vai marine passage.

He asked Ba Ria – Vung Tau to accelerate the progress of Ben Luc – Long Thanh Expressway project, as well as the construction of roads connecting the Cai Mep – Thi Vai port complex with Phuoc An bridge, Ben Luc – Long Thanh Expressway and Bien Hoa city in nearby Dong Nai province to boost demand for goods transportation via the complex.

Cong also suggested the province attract more big investors to create more export sources and build logistics zones before putting ports into operation.

The Cai Mep – Thi Vai port complex was the one posting the world's fastest growth in 2017 and also among the 21 ports around the world able to handle vessels of up to 200,000 tonnes.

Of the 69 port projects planned in Ba Ria – Vung Tau, 48 have become operational, and they are able to deal with 141.5 million tonnes of cargo each year. Meanwhile, 2,312ha of land has been zoned off for developing logistics facilities, with 20 projects covering 224ha already put into use.

Corporate News

8. SAB: Sabeco signs up KPMG for digital transformation

↑ 0.00%

Bennett Neo, its general director, said: "Sabeco 4.0 is a strategic initiative to transform our business using digital technologies. It is about transforming business processes and organisation structures, harnessing data, improving information flow to make better decisions and governance structures, and automating the business with digital technologies where possible."

The initiative also dovetails with the Vietnamese Government's national digital transformation strategy to prepare the country for industry 4.0 and ensure it is able to leverage the opportunities it offers.

Initially, the project will focus on transforming the company's sales and distribution model by developing comprehensive management solutions to help achieve business targets, standardising sales processes in line with domestic and international standards, applying a synchronised, centralised, and standardised sales solutions system, strengthening its ability to monitor and control operations based on data, and building an experienced workforce capable of operating the new systems.

Warrick Cleine, KPMG chairman and CEO, said: "Companies have a choice at important points in their history to either retreat or advance.

"By committing to the transformation journey at this time, Sabeco's leadership is showing that the company is determined to advance."

9. TCB: Techcombank to issue 4.7mn shares to employees

↑ 1.49%

Vietnam Technological and Commercial Joint Stock Bank (Techcombank) plans to issue 4.7 million shares to current employees under its employee stock ownership plan (ESOP), at a price of 10,000 VND (0.43 USD) per share.

The bonus shares account for 0.14 percent of the bank's total at present.

Expected to take place in the third or fourth quarter of this year, the issuance will raise the bank's charter capital by nearly 48 billion VND (2.07 million USD) to close to 35.05 trillion VND (1.51 billion USD).

The move aims to help Techcombank attract, motivate, and retain talented employees in the long term.

It will be reviewed at its annual general meeting, scheduled for June 20 in Hanoi.

The bank targets credit growth of 13 percent or higher year-on-year in 2020 and asset growth of 12 percent. The non-performing loan ratio is to remain under 3 percent.

It also plans to increase revenue by 1 percent to 13 trillion VND.

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