



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Local stocks decline as real estate outweighs securities

Local shares fell on Tuesday as 'Vin' companies declined and outweighed the strong gains of brokerage firms.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange fell 0.35 per cent to end at 868.20 points.

The VN-Index stepped down from a three-day increase of a total 1.97 per cent between June 18 and June 22.

After struggling to stay positive in the morning session, the market suffered from stronger profit-taking and dipped as much as 0.83 per cent in the afternoon.

'Vin' companies hurt the market on Tuesday, pulling the real estate sector index down 2.3 per cent, according to vietstock.vn.

Shares of Vingroup (VIC), Vinhomes (VHM) and Vincom Retail (VRE) – three of the 10 largest stocks by market capitalisation – lost between 0.8 per cent and 2.8 per cent.

The three stocks also helped drag the blue-chip tracker VN30-Index down 0.29 per cent to 807.61 points. Meanwhile, mid-cap and small-cap trackers rose 0.26 per cent and 0.18 per cent, respectively.

Other sectors that also saw shares decline included banking, health care and pharmaceuticals, retail, seafood, construction materials and rubber.

On the positive side, securities stocks rose to cushion the market with the sector index soaring 5.7 per cent, according to vietstock.vn.

The best gainers among brokerage firms were SSI Securities (SSI), HCM City Securities (HCM),

VietCapital Securities (VCI), VNDirect Securities (VND) and MB Securities (MBS).

Technology, consumer staples, construction and mining and energy were among other sectors that progressed on Tuesday.

On the Ha Noi Stock Exchange, the minor HNX-Index slid 0.08 per cent to finish at 114.63 points after having gained as much as 0.86 per cent during the day.

The HNX-Index fell 0.55 per cent on Monday.

Nearly 526 million shares were traded on local markets, worth nearly VND7.5 trillion (US\$323 million).

Foreign investors net-sold a total of VND140.4 billion worth of local shares on Tuesday – fivefold the figure recorded on Monday.

Tuesday's slight decline with the mixed performance of the large-cap sector showed local stocks were consolidating at the current zone, Sai Gon-Ha Noi Securities (SHS) said in its daily report.

The July expiring VN30 futures was 11.61 points below the VN30-Index's end and that indicated investors were still pessimistic about the market's short-term growth, the company said.

Tuesday's decline was expected to have little impact on the VN-Index climbing back to its last peak of 900 points, MB Securities Co (MBS) said.

Expected better performance of European stocks in overnight trading would help bolster market sentiment on Wednesday, the company said.

## Macro & Policies

### 2. Domestic retailers enhance internal power to deal with competition from FTAs

#### Adapting to the new context

As assessed by experts, when the EVFTA is implemented, together with the opportunities, commitments to open the service, investment and distribution markets are also among the reasons driving large businesses of EU member states to accelerate investment in the distribution and retail industry in Viet Nam.

Economic needs test (ENT) was previously considered an extremely useful tool and a technical barrier for Viet Nam to restrict the foreign retail network expansion and protect domestic retailers.

However, with the country having participated in new-generation FTAs with ENT removal commitments, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EVFTA, this instrument no longer exists.

#### Enhancing inner strength through M&A and digitization

In fact, not just distribution companies have so far focused on strengthening their internal power to overcome challenges from integration, but many large enterprises, such as Saigon Co.op, Masan and Satra, also proactively made the move before that.

For example, Saigon Co.op, a large domestic retailer, has gradually expanded its outlets and now owns more than 800 points of sale across the country.

Especially, to adapt to new trends, the company has integrated consumer data in both offline and online sales, while cooperating with partners to bring digitalization into retails.

Like Saigon Co.op, Masan has set its foothold in the retail sector by establishing an integrated consumer ecosystem platform through the completed merger of Masan Consumer Holding and VinCommerce (the owner of VinMart/VinMart+ retail chains) to set up a leading consumer & retail corporation in Viet Nam.

Apart from the two aforementioned retailers, the Vietnamese retail market has also recorded the growth of many other domestic retailers such as the Green Department retail system of Mobile World (nearly 500 stores) and the retail system under the Saigon Trading Group (Satra), which feature over 200 Satrafoods convenience stores, Satra Center Malls and Tax supermarkets.

According to experts, in addition to proactively enhancing internal capabilities, retailers should improve their sources of goods by taking advantage of imported products subject to zero tariffs as soon as the new-generation FTAs take effect.

The rebalancing of supply sources will help retailers reduce risks and focus on certain suppliers with high-quality sources to attract consumers.

### 3. Beyond Covid, Vietnam is set for a sustained building boom, predicts Fitch

The Covid-19 pandemic will give the country trouble this year, particularly in its growing tourism sector, but macroeconomic and demographic trends spell longer term good news, the company said in a note to GCR.

Fitch said the US-China trade war in 2019 prompted low-end electronics and textile manufacturers to move operations from China to Vietnam.

It believes the coronavirus pandemic will also lead to further shifting of production lines away from China, with Vietnam likely to benefit.

South Korea's Samsung has begun building an R&D centre in Hanoi, joining electronics companies such as Denmark's Sonion and Japan's Sharp in setting up bases in the country.

Other big companies are planning to set up production lines there, including Microsoft, Nintendo, Ricoh and Dell.

That means that, at 7.2% year-on-year growth, the construction of buildings will outpace annual growth in infrastructure construction, itself a healthy 5.7%, Fitch predicts.

### Getting better for business

While would-be investors can get snarled up in foreign ownership limits and a tangle of laws and decrees covering investments, Fitch notes that the country is improving.

Of 190 economies ranked in the World Bank's ease of doing business index, Vietnam has moved from 99th in 2013 to 70th in 2020.

Piecemeal though they have been, reforms of the country's investment laws over the past decade have had a positive effect on investment inflows, Fitch said.

The firm drew further encouragement from a new, comprehensive law governing public-private partnerships (PPPs), which the government hopes to get through the country's parliament this month.

It would replace multiple laws and decrees affecting PPPs.

### Ahead of its neighbours

Vietnam's ambitious investment in infrastructure will keep sharpening its competitive edge over regional peers like Bangladesh, India, and Cambodia, spurring construction activity in the coming years, says Fitch.

A number of industrial parks established across the country have attracted foreign investors with a mixture of tax incentives, lower operating costs and access to nearby roads and ports.

Major projects like the North-South Expressway linking Hanoi and Ho Chi Minh City, as well as various port improvement schemes, will ease the flow of goods around the country.

Strong economic growth has led to rising income levels, which in turn has resulted in an increase in demand for higher-end residential real estate, especially in dense urban areas such as Hanoi and Ho Chi Minh City.

The influx of foreign developers, mostly involved in developments catering to the high-end segment, has resulted in the relative shortage of affordable housing, a situation exacerbated by strong rural-urban migration trends in the country.

## 4. Europe urges Vietnam to restart flights as FTA takes effect

Europe has joined the growing number of economies urging Vietnam to resume international flights, as the country appears virtually free of the coronavirus and represents a strong investment destination for those seeking diverse supply chains.

Nicolas Audier, chairman of the European Chamber of Commerce in Vietnam, called on Hanoi to authorize and issue visas letting foreigners enter the country when he spoke with the Nikkei Asian Review in Ho Chi Minh City, the southern commercial hub of the communist-led country, on Friday.

Hanoi currently permits foreigners to leave Vietnam and allows the entry of commercial planes to gather

passengers for return to Europe. But standard Europe-to-Vietnam flights are not expected to regain authorization until 2021.

The National Assembly in Hanoi approved a free trade deal with the European Union on June 8, making Vietnam the second Southeast Asian nation to have such a treaty with the European bloc after Singapore. The EU-Vietnam Free Trade Agreement is set to take effect as early as August.

"EU companies will consider Vietnam [as an investment target] now even more than before because of EVFTA," Giorgio Aliberti, EU Ambassador to Vietnam told Nikkei in another interview in

Hanoi, soon after the approval of the free trade agreement.

The agreement comes amid U.S.-China trade tensions. Once it takes effect, 71% of Vietnam's exports to the EU will become duty-free, as will 65% of shipments going the other way. Hanoi will phase out up to 99% of the remaining tariffs over 10 years; Brussels will do likewise but in seven years.

"COVID-19 and other elements will push people to think they should not focus too much on China but to diversify," Aliberti said. "I think it is a challenge to Vietnam but also an opportunity that they have to create a good business environment to facilitate, to attract foreign investment."

Said Audier, "Many companies will be exporting more to the U.S. through another country, and Vietnam is one of best countries [to invest in]."

But all air routes connecting Vietnam and EU states ceased operation April 1 as the coronavirus spread, damaging European economies.

"European enterprises have organized working via videoconference with Vietnamese partners, but many business experts and investors want to come to Vietnam physically for a few days, as they used to do," Audier said. Representatives from major European companies "would stay two days in Vietnam, another day in Malaysia during their business trip, as they also have business in other countries in the region."

The EuroCham official cited the free trade deal and the Europe-Vietnam Investment Protection Agreement, which also won approval June 8. The country serves as the gateway into Southeast Asia for European enterprises, he said.

"EU parliament was smart enough to understand that Vietnam will be a crucial country, the most important country within ASEAN. So not today but in 2030, 2040 Vietnam will be one of the pillars of ASEAN, and ASEAN would be the pillar of Asia," Audier said.

"If you want to leverage business, you need to open the border at some points" to allow a return to business, he said.

Demand from EU-based companies prompted Hanoi and the bloc to begin talks recently toward resuming flights for European cities including Paris, London and Frankfurt, but negotiations remain in an early stage as the continent continues fighting the pandemic.

Vietnam, by contrast, is among the fastest to reemerge from the virus. The country reported no new local infections for 68 straight days through Monday, with no deaths from the outbreak.

But Vietnam did announce seven new cases brought from Kuwait on Thursday, bring the total affected people to 342.

The country has become the most highly sought destination for international flights in Asia as economies recover from the coronavirus. Businesses in the region also are working to diversify supply chains, which have relied heavily on China, as Sino-U.S. tensions pose risks to operations. Hanoi is hearing calls from South Korea, Japan, Thailand and Australia to resume flights, which would pave the way for a gradual expansion of trade and tourism.

"Vietnam is talking with China, South Korea and Japan about reconnecting flights as the countries are among the first economies that have put the pandemic under control at home," Foreign Affairs Ministry spokeswoman Le Thi Thu Hang said Thursday.

These countries are major economic partners of Vietnam, she said, and they host many Vietnamese guest workers.

Vietnamese authorities and airlines are close to resuming routes with Seoul, Guangzhou, Taiwan, Laos, and Tokyo after a series of bilateral negotiations. Flights between Vietnam and Singapore also are expected to resume soon.

Bamboo Airways plans to restart flights connecting Hanoi and Ho Chi Minh City with Seoul, Tokyo and Beijing in July, the Vietnamese budget airline said on its website June 16. Bamboo also plans flights next month to Munich, Prague and the Australian cities of Brisbane and Melbourne.

Local travel agents have begun advertising Vietjet Aviation flights for July to Taipei from Hanoi and Ho

Chi Minh City. Vietnam Airlines flights out of the country to South Korea, Taiwan, Hong Kong, Thailand, Singapore, Laos and Cambodia are also in the pipeline.

Yet, Vietnam remains cautious about fully reopening airports to foreign cities as the country braces for a possible second wave of the pandemic.

Hanoi shows hesitation on declaring an end to the coronavirus in the country.

International Monetary Fund projections in April called for Vietnam's economy to expand only 2.7% in 2020, after reaching 7% growth for two straight years. However, Prime Minister Nguyen Xuan Phuc remains committed to achieving over 5% gross national product growth this year.

Sustaining growth after the virus is crucial for the Hanoi government as the nation prepares for the Communist Party of Vietnam's convention in January, at which a new leadership lineup for the

next five years will be confirmed. Resuming international flights plays a key role in achieving the growth targets.

"The ability to contain the virus to ensure that factories can run smoothly and key foreign personnel can enter the country means that the level of investment in the country will likely rise after COVID-19 as the Vietnam brand gets a lift as a place to do business," Trinh Nguyen, an economist at French-based researcher Natixis, said in a report last month.

"Foreign direct investment is not something that happens overnight," Aliberti said. "You have to wait."

Still, he thinks Vietnamese officials can help in this regard. "When [potential investors] come here, they see long procedures," Aliberti said. "I think the Vietnamese government is aware of the situation and trying to do their best. But I think more can be done."

## 5. Vietnam 2020 economic growth may exceed ADB's 4.1% forecast: Country director

Vietnam is predicted to achieve an economic growth rate of 4–4.1% this year, however, there is a possibility that the country may exceed this expectation, according to Country Director of the Asian Development Bank (ADB) in Vietnam Eric Sidgwick.

Nevertheless, in this current crisis, the fact that the country could realize ADB's economic forecast is already a no small feat, said Sidgwick while bidding farewell to Vietnamese Prime Minister Nguyen Xuan Phuc on June 22.

As his term is coming to an end, Sidgwick said the ADB and Vietnamese government have seen significant cooperation over the years.

Sidgwick said he is touched with the enthusiasm and support from the Vietnamese people, adding Vietnam has been utilizing efficiently financial resources allocated from the ADB.

Most recently, Vietnam's successful containment of the Covid-19 is a significant achievement, Sidgwick stated.

For the next year, ADB is setting up a new country partnership strategy to correspond to the new situation in Vietnam.

At the meeting, Prime Minister Phuc said the country considers the ADB one of the top financial donors and technical consultants for Vietnam.

Phuc thanked the ADB for its support in the establishment of the e-cabinet system for the government.

Vietnam would continue to support the ADB's 2030 strategy towards the realization of the United Nations' Sustainable Development Goals, Phuc stressed.

According to Phuc, as Vietnam has initially succeeded in pushing back Covid-19, the country is

now focusing on economic recovery in the post pandemic phase.

Vietnam intends to perfect the legal framework for official development assistance (ODA) management, particular in the field of public investment and public debt management to ensure efficient utilization of foreign loans.

Phuc stated Vietnam is striving to become a middle-income country, and for such a purpose, the country

would need huge resources, including financial support from the ADB.

Vietnam is looking for more support from the ADB in the development of priority fields, including infrastructure; smart agriculture; clean energy and urban development, environment, healthcare and education, among others.

Phuc stressed that the continued support from the ADB is necessary for Vietnam and further boost cooperation between all parties involved.

## 6. 43mn USD solar power plant inaugurated in Ninh Thuan

The 45-MW Phuoc Ninh solar power plant was officially inaugurated in Thuan Nam district in south-central Ninh Thuan province on June 22.

Covering an area of 65.2ha, it was invested by the Ninh Thuan Energy Industry, a subsidiary of the T&T Group, at a cost of more than 1 trillion VND (43 million USD).

Construction began in March and was completed 15 days ahead of schedule despite the impact of COVID-19, Chairman of the Board of Directors of Ninh Thuan Energy Industry Pham Cong Doan said.

The plant was connected to the national grid on June 10 and will generate an estimated 75 million kWh per year.

Vice Chairman of the Ninh Thuan Provincial People's Committee Pham Van Hau said the inauguration of the plant marks a significant milestone for the province, as it will contribute to local social-economic development and help ensure national energy security.

The T&T Group is carrying out a number of other projects in clean energy, including a 6-billion-USD LNG project in southern Ba Ria-Vung Tau province, another worth 4.4 billion USD in central Quang Tri province, and a waste-to-energy plant in Hanoi.

## 7. Enterprises say national single window must be improved

The report announced yesterday in Ha Noi revealed basic features of creating login an account or seeing a record in the portal after a year of use were running smoothly.

At the seminar held by the United States Agency for International Development (USAID), in collaboration with the Viet Nam Chamber of Commerce and Industry (VCCI) and General Department of Viet Nam Customs (GDVC), delegates from nearly 3,100 enterprises said they still faced difficulties using the portal.

Twenty-seven per cent of the surveyed businesses were not satisfied with the unstable operation of the

portal and 20 per cent responded that the speed of processing tasks was still slow.

The NSW, a one-stop-shop for customs clearance that aims to simplify import/export procedures, is managed by the Ministry of Industry and Trade, Ministry of Transport, Ministry of Agriculture and Rural Development, Ministry of Science and Technology and Ministry of Health.

According to the enterprises which have been using it, there is a need to publicise all the ministries and sectors that have completed or not completed their procedures on the portal, increase information disclosure and unify application forms to avoid

duplication of papers and electronic records among different ministries and sectors on the portal.

Enterprises also asked ministries and their branches to improve transparency in providing information on the progress of processing records, publicising results of administrative procedures and sharing data, especially data of the General Department of Customs on the portal.

Dau Anh Tuan, head of the VCCI's legal division said: "Among the managing ministries on the portal, the procedures of the Ministry of Industry and Trade and the Ministry of Agriculture and Rural Development are easier to implement than the other three ministries."

The representative of the VCCI said as some of the procedures were not yet fully electronic and required enterprises to amend records time after time, they took longer for ministries to process.

"Enterprises say that they have to go to the administrative offices to carry out procedures that were partly done with the portal," he said, adding: "It is unreasonable"

Tuan also said due to a lack of time and resources, the report was the result of the survey of 12 procedures while there are 198 procedures on the portal.

Nguyen Manh Ho, general director of Viettel Enterprise Solutions Corporation, which runs the portal said: " The portal has recorded positive changes, cutting cost and time," adding: "To date, the system has implemented 198 procedures out of a total of 250 administrative procedures, connecting 13 ministries and branches, licensing more than 3 million records of more than 39,000 businesses, contributing to facilitating trade."

For customs clearance, it helps to reduce time spent on normal procedures and save more than US\$4.55 billion, said Ho, adding that Viettel plans to research and apply new solutions such as AI, big data and blockchain technology to enhance the value of the national portal.

Tuan from the VCCI said: "In the future, agencies on the portal need to boost the digital signatures and their own network infrastructure while the portal needs to improve many functions, especially the electronic payment function soon."

## Corporate News

### 8. VIC: Vingroup breaks ground on US\$1 billion theme park

↓ -2.79%

A groundbreaking ceremony for the project was held on June 21 and attended by Prime Minister Nguyen Xuan Phuc.

As part of an entertainment, housing and eco-park project, VinWonders Vu Yen will cover an area of 50 hectares with six indoor and outdoor entertainment zones. The children's area will have science, sports, virtual reality and thrilling games, while an outdoor water park will be designed to complement the three rivers surrounding the island.

A safari with many rare species will also be built, the first one in the north. Apart from that, VinWonders Vu Yen will also have designated areas for shopping and restaurants.

Addressing the event, Nguyen Viet Quang, vice chairman and general director of Vingroup, said that once completed, the theme park is expected to offer a significant travel experience for local and foreign tourists, as well as help boost the tourism industry of Haiphong in particular and Vietnam as a whole.

Locals have been looking forward to VinWonders Vu Yen for years now, as it will be the city's first large-scale theme park. It is Vingroup's fourth theme park in the country and the first VinWonders-branded property in the north, noted a Vingroup representative.

### 9. HVN: Vietnam Airlines to open five new domestic routes next month

↑ 0.37%

National flag carrier Vietnam Airlines will launch five new domestic routes in July, bringing its total to 57, a representative of the airline announced on June 23.

The move aims to bolster the tourism sector and respond to a campaign encouraging Vietnamese to travel to local destinations initiated by the Ministry of Culture, Sports and Tourism.

The new routes will link the central city of Da Nang with Phu Quoc Island in the Mekong Delta's Kien Giang province and Thanh Hoa province in the north-central region; and Da Lat in the central

highlands province of Lam Dong with Thanh Hoa, Hue in the central province of Thua Thien-Hue, and the Mekong Delta city of Can Tho.

To celebrate the new flights, the carrier is offering promotional tickets at 546,000 VND (24 USD) per leg, including taxes and fees, on these new routes and existing ones connecting Can Tho with Hai Phong, Vinh, and Buon Me Thuot; and Hai Phong with Buon Me Thuot.

Vietnam Airlines has resumed nearly 320 flights a day in its domestic network.

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