VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index slides for third session in a row

The VN-Index dropped 0.6 percent to 854.59 points Thursday, with liquidity falling to levels when the Covid-19 pandemic was raging in Vietnam.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, was again a sea of red with 243 stocks losing and 129 gaining.

Total trading volume fell to its near-lowest level this month, at VND4.63 trillion ($198.21 million), just slightly above daily trading averages between February and April, when the Covid-19 pandemic scared investors off the stock market.

The VN30-Index for the stock market's 30 biggest caps slid 0.64 percent, with 23 stocks losing and 4 gaining.

Topping losses this session was CTD of construction giant Coteccons, which tumbled 6.1 percent. This is CTD's second losing session after surging to its ceiling price twice in a row earlier this week.

Next were HDB of private HDBank, down 2.1 percent, SBT of agricultural firm TTC-Sugar, down 1.7 percent, MWG of electronics retailer Mobile World, down 1.6 percent, and TCB of private Tecombank, with 1.5 percent.

VIC of private conglomerate Vingroup, HoSE's largest cap, shed 1.5 percent this session, along with its two subsidiaries, VRE of mall operator Vincom Retail and VHM of real estate developer Vinhomes, which lost 1.3 percent and 0.3 percent respectively.

Of Vietnam's three biggest state-owned lenders by assets, VCB of Vietcombank fell 1.2 percent, BID of BIDV dropped 0.7 percent, while CTG of VietinBank shed 0.4 percent. MBB of state-owned mid-sized lender Military Bank also fell 1.1 percent.

Oil and gas stocks were some of the basket's smallest losers, with PLX of petroleum distributor Petrolimex edging down 0.1 percent, GAS of energy giant PetroVietnam Gas 0.3 percent, and POW of electricity generator PetroVietnam Power 1 percent.

MSN of food conglomerate Masan Group, and VNM of dairy giant Vinamilk, two of the VN30's larger capped stocks, lost 0.9 percent and 0.6 percent this session.

In the other direction, STB of private Sacombank led gains with 2.2 percent, followed by NVL of real estate developer Novaland, up 2.1 percent.

HPG of leading steelmaker Hoa Phat Group added 1.1 percent, and SSI of brokerage Saigon Securities Inc. inched up 0.3 percent.

Meanwhile, HNX-Index for stocks on Hanoi Stock Exchange, home to mid and small caps, gained 0.33 percent, and UPCoM-Index for stocks on the Unlisted Public Companies Market edged down 0.19 percent.

Foreign investors turned net tellers to the tune of VND68 billion ($2.91 million) on all three bourses, with buying pressure mostly on HPG of Hoa Phat Group and VRE of Vincom Retail.

Macro & Policies

2. Domestic air travel sees full recovery post-COVID-19

Noi Bai International Airport has reported full recovery of domestic flights compared to before the COVID-19 pandemic as travel demand is increasing following stimulus efforts by the Government and airlines.

The biggest transport hub in northern Vietnam currently receives about 400-450 flights with more than 60,000 passengers every day on average, the majority of which are domestic flights.

Based on flight plans of airlines, the number of domestic flights between the end of June and July is anticipated to grow by 20 percent compared to the same period last year.

According to a representative of the airport, the number of passengers increases sharply during weekends, resulting in several peak hours on certain days.

To meet the increasing demands, Noi Bai airport has carried out a range of measures, such as optimising its infrastructure and facilities, setting up more check-in counters, increasing support and guidance for passengers and adjusting traffic flows.

To ensure smooth flights and avoid overloading, passengers are advised to follow pandemic prevention guidelines and arrive at least two hours in advance for check-in, he said.

3. Osaka Gas Liquid invests in SQC to expand IG market In Vietnam

The agreement includes a capital injection from OGL, who will provide specialised technical support to Sing Industrial Gas Vietnam Company Limited (SIGVN), a wholly-owned subsidiary of SQC, to enhance its plant's overall operational efficiency.

SIGVN, one of the leading industrial gas suppliers in Vietnam, has been serving the gas and energy market since 2012.

With a manufacturing plant in Binh Duong, SIGVN is able to supply industrial gases such as nitrogen, oxygen and argon, and respond to the customer's needs effectively and on time.

Throughout the years, SIGVN has expanded its business portfolio by providing sales and leasing of ISO tank to customers, as well as the production of dissolved acetylene and sales of specialty gases such as ammonia, helium, hydrogen, hydrocarbons and refrigerants for air-conditioning applications.

Vietnam has been achieving sustainable economic growth and industrial gases have been widely used in various industrial sectors such as preventing combustion (Purge Gas), food oxidization (nitrogen), welding, medical gases (oxygen) and carbonated beverage (carbon dioxide).

According to the Gas Review, Vietnam's industrial gas market has grown steadily over the past few years. The market size in 2018 was about YEN 12-16bn ($112-150m), with an annual growth rate of 6-7%.

With an anticipated growth in the coming years, both SIGVN and OGL will carry out joint feasibility study on the possibility of expansion in Vietnam to handle the increasing demand of industrial gases.

The capital injection from OGL will fund technology development and improve the current plant's overall capability through OGL's leading-edge engineering solutions that are safe, reliable and environmentally friendly for the customers.

In addition to the agreement, SSB Group will explore opportunities with both OGL and Osaka Gas Group companies (Daigas Group) on small-scale LNG transportation and regasification projects in Southeast Asia.

The companies will share its technical and commercial information, skill and know-how, and are committed to expand and develop LNG-related solutions in the region.

4. Vietnam's logistics industry hit hard by Covid-19 pandemic

According to a recent report released by the Logistics Industry Reference Council and the Vietnam Chamber of Commerce and Industry – HCMC branch, preventive measures have led to a sharp decline in the demand for essential commodities in the country. Stagnant production and decreased business have caused a sharp rise in unemployment in the logistics and other sectors.

Logistics activities such as transport have declined due to closed borders, while warehousing services and freight rates have also been seriously affected.

Border posts with China, which were normally busy and overcrowded, have been facing mounting backlogs due to the complicated and time-consuming vehicle and customs clearance processes. This has caused damages to goods and transport difficulties, jeopardizing consignors' finances and posing new challenges for logistics businesses.

Reports from the Ministry of Transport showed that Vietnam's logistics businesses have faced several problems while dealing with transport providers. From mid-January to mid-March this year, container shipping companies cut 23% of commercial routes.

In the first quarter of 2020, the number of vessels entering and leaving Vietnamese ports dropped by 15%, while international passenger vessels decreased by 30% compared to the same period last year.

The initial losses reported by Vietnamese airlines due to the suspension of flight routes were estimated to be over VND30 trillion. Inland water transport declined by 10.7% in terms of cargo volume and by 2% in terms of passenger traffic.

Cargo and passenger transport decreased by between 40 and 80% compared to the same period last year. More than 150 passenger trains were terminated, resulting in a VND84 billion loss of revenue, while the revenue from rail cargo transport also decreased by VND6 billion.

Moreover, the risk of mass bankruptcy among logistics businesses and disruptions to supply chains have seriously hurt the Vietnamese labor market. The pressing need to respond to the spread of Covid-19 through social distancing has forced retail stores and trade centers to close, leading to a decline in productivity and a shift in the operating models of distribution systems and logistics supply chains.

To ensure a sustainable and long-term business, a paradigm shift is required in the long run involving industry 4.0 technologies and the diversification of supply chains. An important factor for logistics businesses is to ensure a supply of skilled labor, especially after the pandemic. This will require joint efforts from the Government and businesses.

In the first quarter of 2020, prior to the global spread of Covid-19, warehouses accommodated substantial goods and materials for production and business. In the second quarter, the quantity of goods in warehouses dropped significantly and may continue to worsen in the second half of 2020, so logistics businesses and related parties need to be prepared and take proactive measures to cope with the situation.

Businesses should focus on flexible measures while ensuring the safety of workers. Industry 4.0 technologies should be introduced, taking advantage of lessons learned during the pandemic to devise long-term development and crisis management strategies.

5. Customs enhances supports for enterprises

This is one of the tasks outlined in the General Department of Customs' Decision 1616/QD-TCHQ issued last week.

It will implement solutions to remove obstacles faced by organisations and individuals implementing customs procedures.

The department will prohibit its customs offices causing difficulties for organisations and individuals during implementation of procedures, leading delays clearing goods, reported the Hai quan (Customs) newspaper.

Customs will also comply with the Ministry of Finance's regulations regarding certificates of origin for imported goods during the pandemic. Of which, it shall inspect import declarations from January 23, 2020 to provide special preferential rates based on the origin certificates for eligible enterprises.

Customs departments of provinces sharing borders with China, Laos and Cambodia must coordinate with forces at border gates to maintain customs clearance for import and export goods, avoiding goods being delayed at border gates.

In addition, the department will also improve efficiency in information technology (IT) to support declarations and tax payments while exchanging information with ministries and sectors to ease procedures, especially development of the national single window mechanism.

They include application of digital signatures for electronic documents issuance and implementation of online public services 24/7.

It will also promote cooperation with the State Treasury, tax offices and commercial banks to create favourable conditions encouraging businesses to implement electronic tax payment and customs clearance 24/7.

Customs will deploy the single window and automated aviation customs supervision system at international airports nationwide.

It will also continue simplifying procedures and the clearance process to reduce paperwork and the time for implementing customs clearance.

Reviews will also take place to cut fees, charges and taxes relating to imported and exported goods.

Trade value

According to the General Department of Customs, in the first half of June 2020, Viet Nam's trade value increased by 3.3 per cent compared to the second half of May to US$20.57 billion.

Total export value reached $10.37 billion, down 5.3 per cent compared to the second half of May 2020.

Those products with strong reduction in export value included phones and accessories (down 15.7 per cent to $300 million); rice (down 52.5 per cent to $114 million); machinery, equipment, tools and spare parts (down 8.6 per cent to $83 million); and computers, electronic products and components (down 3.3 per cent to $62 million).

From the beginning of this year until June 15, the national total trade value was $217.36 billion, down 2.3 per cent over the same period in 2019. Viet Nam's trade surplus during this period was $3.75 billion.

6. Unfertilised soil used to grow lotus

Farmers across Vietnam have found lotus a profitable alternative crop for rice, especially when their land is unfertilised.

Fifty-year-old farmer Nguyen Van Don in Xuan Vinh commune, Xuan Truong district, the northern province of Nam Dinh, started growing lotus three years ago on more than 2ha area of sunken land that he rented from other local farmers.

The land had not been used for years as it was unfertilised and failed to grow rice, Don said, adding that he rented the land and restored it for lotus cultivation.

With proper farming technique and fertilising, Don's lotus plants have grown well on the land.

Don said his family harvested about four tonnes of lotus seeds and thousands of lotus flowers each year.

He sold each kilo of seeds for 25,000 -35,000 VND (1.07 -1.5 USD) and each flower for 3,000 VND.

"Compared with rice production, growing lotus is much more stable and economically profitable," he said

Don calculated that he could harvest about 170kg of lotus seed per sao (1 sao equals 360sq.m) per year, which helped him earn more than 5million VND (214 USD) while he earned only 500,000 VND when growing rice.

"When growing rice, we have to buy fertiliser, pesticides and hire labourers to plant and harvest while we hardly spend any money on fertiliser or pesticide," Don said, adding that he could have some extra income thanks to shrimp and fish caught from the lotus pond.

"Without fertiliser, a lotus pond is a good place for shrimp and fish to live," he said.

The beauty of lotus flowers and their scent during summer days also attracts many visitors to Don's lotus pond.

Vu Manh Cam, head of the Xuan Vinh commune Farmers' Association, said local farmers shifted from rice to lotus three years ago and the area of lotus farms has steadily increased.

Now, more than 10ha of land is used for lotus cultivation.

"Lotus plants help many households in the commune escape poverty and generate jobs in the rural area," Cam said.

In Thach Ha town, Thach Ha district in the central province of Ha Tinh, farmers also earn about 70 million VND (3,000 USD) per hectare of lotus, double the income they gained from rice.

Le Phi Quoc of Thanh Chau hamlet, Thach Ha town, said that he first brought lotus to grow on his unused land for fun as he saw lotus flowers were so beautiful.

For years, Quoc and many local farmers did not grow rice on the land after losing crops, he said, adding that they were very surprised and happy to see lotus grow well.

"We harvested lotus seeds and could sell them for quite high prices, so we started concentrating on nursing lotus plants to get seeds and flowers," he said.

A kilo of fresh seeds can be sold at 30,000-50,000 VND (1.29 -2.15 USD) while the dried seeds are 160,000 VND (7 USD) per kilo.

Vice chairman of Thach Ha town People's Committee Nguyen Dinh Duc told danviet.vn that local authorities encouraged farmers to make used of unfertilised land to grow lotus.

Meanwhile, about 100 households in My Son hamlet, Duy Phu commune, Duy Xuyen district in the central province of Quang Nam have used their unfertilised land to grow lotus.

Tran Anh Lang, a local farmer, said that lotus could generate income three times higher than rice.

With 0.5ha of lotus, his family earned more than 100 million VND yearly.

Local farmers also received technical assistance from the district's Agriculture Technology Centre and last year, the province's Farming Products Quality Control Department helped them grow lotus to meet VietGap standards.

In Duy Xuyen district, lotus is grown on about 100ha, mostly in Duy Phu and Duy Son communes.

The district plans to expand its lotus cultivation area and develop a value chain for lotus so growers could benefit from the province's supporting policy which offers free seedless farming materials and find a market for products, said head of the district's Agriculture Department Tran Huy Tuong.

7. Orientations put Hanoi onto investment radar

As the world's leading wireless technology innovator and the driving force behind the development, launch, and expansion of 5G, Qualcomm last week opened a new representative office and research and development (R&D) centre in Hanoi, making it the company's first R&D facility in Southeast Asia.

“The new Hanoi office and R&D centre show Qualcomm's long-term investment commitment and strong confidence in the local market. The new infrastructure will enable us to best serve customers' demands,” said Nam Thieu, country manager of Qualcomm Vietnam, Laos, and Cambodia. “The Hanoi R&D centre is of strategic importance to Qualcomm.”

The US tech giant made the move after good performance in the country over the past years and is part of its strategy to expand further here. Qualcomm is one among hundreds of businesses which are seeking opportunities in Hanoi in the wake of its advantages which include a growing middle class, strong political geography, stable economic growth, and rising purchasing power.

New orientations

According to Hanoi Department of Planning and Investment (DPI), the city aims to attract high-quality foreign direct investment (FDI) and use it more effectively. The city's FDI attraction strategy continues to focus on prioritised sectors for each foreign investor based on their expertise. Accordingly, the city's most potential foreign investors will include South Korea, Singapore, Taiwan, the United States, the European Union, the United Kingdom, Australia, and New Zealand.

“Hanoi will focus on calling on foreign-invested projects with a priority to large-scale, high added value, high-tech, and environmentally-friendly projects of multinational corporations which help small- and medium-sized enterprises join global value chains, promote technology transfer, and develop the supporting industry,” said Nguyen Manh Quyen, director of the DPI.

Currently, companies from the US, Japan, South Korea, and the EU are heading to shift their investment out of China in the context of the US-China trade tensions, and now negative impacts from COVID-19 is accelerating the trend.

For example, Japan is spending about $2.2 billion in support for its companies to allocate their factories out of China to the home country, or to Southeast Asia.

In another case, Samsung Electronics has officially suspended mobile phone manufacturing in China, while other giants such as Sony, Apple, and Foxconn are planning for other locations outside China. In this context, Vietnam is gaining advantages thanks to its geographical location, low labour cost, and trained workforce.

As a result of the trend, Hanoi is moving to lure a new possible investment wave. As planned, the city will develop industrial parks (IPs) and industrial clusters (ICs) with infrastructure available to attract future possible investment shifts in the fields of healthcare and high-tech electronics manufacturing from multinational corporations.

It is also improving the business climate to increase its attraction.

Looking ahead, the city aims to lure about $30-40 billion worth of total registered FDI during 2021-2025, meaning $6-8 billion annually, to disburse $20-30 billion worth of FDI in this period; to increase the percentage of businesses applying advanced technology, and governance, and environment protection by 50 per cent by 2025 and to 100 per cent by 2030; raise localisation rate to over 30 per cent in 2025 and 40 per cent by 2030; and trained workforce to over 70 per cent in 2025 and 80 per cent by 2030.

Solutions

To achieve the targets in line with the country's new FDI attraction strategy by 2030, the capital city will centre on six key solutions. It will continue to improve the business environment to create more favourable conditions for businesses and investors, as well as protect their legitimate benefits in economic, trade, and investment disputes. Secondly, “on-the spot” investment promotion will be strengthened.

As part of that, the city will continue to build an e-government to save time and cost for enterprises. Accordingly, public services can be fulfilled online such as business establishment registration, tax declaration and payment, customs, social insurance, registration of land-use right, and construction licensing.

Next, new investment policies will be worked out to leverage private investment. Moreover, special incentives for investors will be also built. In addition, land will be made more accessible. Specifically, Hanoi will check land funds at the approved IPs and ICs, and fast-track their infrastructure development while building a portfolio of projects calling for private investment.

Up till now, the city has 17 approved IPs, with five in preparation for infrastructure development and 107 ICs with 24 in the preparation process of construction.

Also importantly, investment disbursement will be enhanced, striving to reach about $2-4 billion a year on average, focusing on large-scale projects, and those in the field of manufacturing in IPs.

New opportunities

Evidently, Hanoi, which is now boosting plans to develop into a smart city, and sci-tech applications, considering them among the key tasks in the 2021-2025 period, is bringing about plenty of new prospects ahead for foreign investors, including Qualcomm in high-tech sectors.

In the front of realty, manufacturing and processing, trade and service, and agriculture, new opportunities are obvious on the back of the city's 2021-2025 socio-economic development plan. Accordingly, investment attraction in transport infrastructure, seaports, energy, IT and communications, and agriculture will be intensified.

In anticipation of future growth potential, giants have been rushing to expand to and in Hanoi. They include Japan's Nidec Chaun Choung Vietnam project of $174.5 million, the South Korea-invested Hanoi Lotte World Aquarium worth $47 million, the Twin Peaks expansion to $246 million, and TSQ Vietnam expansion of $67.5 million.

Similarly, other outstanding names like Sumitomo with its $4 billion smart city project and Samsung's $220 million new R&D centre are speeding up expansion plans here.

A number of enterprises, including foreign-invested ones (FIEs) are now queuing up to get investment registration certificates in the city. As expected over 1,000 domestic and international businesses will participate in the upcoming investment promotion meeting, scheduled for June 27, when the capital city will grant investment certificates and a number of MoUs to dozens of investors (see box). Potential projects focus on ICs, IPs, outlets, new urban areas, and waste treatment systems, among others.

Moreover, the EU-Vietnam Free Trade Agreement, expected to take effect in the coming months, will further drive more EU investment into the city.

Hanoi is one of the country's five most attractive destinations for foreign ventures. In the 2018-2019 period, the city always took the lead in FDI attraction with respective total registered FDI of $7.5 billion and $8.7 billion on the back of big improvements in the business climate.

In the first five months, Hanoi attracted $1.18 billion in FDI, which is expected to rise to $1.5 billion in the second quarter, and $2.5 billion in the first half of the year. It is expected that the figure will be $5 billion in 2020.

As shown in the Provincial Competitiveness Index (PCI) 2019, Hanoi gained 68.8 points, up 3.4 percentage points from the previous year, ranking ninth among the 63 cities and provinces. Remarkably, among the 10 PCI indexes, the city saw eight improvements, such as land access (up 15 steps), and transparency and information access (up 19 notches).

On this growth momentum, Hanoi remains an appealing spot despite the pandemic. In the first five months of 2020, it attracted over $1.18 billion worth of FDI. Singapore is the city's biggest foreign investor with $262.7 million, followed by Japan, Taiwan, and South Korea. In the second half the capital targets to attract $2.75 billion FDI, thus enabling it to increase the figure to $5 billion by year-end.

Hanoi will host an investment promotion conference on June 27, expecting to attract over 1,000 domestic and international businesses, as well as government leaders and international organisations.

Themed “Hanoi 2020 – Investment Co-operation and Development”, the event will provide an update on its socio-economic development and FDI attraction performance between 2016 and 2019, as well as its FDI attraction orientations in 2020 and the coming years.

Ministries, agencies, and businesses will also give their recommendations for Hanoi's investment attraction. Seven foreign-invested projects will be licensed with the total registered capital of $1.24 billion.

Corporate News

8. PLX: Petrolimex pushes for PGBank-HDBank merger before Aug 31

↓ -0.11%

"We can't wait for the merger any longer… As a large shareholder, we are under more pressure than others," said Tran Ngoc Nam, a board member of PGBank and a representative of Petrolimex's stake in the financial arm. The largest fuel retailer by market capitalization has a 40% stake in PGBank and is also the major shareholder.

If the merger fails to go through before August 31, Petrolimex will sell its entire stake to another investor. However, the plan will be implemented cautiously so as to not violate the terms of the merger contract, Nam said at an annual meeting today, June 24.

Nguyen Quang Dinh, chairman of PGBank, said the lender is in the process of merging but the State Bank of Vietnam has not approved the final project yet. The central bank gave its in-principle approval to the deal in September 2018.

This year, PGBank plans to raise its total assets by 7.7% to some VND34 trillion, with credit up 6.6% and mobilization up 8.3%. The bank expects to recover bad debts worth VND521 billion and list on the market for unlisted public companies or UPCoM.

9. HDB: HDBank signs credit agreement with ADB to boost trade in Vietnam

↓ -2.10%

Backed by ADB's AAA credit rating, the TFP will provide trade loans to HDBank, which it will on-lend to its customers to support their import and export activities.

The TFP provides guarantees and loans to 240 participating financial institutions in support of small and medium-sized enterprises (SMEs). The participating financial institutions must meet all requirements set by ADB, including operational efficiency, financial health, risk management, information transparency, development strategy, leadership and vision.

"We have had a relationship with HDBank since 2016 and we are pleased to be able to both deepen that relationship and to further increase our commitment to boost trade in Vietnam," says Can Sutken, ADB relationship manager for Vietnam.

Since 2004, the TFP has supported US$13.5bn in trade in Vietnam through 13,530 transactions covering both guarantees and direct funding, nearly two-thirds of which support SMEs. It currently counts 14 commercial bank partnerships in the country.

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