



# VIETNAM DAILY NEWS

July 7th, 2020



JAPAN SECURITIES INC.

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## Market Analysis

### 1. VN stocks advance as securities, banking and aviation industries rise

Vietnamese shares had a good start to the week on Monday, driven by a strong cash flow injected largely into securities, banking and aviation.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 1.6 per cent to close at 861.16 points.

The VN-Index dropped a total of 0.51 per cent last week.

More than 215 million shares were traded on the southern exchange, worth VND4.2 trillion (US\$182 million).

Market breadth was positive with gainers outperforming decliners by 251 to 116.

Large-cap stocks in the brokerage, banking and aviation sectors boosted the market.

Gainers in banking group included Bank for Investment and Development of Viet Nam (BID), Vietinbank (CTG), Asia Commercial Bank (ACB), Military Bank (MBB), Sacombank (STB), VPBank (VPB) and Techcombank (TCB).

Brokerages also outperformed with Ho Chi Minh Securities Corp (HCM), Saigon Securities Incorporation (SSI), Sai Gon-Ha Noi Securities Co (SHS), VNDirect Securities Co (VND) and VietCapital Securities (VCI) all increasing.

The aviation sector posted strong growth on Monday with gainers Saigon Ground Services JSC (SGN), Noi Bai Cargo Terminal Services (NCT), Vietnam Airlines Corporation, listed with code (HVN), the Airports Corporation of Vietnam (ACV) and cold-storage facility Swire Cold Storage (SCS).

The VN30 Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, rose 1.72 per cent to close Monday at 803.46 points.

“The Vietnamese stock market closed Tuesday higher as the group of large-cap stocks posted strong gains and supported the market,” said Thanh Cong Securities Co (TCSC).

“Market liquidity still remained at an average level, meaning that investors are still disbursing with caution when the VN-Index continues to increase,” TCSC said.

“The VN-Index is likely to continue its rally in the coming sessions but will undergo correcting pressure when approaching the resistance area of 870 - 880 points,” the company said.

Foreign investors net bought VND24.49 billion on HOSE, including dairy firm Vinhomes (VHM) (VND152.38 billion), dairy firm Vinamilk (VNM) (VND33.49 billion) and Saigon Securities Incorporation (SSI) (VND10.05 billion). They were net sellers on the HNX with a value of VND7.11 billion.

On the Ha Noi Stock Exchange, the HNX-Index rose 1.37 per cent to end Monday at 113.07 points.

The northern market index lost 1.67 per cent last week.

More than 33.3 million shares were traded on the northern exchange, worth VND371 billion.

## Macro & Policies

### 2. Vietnam's economy gradually regains growth momentum

#### Growth no longer negative

According to socio-economic data released by the General Statistics Office (GSO) at a recent online press briefing, Vietnam's gross domestic product (GDP) in the first half of 2020 is estimated to have grown by 1.81% over the same period last year, the lowest level in the past decade. Regarding Q2 alone, the economy did not fall into negative growth but GDP only expanded by 0.36% year-on-year, the lowest in nearly 30 years and falling below the lowest scenario forecast by the GSO. Deputy Director General of GSO Nguyen Thi Huong said that in the context of the COVID-19 outbreak seriously affecting countries around the world, the Vietnamese economy still achieving a relative growth rate is an encouraging result. The main drivers of economic growth remained the manufacturing industry and market service sectors. Affected by COVID-19, industrial production reached the lowest year-on-year increase in the past 10 years. However, thanks to the early control of the pandemic, all areas of the economy have gradually resumed their normal operations, leading industrial production to rebound and gradually regain its high growth momentum since May.

Notably, two months after the easing and removal of social distancing measures, socio-economic activities have gradually been revived. The number of newly established enterprises in June reached 13,700, up 27.9% over the previous month. In addition, the survey of manufacturing firms' business trends showed that enterprises expect the production and business situation in Q3 to be more positive. Despite facing numerous difficulties due to the negative impact of COVID-19, activities in banking, insurance and security are also delivering positive signs from the recovery of the domestic macro-economy. Disbursement of social investment capital in the half of the year increased by 3.4% over the same period in 2019, while the growth rates of disbursed capital from the state budget in June and the six-month period both reached their highest levels in the 2016-2020 period. This is a positive signal reflecting the results of the Government's drastic implementation of measures to promote the disbursement of public investment. State budget revenue and spending in the first 15 days of June

performed positively thanks to the effective COVID-19 control as well as the economy's production and business activities gradually returning to normal in June.

#### A more positive outlook promised for second half of the year

Director of the GSO's System of National Accounts Duong Manh Hung stated that the economic outlook in the second half of the year will be better than that in the first half, reflected through three aspects. Firstly, room for public investment disbursement remains large. If 100% of the public investment that has been allocated for the whole year is disbursed, Vietnam's GDP in 2020 will increase by 0.42 percentage points. At the same time, public investment will mainly flow into infrastructure, creating seed funding for other capital flows and production values. Secondly, the growth of outstanding loan balance currently reaches only 2.45%, compared to the yearly target of 13-14%, indicating huge room left for growth in the remaining two quarters. Thirdly, the GSO's business trend survey revealed that more than 80% of enterprises expect the business situation in Q3 to be more stable or better than previously, while only 19.4% predict greater difficulties. However, Hung said the growth target of 6.8% is an extremely difficult task, even an impossible one, in the context of the pandemic still taking place complicatedly and disrupting global supply chains, explaining that to achieve the goal, the Q3 and Q4 growth rates must be above 10%.

Regarding inflation, the GSO reported that the average consumer price index (CPI) in the January-June period increased by 4.19% over the same period in 2019 which was the highest level in the past five years. The average six-month core inflation also rose by 2.81% year-on-year. In particular, rising pork prices accounted for nearly two-thirds of the CPI growth. However, inflation has been on a declining trend since the beginning of the year, and the goal of controlling inflation at 4% for the whole year remains feasible if the Government focuses on drastically and synchronously implementing solutions to cope with African swine fever and prevent new outbreaks, while encouraging large-scale pig farming establishments to accelerate the

progress and increase the scale of reproduction to serve domestic consumption and reduce pork prices, thus contributing to controlling inflation.

Deputy Director General of the GSO Nguyen Thi Huong emphasised that despite basically being brought under control in Vietnam, COVID-19 is still proceeding complicatedly around the world, negatively affecting economic sectors, putting pressure on the goal of controlling inflation, and influencing social security due to rising unemployment. To promote growth, the Government should continue to take drastic measures to contain the pandemic, preventing it from spreading and ensuring people's health and safety, as well as taking the initiative in preventing a possible second COVID-19 wave in the near future. Regarding management solutions, the GSO recommends the Government carry on with procedure reform so that enterprises can access support policies in a simple, convenient and timely manner. Adequate attention must also be paid to speeding up the disbursement of public investment in 2020 and removing difficulties for slowly-disbursed projects, especially key, large-scale and

influential projects, in order to implement strategic breakthroughs in infrastructure and improve the economy's production capacity.

In addition, it is necessary to stimulate investments among enterprises manufacturing products for exports to prepare available goods supplies when the markets of other countries reopen their door as normal, and utilise opportunities from the EU-Vietnam Free Trade Agreement (EVFTA) which is set to take effect from August 2020. The Government should run monetary policies with flexible interest and exchange rates, in accordance with domestic and international market developments, and in harmony with fiscal policies and other macroeconomic policies, in order to control inflation, support production and business, and promote economic growth. Furthermore, the Government needs to closely monitor the weather situation and take proactive measures to cope with natural disasters and raise warnings about floods, landslides and the impacts of drought and saltwater intrusion, aiming to minimise damage to production and people's lives.

### 3. Three quarters of Vietnamese consumers favour domestic products

Nielsen said Vietnamese consumers are more health-conscious and favour local goods more than the global average, adding that Vietnamese consumers are also more willing to spend more on premium products with greater benefits.

Detailed data showed that 17% of respondents said they only buy local goods and 59% said they mostly buy local goods, compared with the global figures of 11% and 54% respectively.

Respondents said they choose local products because their origins are clear and they want to support local firms.

According to Nielsen, health has become the top concern in Vietnam, as stated by nearly half of respondents in the survey conducted in the first quarter.

Even before the Covid-19 outbreak, 69% of Vietnamese consumers said they are willing to spend more on high-quality and safe products, far exceeding the global average of 49%.

### 4. Higher labor productivity: pay rise

As a yearly routine, during this time around, the basic salary in Vietnam will be raised as per conclusions arrived at during last year's discussions. Despite such conclusions, however, the relevant Vietnamese authorities have ruled that minimum

wages remain the same for State employees, the armed forces and retirees as of the first of July.

Also, the “stable period of the State budget during 2017-2020” will be extended to 2021. Next year, the distribution of the State budget for 2022-2025 will be promulgated.

This decision, made by the Party's Politburo, is said to be justifiable. According to the Ministry of Finance's estimate of budget spending in the first quarter of this year, current spending accounted for 72% of the total State budget, spending for development investment 18% and that for debt servicing 10%. Although payment for debt principle, about 17%, is left out of the budget balance sheet, it should be taken into consideration, too.

During the first five months of 2020, domestic collection reached 38% of the year's target, a drop of 5.9% year-on-year; collection from crude oil reached 56.4% of the target, minus 17.8%; and collection from import-export activities attained 36.7%, minus 23.4%.

Cumulatively, the total State budget collection during the first five months of this year was estimated at VND577 trillion, or 38.2% of the plan, a plunge of 9.2% over the year-earlier period. This indicates that the State budget collection also runs into trouble when the economy turns sour due to Covid-19.

According to data obtained from the General Statistics Office and the White Book on Vietnamese Enterprises 2020, in 2018, when Vietnam posted an economic growth rate of 7.08%, the national economy's labor productivity was estimated at VND102.2 million per person per year in 2018 current prices, a jump of 6% year-on-year.

The labor productivity of the corporate sector in 2018 reached VND166.2 million per person per year, which was 63% higher than the country's average. However, that rate was only 0.6% higher than itself in 2017.

Notably, the labor productivity of the State sector was VND310 million per person in 2017 and VND320 million in 2018, 3.2% higher than the year-ago period. Nonetheless, if price adjustment was taken into consideration, the labor productivity in 2018 of the State sector in comparable prices is minus 0.4% versus 2017.

The growth of the labor productivity of the private business sector in 2018 over 2017 was the highest among the national economy, at 7.4% in current prices and 3.8% in comparable prices.

However, it should be noted that calculations of enterprise data show that the elasticity coefficient of labor of the private business sector during 2011-2018 was about 0.73 and the elasticity coefficient of capital was 0.27, meaning that the added value of this economic sector increased mainly due to the capital increase rate which during 2011-2018 averaged 13% a year and 27.2% in 2018 over 2017 in current prices. The private business sector is no exception as other sectors in Vietnam are also capital-intensive.

Business owners should be authorized to decide whether minimum wages are raised or not in the year that follows because it is only they who are able to determine whether labor productivity and the income structure from capital and labor have improved or not during a year.

## 5. Attracting investments to get tougher after PPP law takes effect

The HCMC Department of Planning and Investment held a working session with the HCMC People's Council on July 3.

At the session, the department stated that the city currently has 22 PPP contracts signed with investors worth over VND64.2 trillion in total. Besides, 166 projects whose combined capital is over VND324 trillion are undergoing investment

procedures, while 293 projects in various fields are seeking investments.

Tran Anh Tuan, deputy director of the department, said that with the PPP law taking effect early next year, HCMC will face difficulties in seeking investments for projects such as anti-flood, tidal flood control, government office construction and relocation of households living along canals.

According to Tuan, HCMC will have fewer PPP projects and it will be hard to assign districts to call for investments in projects worth under VND200 billion.

In terms of infrastructure investments, HCMC vice chairman Vo Van Hoan said that the city is mainly investing in transport infrastructure via the build-operate-transfer and BT formats.

Hoan admitted inadequacies in the BT investment format. For instance, investors invest in a certain place but want payments in land at another place, and they always opt for land payments due to profitability. Such payments have subsequently posed difficulties in the past.

In the future, HCMC will invite tenders instead of letting investors propose projects, Hoan added.

Vice chairwoman of the HCMC People's Council Phan Thi Thang noted that the city has issued a list of projects seeking investments, but there have been no priority investments.

According to Thang, departments have not taken an active role in calling for investments, whereas investors propose projects to the city government and await approval, failing to ensure fairness among investors.

Thang added that departments and districts are partly responsible for delayed projects and increasing investment costs. The city should thus introduce specific processes for each contract type in accordance with the PPP law.

## 6. Non-cash payments bring new hope to tourism in Vietnam

Cashless payments have been identified as the inevitable trend in Vietnam as a result of several key government decisions. The Prime Minister's Directive 22, issued in May, aims to promote a clear transition towards modernised payment methods, contributing to a reduction in the rate of cash usage.

The onset of the COVID-19 pandemic has given rise to a significant shift in consumer behaviour in favour of e-commerce platforms. New travel services such as booking applications and online travel agencies have seen a positive uptick.

According to a survey conducted by the Vietnam Tourism Advisory Board in May, the prolonged social distancing period has led to a sharp increase in the adoption of online services, which has had a sizable impact on the extent to which consumers book hotels and tours online. According to the survey, 44.2 per cent of respondents answered that they had booked travel services via online platforms and the Vietnam Tourism Advisory Board believes this trend will continue.

According to Visa's research, being able to travel locally after the pandemic was one of the top five most-anticipated consumer activities, with 30 per cent of respondents stating that they looked forward to this change. In addition, 85 per cent of consumers

have started using new payment methods such as contactless payments and will continue to maintain this habit in the future. The survey revealed that many consumers are optimistic about the post-pandemic situation, with 53 per cent believing that the economy will recover quickly when the pandemic eases. On this premise, cashless payments are likely to be enhanced in future.

In addition to this, the trend in online shopping habits has been reinforced by figures collected in late April, with 53 per cent of Vietnamese consumers affirming that they would continue to purchase products and services that they started to buy online during the crisis, even after the global pandemic has subsided. Interestingly, one of the key drivers for shopping online was discount incentives, with up to 80 per cent of Vietnamese consumers being motivated by regular online promotions from retailers.

Visa has implemented many programmes to encourage the adoption of cashless payments in several key areas, including co-operating with a host of merchants on Cashless Day 2020 in June. To name just one of the many promotions being issued for Visa cardholders, discounts are being applied to purchases of flight and hotel booking services on Agoda when using a Visa card, including 20 per cent

off on June 6 and 10 per cent on other days, valid until September 30.

Visa country manager for Vietnam and Laos, Dang Tuyet Dung, said “By sharing insights on visitors’ spending behaviours throughout their journeys in Vietnam, we hope to assist the Vietnam Tourism

Advisory Board in developing an even more targeted approach to growing a sustainable tourism industry. In addition, Visa remains committed to disseminating safe and convenient payment methods across travel services, thus enhancing visitor experience and contributing to the development of one of the key economic sectors of the country.”

## 7. Pork and oil prices key to keeping inflation under control: experts

According to Nguyen Ba Minh, director of the Institute of Economics – Finance, two factors will weigh on inflation in the second half of this year. The first is the prices of commodities in the global market, which are forecast to increase as the COVID-19 pandemic is gradually contained and production and trade recover.

The second factor is natural disasters and diseases in Viet Nam, such as African swine fever, drought, saltwater intrusion and extreme heat which would affect agricultural production as well as supply and demand of goods in the market.

Inflation is currently under considerable pressure and the consumer price index (CPI) jumped 0.66 per cent in June against the previous month, the largest increase since 2016. However, Minh said the Government’s target of keeping inflation under 4 per cent would be achievable, provided that price and market management policies are appropriate and timely.

In a conference on inflation forecast in the second half on Thursday, Nguyen Duc Do, the institute’s Deputy Director, said pork and oil prices would need special attention.

Do cited analysis of the General Statistics Office that the increase of 68.2 per cent in pork prices in the first half of this year pushed up the overall CPI by 2.86 per cent. However, tumbling oil prices made up for the increase in pork prices, which helped the lower prices of the transport services category by 9.26 per cent.

With the CPI expanding by 3.17 per cent in the first half of this year, Do said the CPI must be kept at

below 0.6 per cent per month till year-end to keep the CPI for the full year at 4 per cent.

The target was achievable, Do said, adding that the Government must act to lower pork prices by importing pigs and promoting reproduction.

Vu Vinh Phu, chairman of Ha Noi Supermarkets Association, said if oil prices did not see significant increases in the second half of this year, forecast at about US\$40 per barrel, lowering pork prices would help control inflation.

Phu urged the Government to have strict measures to handle unreasonable increases in pork prices.

Economic expert Ngo Chi Long, however, noted that price management and inflation control would be more difficult this year as the COVID-19 pandemic was weighing on the economy. Risks existed, especially if the coronavirus were to start spreading in the country again, Long said, adding that caution in price management was vital. Long said it was also important to have a reasonable roadmap for a power price adjustment and increases in textbook prices.

The Government must also remove difficulties for businesses to accelerate economic growth, he added.

At the meeting with the Steering Committee on Price Management early this week, Prime Minister Nguyen Xuan Phuc insisted inflation must be kept under 4 per cent this year without tightening fiscal and monetary policies to promote growth.

## Corporate News

### 8. VJC: Setting up a subsidiary

↓ -0.28%

VietJet Aviation Joint Stock Company announces Board Resolution No.21-20/VJC-HDQT-NQ dated June 26, 2020 as follows:

On June 26, 2020, the Board of Directors of VietJet Aviation Joint Stock Company approved the establishment of a subsidiary providing intermediary payment services with an initial

charter capital of 50 billion dong. The Board of Directors assigned Ms. Ho Ngoc Yen Phuong, Deputy CEO cum CFO to be the representative for the stake of VietJet at the subsidiary.

This resolution takes effect from the date of signing and replaces Board Resolution No.18-20/VJC-HDQT-NQ dated June 12, 2020.

### 9. STB: Sacombank signs up to lend to enterprises affected by COVID-19

↑ 5.00%

Sacombank has set aside VNĐ1trillion (US\$43.13 million) for the purpose and will lend at interest rates starting at 6 per cent.

The contracts were signed at a bank-enterprise connection conference in 2020 held in HCM City last week as part of the bank-enterprise connection programme carried out by the city People's Committee in collaboration with the State Bank of Việt Nam's HCM City branch.

Since joining the programme in 2012, Sacombank has given nearly VNĐ20 trillion (\$861.72 million) in preferential loans to businesses in all 24 districts of the city and in other provinces to help them maintain production and business, and enable further development in the coming years.

The bank has also set aside more than VNĐ500 billion (\$21.55 million) to lend to businesses taking part in the city's price stabilisation programme this year.

Besides loans on easy terms, Sacombank also offers companies modern banking services that enable them to open account, do international money transfers, get Letter of Credits, and apply for bank loans online 24/7.

This helps them optimise the efficiency of capital use, improve their competitiveness and be more active in financial management.





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