VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index in the green for third straight session

The VN-Index edged up 0.26 percent to 863.42 points Tuesday, with liquidity improving significantly over the last few sessions.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, saw a fairly balanced session with 185 stocks gaining and 192 losing.

Total transaction volume surged 35 percent over the previous session to VND5.72 trillion ($245.91 million), a significant improvement compared to some of last week's sessions which were below VND4 trillion ($171.97 million) as the index went on a 6-session losing streak.

However, June's trading had been much livelier, with average trading volume of VND6.67 trillion ($286.76 million) per session.

The VN30-Index for the stock market's largest caps added 0.28 percent, with 14 tickers gaining and 10 losing.

HPG of leading steelmaker Hoa Phat Group led gains with 2.7 percent, followed by SAB of major brewery Sabeco, up 2.5 percent, and CTD of construction giant Coteccons, 1.9 percent.

Vietnam's three biggest state-owned banks by assets were among the biggest gainers, with CTG of VietinBank rising 1.7 percent, BID of BDIV, 1.2 percent, and VCB of Vietcombank, 0.6 percent. MBB of mid-sized state-owned Military Bank added 0.6 percent.

Other gainers included FPT of IT services giant FPT, up 1.4 percent, VRE of mall operator Vincom Retail, up 1.3 percent, VJC of budget carrier Vietjet Air, up 0.6 percent, and NVL of real estate developer Novaland, up 0.5 percent.

In the opposite direction, VPB of private VPBank topped losses with 1.4 percent, followed by ROS of real estate developer FLC Faros, down 1.3 percent, and MSN of food conglomerate Masan Group, down 1.3 percent.

Among private banks, STB of Sacombank shed 0.9 percent while TCB of Techcombank, HDB of HDBank and EIB of Eximbank all kept their opening prices.

Some of the market's biggest capped losers this session included VIC of private conglomerate Vingroup and VNM of dairy giant Vinamilk, both falling 0.4 percent, and SSI of brokerage Saigon Securities Inc., down 0.3 percent.

Meanwhile, the HNX-Index for stocks on Hanoi Stock Exchange, home to mid and small caps, rose 0.57 percent, while the UPCoM-Index for stocks on the Unlisted Public Companies Market shed 0.23 percent.

Foreign investors remained net buyers to the tune of VND50 billion ($2.15 million) on all three bourses, with buying pressure mostly on PLX of petroleum distributor Petrolimex, which added 0.2 percent; and VRE of Vincom Retail.

Macro & Policies

2. Viet Nam's coffee exports up in H1

The total exports were up 3.7 per cent in volume and 2.5 per cent in value over the same period of 2019.

In June, the coffee exports were estimated at 140,000 tonnes, worth $237 million, up 7.5 per cent in volume and up 7.4 per cent in value compared to May, but down 3 per cent in volume and 1.9 per cent in value year on year.

In the first six months, the average export price of coffee reached about $1,685 per tonne, down 1.2 per cent year-on-year.

The department said in June, domestic coffee prices continued to decrease slightly according to the world coffee price. On June 30, the coffee price fell by 0.3 per cent to VND31,000 per kilo in Eo H'leo and Buon Ho districts of Dak Lak Province and by 1 per cent to VND30,300-30,400 per kilo in Lam Dong Province.

The highest reduction was 1.6 per cent in Dak Ha District, Kon Tum Province to VND30,700 per kilo.

The lower coffee price on the domestic market meant farmers could not sell coffee, leading to difficulties for traders and exporters in purchasing coffee for export, according to the Department of Import and Export.

The Ministry of Industry and Trade has also said that coffee has been one of the key farm products exported to African countries for many years, mainly North African countries.

Therefore, the ministry is implementing many solutions to increase coffee exports, including the organisation of trade promotion activities in those markets, especially Viet Nam's processed coffee brands.

At present, Viet Nam' coffee exports to North Africa are raw products, including 80 per cent of them being robusta coffee and 20 per cent being arabica coffee.

Africa has increasing demand for processed coffee products to boost competition among many foreign and domestic coffee producers. Meanwhile, the export volume of canned and instant coffee from Viet Nam to North African countries has so far been limited.

To expand market shares in African markets, Vietnamese coffee exporters must study market demand and the regulations of each country, especially Halal standards for Muslim consumers, according to the Viet Nam Trade Office in Algeria.

3. Fitch Ratings says Vietnam outperforms among Asia’s frontier sovereigns

“These factors should support Vietnam's ‘BB' rating, which we affirmed in April 2020 while revising the Outlook to Stable from Positive,” the agency said, noting that the Southeast Asian country still faces a number of challenges including contingent liability risks from State-owned enterprises and structural weaknesses in the banking sector.

Vietnam is one of only four Fitch-rated sovereigns in the Asia Pacific that Fitch Ratings expects to post positive economic growth in 2020.

Official data shows the economy expanded by 0.4% year-on-year in the second half of this year, despite the impact of the coronavirus pandemic on tourism and export demand.

The result is said to be in line with the country's full-year 2.8% growth projection made by Fitch Ratings. The agency forecasts that the pace of expansion will accelerate next year, as external demand, including tourism exports, is poised to recover.

The relative strength of Vietnam's growth momentum owes much to its success in curbing the pandemic, according to Fitch Ratings.

Vietnam had no reported deaths from Covid-19 as of end-June, Fitch Ratings cited the World Health Organization as saying, adding that this could reflect a variety of factors, including the effectiveness of the official health policy response.

Vietnam has introduced a fiscal stimulus of some VND271 trillion, equivalent to 3.4% of the country's gross domestic product (GDP), to help offset the effects of the pandemic.

This includes tax deferrals, cuts and exemptions, as well as cash transfers to affected workers and households, the latter being worth 0.4% of the GDP.

"We expect the general government debt-to-GDP ratio to rise to some 42% in 2020 from 37% in 2019, based on Fitch estimates, but this is still below the 59% median for 'BB' rated sovereigns," said Fitch Ratings.

The State Bank of Vietnam has also loosened its monetary policy to support the economy, but the lower interest-rate environment and State pressure on banks to ease lending terms will weigh on bank profitability.

Meanwhile, slower economic growth and loan forbearance will add to asset quality problems.

These factors will, according to Fitch Ratings, aggravate the structural weaknesses in the banking sector, such as low capital buffers and under reporting of problem loans, which have already dragged on the sovereign rating. Slower credit growth may, however, provide some relief on capital.

Vulnerable to shifts in external demand

Vietnam's economic outlook remains vulnerable to shifts in external demand, according to the credit rating agency.

The country has benefitted from trade diversion associated with rising costs in China and the United States-China trade war, and early data suggests it made further gains as China's exports were disrupted by the coronavirus.

Vietnam's share of U.S. apparel and textile imports rose to 15.5% between January and April this year from 12.9% in the first four months of 2019, according to the U.S. Office of Textiles and Apparel.

The country also attracted a healthy US$8.7 billion in realized capital investment from overseas in the first half of this year.

Nonetheless, both textile and apparel exports to the United States and realized capital investments were lower than the previous year, illustrating Vietnam's vulnerability to the evolution and impact of the pandemic, according to Fitch Ratings.

As elsewhere, there are still restrictions on inbound tourism and remittances are declining. Tourism directly accounts for some 10% of GDP, with a higher contribution if indirect spillover effects are considered, while remittances were worth over 6% of GDP in 2019.

Vietnam is also susceptible to policy action by its main trade partners, especially the U.S. and China. The Vietnamese law-making National Assembly ratified the European Union-Vietnam Free Trade Agreement on June 8, which should underpin stable trade relations with the bloc of 27 member states.

"Our base assumption is that trade ties with both countries will remain stable," said Fitch Ratings.

4. Job losses on the way as firms look to downsize

Although the COVID-19 pandemic has been controlled in Viet Nam, its long-term effects will continue to be felt.

Many businesses are planning to decrease their workforce by 60-70 per cent.

The Viet Nam General Confederation of Labour and the Ministry of Labour, Invalids and Social Affairs (MOLISA) are consulting businesses and workers for a plan of support.

The confederation reported that 5,600 enterprises and more than 1,300 non-public non-business units had to be dissolved, stopped working or narrowed production, which affected jobs of more than 461,000 workers by the end of April.

Nguyen Dinh Khang, chairman of the confederation, said its activities in the beginning months of the year mainly focused on working with agencies, organisations and enterprises to deploy solutions to prevent and combat the pandemic at work.

It has accompanied businesses in restoring production and business, stabilising jobs, ensuring income for workers during and after social distancing.

The Department of Employment under MOLISA said that if the pandemic is controlled well, it is estimated at least 70,000 to 80,000 workers would lose their jobs, 3 to 3.5 million workers would have to stop working and about 70-75 per cent of businesses would be affected.

To help overcome difficulties for enterprises and workers, the MOLISA is summarising the recommendations of enterprises and workers about problems in the implementation of the VND62 trillion (US$2.67 billion) bailout package.

Le Van Thanh, Deputy Minister of Labour, Invalids and Social Affairs, proposed loosening the conditions for easier borrowings.

For businesses borrowing loans to pay their employees, almost no businesses had access to this package up to now, he said.

5. Production reform, awareness of EU regulation needed among agriculture businesses for EVFTA: experts

Minister of Industry and Trade Trần Tuấn Anh said the EVFTA has a very high level of commitment in comparison to other trade deals that Việt Nam has signed, with over 99 per cent of import tariffs set to be removed by the two sides within the next 10 years.

Certain of Việt Nam's major exports such as rice, coffee and vegetables would have import tariffs eliminated immediately or within just a few years, he said.

"One of Việt Nam's strengths is the production and export of agricultural, forestry and aquaculture products, and these products account for around 8.4 per cent of the EU's imports; so there is a lot of growth potential."

Minister of Agriculture and Rural Development Nguyễn Xuân Cường said the agreement is a golden opportunity for agricultural exporters, especially as businesses are trying to recover from COVID-19, and products that are good enough for the EU could do well in other countries too.

The increased investment by the EU in Việt Nam would lead to more technology transfer and workforce improvement, which would help increase the output and quality of agricultural goods, he said.

Trần Thanh Hải, deputy head of the Department of Exports and Imports, said there is great potential for Vietnamese goods such as rice and other farm produce and seafood.

But businesses would have to abide by strict EU requirements on product quality, labour and the environment (such as for harvesting timber and fishing) in addition to facing tough competitors from other countries.

Lý Hoàng Hải, general director of Eurofins Sắc Ký Hải Đăng, which provides food testing services, said small businesses are not fully updated on EU regulations, which would hinder their exports.

Several chemical substances that are not allowed by the EU are used widely in Việt Nam, he said.

Awareness of such regulations should be raised among farmers, and a database should be built to help businesses keep up easily with changes in technical requirements, he said.

Nguyễn Quốc Toản, head of the Department of Agriculture, Forestry and Aquaculture Processing and Market Development, said the Ministry of Agriculture and Rural Development would help provinces build codes to track farming areas, which would improve geographical identification and traceability and raise awareness of EVFTA among businesses and encourage them to invest in processing for higher value addition.

The agricultural sector would work on attracting more EU investment to help Việt Nam's agriculture enter global value chains, he said.

Trần Thanh Hải said more investment should be focused on competitive export items that still have a low market share in the EU, regions should focus on developing their specialities, and agriculture reform to match market needs is crucial.

"When tariffs are no longer a barrier, product quality, production processes and stable supply become important factors in agricultural products' competitiveness and their exports to the EU."

With the GDP of US$15 trillion, the EU is Việt Nam's second largest market, but its exports account for only 2 per cent of the bloc's imports.

6. Hanoi grade A office rents likely to rise

Real estate consultant Savills Vietnam says the supply shortage in Hanoi's Grade A office segment in terms of both quality and quantity means that the average rent in the city is likely to keep rising.

A Savills report says Q1 2020 recorded an increase in Grade A office rent while that of Grade B almost remained the same. In previous quarters, Grade B office rentals were on the rise. The report attributed the new development to the scarcity of Grade A office space and the high occupancy rate the segment enjoys.

Hanoi's office rental market has stayed stable for the last two years with an average occupancy of 93 percent. However, the supply for Grade A office segment remains modest with only around 500,000 sqm of floor area out of the total of 1.8 million sqm, according to Savills.

A report by property service firm CBRE also notes that rent for the Grade A office segment in Hanoi rose by 0.6 percent in Q1 2020 over Q4 2019 and by 5.8 percent over Q1 2019.

Analysts have said the lack of choice in this segment is evident, with most Grade A buildings now old and having outdated facilities.

Given that the impacts of the Covid-19 pandemic are unlikely to dent Vietnam's fairly positive economic prospects, the current situation in Hanoi's office rental market is unlikely to change.

The Asian Development Bank (ADB) has forecast a 4.8 percent GDP growth for Vietnam this year, higher than other countries in the region. This has been attributed to timely intervention from the government and the central bank, with policies and financial support to mitigate the economic impact of the pandemic and its success so far in containing the disease.

Fitch Solutions, a unit of credit ratings Fitch Group, in early July forecasted Vietnam's economy would expand 3 percent in 2020, a revision from its previous forecast of 2.8 percent.

The country has gone 82 days without community transmission of Covid-19, with only 28 active cases as 340 patients have recovered and no deaths recorded.

Savills Vietnam expects rent for Grade A offices in Hanoi to keep increasing at seven percent a year over the next three years.

Therefore, it will be a wise decision for companies to find office space at the earliest, in the pre-opening phase of an office complex, analysts said.

One of the projects that will offer Grade A office space very soon is Capital Place, invested by Singapore's CapitaLand.

7. Vietnam puts illegal transshipment to US under control

Efforts from local customs authorities have timely addressed cases of foreign companies abusing preferential treatments from free trade agreements (FTAs) between Vietnam and its partners, particularly the US, for illegal transshipment, according to the General Department of Vietnam Customs (GDVC).

Specifically, Vietnam customs have identified many foreign goods forging Vietnamese origin that contributed to a surge in exports to the US, including bicycles, solar batteries, seafood, wooden products, among others, said a GDVC representative at a press conference on combating trade fraud on July 6.

So far, the customs have investigated 76 cases, including 24 regarding origin fraud, resulting in the seizure of 3,590 bicycles, over 4,000 bicycle components, 12,000 parts of kitchen cupboard and VND33 billion (US$1.42 million) in administrative fines.

During the process of economic integration, Vietnam has signed multiple trade agreements, including the US – Vietnam Bilateral Trade Agreement and the EU – Vietnam Free Trade Agreement, in turn creating huge competitive advantages for Vietnam.

This, however, also puts pressure on state agencies in not only ensuring a favorable environment for foreign direct investment (FDI) attraction, but also in preventing growing cases of abusing Vietnam's open policies for exporting purposes.

To step up the fight against trade fraud, Vietnamese government agencies are actively carrying out their tasks in a inter-disciplinary effort approved by Prime Minister Nguyen Xuan Phuc in July 2019 to tighten measures against circumventing trade remedies and origin fraud.

According to the GDVC, drastic measures from the authorities have raised awareness among the business community in law compliance, many have committed to investing in machinery and equipment to meet the required localization rate in production.

In April, PM Phuc signed a resolution approving the Customs Mutual Assistance Agreement (CMAA) between Vietnam and the US which aims to further strengthen bilateral cooperation on security and the facilitation of lawful trade.

The agreement is expected to protect lawful rights of the business communities in Vietnam and the US, promoting greater trade relations.

Trade between the two countries in the 2010 – 2019 period grew by an average of 16.3% annually, in which Vietnam's export growth to the US was over 16% per year and imports rose 16.5%.

Corporate News

8. MWG: Mobile World Group closed its super cheap phone stores

↑ 0.24%

The store chain which sold mobile phones for less than VND8 million (US$344) each closed at the end of last month. The website dienthoaisieure.com of the chain also shut down.

Launched in August 2019, the chain followed a low-cost strategy and mostly targeted people living near the stores.

Nguyen Duc Tai, MWG's chairman said the chain aimed to compete with small mobile phone shops.

In comparison with The Gioi Di Dong system which is also managed by the group, the mobile phone prices are 10 per cent cheaper. Each super cheap phone store had only two sellers. Mobile phones sold at the stores were not guaranted or applicable for exchange. Customers had to bring them to guarantee centres of mobile phone brands themselves.

A representative from MWG told Viet Nam News on Monday that the closure was part of preparations for a change to a new model.

MWG is one of the biggest mobile phone and accessory retailers in Viet Nam. In the first five months of the year, it posted consolidated revenue of VND47.5 trillion, up 11 per cent from the same period last year. It reported a four per cent year-on-year decrease in after-tax profit to more than VND1.7 trillion in the period.

9. GEX: BOD approved to issue VND400 billion bonds

↑ 0.29%

The Board resolution dated July 06, 2020, the BOD of Viet Nam Electrical Equipment Joint Stock Corporation approved to plan the private bond issuance with total value of issue of VND 400 billion.

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