VIETNAM DAILY NEWS

June 9th, 2020

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Market Analysis

1. VN stocks upbeat on trade deal approval

The markets continued to gain on Monday as investors were upbeat over the ratification of a Europe-Viet Nam trade deal.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange closed 1.55 per cent up at 899.92 points.

The VN-Index had gained a total of 2.51 per cent last week.

The HNX-Index on the Ha Noi Stock Exchange rose 1.71 per cent to finish the day at 120.10 to follow on the heel of a 7.53 per cent gain last week.

Nearly 682 million shares were traded on the two exchanges for VND9.51 trillion (US$409 million). This included a record VND7.22 trillion worth of order matching on the Ho Chi Minh Stock Exchange.

The market sentiment was supported by an uptrend in global stocks following the US employment report last weekend, MB Securities (MBS) said in its daily report.

Investors cheered the approval of the Europe-Viet Nam Free Trade Agreement (EVFTA) and the Europe-Viet Nam Investment Protection Agreement (EVIPA), MBS said.

The agreements were passed by the National Assembly in the morning, which boosted almost all sectoral indices.

The industries that are expected to benefit the most from the agreements include retail, banking, securities, food and beverages, seafood, and real estate.

The sectoral indices were up 0.9-5.9 per cent, according to vietstock.vn, with the seafood sector accounting for the latter number.

The trade deals are expected to give Vietnamese companies better access to the affluent European markets.

Besides, Viet Nam also expects to attract investment from Europe.

All leading companies in each sector gained, taking the large-, mid- and small-cap tracker indices up by 1.5-2 per cent.

The large-cap VN30 index was up 1.5 per cent as 27 of the 30 largest stocks by market value gained and only three declined.

The gainers included sugar firm Thanh Thanh Cong-Bien Hoa (SBT), retailer Mobile World Investment (MWG), Bank for Investment and Development of Vietnam (BID), dairy producer Vinamilk (VNM), and PetroVietnam Gas (GAS).

“High trading liquidity has been maintained for the past few days, proving the market absorption is good,” MBS said.

“That indicates investors are highly confident about the market’s prolonged uptrend.”

Macro & Policies

2. Viet Nam a safe destination for high-quality FDI

High-quality FDI and promoting the spillover effect and connections between FDI firms and the domestic economic sector were among the contents emphasized by Era Dabla-Norris, chief of the International Monetary Fund (IMF) delegation in charge of Vietnamese issues, in a recent interview granted to Vietnamese reporters from Washington.

The expert said that Prime Minister Nguyen Xuan Phuc's decision to set up a special working group on FDI attraction to welcome the wave of shifting production to Viet Nam after the pandemic was very praiseworthy. It showed the Government's thorough understanding of FDI's importance and contribution to productivity and economic growth.

Previously, a noteworthy move was the Politburo's issuance of Resolution No. 50-NQ/ TW dated August 20, 2019 aiming to enhance the quality of FDI attraction, call for the improvement of the business climate for foreign investors, promote links and connections between the FDI sector and the domestic economic sector, and work towards raising technical and environmental standards.

Although it is impossible to avoid the impact of the COVID-19 pandemic, the Southeast Asian country is still considered a "good land" to attract high-quality FDI capital after the disease is over.

According to the IMF expert, many large international corporations are seeking investment opportunities to diversify their supply chains. Viet Nam has emerged as one of the brightest candidates to welcome this capital flow thanks to its success in COVID-19 prevention and control.

In addition, the positive economic prospects after reopening, the large population size and the increasing number of people joining the middle class are also the favorable factors helping Viet Nam attract investment.

Obviously, with the goal of welcoming high-quality FDI that brings greater values, the quality factor is always given top priority. This requires Viet Nam to make a series of better overall reforms, such as renovating FDI-related institutions and regulations, as well as enhancing the protection of intellectual property rights, ensuring fair competition, removing non-tariff barriers, addressing corruption, and improving the skills of workers to meet the higher requirements from high-quality investors.

3. App supporting businesses between Viet Nam and Australia launched

It is expected that the application will be introduced to thousands of importers, business associations and investors in Australia and a number of neighbouring island nations to form a strong network with Vietnamese businesses, associations and localities.

The application is completely free and downloaded through Apple Store and Google Play.

Nguyen Phu Hoa, head of the Viet Nam Trade Office in Australia, said that the Ministry of Industry and Trade had taken a strong direction in expanding and putting information technology into the market last year.

Aware of the urgent task, as well as creating the best support for businesses in Viet Nam and Australia, the trade office has focused on information technology and built a new generation of trade networks, which is complementary to traditional market promotion activities, he said.

With the desire to connect importers and investors in Australia with Viet Nam, the trade office hoped that localities in Viet Nam would regularly update the lists of products and projects on local websites in English or send it directly to the trade office.

Statistics from the General Department of Viet Nam Customs showed that two-way trade between Viet Nam and Australia reached more than US$2.7 billion in the first four months of this year, an increase of nearly 11 per cent over the same period last year.

In particular, Viet Nam's exports to the Australian market reached more than $1.2 billion, up 7.3 per cent.

4. Japan, US firms urge Vietnam to reopen to foreign investors

Investors from Japan and the US have strong interests in Vietnam and need the Vietnamese government to reopen the economy to foreign businesses.

In a meeting with Deputy Prime Minister and Minister of Foreign Affairs Pham Binh Minh on June 4, Japan's newly-appointed Ambassador to Vietnam Yamada Takio said the Japanese business community is looking at Vietnam as a potential investment destination, and expected foreign direct investment (FDI) from Japan to Vietnam would surge in the coming time.

Minh said Vietnam considers Japan its top partner and welcomes Japanese firms to expand operations in Vietnam.

Minh agreed to Takio's suggestion that both sides should start resuming flights between the two countries provided that safety regulations are met.

According to Takio, Vietnam has been one of the world's most successful countries in containing the Covid-19 pandemic. He thanked the Vietnamese government for to allowing Japanese experts and managers to return to Vietnam.

Takio stressed the Japanese government always gives priority to its relations with Vietnam, and is willing to support Vietnam's socio-economic development.

On June 3, Vietnam's Ambassador to the US Ha Kim Ngoc and Filipino Ambassador Jose Manuel Romualdez attended an online conference discussing ASEAN's response to Covid-19 economic recovery held by non-profit diplomacy center Meridian in Washington D.C.

The event attracted participation of representatives of the US State Department, senior executives from the US – Asian Business Council (USABC), US Chamber of Commerce (USCC), Abbott, Mead Johnson, Cargill, Pepsi, Exxon Mobil, GenX, Sabouri, among others.

At the conference, Ngoc referred to Prime Minister Nguyen Xuan Phuc's decision to set up a task force specialized in promoting FDI to Vietnam, and expected US firms to continue choosing Vietnam as their ideal investment destination.

In addition to cooperation in healthcare and vaccine development, Ngoc said there are other potential fields such as e-commerce, infrastructure, and energy, especially renewable ones.

Representatives of US firms expressed strong interest in the Vietnamese market, requesting ASEAN in general, and Vietnam in particular, to maintain their supply chains, including those for medical equipment.

US companies suggested that Vietnam should soon reopen its economy to foreign businesses and investors, so that they could access potential Vietnamese partners.

5. Reforms needed to attract foreign portfolio investment: fund manager

This Vietnam needs effective changes and reforms to attract more foreign portfolio investment, Andy Ho, chief investment officer of investment fund VinaCapital, has said.

The country had an opportunity to attract inflows into stocks, bonds, private equity, and venture capital, he said.

The pandemic had hit a lot of economies, and central banks around the world were likely to print 6 trillion USD worth of money for so-called "quantitative easing" programmes to support their economies.

"And some of that money will inevitably leak out of developed markets and into frontier and emerging markets in search of higher investment returns. How do we get some of this money into Vietnam in the form of foreign indirect investment?"

Andy Ho believed that investors in developed markets were still very attracted to Vietnam because it "provides returns that are not available to them in their countries".

"In their countries, bonds are trading at negative interest rates, term deposits interest rates are negative and dividend yields are coming down to 1-2 percent.

"Therefore, they look at places like Vietnam where we have dividend yields of 3-4 percent, bond yields of 3-4 percent and term deposits interest rates of 6-7 percent. So the returns in Vietnam are tremendous."

Vietnam had a very stable political and economic environment and forex market, and half its population was under 35 with rising incomes and purchasing power.

For years, Vietnam had been an attractive destination for foreign investors who were enamoured of its growth prospects and other factors.

But more reforms were needed to become more attractive.

Foreign investors constantly lamented about the limited number of large, high-quality, high-growth companies for them to invest in.

To solve this problem, the Government needs to equitise more of the country's premier companies, such as the telecommunications companies (Viettel, Mobifone), Electricity Vietnam, and PetroVietnam.

Furthermore, the country's stock market was dominated by banking, real estate and consumer stocks that accounted for about 70 percent of the market cap, whereas foreign investors were typically interested in diversifying their holdings to a wide range of sectors.

Besides, the biggest "market access" issue that foreign investors were unhappy with in Vietnam was foreign ownership limits (FOL).

The FOL law was partly liberalised in 2015, but only 82 companies (out of 1,700 listed companies) had actually raised their FOLs, an embarrassingly small number and a major red flag to foreign investors considering investing in Viêt Nam's stock market.

There were currently 30 Vietnamese stocks that had reached full FOL, meaning there were no more shares available for foreign investors to buy.

If a foreign investor wanted to buy shares in one of those companies, they had to buy from another foreigner at a price typically 7-15 percent above the market price.

This created a problem in that the new foreign investor then suffered a 7-15 percent mark-to-market loss on the investment because there was no way of verifying the foreign premium that the investor had paid to buy the stock.

The solution to this problem would be for Vietnam to implement a "foreign board" on which transactions between foreign investors were recognised.

The country was still classified as a "frontier market" by MSCI and other stock market index companies, and needed an urgent upgrade to the "emerging market (EM)".

"The amount of investment funds in the world that is benchmarked against the MSCI-EM index is over 100 times that linked to the MSCI-Frontier index, an upgrade to the MSCI-EM index would probably push Vietnam's stock market up by at least 50 percent based on the experience of other countries that were upgraded in the past."

The Government should slash corporate income taxes for the next six to 12 months and lower bank deposit rates to encourage local investors to pour money into the stock market.

Vietnam's leading stockbrokers should organise investment conferences abroad to encourage foreign investment inflows.

Besides Government bonds, investors also preferred other bonds that were liquid or listed. It should be relatively easy to attract foreign money into Vietnam's nascent corporate bond market if companies took the steps necessary to secure credit ratings from international agencies.

"Vietnam's effective handling of the COVID-19 outbreak to date has been based on quick and decisive action. We view this as an opportunity to apply those same qualities to resolving some longstanding issues which could play a key role in helping Vietnam's economy grow in the aftermath of the pandemic."

6. Over seven million Vietnamese workers can lose jobs

Nguyen Thi Quyen, deputy head of the Ministry of Labor, Invalids and Social Affairs' department of employment, said the country must prepare for different scenarios with the job market as the Covid-19 crisis is unprecedented and hard to predict.

In the worst-case scenario that Vietnam is severely affected by the further deteriorating global situation, between 6.1 and 7.2 million Vietnamese workers could lose their jobs and 90 percent of enterprises impacted.

Even under the most optimistic scenario under which the pandemic situation improves, between 3-3.5 million workers could become unemployed and up to 75 percent of enterprises could be affected.

The ministry said it was planning to spend between VND3-5 trillion ($129-215 million) from the unemployment fund on retraining and skill enhancement to help workers adapt to coronavirus-induced changes in the labor market.

After Vietnam eased social distancing measures on April 23, 70,000-80,000 workers returned to work in May, but many enterprises remain in a difficult situation due to stalled exports, it added.

More than five million Vietnamese workers lost their jobs, worked fewer hours or had their incomes reduced because of the novel coronavirus outbreak in the first five months of 2020, the labor ministry said.

A survey conducted by the ministry found nearly 86 percent of Vietnamese enterprises affected by the pandemic, especially those in manufacturing and processing, wholesale, retail, logistics, catering and hospitality.

Vietnam recorded a GDP growth of 3.82 percent in Q1, its lowest in a decade. As many as 18,600 companies temporarily suspended business in Q1, up 26 percent year-on-year.

Last year, the nation grew 7.02 percent, the second highest rate in a decade. The government has revised its GDP growth target to 4.5-5.4 percent for this year

7. Enjoying incentives, prices of domestically-produced cars to decline

The Government's decision to offer a zero-import tax rate on automobile components opens significant opportunities for the local industry to lower prices, enhance competitiveness and promote consumption.

Under the Government's Decree No 57/2020/ND-CP, dated May 25, the import tax rate on automobile components would be cut from July 10 in an effort to promote the domestic automobile production and assembly industry in 2020-2024 period.

This would mean that more automakers would enjoy the tariff compared to those regulated in Decree 125/2017/NQ-CP dated November 16, 2017.

In the previous decree, automakers must reach regulated output levels to enjoy the tax incentive, which benefits only producers with high output. For example, companies must produce at least 8,000 nine-seat cars with cylinder capacity of 2,500 cc or less in 2018 and 13,500 cars in 2022 to be eligible for the tariff.

Notably, firms which import automobile components which had not been produced domestically to supply automakers would also enjoy the tax incentive, according to the new decree.

Le Ngoc Duc, Director of TC Motor, was quoted by online newspaper Vietnamnet that the tax incentive would help narrow down the gaps in price competitiveness between domestically assembled cars and those imported from ASEAN.

However, the competition remained harsh. It was estimated that the tax incentive would help reduce production cost of domestically assembled cars by about 15-17 percent. In comparison, cars imported from ASEAN were enjoying zero import tax, meaning that their prices were 23-25 percent lower.

Automakers were expecting more incentives so that they could further lower their prices to be able to compete with those imported from ASEAN, Duc said.

The Government was also considering amendments to the special consumption tax on cars, which, if passed, was expected to give a boost to the local automobile industry.

The domestic automobile industry was anticipated to face increasing competition as import tax on cars would be gradually cut to zero in the next 10 years following commitments to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA).

Customs statistics showed that Vietnam imported automobile components worth 4.16 billion USD in 2019, from 3 billion USD in 2015, mainly from the Republic of Korea, Japan, China and Germany.

In the first four months of this year, automobile component imports totalled 1.16 billion USD, a slight decrease against the same period in 2019 due to the impacts of the COVID-19 pandemic.

The Government officially gave nod to a 50 percent reduction in registration fees for buyers of locally manufactured cars which was highlighted in the Resolution No 84/NQ-CP dated May 29 about measures to remove difficulties for business and production and accelerate disbursement of public investment in the post-pandemic period.

However, it is unknown when the reduction would come into force, while it would expire by the end of this year.

In the market, buyers tended to delay their purchase decision until they could enjoy the reduction, which would amount to dozens of millions of đồng per car. The registration fee is two percent, according to the Decree No 140/2016/ND-CP dated October 10, 2016.

Pham Dinh Thi, Director of the Ministry of Finance's Tax Policy Department, was quoted by Zing.vn as saying that a decree on the registration fee reduction was being developed and would be issued soon. The draft neared completion and would be raised for comments, Thi said, adding that the process for issuance of this decree would be shortened.

The Ministry of Industry and Trade's statistics showed that automobile sales saw a considerable drop in recent months due to the COVID-19 pandemic – by 23.8 percent in April and 26.9 percent in May.

Corporate News

8. PAN: The PAN Group named in Forbes' top 50 listed companies in VN

↑0.92%

It remains a rare representative of the agricultural sector in the list.

The list is compiled using metrics like annual growth, profit, return on equity, earnings per share, branding, quality of management, sources of profit, and the prospects of sustainable development.

In 2019, the company's consolidated net revenues and profit after tax were VND7.8 trillion (US$335.08 million) and VND452 billion ($19.4 million). The profit from core business activities grew by 15 per cent despite unfavourable weather including prolonged extreme heat, severe drought and saline intrusion in the Mekong Delta.

The newly incorporated PAN CG, which has 800 employees and partnerships with more than 145,000 retail stores in 63 provinces, is an important link in the company's value chain "from farm to table" and contributes to bringing high-quality food products to domestic consumers.

The projects promise to bring great growth to PAN Group in future.

For a sixth consecutive year, the company has been named among the Top 500 Fastest Growing Enterprises in Viet Nam (FAST500) in 2020 by Vietnam Report and VietNamNet newspaper.

It has also been recognised as one of the 50 Best Growth Enterprises in the period between 2015 and 2019.

9. SFI: Board resolution on the foreign ownership limit

↓-0.52%

According to the Board resolution dated June 04, 2020, the Board of Directors of Sea & Air Freight International approved to confirm the foreign ownership limit at the Company to be 49 percent as prescribed.

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