



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. VN-Index edges down with liquidity at two-month low

The VN-Index dropped 0.13 percent to 842.38 points Thursday, with total trading volume at its lowest since early May.

The benchmark VN-Index fell back into the red after surging 2.23 percent the previous session, which had ended a streak of six consecutive losses that had cost the index 46.17 points, or 5.3 percent.

The Ho Chi Minh Stock Exchange (HoSE), on which the index is based, saw 210 stocks lose and 168 gain. Total trading volume fell nearly 20 percent over the previous session to VND3.78 trillion (\$164.09 million), the lowest since May 5.

This is in stark contrast with liquidity between the beginning of May until mid-June, which was a period of strong recovery for the VN-Index in tandem with Vietnam stopping community transmission of the Covid-19 virus.

Trading volume went as high as VND7 trillion (\$303.87 million) a session during this period.

The VN30-Index for the stock market's 30 biggest capped stocks fell 0.16 percent, with 18 stocks losing and 10 gaining.

POW of electricity generator PetroVietnam Power led losses this session with 1.9 percent, followed by VNM of dairy giant Vinamilk, which lost 1.5 percent, and ROS of real estate developer FLC Faros with 1.5 percent.

VIC of private conglomerate Vingroup, the VN30's largest cap, shed 1.2 percent, while VRE of its retail arm Vincom Retail fell 0.7 percent, and VHM of its real estate arm Vinhomes kept its opening price.

Most private banks were losers this session, led by STB of private Sacombank, down 1.3 percent; VPB of VPBank, down 0.7 percent; and EIB of Eximbank and TCB of Techcombank, both down 0.3 percent.

HDB of HDBank, meanwhile, was the only ticker that rose, gaining 0.6 percent.

Of Vietnam's three biggest lenders by assets, BID of BIDV fell 0.5 percent, VCB of Vietcombank edged down 0.1 percent, while CTG of VietinBank kept its opening price. MBB of mid-sized state-owned lender Military Bank slipped 0.3 percent.

In the opposite direction, CTD of construction giant Coteccons continued to hit its ceiling price for the second consecutive session, surging 7 percent. The gains followed the construction firm's annual general meeting on Tuesday, when chairman Nguyen Ba Duong issued an apology to shareholders, admitting the company's board of directors' shortcomings in allowing conflicts of interest with minority shareholders to take place.

Duong also said that two new board members will soon be appointed from Kustocem and The8th, two Singapore-based construction investors, who own 18.23 percent and 10.42 percent of the Vietnamese construction giant, respectively.

Other major gainers included MSN of food conglomerate Masan Group, up 3.1 percent, SAB of major brewer Sabeco, up 2.4 percent, and insurance giant Bao Viet Group, up 2.1 percent.

Meanwhile, the HNX-Index for stocks on Hanoi Stock Exchange, home to mid and small caps, shed 0.07 percent, and the UPCoM-Index for stocks on the Unlisted Public Companies Market added 0.29 percent.

Foreign investors turned net sellers to the tune of VND180 billion (\$7.8 million) on all three bourses, with selling pressure mostly on VIC of Vingroup and POW of PetroVietnam Power.

## Macro & Policies

### 2. WB offers aid for higher education, urban development in Vietnam

The Vietnam University Development Project, financed through credit worth US\$295 million, will improve teaching and research capacity at the Vietnam National University-Hanoi, the Vietnam National University-HCMC and the University of Danang, the WB said in a statement.

Through investments in modern infrastructure, cutting-edge equipment and knowledge transfer, it will help transform the universities into regionally competitive institutions with advanced teaching and research capabilities.

Meanwhile, the Vinh Long City Urban Development and Enhanced Climate Resilience Project in Vinh Long Province, financed through credit worth US\$127 million, will improve access to infrastructure and connectivity and reduce the risk of floods in Vinh Long City's urban core.

By building flood control and wastewater management systems and developing key transport links, it will better equip the southern province to function as an economically and physically integrated metropolitan area.

“Investing in human capital and urban development are among the top priorities of the World Bank's engagement in Vietnam,” noted Ousmane Dione, the World Bank country director for Vietnam.

Dione stressed that the two projects will help accelerate real progress in areas critical to

sustainable growth in Vietnam: skilled workers and more efficient and greener infrastructure.

The university development project aims to address certain key challenges faced by the higher education system. With the new funding, university infrastructure, once overcrowded and obsolete, will be upgraded to become modern, integrated, green and digital ready.

The project, implemented in the three flagship universities, is also expected to enhance institutional capacity and to adopt new digital technology, in line with the national goals identified in the recently amended law on higher education and the upcoming 10-year higher education strategy.

The Vinh Long City development project will invest in resilient infrastructure and the improved disaster risk management of Vinh Long City – a secondary city strategically located along the economic corridor that connects Ho Chi Minh City to the Mekong Delta.

The project will help improve access to basic services such as drainage, wastewater collection and treatment and other green infrastructure and reduce the flooding risk that 60% of the city's population faces. It will also develop three strategic roads that will serve as critical links in the city's road network.

The credit for the two projects has been provided by the International Development Association.

### 3. Japanese retailer Muji to make Saigon debut

The company announced the opening via a recent Facebook post, saying the store will be located on the first floor of the Parkson Saigon Tourist Plaza. The District 1 department store is also where Japanese casual wear retailer Uniqlo launched its first Vietnamese store last year.

The company did not mention the specific date for the opening, but it has been hiring people for store supervisors and other positions.

Ryohin Keikaku, the retailer's parent company, had said last year that it would establish its subsidiary, Muji Vietnam, as a 100 percent foreign-owned company headquartered in Saigon.

Muji is internationally known for its wide range of homeware and consumer products at affordable prices ranging from furniture to clothing and even

cosmetics. It has over 900 stores around the world, including 454 in Japan.

#### 4. Footwear sector to improve supply chain to take advantage of EVFTA

Diep Thanh Kiet, deputy chairman of the Viet Nam Leather, Footwear and Handbag Association (Lefaso), said the domestic footwear industry has had strong performance growth in recent years with increased consumer awareness about branded products.

Thirty-seven per cent of Viet Nam's total footwear export volume to the EU will immediately enjoy zero per cent tariff, while the remainder will see tariffs fall gradually from the current average of 12.5 per cent to zero following roadmaps of three to seven years.

Viet Nam, the second-largest footwear exporter in the world, has signed free trade agreements with a number of countries such as South Korea, Russia, Kazakhstan and Belarus, among others.

Viet Nam's biggest competitor in the industry is China. Viet Nam's footwear products will enjoy a tax difference of between 3.5 to 4.2 per cent when exported to the EU, creating a huge competitive advantage, experts said.

In addition to the Europe-Viet Nam Free Trade Agreement (EVFTA), the footwear and handbag industry can benefit from many other FTAs signed by Viet Nam.

The EU also offers unilateral incentives for a large number of goods originating from Viet Nam under the Generalised System of Preferences (GSP), which will help Viet Nam's footwear become more competitive than its rival Chinese products in the EU market.

However, the supply and distribution chains of the industry have suffered during the COVID-19 pandemic.

Many foreign footwear producers have shifted their businesses from China to Viet Nam to benefit from the EVFTA.

“The pandemic has left thousands of labourers in the sector jobless since orders have been either cancelled or delayed by business partners, leading to significant fall in revenues,” Kiet said.

Although the footwear industry has several advantages, its development still faces challenges such as trade protectionism, rising labour costs and low labour productivity, and lack of application of advanced technology.

Some businesses have reported unsold inventories piling up and are not sure if stocks will clear after the EU reopens.

##### Rules of origin

“Supply chains as well as trade policies will play a major role in the recovery,” he noted.

According to the Import-Export Department under the Ministry of Industry and Trade, the ministry had recently signed a circular about rules of origin in the EVFTA.

Beginning in 2022, the industry's average growth rate is expected to reach 10 per cent per year, he said.

The circular will come into force on August 1, the day the trade deal takes effect.

##### Opportunities

Kiet said the signing of EVFTA would enhance trade and investment in the footwear industry and that businesses would enjoy enormous tax incentives.

With five chapters and 42 articles, the circular is 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 department said.

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.

Compared to other trade deals of which Viet Nam is a member, the EVFTA's rules of origin have more new and complicated provisions.

“The circular is necessary for Vietnamese footwear firms to be able to take advantage of preferential tariffs from the first day the trade deal comes into force,” according to the department.

The ministry said that footwear enterprises must study the rules of origin carefully to have a proper understanding.

Each year, Viet Nam posts nearly \$19 billion from footwear exports, with sports shoes holding a big proportion in the sector's total export value.

Viet Nam's footwear and bag exports reached \$22 billion last year, an increase of 12 per cent compared to 2018.

According to a report assessing the implications of the EVFTA from the Ministry of Planning and Investment, EVFTA ratification will increase footwear exports to the EU. The sector is expected to see a doubling of growth rate in exports to the EU by 2025, with total export value of footwear jumping by around 34 per cent and that of the whole sector by 31.8 per cent.

After eight years of negotiation, the EVFTA was signed on June 30 last year 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.

## 5. Vietnam's manufacturing output grows in June

Meanwhile, input costs increased for the first time in three months, while output prices posted a slight decrease. Purchasing activity also increased, but employment continued to fall.

The Vietnam Manufacturing Purchasing Managers' Index (PMI) posted 51.1 in June, up from 42.7 in May and above the 50 no-change mark for the first time in five months, a continuation of the recovery seen since the PMI hit a record low in April.

New orders increased for the first time in five months and at a solid pace that was the fastest in just under a year, which respondents attributed to the containment of the Covid-19 pandemic.

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

Despite new orders increasing at the end of the second quarter, there was continued evidence of spare capacity in the sector. Work backlog fell again,

while staffing levels reduced for the fifth month running. However, the staffing levels declined at the weakest pace since February.

Efforts to expand production led to firms accumulating stocks of purchases, facilitated by a marginal rise in the 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 in June. In the case of increased input prices, respondents linked this to the scarcity of certain materials.

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

Issues in supply chains as a result of the Covid-19 pandemic continued, particularly with regard to imported goods. The delivery time of suppliers increased 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 grow supported optimism that production would rise in the coming year. Sentiment strengthened sharply for the second month running and was the highest since January.

“The Vietnamese manufacturing sector posted 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,” IHS Markit Economics Director Andrew Harker said, commenting on the survey's results.

IHS Markit forecast that Vietnam's gross domestic product would rise by some 1% in 2020, well below the 7% increase seen in 2019.

## 6. Retail-service revenue increases 5.3 percent in June

Retail and service revenue amounted to some 2.38 quadrillion VND (103 billion USD) in June, up 6.2 percent on month and 5.3 percent on year.

However, between January and June, the figure saw an annual decrease of 0.8 percent.

Also, in the period, the retail sector earned about 1.89 quadrillion VND, an annual increase of 3.4 percent. The rise was attributable to abundant supply of goods and thriving online shopping, particularly during the COVID-19 social distancing period.

By contrast, the accommodation and catering services earned just 234.7 trillion VND, down 18.1 percent against the same period last year.

The tourism revenue also followed suit with an annual reduction of 53.2 percent. In the first half, the sector reeled in just about 10.3 trillion VND due to a hiatus in welcoming foreign visitors to control the spread of COVID-19. Meanwhile, the summer vacation of students is yet to arrive, resulting in a less vibrant domestic travel market.

## 7. Vietnam, Japan seek to expand bilateral trade ties

Minister of Industry and Trade Tran Tuan Anh and Japanese Minister of State for Economic and Fiscal Policy Nishimura Yasutoshi has had a phone discussion on ways to facilitate two-way trade as well as the significance of border trade and the CPTPP to post-epidemic economic recovery in the region and the world.

The two ministers shared concern about the unilateral protectionism and underlined the importance of promoting the role of multi-border trade in economic recovery and development after the COVID-19 pandemic.

They affirmed the significance of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in the economic development

of the world in general and CPTPP members in particular.

In the recent context, the deal will help expand the regional and global supply chains, thus boosting the sustainable development of the economy of member countries, while promoting the application of e-commerce and digital economy in production for rapid post-pandemic recovery, they agreed.

They also concurred to coordinate closely together to make sure the third CPTPP Ministers' Meeting will be organised online successfully on August 5.

This is expected to contribute to promoting the bilateral cooperation between Vietnam and Japan, while spreading a strong message on the role of the

CPTPP to post-pandemic economic recovery and development, and affirming the support for multilateral trade system in line with the regional and global principles and laws.

Concluding the discussion, the two ministers vowed to continue working closely together in the future to

expand bilateral coordination, not only within the CPTPP framework but also in other frameworks that both sides are members such as the Regional Comprehensive Economic Partnership (RCEP) and the ASEAN-Japan Free Trade Agreement.

## Corporate News

### 8. VNM: Report on the result of share buyback

↓ -1.48%

Viet Nam Dairy Products Joint Stock Company reports the result of share buyback as follows:

- Securities agent for the share buyback: SSI Securities Corporation
- Stock code: VNM
- Par value: VND10,000/share
- Number of shares registered to be bought back: 17,500,000 shares
- Number of bought shares: 0 shares
- Trading time:
- Number of treasury shares before trading: 310,099 shares
- Number of treasury shares at present: 310,099 shares
- Financial resource for the share buyback:
- Average buying price:
- Trading method:
- Reason for not making a transaction: the stock price has been stable and in upward trend.

### 9. HNG: Board resolution on a private placement of bonds

↑ 0.32%

According to Board Resolution No.2406/20 dated June 24, 2020, the Board of Directors of Hoang Anh Gia Lai Agricultural Joint Stock Company approved

a private placement of VND800 billion non-convertible unsecured bonds, no warrants with coupon rate.



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