



VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index bounces back after six straight losing sessions

The VN-Index surged 2.23 percent, or 18.38 points, to 843.49 points Wednesday, with the vast majority of tickers on stock markets in the green.

An overwhelming 306 stocks rose while 81 fell on the Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based.

Investors remained cautious after the HoSE's six consecutive losing sessions, which had cost the VN-Index 46.17 points, or 5.3 percent, with total trading volume reaching VND4.66 trillion (\$201 million), down nearly 10 percent over the previous session.

The VN30-Index for the stock market's 30 largest caps rose 2.11 percent, with 26 tickers gaining and 3 losing.

CTD of construction giant Coteccons led gains this session, surging 6.9 percent, its ceiling price, followed by VRE of mall operator Vincom Retail, up 6.7 percent, VPB of private VPBank, up 5.6 percent, and STB of private Sacombank, with 4.2 percent.

Of Vietnam's three biggest state-owned lenders by assets, CTG of VietinBank rose 3.5 percent, BID of BIDV 3.4 percent, and VCB of Vietcombank 3 percent. As some of the VN30's biggest caps, they altogether contributed 4.85 points to the VN-Index, according to data from brokerage VNDIRECT.

Oil and gas stocks were all in the green this session, with GAS of energy giant PetroVietnam gas adding

2.9 percent, PLX of petroleum distributor Petrolimex 1.3 percent, and POW of electricity generator PetroVietnam Power 1 percent.

Some of the VN30's other biggest gainers this session were SAB of major brewer Sabeco, up 3.8 percent, SBT of agricultural firm TTC-Sugar, up 3.7 percent, SSI of brokerage Saigon Securities Inc., up 3.4 percent, and MSN of food conglomerate Masan Group, with 2.6 percent.

VIC of private conglomerate Vingroup, the stock market's biggest cap, surged 2.1 percent this session, while VHM of its real estate arm VHM added 1.9 percent.

In the opposite direction, HDB of private HDBank topped losses with 1 percent, while NVL of real estate developer Novaland and EIB of private Eximbank both fell 0.3 percent.

Meanwhile, the HNX-Index for stocks on the Hanoi Stock Exchange, Vietnam's second main bourse for small and midcap stocks, rose 1.76 percent, and the UPCoM-Index for unlisted public companies gained 0.95 percent.

Foreign investors turned net buyers on all three bourses to the tune of nearly VND100 billion (\$4.32 million). Selling pressure was focused on PLX of Petrolimex and VNM of dairy giant Vinamilk, which gained 1.8 percent this session.

Macro & Policies

2. Haiphong welcomes golden opportunity to attract high-quality foreign investment flow

At the end of May 2020, Germany's Tesa, a special industrial adhesive tape manufacturer, has confirmed to invest \$55 million into Haiphong. Tesa is a prime example of the "China + 1" production strategy adopted by multinationals, and shows how investment flows are drawn towards Vietnam on account of agreements like the EU-Vietnam Free Trade Agreement or the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

With Haiphong's "hard" and "soft" infrastructure being generally readied to fulfil the requirements of investors, while improvements in human resources have been a key factor encouraging investors to choose the province.

According to Prof. Dr. Nguyen Mai, president of the Vietnam Association of Foreign-Invested Enterprises, in order to receive the investment flow that is moving out of China, human resources is a key factor for success: high-quality labour will bring good investors such as Samsung or Intel, besides political stability, quality of facilities, and open and transparent policies.

Haiphong Economic Zone's Board of Management has been actively discussing with representatives from Apple, a global tech giant. At the discussions, besides concerns over infrastructure, labour availability was also significantly emphasised. The EZ's representatives have taken a proactive approach by requesting the investor to outline their HR requirements so that they can co-ordinate with relevant authorised agencies, universities, and colleges to provide intensive training in the most relevant skills, as well as begin recruitment even while students are in the middle of their studies or prior to their graduation.

Availability of high-quality labour

The Provincial Competitiveness Index (PCI) Ranking 2019 published in early May indicated that enterprises highly appreciated Haiphong city's training and education policies, ranking it on top of the nation with 8.24 point. This component index

witnessed the highest level of satisfaction from local companies since 2017.

For years, a number of industrial zone developers have been taking the initiative in supporting secondary investors not only with legal and administrative issues and factory construction but also in HR recruitment in order to ensure the prompt operation of their factories.

From the developer's perspective, Nguyen Thanh Phuong, general director of Sao Do Group, primary investor of Nam Dinh Vu Industrial Park, commented, "Currently, Vietnam witnesses a golden opportunity to welcome a new wave of high-quality foreign investment. The infrastructure, policies, and legal corridor of Vietnam are generally adequate but need constant improvement.

"The quality of HR is not in fact identical among municipalities. Haiphong has a great advantage in this regard, in addition to transportation infrastructure, social utilities, and industrial zones being among the top of country."

During 2015-2020 when the port city welcomed a record volume of capital-intensive billion-dollar investment projects, employment in city-based industrial zones (IZs) and economic zones (EZs) has jumped sharply. In 2015, there were about 48,500 Vietnamese workers in these IZs and EZs. By the end of May 2020, this figure has risen to 133,000, by 2.7 times. The average monthly income of workers had doubled in five years from VND4.85 million (\$210) to VND10.5 million (\$460).

Several industries are in high demand such as IT, accounting, agriculture, and commerce, automotive technology, driver training, hospitality, welding, mechatronics, and electrical engineering, among others. Especially, some vocational and training institutions are interested in investing in key occupations.

International co-operation in training highly skilled personnel is extremely appreciated by Haiphong city. Up to now, there have been 20 foreign-invested projects in the city related to vocational education.

The training institutions have been proactively implementing and receiving technical support from experts under diverse programmes funded by international organisations like the ADB and

volunteer specialists. As a result, many big investors in the field of high-tech such as LG and Vinfast are operating smoothly their factories in Haiphong, with a steady and stable labour supply.

3. Vietnamese lychees hit shelves in Singapore

Vietnamese lychee was officially put up for sale in Singapore's FairPrice supermarket chain, making the first year when the specialty fruit has been imported from the Southeast Asian country on a large scale.

According to the Commercial Affairs Office under the Vietnamese Embassy in Singapore, nearly 50 tonnes of lychee have been shipped to Singapore via Hai Phong Port so far, and the export volume is expected to reach 100 tonnes this year.

Thanks to its good quality and eye-catching appearance, the fruit has quickly won over local consumers, leaving shelves in many supermarkets empty after only two weeks.

It was sold at 5 SGD (3.59 USD) per kg in the first week under a promotion programme, and 6 SGD in the next week.

Tran Thu Quynh, Vietnamese Trade Counsellor in Singapore, said since early 2018, the office has worked with major Singaporean importers to introduce the fruit, and held working sessions with Singaporean experts in lychee preservation.

Over the past three years, the office has organised trips to Vietnam for Singaporean fruit importers, including FairPrice whose representatives directly examined Vietnamese lychee farms.

Since the beginning of this year's lychee season, it has coordinated with the Vietnam Trade Promotion

Agency and the Department of Industry and Trade of Bac Giang province, dubbed as the kingdom of lychee in Vietnam, to hold an online workshop promoting the fruit.

Quynh said the office plans to join hands with Bac Giang and Hai Duong provinces, and FairPrice to organise a Vietnamese lychee day in Singapore in the next crop.

With the support of Singaporean experts, it is designing leaflets introducing the fruit in English, she added.

In 2020, Bac Giang has 28,000 hectares of lychee, including over 160,000 hectares for harvesting, up 10,000 tonnes compared to the previous year.

The area of lychee produced according to VietGAP standard is estimated at 15,000 hectares with an output of 110,000 tonnes, accounting for 53 percent and 69 percent of the total, respectively.

As many as 80 hectares of lychee are planted under GlobalGAP practices with an estimated output of 500 tonnes to serve high-end markets.

Meanwhile, Hai Duong is now home to 9,700ha of lychee, mostly in Thanh Ha district with about 3,600ha and Chi Linh city with 3,900ha. The total lychee output is estimated at 45,000 tonnes this year. The early lychee harvest is estimated to be 20,000 tonnes and the main crop is about 25,000 tonnes.

4. Sharp Corp. to launch solar power plant in Vietnam soon

Japan's Sharp Corp said on June 30 that it plans to put into operation a solar power plant in Ninh Thuan, a province in south central Vietnam, in early July.

The plant is a joint venture between Sharp Energy Solutions Corp., a subsidiary of Sharp Corp., and Vietnam's T&T Group Joint Stock Co. and its affiliate Ninh Thuan Energy Industry Joint Stock Co.

With an annual output of 76,373 megawatt hours of electricity, the plant can ensure power supply for 40,500 households.

Japanese news agency Kyodo News quoted a spokesman of the group as saying that Sharp has been pushing its solar power business in Asia, having built plants in Thailand, Indonesia and Mongolia, on the back of expected growth in consumption of electricity.

5. Greater business confidence helps Vietnam manufacturing sector rebound

The Vietnamese manufacturing sector returned to growth in June as success in suppressing the Covid-19 pandemic and greater business confidence helped lead to renewed expansions in output and new orders, according to Nikkei and IHS Markit.

below 50 indicates contractions and above 50 points to an expansion.

New orders increased for the first time in five months, and at a solid pace that was the fastest in just under a year. Respondents indicated that the



Source: IHS Markit.

Vietnam Manufacturing Purchasing Managers' Index (PMI) posted 51.1 in June, up from 42.7 in May.

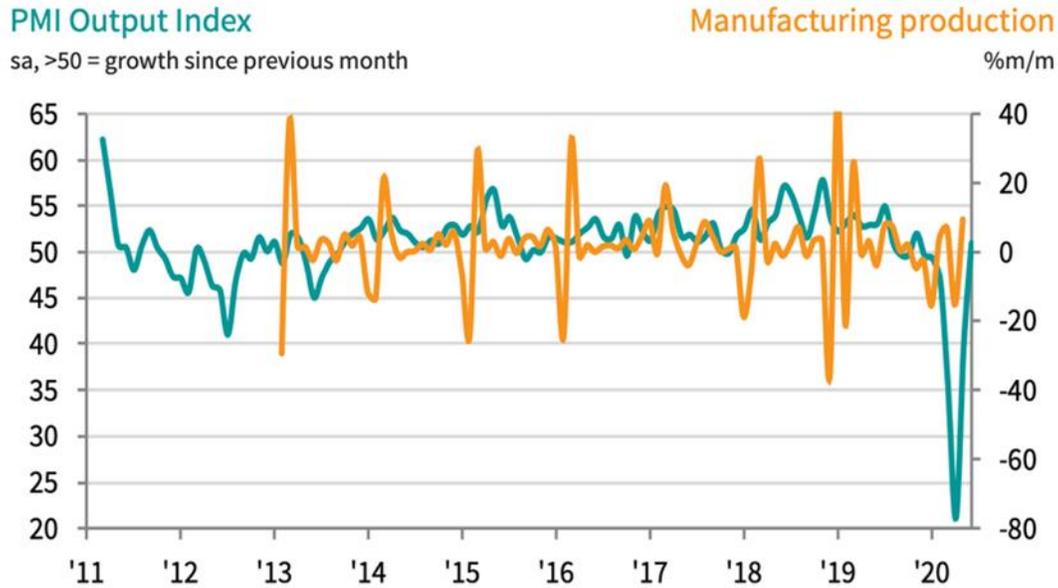
The Vietnam Manufacturing Purchasing Managers' Index (PMI) posted 51.1 in June, up from 42.7 in May and above the 50.0 no-change mark for the first time in five months. The reading represented a continuation of the recovery seen since the PMI hit a record low in April.

A reading below the 50 neutral mark indicates no change from the previous month, while a reading

Covid-19 pandemic being brought under control in Vietnam had contributed to rising new business. Both the consumer and intermediate goods sectors posted expansions in new business, but investment goods orders continued to fall.

While total new orders increased, new export business declined again amid restrictions on international movement and customer closures in some export markets.

A renewed rise in production was also signaled in June, driven by the consumer goods sector.



Sources: IHS Markit, General Statistics Office of Vietnam.

Despite new orders increasing at the end of the second quarter, there was continued evidence of spare capacity in the sector. Backlogs of work fell again, while staffing levels were reduced for the fifth month running. That said, the pace of decline in staffing levels was the weakest since February. Efforts to expand production led firms to accumulate stocks of purchases, facilitated by a marginal rise in purchasing activity. Moreover, pre-production inventories increased to the greatest extent since November 2018. Stocks of finished goods also expanded, partly reflecting delays in the shipment of finished products.

Firms signaled a rise in input costs for the first time in three months during June. Where input prices increased, respondents linked this to the scarcity of certain materials. That said, the rate of inflation was softer than the series average as suppliers responded to relatively weak demand for inputs.

While some firms reacted to higher input costs by increasing their own selling prices, others continued to reduce charges amid demand weakness. Selling prices fell for the fifth month running, but at a marginal pace that was the slowest in this sequence.

Panelists reported continued issues in supply chains as a result of the Covid-19 pandemic, particularly

with regard to imported items. Suppliers' delivery times lengthened for the seventh consecutive month, albeit to the least extent since January.

Confidence that Covid-19 is under control in Vietnam and that new orders will expand supported optimism that production will increase over the coming year. Sentiment strengthened sharply for the second month running and was the highest since January.

"The Vietnamese manufacturing sector returned to growth in June, thanks to Covid-19 being brought under control and subsequent improvements in customer demand within Vietnam. The main hurdle to a strengthening recovery is likely to be the performance of the global economy, which is still suffering due to the virus. New export orders continued to fall, while firms again cited difficulties in securing inputs from abroad," said Andrew Harker, associate director at IHS Markit, which compiles the survey.

"Moreover, Covid-19 appears to have taken a large toll on the economy in recent months. IHS Markit currently forecasts GDP to rise by just 1.0% in 2020, well down on the 7.0% increase seen in 2019."

6. European pharma group suggests Vietnam lead R&D hub in region

Vietnam's healthcare sector has a unique opportunity to leapfrog development stages and transform itself into a leading country in ASEAN for high-quality healthcare in the next decade, Mathieu Fitoussi from the EuroCham Pharma Group said at the launching event of the 2020 Whitebook on June 30.

Health and sustainable development is part of EuroCham's Whitebook issues, Fitoussi recommended that to create a breakthrough, a decisive direction from the government is strongly sought after, to prioritize pharmaceuticals as one of the key sectors for development.

The pharma group also suggested that the first and most prominent success factor will be to establish an inter-ministerial agency to oversee the development of a long-term strategy, and subsequent implementation of relevant policies.

The policies are to focus on promoting innovation and enabling Vietnam to be a leading research & development (R&D) hub in the region, through attracting investment in clinical trial activities as first step to develop R&D capabilities.

The group also suggested the policy which enables Vietnam to become the destination of choice for investment in brand name manufacturing and technology transfer activities in the region; to develop and embed leading digital healthcare infrastructure.

The upcoming National Strategy 2020-2030, vision 2045, is the opportune moment to develop a holistic action plan, with attractive incentives for investment and to ensure predictability and consistency of the regulatory environment, Fitoussi said.

7. Pay rises hinging on recovery policy

A debate began last week over a climb in minimum wage for 2021 at the first meeting of the National Salary Council. During the meeting, two options for the wage were put forward – a halt on pay rises, or an increase of only 2.5 per cent on-year.

The first proposal would maintain the existing level until the end of 2021. The advantage is that it would help businesses overcome difficulties caused by the COVID-19 pandemic. Before this year, the minimum salary had been increasing consecutively since 1997, at an annual average rate of 4-5 per cent. However, in the short term, a pause on pay rises will not help to meet the minimum living standards for employees, according to government regulations.

Regarding the second proposal, from July 1, 2021 the average adjustment of 2.5 per cent will be applied for private businesses in order to ensure maintaining the minimum living standards of workers. This figure is calculated based on the increase in the consumer price index for 2020.

However, if the National Salary Council attains approval for the 2.5 per cent increase, it would cause

pressure for private businesses during the uncertainty of global recovery and stabilisation of production as countries try to fight out of the coronavirus crisis. Any growth in salaries for employees would also be in line with the rise in expenses the businesses pay for their insurance and union dues.

Currently, employers are responsible for 21.5 per cent insurance fees for employees following Decision No.595/QD-BHXH dated April 14, 2017 providing guidelines in collecting social insurance, health insurance, unemployment insurance, insurance on labour accidents and occupational disease, and managing social insurance books and health insurance cards.

Thus, with the growth rate of 2.5 per cent, equalling VND80,000-100,000 (\$3.40-4.35) per employee per month, businesses running manufacturing plants that employ thousands of labourers, such as those operating in garments, footwear, or component assembly, will shoulder the heavy cost burden over the next year.

Hoang Quang Phong, vice chairman of the Vietnam Chamber of Commerce and Industry (VCCI), on behalf of employers, said that major industrial companies are on the verge of bankruptcy due to COVID-19. Therefore, pay rises should be carefully reviewed before making a decision.

According to a VCCI survey, 82 per cent of businesses forecast a downturn in their revenues this year. Those include 30 per cent estimating a plunge of 30-50 per cent, and 22 per cent foreseeing more than a 50-per-cent decline.

“Based on discussions with business associations, we recommend not adjusting the minimum wage increase in 2021,” said Phong.

However, Ngo Duy Hieu, vice chairman of the Vietnam General Confederation of Labour (VGCL), argued that the coronavirus outbreak has put labourers across the country into a bind, and improving income for them may be necessary to help them overcome new challenges.

A VGCL report pointed out that under the COVID-19 lockdown, more than 460,000 labourers in formal sectors were directly impacted in wages, jobs, and their daily lives as of the end of May.

According to the National Centre for Socio-Economic Information and Forecast, the inflation rate of Vietnam in the 2021-2025 period will fall by 3.5-4.5 per cent. Thus, the estimated 2.5 per cent increased rate would not cover the daily costs for labourers over that period. Meanwhile, the current minimum wage has yet to meet full living standard requirements for employees – the most common topic discussed at annual meetings regarding wage increase adjustments.

“Both employers and employees are facing difficulties, thus we will make an effort to harmonise the benefit of the two parties by both protecting the right of labourers and sharing difficulties with businesses,” Hieu said.

The National Salary Council will continue to organise meetings to discuss final proposals for the regional minimum wage for 2021, and submit to the prime minister for approval.

In 2020, the regional minimum wage was reported to rise by 5.5 per cent with the increase standing between VND150,000 (\$6.5) and VND240,000 (\$10.4) depending on region. Notably, the application was VND4.42 million (\$192) for region 1, VND3.92 million (\$170.40) for region 2, VND3.43 million (\$149) for region 3, and VND3.07 million (\$133.40) for region 4.

Corporate News

8. VJC: Vietjet honoured as “Operating Lease Deal of the Year” by Airfinance Journal

↑ 0.00%

New-age carrier Vietjet has been honoured as the winner of “the Operating Lease Deal of the Year” title for its 10 Airbus aircraft operating lease in 2019.

The title is listed amongst the Annual Global Awards of the world prestigious aviation and aerospace finance industry magazine Airfinance Journal.

The deal, which was signed between Vietjet and Novus Aviation Capital in July, 2019, covers five aircraft (three A321s and two A321neos) delivered in 2019 while the five remaining aircraft scheduled for this year delivery.

The award recognized Vietjet's benefits from the transaction including the flexibility in financing

structure, attractive pricing of the lease, repeat documentation, and aircraft delivery schedule.

“The award is an acknowledgement for Vietjet's relentless efforts in aircraft financing activities, which sets a strong base for the airline's sustainable investment and development of new and modern fleet in the coming years,” said Ho Ngoc Yen Phuong, Vietjet Vice President and CFO.

Previously, Vietjet was also listed in the Top 50 airlines for healthy financing and operations for two consecutive years of 2018 and 2019 by Airfinance Journal. It is the only Vietnamese carrier in the list. The presence in the list showed the airline's positive finance and growth indicators amongst top airlines worldwide.

9. MSN: Masan seeks to become leading retail-consumer conglomerate

↑ 2.59%

MSN and two of its key publicly listed subsidiaries (Masan Consumer (HNX_UpCoM: MCH) and Masan MEATLife (HNX_UpCoM: MML) jointly held their annual general meeting in HCM City on June 30.

Net profit is expected to top VND1- 3 trillion ((\$42.9 – 128.7 million) as profitability increases in the second half of the year.

Of its subsidiaries, VinCommerce (VCM) is expected to deliver full-year earnings before interest, taxes, depreciation, and amortisation (EBITDA) of 3 per cent below breakeven but achieve breakeven in the second half of 2020.

MCH targets over 15 per cent revenue growth and double-digit profit growth.

Masan MEATLife expects its meat business to contribute 20 per cent of net consolidated

revenues and build a processed meat platform to increase the value generated per pig.

The feed business is expected to grow moderately, with a potential upside if pig replenishment accelerates to match domestic demand.

Masan High-Tech Materials (formerly known as Masan Resources) will focus on the integration of H.C. Starck's tungsten business and becoming a global value-added midstream processor to de-risk commodity price cycles in tungsten.

In 2020 Masan would continue to maximise its liquidity position to ensure there is adequate cash on hand to navigate the COVID-19 pandemic if it should persist longer than expected and be in a position to invest in strategic businesses organically or via M&A.

With the VCM merger, Masan is entering its next phase of transformation by owning and expanding both a physical and digital presence to directly reach consumers, with the consumer journey and experience becoming increasingly important.

If successful, Masan believes that by 2025 revenues could reach VND150-250 trillion (\$6.45-10.7 billion) with operating margins of 14-15 per cent, driven by growth of its own branded consumer products, higher online sales, exclusive products at its retail locations, and expanded network coverage through its stores and future retail franchises.

To build an integrated retail platform to meet the evolving needs of Vietnamese consumers, Masan has established CrownX, a new subsidiary to own and operate its interests in MCH and VCM,

leveraging the respective strengths of these businesses as a branded manufacturer and leading grocery retailer.

The key priorities of CrownX are to develop a winning store network and supply chain across the country, develop VCM as a consumer-goods-like business led by power brands to become one of the top 50 retail brands in the world, develop an exclusive portfolio (up to 40 per cent) through strategic partnerships with suppliers, acquire household grocery spending data, and be one of the top 10 companies to work for in Viet Nam.

The meeting also approved a cash dividend of 10 per cent (VND1,000 per share) to be paid within six months to MSN shareholders and a dividend of 45 per cent (VND4,500 per share) for MCH shareholders.

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