



VIETNAM DAILY NEWS

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Market Analysis

1. Shares struggles to advance amid international tensions

Vietnamese shares inched upwards up on Friday, driven by technology, construction materials, and mining and energy sectors while market sentiment was clouded by worries about the increase of virus infection cases and US-China tension.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange rose 0.17 per cent to end at 841.46 points, extending its rally for a fifth day with total growth of nearly 5.40 per cent.

The blue-chip index VN30 inched up 0.07 per cent to 782.15 points and the VN30 futures maturing on August 20 gained 0.59 per cent to 780.6 points on Friday.

Mid-cap and small-cap stocks bounced back in the afternoon session to drive the market up, with the two indices ending up 0.42 per cent and 0.80 per cent, respectively.

The building materials, mining and energy, and technology industry indices grew by 0.29-0.65 per cent, according to vietstock.vn.

In the three sectors, Binh Duong Mineral and Construction JSC (KSB), steel producer Hoa Sen (HSG), tech group FPT Corp (FPT), ceramic and tile producer Viglacera (VGC) and the Vietnam Electrical Equipment JSC (GEX) were among strong gainers.

Those stocks surged between 0.6 per cent and 7 per cent.

On the Ha Noi Stock Exchange the HNX-Index fell 0.51 per cent to close Friday at 112.78 points.

The northern market index lost 0.59 per cent on Thursday.

The HNX-Index gained a total of 4.9 per cent this week.

Nearly 295 million shares were traded on the two exchanges, worth VND4.93 trillion (US\$212.3 million).

Foreign investors net-sold VND79.4 billion worth of shares.

The strong gains of mid-cap and small-cap stocks helped balance poor market sentiment as investors worried about tension between the US and China, MB Securities Co (MBS) said in its daily report.

The number of coronavirus infection cases in Viet Nam increased on Friday and weighed on the market sentiment, MBS said.

As of 6pm on Friday, the total number of virus cases in Viet Nam was 784 and 10 patients had died.

The market had been more positive in recent days when investors became more optimistic about the possibility the disease would be soon controlled, Thanh Cong Securities Co (TCSC) said in a note.

The VN-Index was heading to 850-860 points but some struggles would appear, TCSC said.

Macro & Policies

2. Vietnam a top 10 digital nation

The report, published annually by Tholons, a New York-based strategic advisory firm for global outsourcing and investments, compiles a ranking of the Top 50 "Digital Nations" and Top 100 "Super Cities."

The ranking is based on various factors, from the number of technical graduates in total population, the number of employees and providers in business process outsourcing and information technology outsourcing, to real estate and bandwidth cost, airport connectivity, digital cyber security, corruption index and digital investments.

Vietnam scored 4.37 points out of 10 to climb to 9th place in this year's Top 50 "Digital Nations" ranking.

India retained its top position in the global digital ranking, followed by the U.S., Brazil, Canada, U.K., Philippines, Russia and Mexico. Singapore trailed behind Vietnam to complete the top 10 list.

In the Top 100 "Super Cities" ranking, Hanoi ranked 49th, a drop from last year's 31st. HCMC also went down from rank 39th last year to 52nd.

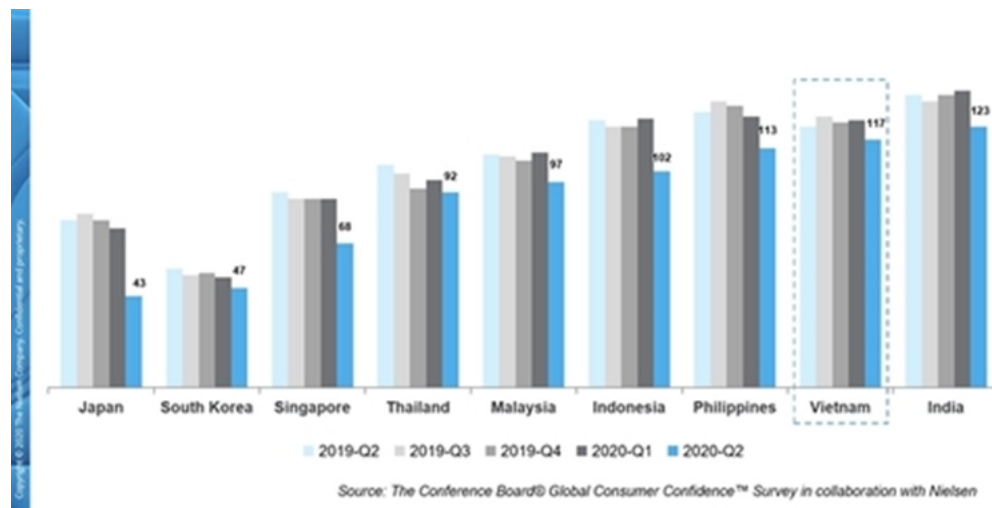
Both cities saw higher scores this year in innovation, and risk and quality of life, but lower scores in talent, skill and quality; business catalyst; and cost and infrastructure.

India's Bangalore continued to top the super city ranking this year. Brazil's Sao Paulo came in second, followed by Canada's Toronto, the Philippines' Manila and Ireland's Dublin to complete the top 5.

Tholons said in the report that this year index focuses more on "digital innovation attributes and assessment of how the various cities and countries have managed and are winning over the global crisis during the pandemic."

It added that the Covid-19 outbreak has "decimated the traditional businesses" and said working from home will be a new normal. The report also mentioned that enterprises who have embraced innovative technologies have done extremely well and suggested companies around the world incorporate artificial intelligence into their innovative solutions.

3. Vietnamese consumers became the most avid savers globally



The survey done in collaboration with global measurement company Nielsen found Asia Pacific consumers leading the way globally in saving intentions.

In the second quarter Vietnamese said they spent less spare cash than in the previous quarter.

After savings, their spare money went towards buying new clothes (39 per cent).

Despite a slight decrease from the previous quarter, Viet Nam was second in terms of the proportion of people spending on medical insurance premiums (38 per cent) behind only India (39 per cent).

They also, unsurprisingly, indicated that they spent significantly less money on holidays (down 6 per cent) and out-of-home entertainment (down 6 per cent).

“Government lockdowns to contain the COVID-19 pandemic started a domino effect, with businesses, especially hotels, bars and restaurants closing down temporarily or permanently and consumer spending dropping due to fewer spending opportunities,” Louise Hawley, managing director of Nielsen Vietnam, said.

“The resulting job cuts and uncertainty increased anxiety about reduced incomes and stressed household finances.

“Even if we have seen a recovery, consumer demand is [still] on shaky ground, and the coming weeks are likely to see an impact with further reductions to spending. At the same time there remain reduced visits to stores, restaurants and other venues, as well as financial concerns and depressed discretionary spending on categories such as entertainment, new clothes and eating out.”

New technology products jumped into third place in spending (37 per cent).

“Having more time at home -- and with technology playing a key role in everything from education, working and entertainment -- has created this demand for technology products,” Hawley added.

Vietnamese consumers continued to rank job security (45 per cent) and health (44 per cent) as their top two concerns.

Remarkably, there was a big jump in consumer concern about the economy, which, at 31 per cent, was at the highest level since 2014.

In the second quarter Viet Nam became the second most optimistic country globally with a Consumer Confidence Index of 117 points.

Despite a sharp decrease from 126 in the previous quarter, it went past the Philippines and Indonesia to rank second in the world behind India, whose score was 123.

The combination of deteriorating job prospects, rising anxieties about short-term personal finances and spending readiness drove the decline in Viet Nam's consumer confidence during the quarter.

All three drivers of consumer confidence, job prospects, personal finances and spending intentions, witnessed significant declines (down 5 percentage points, 4 percentage points and 7 percentage points).

The survey was done between May 7 and 25 by polling more than 33,000 consumers in 68 markets throughout the Asia-Pacific, Europe, Latin America, Africa and the Middle East, and North America.

4. Regional minimum wage may be unchanged in 2021

At the second meeting of the National Salary Council organised on August 5, 9 of 13 members voted in favour of the plan not to increase the regional minimum wage in 2021. The representative of the Vietnam General Confederation of Labour refused to vote.

According to Le Thanh, Deputy Minister of Labour, Invalids and Social Affairs, enterprises are facing numerous difficulties in maintaining operations. Thus, keeping the current regional minimum wage would share some of the burdens.

While the view was not unequivocally shared by council members, the National Salary Council will submit this plan to the government, along with the opinion of the representative of the Vietnam General Confederation of Labour. The final decision will depend on developments in the pandemic front and socioeconomic development.

Previously, at its first meeting in late June, the National Salary Council discussed two options: maintaining or increasing the regional minimum wage by 2.5 per cent.

The first plan would help enterprises overcome the difficulties caused by the COVID-19 pandemic as well as the consecutive minimum wage increases of the last years.

Regarding the second proposal, from July 1, 2021 (six months later than the January 1 date for previous increases), wages would be adjusted by 2.5 per cent on average to maintain minimum living standards for workers. This figure was calculated based on increases in the consumer price index (CPI) this year.

5. Vietnam central bank cuts policy rates for third time this year

The State Bank of Vietnam (SBV), the country's central bank, has decided to slash policy interest rates for the third time this year by 20–50 basis points amid sluggish credit growth, with immediate effect.

As per the decision, interest rates of deposit of required reserves and deposit of required reserves extension in Vietnamese dong (VND) is down by 0.5 percentage points to 0.5% per annum.

Interest rates of the State Treasury of Vietnam and Deposit Insurance of Vietnam at the SBV have now been lowered to 0.8% per annum, a decrease of 0.2 percentage points.

Starting from August 1, interest rates of deposit in VND of the Vietnam Development Bank, Vietnam Bank for Social Policies, People's Credit Funds, and Macrofinance institutions are cut by 0.2 percentage points to 0.8% per annum.

In the first six months of the year, Vietnam's credit growth was estimated at 2.8% year-on-year, much lower than the 5.7% rate recorded in the same period last year.

Therefore, lower interest rates of deposit of required reserves and deposit of non-required reserves at the SBV are expected to encourage banks injecting more cash into the economy.

VnExpress cited some experts as saying cutting interest rates does not provide much help for businesses as most are still struggling to meet collateral requirements or find a feasible business strategy in the current pandemic situation.

Experts said financial support is much needed at the moment so that local firms could survive this crisis.

Previously, the SBV had cut its policy rates twice by a combined of 100 – 150 basis points to support the country's economic recovery. The refinancing interest rate now stands at 4.5% per annum, rediscount rate at 3%, overnight interest rate at 5.5% and interest rate via open market operations (OMO) at 3%.

The SBV also lowered the interest rate cap to 4.25% annually for deposits with maturities of one month to less than six months.

6. Revenue of retail sales and services rises in July

Trade and service activities in July continued to increase due to policies on stimulating domestic consumption and tourism, along with government support packages to help people reduce the burden of spending.

This was also the month during the summer vacation of students, so many families travelled in the country.

Revenue reached VNĐ333.8 trillion from retail sales, up 2.6 per cent month on month and up 7 per cent year on year; VNĐ48.2 trillion from accommodation and food services, up 9.2 per cent month on month but down 4.4 per cent year on year; and VNĐ1.5 trillion from tourism, up 29.6 per cent month on month but down 59.7 per cent year on year.

In the first seven months of this year, total revenue of retail sales and services was VNĐ2.8 quadrillion, down 0.4 per cent over the same period last year.

If excluding the price factor, the total revenue decreased by 4.8 per cent year on year while in the first seven months of last year, it gained an increase of 9 per cent year on year.

Of which, the revenue of retail sales in the first seven months reached VNĐ2.2 quadrillion, accounting for 79.2 per cent of the total. It rose by 3.6 per cent over the same period last year because July was a promotional month to stimulate domestic consumption, increase market shares and restore the domestic economy affected by the COVID-19 pandemic.

The revenue of accommodation and catering services in the first seven months was estimated to reach VNĐ280.9 trillion, accounting for 10 per cent of the total. It was down 16.6 per cent over the same period last year.

Localities having strong reductions in revenue of accommodation and catering services included Khánh Hòa (59.1 per cent), Bà Rịa-Vũng Tàu (46.5 per cent), HCM City (45.1 per cent), Cần Thơ (27.5 per cent), Đà Nẵng (24.5 per cent), Thanh Hóa (21.5 per cent) and Hà Nội (18.9 per cent).

The tourism revenue in the seven months was estimated at VNĐ11.1 trillion, down 55.4 per cent over the same period last year.

Some localities had a sharp decrease in tourism revenue included Khánh Hòa (76.4 per cent), HCM City (74.9 per cent), Bà Rịa - Vũng Tàu (63.3 per cent), Đà Nẵng (58.6 per cent), Cần Thơ (57.1 per cent), Quảng Ninh (50.5 per cent), Quảng Bình (48.6 per cent), Hà Nội (38.6 per cent), Thanh Hóa (38.5 per cent), Bình Định (38 per cent) and Hải Phòng (23.7 per cent).

7. Real estate companies top worker layoff list amid Covid-19 woes

It was followed by media (61 percent) and banking (59 percent), the survey of HR managers at 330 companies by Swiss recruitment firm Adecco, released this week, said.

In terms of pay cuts, the banking sector topped with 70 percent of banks cutting salaries. Sixty percent reduced salaries by 20 percent while 10 percent cut them by 21-40 percent.

Media companies were second (69 percent) followed by supply chain/logistics (61 percent).

Ninety three percent of companies said their revenues were heavily impacted by the pandemic, with food and beverage (57 percent), real estate (56 percent) and manufacturing (44 percent) being the worst hit.

To survive, 58 percent have frozen all new hires, 28 percent have canceled internship programs, 37 percent have postponed salary hikes, 26 percent have reduced working hours, and 17 percent require their employees to take unpaid leave.

Only 31 percent expected a recovery in the next one to three months while 29 percent said it would take three to six months and 8 percent said one year.

Andree Mangels, general director of Adecco Vietnam, said, "While most companies are strictly following the government's guidelines to enhance cleaning and disinfection of the workplace and allow flexible remote work, there is still room for improvement in terms of supporting their employees' well-being and mental health."

Corporate News

8. KDH: Khang Điền House to pay dividend in cash and shares

↓ -0.81%

The company will pay the dividend in cash at the rate of 5 per cent, meaning every shareholder will receive VNĐ500,000 (US\$21.6) for each share they hold.

At the same time, the company plans to issue more than 26.22 million shares to pay dividends at a rate of 5 per cent, meaning every shareholder will receive five new shares for every 100 shares they hold.

The capital for the payout is sourced from the accumulated undistributed after-tax profit as of December 31, 2019.

The company has also approved the issuance of 8 million preferred shares under the employee stock ownership plan (ESOP). The offering price is determined to be VNĐ13,000 per share.

The shares will be offered for employees of the company and its subsidiaries as well as board members. The offering is scheduled to take place from August 5 to August 26.

By the end of 2019, undistributed after-tax profit of KDH reached more than VNĐ742 billion.

In 2020, KDH aims to earn VNĐ3.5 trillion in revenue and post-tax profit of VNĐ1.1 trillion. It plans to pay a dividend at a rate of 10 per cent.

In the first six months of this year, the company recorded revenue of VNĐ1.5 trillion, up 21.88 per cent over the same period last year and completing 43.51 per cent of the yearly plan. Post-tax profit exceeded VNĐ408 billion, up by nearly 90 per cent but only fulfilling 37 per cent of the yearly plan

9. VJC: Vietjet to sell all treasury stock

↓ -0.69%

The airline's 17.77 million treasury shares, or 3.28 percent of its charter capital, was bought in August 2019 for VNĐ132,063 (\$5.7) per share.

Vietjet said it would negotiate the price with the buyer. The deal would help restructure its capital and ensure profit growth, the carrier said.

The airline's VJC share price has dropped nearly 30 percent since the beginning of the year to VNĐ101,000 at the time of publishing. At this price the deal could be valued at VNĐ1.79 trillion (\$77.3 million).

Vietjet's revenue in the first six months fell 50 percent year-on-year to VND12.2 trillion as most flights were suspended as part of efforts to curb the spread of the novel coronavirus.

It has targeted a pre-tax profit of VND100 billion for this year, a drop of 98 percent from last year, due to the pandemic impacts.

Its passenger numbers are set to fall 19 percent year-on-year to 20.2 million, and flights by 15 percent to 118,000.

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