



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. July to be a hard month for Vietnamese shares

July looks set to be a hard month for investors as market turbulence continues due to the unpredictability of global stocks and with attention on second-quarter earnings expectations.

The local market has stalled in the last two weeks after the benchmark VN-Index on the Ho Chi Minh Stock Exchange climbed to a four-month high of 900 points on June 10.

The benchmark index had gained 36.36 per cent from the three-year low of 660 points in late March. But from the four-month peak, the index has lost 5.33 per cent in two weeks.

In comparison, US stock indices S&P 500 and Dow Jones declined by 6.91 per cent and 9.27 per cent, respectively, from their four-month highs in the same period.

On both markets, individual investors have played the key role driving stock indices up as global stocks hit rock bottom in late March on worries about the recession caused by the COVID-19 pandemic.

The pattern of the VN-Index is quite similar to that of the US stock indices in the last two weeks, which indicates the US market is taking a toll on the Vietnamese market.

Last week, the VN-Index fell 1.91 per cent to finish at 851.98 points.

The Vietnamese stock market was affected by US stocks as investors worried about the second wave of coronavirus given the easing of travel restrictions and re-opening of some states, according to Sai Gon-Ha Noi Securities Co (SHS).

The total number of coronavirus cases in the world exceeded 10 million as of 3am on Sunday and the death toll was nearly 500,000, according to Worldometer. The US led the board in both total cases (more than 2.58 million) and total deaths (nearly 128,000).

Aside from the worldwide spread of the coronavirus, investors are also worried about another stage of the trade war as the economic

relationship between the US and China has deteriorated in recent weeks.

Such concerns have made international economic and financial institutions such as the International Monetary Fund (IMF) and Federal Reserve deliver bad forecasts for global economic growth this year.

Besides the impact of US stocks, investors in Viet Nam are entering the time in which corporate information is limited. As most listed firms have organised their annual shareholders' meetings, attention now will turn to second-quarter earnings reports.

Some large-cap companies such as dairy producer Vinamilk, steel producer Hoa Phat, Vietcombank, HDBank, retailer Mobile World Investment, petrol firm Petrolimex, Techcombank and VPBank have already released their earnings for the second quarter.

There are some positive signals in those firms' second-quarter earnings reports but they generally are not too optimistic about this year's performance.

"Second-quarter earnings season will start in July, so investors will be divided on companies' reports," Sacombank Securities Co. market analysis director Duong Hoang Linh said.

"Investors will no longer win easily. They will become more cautious and individual purchasing power will weaken," he said.

The VN-Index will move sideways in July and it will not be easy for the benchmark to beat 900-point level this month, according to Phan Dung Khanh, director of the investment consultancy at Maybank Kim Eng Securities Co.

In the coming week, the VN-Index may struggle and move between 840 points and 870 points, SHS forecast.

Bao Viet Securities Co (BVSC) warned the pressure on the market still persists and the VN-Index may go down to 780-820 zone if the short-term bottom line of 840 points is broken in the coming days.

## Macro & Policies

### 2. EVFTA widens horizon for logistics expansion

Russell Reed, managing director of UPS Vietnam and Thailand, said that the agreements represent a breakthrough in Vietnam's progress as a trading powerhouse, and will help to further unlock the country's vast economic potential in the coming years. Vietnamese exports to the EU have grown consistently in recent years, hitting a total of \$41.7 billion in 2019, representing annual average growth of 13 per cent since 2014.

As a global provider of logistics services, UPS sees these agreements as providing a great deal more latitude for their customers to expand their key imports, as well as helping to simplify processes while encouraging more long-term investment and strategic business partnerships.

According to Reed, Vietnam is an exceptionally competitive manufacturing market, which has been one of the major contributors to the country's economic growth. This growth has created a rapidly expanding middle class – one that is increasingly international in its outlook and interested in purchasing imported products, such as those coming out of the EU.

“At the same time, we continue to see sustained volume in Vietnamese exports to the bloc, and have made enhancements to our network to help Vietnamese businesses, particularly in high-tech and retail, maintain their competitive edge,” he added. “With the upcoming official entry of the EU-Vietnam Free Trade Agreement (EVFTA) in 2020, we look forward to working with more small- and medium-sized enterprises and large multinationals across a range of industries to help them enter and succeed in the EU – a market which now has even greater accessibility for Vietnamese businesses of all.”

On the same note, Tran Viet Huy, managing director of Tracimexco - Supply Chains and Agency Services JS Company (TRA-SAS), told VIR that Vietnam has committed to open the logistics market under the World Trade Organization (WTO) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). However, the EVFTA is expected to create a new driving force for Vietnam's logistics industry.

According to Huy, the EVFTA may affect the development of logistics industry in three aspects including stronger commitment to open markets of Vietnam and EU in the field of transport and transport services; creating added-value services for freight brokerage, sampling, inspections; and stronger commitments in areas improving logistics service market such as scale, service quality, open demand, wide capacity, and service performance.

Meanwhile, the EU-Vietnam Investment Protection Agreement (EVIPA) shall provide a solid legal background for EU investors where they have more tools and inter-country commitments to protect and run EU businesses in Vietnam. “It is no doubt that those effects will make positive influences to EU investors in investment to Vietnam's logistics industry in both expanding their current business and making new investment via either mergers and acquisitions activities or green-field investment,” Huy said.

Beside current segments which may be more interesting, EU logistics investors will have new opportunities to enter new segments of Vietnamese government procurement, such as some logistics services which require deep experience and techniques in storage/management of pharmaceuticals, warehousing of dangerous chemicals, and transportation of oversized equipment for government infrastructure projects.

Meanwhile, Vietnamese logistics providers have more chances in bidding on logistics services for official development assistance projects funded by the EU.

Research by the Ministry of Planning and Investment showed that Vietnam's export turnover to the EU will increase by 20 per cent in 2020, 42.7 per cent by late 2025, and 44.37 per cent by late 2030. Thus, increasing trade as well as investment activities between Europe and Vietnam will create plenty of opportunities for the logistics industry.

Commenting on the prospect of Vietnam's logistics industry after the EVFTA comes into force, Tobias Gruemmer, area head of operations of Denmark's A.P. Moller-Maersk, said that manufacturing and

logistics in Vietnam have changed but the situation is still not entirely clear. Similar to the EU with a population of about 500 million, Southeast Asia with a population of 600 million (of which Vietnam is nearly 100 million) is considered a consumer market of high potential.

Previously, Vietnam focused on exports with the establishment of many export processing zones, but imports and domestic production have increased significantly. The main reason is due to the rise of

the middle class, causing consumer habits to change and leading to shifts in the supply chain.

“The demand for storage and transportation has increased sharply, resulting in diversified warehousing and delivery solutions and attracting many businesses to participate. Logistics will be considered a hotbed for investors in the near future,” he said.

### 3. Vietnam GDP growth forecast in 2020 remains highest in Asia: IMF

The International Monetary Fund (IMF) maintains its forecast for Vietnam's GDP growth at 2.7% in 2020, the highest in Asia, and the pace is expected to speed up to 7% in 2021.

Vietnam's consumer price index is set at 3.2%, lower than the estimation of 4% this year. The economy could be subject to a strong rebound of 7% GDP growth rate in 2021.

Notably, in the IMF's latest World Economic Outlook update, Thailand's economic growth forecast has been revised down to -7.7%, one percentage point lower than the organization's previous forecast in April, the largest contraction among Asian economies.

The average growth forecast for ASEAN-5 (Indonesia, Malaysia, the Philippines and Vietnam) would record a contraction of 2% in 2020, before rebounding to 6.2% in 2021.

As the Covid-19 pandemic has had a more negative impact on activity in the first half of 2020 than

anticipated, global growth is projected at -4.9% in 2020, 1.9 percentage points below IMF's previous forecast.

Major economies, including the US, China and Japan have all received a lower forecast in this update outlook, in which the US is predicted to shrink 8% (previously -5.9%), China with a positive growth of 1% (previously 1.2%), and Japan with -5.8% (previously -5.2%).

The outlook is even more gloomy for European countries, as Italy and Spain are subject to the deepest contraction of 12.8%, followed by France with -12.5% and Germany with -7.8%.

In 2021 global growth is projected at 5.4%. Overall, this would leave 2021 GDP some 6½ percentage points lower than in the pre-COVID-19 projections of January 2020. The adverse impact on low-income households is particularly acute, imperiling the significant progress made in reducing extreme poverty in the world since the 1990s, stated the IMF.

# Latest World Economic Outlook Growth Projections

(real GDP, annual percent change)	PROJECTIONS		
	2019	2020	2021
<b>World Output</b>	<b>2.9</b>	<b>-4.9</b>	<b>5.4</b>
<b>Advanced Economies</b>	<b>1.7</b>	<b>-8.0</b>	<b>4.8</b>
<b>United States</b>	2.3	-8.0	4.5
<b>Euro Area</b>	1.3	-10.2	6.0
Germany	0.6	-7.8	5.4
France	1.5	-12.5	7.3
Italy	0.3	-12.8	6.3
Spain	2.0	-12.8	6.3
<b>Japan</b>	0.7	-5.8	2.4
<b>United Kingdom</b>	1.4	-10.2	6.3
<b>Canada</b>	1.7	-8.4	4.9
<b>Other Advanced Economies</b>	1.7	-4.8	4.2
<b>Emerging Markets and Developing Economies</b>	<b>3.7</b>	<b>-3.0</b>	<b>5.9</b>
<b>Emerging and Developing Asia</b>	5.5	-0.8	7.4
China	6.1	1.0	8.2
India	4.2	-4.5	6.0
ASEAN-5	4.9	-2.0	6.2
<b>Emerging and Developing Europe</b>	2.1	-5.8	4.3
Russia	1.3	-6.6	4.1
<b>Latin America and the Caribbean</b>	0.1	-9.4	3.7
Brazil	1.1	-9.1	3.6
Mexico	-0.3	-10.5	3.3
<b>Middle East and Central Asia</b>	1.0	-4.7	3.3
Saudi Arabia	0.3	-6.8	3.1
<b>Sub-Saharan Africa</b>	3.1	-3.2	3.4
Nigeria	2.2	-5.4	2.6
South Africa	0.2	-8.0	3.5
<b>Low-Income Developing Countries</b>	5.2	-1.0	5.2

Source: IMF, *World Economic Outlook Update*, June 2020

Note: For India, data and forecasts are presented on a fiscal year basis, with FY2020/2021 starting in April 2020. India's growth is -4.9 percent in 2020 based on the calendar year.

#### 4. Drug industry sees spurt in hiring on Covid-19 outbreak

In recent months most major drugstores have been hiring. A recent report on hiring trends in the pharmaceutical and medical devices fields by recruitment firm Navigos said 51 percent of employers are looking to recruit pharmacists.

The average salary for a pharmacist responsible for consulting and selling drugs at stores like An Khang, Long Chau and Pharmacy is VND5-8 million (\$214-\$343) a month while drug companies pay VND10-15 million (\$428-\$643).

Mid-level managers, pharmacists and marketing personnel get salaries of up to VND30 million (\$1,290).

During disease outbreaks, many customers tend to also buy common drugs such as analgesics, antipyretics and cough medicines, FPT Securities (FPTS) said.

Besides the pandemic, long-term development plans have also played a role in the recruitment spurt.

In February Mekong Capital-backed Pharmacy JSC, the largest drugstore chain in Vietnam, raised VND735 billion (\$31.8 million) in a series C funding round and plans to open 350 new stores this year, raising its total to 700.

FPT Retail, Vietnam's second largest electronics retailer, plans to open 50 more Long Chau drug stores this year to take the total number to 70.

According to market research firm Kantar Vietnam Worldpanel, drugstores' revenues increased by 164-168 percent year-on-year in February.

The growth has been spurred by the growing economy, increasing health awareness among the public and positive changes in behaviors of using pharmaceutical products.

"This is a golden time for pharmaceutical and medical equipment producing businesses in Vietnam to flourish," Gaku Echizenya, general director of Navigos Group Vietnam, said.

"However, a shortage of high-quality human resources and ineffective talent retention strategies remain a major barrier for pharmaceutical companies," Echizenya said.

Up to 81 percent of prospective employers said it is difficult to find competent candidates, according to Navigos.

The value of the Vietnamese pharmaceutical market is likely to grow to \$7.7 billion by 2021 and \$16.1 billion by 2026 from around \$4.7 billion in 2017, according to market research firm IBM Research.

Vietnam's pharmaceutical sales were estimated at \$6.5 billion in 2019, according to securities firm Viet Dragon Securities.

The Ministry of Health estimates there were around 57,000 drugstores last year, most of them small businesses run by families.

According to IMS Health, Vietnam is among 17 countries in the so-called pharmerging markets, a group of countries that are expected to be the pillars of the global pharma industry. Its drug market is expected to grow at around 10 percent annually for the next five years.

#### 5. Reform must focus on removing inconsistencies, overlaps in business regulations: VCCI

It is critical for Vietnam to focus on removing inconsistencies and overlaps in business regulations to create a favourable climate for enterprises, attendees heard at a conference held by the Vietnam

Chamber of Commerce and Industry (VCCI) Hanoi on June 24.

VCCI Chairman Vu Tien Loc said that the business community was highly expectant of the

Government's new wave of reforms, making regulations stronger and more practical. The Government carried out two waves of reforms in the past five years. The first was in 2016 with the highlighted requirement that no business prerequisites were raised in decrees and the second was in 2018 with the focus on simplifying and removing business prerequisites.

The third reform wave should be removing overlapping and inconsistent regulations, Loc stressed, adding that the management agencies needed to make greater efforts to create a favourable environment for businesses.

Some ministries reported that around 60 percent of business prerequisites under their management were removed or simplified, however, the figure was only on paper, Loc said. In fact, businesses felt that the simplification or removal of business prerequisites was not that much, at only around 30-40 percent, according to the VCCI.

The VCCI said that the current legal system of business and investment still had a number of problems. Many business lines which required prerequisites needed to be abolished or simplified, Loc said, adding that complicated procedures for joining the market remained barriers to small- and medium-sized enterprises.

After reviewing 411 legal documents on business prerequisites, the VCCI also raised 106 proposals,

including amendments to 93 legal documents, 32 laws, 51 decrees and 10 circulars, Dau Anh Tuan, head of the VCCI's Legal Department said.

The VCCI also planned to carry out a more comprehensive review of existing legal documents with a focus on regulations about market entry and enterprise operation management.

Recently, the VCCI proposed the Government to tackle 25 points of overlaps and inconsistencies in the existing regulations.

Tuan said that the business environment could not improve if business prerequisites remained in place.

Nguyen Hoai Nam, deputy general secretary of the Vietnam Association of Seafood Exporters and Producers, said he felt that ministries were still slow in carrying out reforms although the Government issued resolutions about improving the business and investment climate every year.

For example, in seafood processing and export, Vietnam had some standards which were even stricter than the US, causing a lot of difficulties for firms, Nam said.

Le Net from law firm LNT & Partners said it was necessary to announce the list of business lines which required prerequisites for foreign investors to participate in.

## 6. Circular about origin rules in EVFTA issued

The circular would come into force on August 1, also the day the trade deal would take effect.

With five chapters and 42 articles, the circular would be an important legal basis for granting certificates of origin (C/O) for goods exported to the EU to enjoy preferential tariffs provided by the trade deal.

The early issuance of the circular on rules of origin, just a week after the National Assembly approved the trade deal, was part of the ministry's action plan to improve the domestic legal framework to implement the EVFTA.

Under the circular, Vietnamese goods exported to the EU would be granted C/O form EUR.1. The granting would be provided by agencies and organisations authorised by the Ministry of Industry and Trade.

Compared to other trade deals to which Viet Nam is a member, the EVFTA's rules of origins had more new and complicated points.

According to the Import-Export Department, the circular was necessary for Vietnamese firms to be able to take advantage of preferential tariffs from the first days the trade deal comes into force.

The ministry urged enterprises to study rules of origin carefully to have a proper understanding so as not to be confused.

The ministry would increase dissemination of the circular to the business community as well as State management agencies.

After eight years of negotiation, the EVFTA was signed on June 30, 2019 in Ha Noi. The European Council passed the trade deal on March 30 and the Viet Nam National Assembly approved the trade deal on June 8.

## 7. IPs, EZs attract US\$6 billion despite Covid-19

This is still a positive sign amid the spread of Covid-19 worldwide, which has led to producers and multinational companies halting their production expansion or investment plans.

Besides, the suspension of international air services over the past few months has hindered investors from coming to Vietnam to learn about the market or promoting investments.

However, the number of projects getting licensed in the six-month period is almost similar to that of the same period last year.

IPs and EZs across the country attracted some 340 foreign-invested projects in January-June of last year with fresh capital totaling US\$8.7 billion.

The country has recorded 9,835 foreign-invested projects worth US\$197.8 billion at IPs and EZs to date and realized capital has reached 72.3%.

As for domestic investments at IPs and EZs, there were 282 projects whose combined fresh and additional capital was some VND62.7 trillion.

Meanwhile, the same period last year witnessed 334 such projects with fresh capital recorded at some VND82.900 trillion.

The number of domestic projects at IPs and EZs has so far reached 9,650 with combined investments totaling VNDVND2,310 trillion. Compared to foreign-invested projects, the realized capital of domestic investments is much lower, at around 46.3%.

As of this month, Vietnam has 336 IPs covering 97,800 hectares. Of these, 261 have been put into operation and 75 others are in the site clearance and compensation phases. The occupancy rates at operational IPs are some 76%.

In addition, there are 17 coastal EZs whose combined land and water surface sizes amount to more than 845,000 hectares, while over 40,000 hectares of land at EZs has been leased.

Among 38 IPs covering 16,600 hectares inside EZs, there are 20 IPs operational and 18 IPs under construction.



## Corporate News

### 8. HPG: Hoa Phat announces largest quarterly profit

↓ -0.37%

The group's chairman Tran Dinh Long told the company's shareholders at the Annual General Meeting of Shareholders in 2020 in Ha Noi on Thursday: "Despite social distancing, the profit in the second quarter is the highest quarterly profit in Hoa Phat's history."

Long said the accumulated profit after-tax profit of the first six months reached VND5 trillion, up 29.5 per cent from the same period last year.

Tran Tuan Duong, general director of the company said through the sale of construction steel could not reach the annual goal, shareholders should not worry too much about.

"Though the total consumption of construction steel decreased by 5 per cent nationwide, sales in Hoa Phat increased by 10 per cent," he said.

"Hoa Phat accounted for between 30 per cent and 35 per cent in the northern market while its southern market shares doubled from last year," Duong added.

Duong said although the output of construction steel decreased in Viet Nam, the company's export billets sharply increased and contributed greatly to the profit.

Long said the company was expecting to launch its first batch of commercial hot-rolled coil (HRC) in September and believed the products would bring lots of profit.

"While Hoa Phat could annually produce about 3 million tonnes of HRC with full capacity, Viet Nam consumes 11 million tonnes of HRC in 2019," Long said, adding, "the demand is much bigger than total supply so there is no difficulty in consumption of HRC."

Except for steel production, thanks to increasing prices of pork, the contribution of the agriculture segment of the company in the second quarter accounted for about 10-12 per cent of the company's total profit.

### 9. PXT: Explanation for ceiling-hitting sessions

↓ -4.85%

Petroleum Pipeline & Tank Construction Joint Stock Company (HOSE: PXT) explains the stock ceiling hitting for 10 consecutive sessions from June 02, 2020 to June 15, 2020 as follows:

- PXT stock price increased because of the supply and demand on the stock market, and beyond the control of the Company.

- On June 09, 2020, the Company appointed Mr. Nguyen Duc Dat, Chairman of the Board of Directors of Long Son Industrial Park Joint Stock Company, to be CEO of Petroleum Pipeline & Tank Construction Joint Stock Company. Besides, in the 2020 Annual General Meeting, the Board of Directors and Board of Supervisors for the term from 2020 to 2025 were elected with young capable and experienced members, creating trust in the development of the Company in the future.

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