



VIETNAM DAILY NEWS

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Table of content

Table of content

- 1. VN-Index ends three-session gaining streak**
- 2. Vietnam's manufacturing sector deteriorates further in May, but at reduced rate**
- 3. Ministry promotes tech transfer, investment promotion**
- 4. Vietnamese fabrics exempted from Indonesia's new import tariffs**
- 5. Specific criteria needed for Vietnam to attract FDI into priority areas**
- 6. Viet Nam's agricultural exports decline in May due to COVID-19**
- 7. PLX: BOD approved to continue to sell treasury shares**
- 8. GAS: Board approves the addendum draft with PVN**

Market Analysis

1. VN-Index ends three-session gaining streak

The VN-Index fell 0.44 percent to 874.80 points Tuesday, with real estate firms some of the biggest losers in the session.

249 stocks lost and 129 gained on the Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based. Total transaction volume remained above average, but dropped around 5 percent over the previous session to VND6.93 trillion (\$300.12 million).

The VN30-Index for the market's 30 biggest capped stocks edged down 0.34 percent, with 20 stocks losing and 10 gaining.

CTD of construction giant Coteccons led losses this session with 7 percent, its floor price. The stock had slumped upon news that Kusto Group, a Singapore-based major shareholder of Coteccons, had in the morning called an extraordinary general meeting to elect a new Board of Directors and a special audit on the construction firm's management practices.

CTD was followed by ROS of real estate developer FLC Faros, down 5.9 percent, STB of private Sacombank, down 2.3 percent, and HPG of leading steelmaker Hoa Phat Group, down 2.2 percent.

BID of BIDV, one of Vietnam's three biggest state-owned lenders by assets, shed 2.2 percent. Of the other two, CTG of VietinBank fell 0.2 percent, but VCB of Vietcombank edged up 0.1 percent.

VIC of private conglomerate Vingroup, HoSE's largest market cap, shed 0.5 percent, while VRE of its retail arm Vincom Retail dropped 0.7 percent

and VHM of real estate arm Vinhomes fell 1.6 percent.

Other major losing stocks this session included VPB of private VPBank, down 1.8 percent, BVH of insurance giant Bao Viet Group, down 1.6 percent, and NVL of real estate developer Novaland, with 1.5 percent.

In the opposite direction, HDB of private HDBank topped gains with 6.8 percent, its ceiling price. It was followed by SAB of major brewer Sabeco, up 3 percent, and GAS of energy giant PetroVietnam Gas, up 1.5 percent.

Oil and gas stocks all closed in the green, with POW of electricity generator PetroVietnam Power rising 0.5 percent and PLX of petroleum distributor Petrolimex adding 0.2 percent.

Other major gainers included MSN of food conglomerate Masan Group, which rose 1.3 percent, VJC of budget carrier VietJet Air, up 1.2 percent, and EIB of private Eximbank, up 0.9 percent.

Meanwhile, the HNX-Index for stocks on Hanoi Stock Exchange declined 0.44 percent and the UPCoM-Index for stocks on Unlisted Public Companies Market went up 0.7 percent.

Foreign investors continued to be net buyers on all three bourses to the tune of VND56 billion (\$2.42 million), with buying pressure mostly on VHM of Vinhomes and VCB of Vietcombank.

Macro & Policies

2. Vietnam's manufacturing sector deteriorates further in May, but at reduced rate

Output, new orders and employment decreased at rates unseen prior to the crisis, and there were reports of difficulties in securing new export orders. Meanwhile, firms continued to lower their output prices to attract new businesses, with input costs also dropping slightly.

The Vietnam Manufacturing Purchasing Managers' Index in May posted 42.7, indicating a milder slowdown compared to the previous month as April's index had seen a record low of 32.7. An index at 50 shows a neutral performance, while any level below this points to a decline.

Despite signaling a much lower decline in business conditions than the previous month, the latest data indicated that the health of the sector continued to deteriorate at a rapid rate.

Disruption inflicted by the Covid-19 infection led to a sixth successive monthly decline in production but the drop was less than it was in April as some firms resumed operations.

Similar trends were seen with regard to new orders. A further sharp reduction in new orders meant that spare capacity remained evident in the sector. As a result, manufacturers maintained a cautious approach to hiring, often opting not to replace workers who had resigned and staffing levels declining for the fourth consecutive month.

Manufacturers also continued to scale back their purchasing activities and inventories of both purchases and finished goods, albeit to a lesser extent than in April.

The scarcity of some materials placed some pressure on input costs during the month. Still, input prices decreased for the second consecutive month, but only marginally. Any fall in input costs was often linked to lower oil prices.

With Covid-19 brought under control in Vietnam, there was tentative optimism among manufacturers that production would increase in the coming year. However, the sentiment among them was still the second lowest since the question was added to the survey in April 2012, amid concerns that the impacts of the pandemic would linger.

“The success Vietnam has had in bringing the Covid-19 outbreak in the country under control means that the economy can soon be on the road to recovery. That said, the PMI data for May suggests that the road will be a long one, with the manufacturing sector staying in contraction mode midway through the second quarter of the year, even though the decline was much lower than it was in April,” noted Andrew Harker, economics director at IHS Markit.

“The return to growth will most likely be gradual, with little support from export markets in the near term as the pandemic continues to affect large parts of the world,” he added.

3. Ministry promotes tech transfer, investment promotion

During a conference in Ha Noi on Monday, Pham Duc Nghiem, deputy director of the MoST's Department of Business and Market Development, said the support would help local firms better have access to the global value chain.

According to Nghiem, Vietnamese products, such as woodwork, seafood and engineering, have become the country's key export staples in recent years with annual growth rates of 7-19 per cent

thanks to the Government's support policies, including technology transfer.

“However, many firms are facing major challenges related to markets, finance and human resources due to the COVID-19 pandemic as up to 90 per cent of 764,000 Vietnamese firms are small- and medium-size,” said Pham Quoc Anh, general secretary of the Ha Noi Association of Small- and Medium-sized Enterprises.

It is estimated that only some 11.4 per cent of Vietnamese firms invest significantly in technology annually. They are firms that have more than 300 employees and an annual turnover of VND100 billion (US\$4.34 million).

Due to limited investment, Anh said only 21 per cent of Vietnamese firms could join the global value chain by the end of last year, compared with 46 per cent in Malaysia.

Therefore, further support from the Government is needed to help local firms join the chain, Anh said.

To help firms promote investment and connect to the global market, Tran Hai Linh, chairman of the Vietnam-Korea Businessmen and Investment Association, suggested the Government support firms in legal frameworks and help them have a better awareness of the legal regulations of importing countries.

At the meeting, the VCIC also announced the launch of the VCIC Connect Programme to support

projects and firms in technology transfer, investment promotion and market connectivity, especially in two major markets with technology strength in South Korea and Australia.

“The programme will be a bridge for local firms to access and connect with international partners on technology transfer, trade and investment. It will help them seek business opportunities, market development and investment attraction according to their needs,” Nghiem said.

Vietnamese firms, which have been developing new and creative technologies, products and business models in coping with climate change, can register for the programme until June 15 this year.

In addition, firms, which operate in renewable and effective energy, sustainable agriculture, water management and filtration, information and technology to develop clean technology and respond to climate change, will get priority, according to the organiser.

4. Vietnamese fabrics exempted from Indonesia’s new import tariffs

Made-in-Vietnam fabrics have been exempted from new import tariffs of Indonesia, which have been imposed on some textile products from May 2020 until November 2022.

Aside from Vietnam, other countries and territories exempted from the safeguard measures include the Republic of Korea and Hong Kong for the imports of synthetic yarn and curtains, as well as India also for fabrics, according to the Indonesian Finance Ministry.

In 2019, the Indonesian government imposed temporary additional duties on imports of textiles and textile products up to 67.7 percent.

The fresh move is a safeguard measure to protect the domestic upstream industry from a recent surge in imports and encourage the use of domestic market products.

Previously, Moody's Investors Service warned that the US-China trade tensions could lead to an influx of Chinese yarn, fabrics, and garments into Indonesia. It said, potentially disrupting the so far stable levels of demand and supply in Indonesia.

Moody's explained that tariffs imposed by the US on Chinese textile exports are at 25 percent versus the 10-15 percent that Indonesia has implemented

5. Specific criteria needed for Vietnam to attract FDI into priority areas

In addition to removing obsolete administrative procedures, Vietnam should issue specific sets of criteria to ensure greater efficiency in attracting foreign direct investment (FDI) into priority areas, according to Nguyen Anh Duong, head of the Macroeconomic Policy Department under the

Central Institute for Economic Management (CIEM).

“Low quality of institutional framework, digital infrastructure and productivity are three

bottlenecks hindering Vietnam's development in the post-Covid-19 period,” Duong said at a conference on June 1.

Regarding this issue, economist Vo Tri Thanh, CIEM's former vice director, said the Covid-19 pandemic has triggered the trend of politicization of economic activities, which was best demonstrated by the US – China tensions and protectionism.

Thanh said in a world of growing uncertainties, countries like Vietnam should adopt flexible policies and act fast to grasp a new wave of investment capital as foreign investors are looking to diversify their global value chains away from China.

“It is not a coincidence that Prime Minister Nguyen Xuan Phuc has set up a task force to promote investments in the country,” Thanh added.

“Instead of waiting for others to come, we have to be active in approaching potential investors and addresses bottlenecks in attracting FDI,” Thanh asserted.

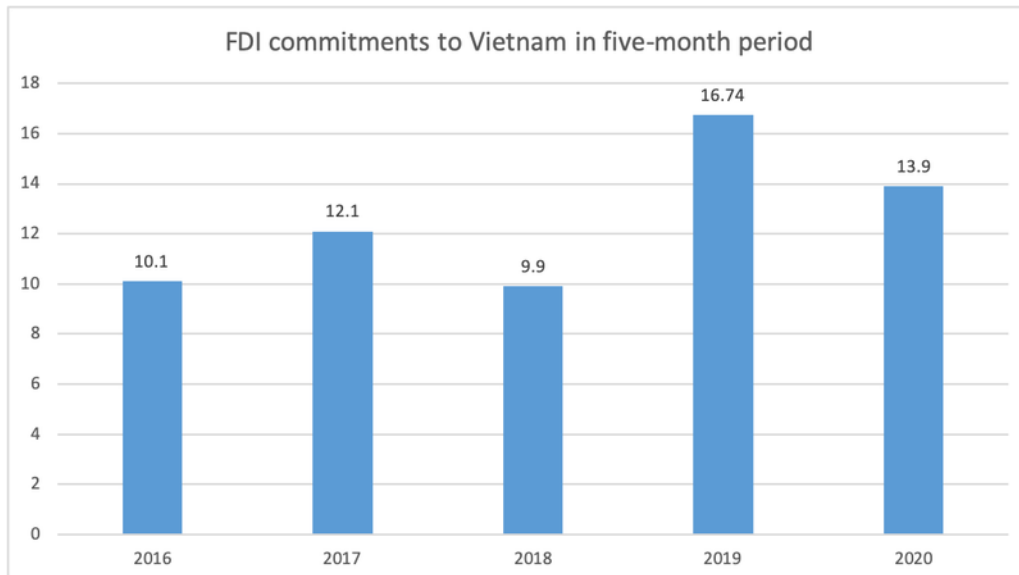
Dau Anh Tuan, director of the Legal Department at the Vietnam Chamber of Commerce and Industry (VCCI), said the initial success in tackling Covid-19 proved the country's stable business environment and efficient state governance.

Tuan noted as the EU – Vietnam Free Trade Agreement (EVFTA), the EU's only second trade agreement to date in the Southeast Asian region, is set to come into play, Vietnam is holding major advantages to attract investors compared to regional peers.

However, as the Covid-19 pandemic is transforming the world, Vietnam has to move fast, he stated.

“Vietnam should shift its focus from addressing business concerns to creating a favorable environment for growth,” Tuan added.

Improving the quality of state management and smoothing administrative procedures are highly demanded by the business community, not only the progress of cutting red tape, Tuan continued.



Data: GSO. Chart: Nguyen Tung.

Thanh, however, noted that while Vietnam is pursuing higher quality FDI, it is essential to continue to support the private sector, saying this would help make a strong and independent economy.

Disbursement of FDI in Vietnam in May is estimated at US\$1.55 billion, the highest monthly figure since February, a report of the Foreign Investment Agency (FIA) under the Ministry of Planning and Investment has shown.

The data indicates a positive sign that foreign investors are accelerating their projects' progress as the Covid-19 pandemic has been initially contained in Vietnam.

Overall, disbursement of FDI projects in Vietnam totaled US\$6.7 billion in the first five months of 2020, representing a decline of 8.2% year-on-year.

Meanwhile, FDI approvals in the January – May period fell 17% year-on-year to US\$13.9 billion. The figure, however, is higher than that of the same five-month period from 2016 to 2018, posting increases of 37.6%, 14.8% and 40.4% compared to the corresponding period of 2016, 2017 and 2018, respectively.

6. Viet Nam's agricultural exports decline in May due to COVID-19

Export value in the first five months of 2020 saw a decline of 4.1 per cent year-on-year and was valued at US\$15.5 billion.

Coffee, rice and vegetables were among the commodities with the strongest export growth, whereas rubber, tea and pepper saw a sharp fall.

China is Viet Nam's largest exporting market of agricultural products, with export turnover at \$3.7 billion, a 15.5 per cent drop in value, closely followed by the US and the EU, reaching \$3.4 billion and \$1.6 billion, respectively.

Nguyen Quoc Toan, Director of the MARD's Agro Processing and Market Development Department,

says the ministry will closely observe the situation in COVID-19-affected markets to provide corresponding solutions.

“We will collaborate with the Ministry of Industry and Trade, agencies and companies to closely monitor the price, supply and demand of essential agricultural goods in the domestic market to ensure food security in Viet Nam while still maintaining agricultural exports,” he said.

The ministry will also focus on resolving technical barriers in agricultural trade, as well as expanding and diversifying markets through negotiations with trade partners.

Corporate News

7. PLX: BOD approved to continue to sell treasury shares

↑ 0.22%

The Board resolution dated May 28, 2020, the BOD of Viet Nam National Petroleum Group approved to continue to sell treasury shares with the following details:

- Number of treasury shares registered to sell: 15,000,000 shares

- Purpose of selling: to supplement business capital and development investment

- Expected trading period: after being approved by the State Securities Commission of Vietnam (SSC)

- Trading method: order matching or put through.

8. GAS: Board approves the addendum draft with PVN

↑ 1.46%

On May 29, 2020, the Board of Directors of PetroVietnam Gas Joint Stock Corporation (short name: PVGas) issued Resolution No.63 approving Addendum Draft No.2 for Be Cuu Long Gas Sale

and Purchase Agreement between PVGas and Vietnam Oil And Gas Group (short name: PVN) in order to supplement the gas source associated with Ca Tam field.

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