VIETNAM DAILY NEWS

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Market Analysis

1. Shares volatile as large caps differentiate

Shares failed to maintain their rally on Tuesday with the market experiencing strong volatility with big variation in large-caps' prices.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) edged down 0.01 per cent to end Tuesday's session at 843.08 points.

The index had risen 0.21 per cent to end Monday's session at 843.20 points.

Market liquidity stayed low with more than 249 million shares traded on the southern exchange, worth VND4.2 trillion (US$182 million).

Market breadth was negative with 154 gainers and 222 decliners.

The blue-chip index VN30, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, rose 0.03 per cent to end Tuesday at 784.57 points.

Sixteen of the 30 largest stocks by market capitalisation and trading liquidity in the large-cap basket decreased while 13 increased.

Shares failed to maintain their rally and witnessed struggles with differentiation in pillar codes.

The banking group rallied and supported the market with gainers including Vietcombank (VCB), Techcombank (TCB), Vietinbank (CTG), HDBank (HDB), VPBank (VPB) and Bank for Investment and Development of Viet Nam (BID).

On the other side, many other blue-chips suffered selling pressure and slumped, including PetroVietnam Gas JSC (GAS), Hoa Phat Group (HPG), FPT Corporation (FPT), Sabeco (SAB), PV Power (POW), Vinhomes (VHM), Vietjet (VJC), Novaland (NVL) and Vincom Retail (VRE).

Insurance, real estate, information and technology and construction materials were among the declining indices on Tuesday.

Securities, retail, healthcare, oil and gas, banking, rubber production, food and beverage, seafood production, logistics and construction gained ground.

According to BIDV Securities Co, investors are hesitant when the VN-Index approaches 840-850 point range.

It was likely the VN-Index would correct slightly or accumulate in the coming sessions, waiting for further news about the COVID-19 pandemic, the company said.

On the Ha Noi Stock Exchange, the HNX-Index went up 2.34 per cent to end Tuesday at 116.30 points.

The index went up 0.77 per cent to end Monday at 113.64 points.

More than 59 million shares were traded on the two exchanges, worth VND843 trillion.

Foreign investors net sold VND188.59 billion on HOSE. They were net sellers on the HNX with a value of VND2.35 billion.

Macro & Policies

2. Vietnam approves $905mln expressway linking two border provinces

The 115-kilometer-long expressway, running from an intersection of Tan Thanh border gate in Van Lang District of Lang Son Province and ending at an intersection of Tra Linh border economic zone in Cao Bang Province, will be implemented as a public-private partnership (PPP) project.

It has four 17-meter-wide lanes and will allow vehicles to ply at 80 kilometers per hour.

The expressway will be constructed in two phases.

The 2020-2024 first phase will see the construction of a 93-kilometer stretch from the Tan Thanh border gate to Quang Hoa District in Cao Bang at a cost of VND12.5 trillion ($ 540.4 million). The remaining 22 kilometers connected to Tra Linh border gate in Cao Bang will be built after 2025.

Currently, it takes cars five to six hours to cover the 280 kilometers from Hanoi to Cao Bang.

The new expressway, along with the Huu Nghi-Chi Lang expressway that is still under construction, will cut travel time from Hanoi to the border province of Cao Bang by half to 2-2.5 hours and boost trade between Vietnam and China.

The Transport Ministry last year added nearly 800 kilometers of new highways to the national plan, increasing the total length to 7,200 kilometers. The planned highways will cost VND1.33 quadrillion ($57.63 billion). Under the roadmap drawn by the ministry, 6,418 kilometers of the new highways will be built before 2030, and the remaining later.

Currently, Vietnam has nearly 1,000 kilometers of expressways, and expects to build another 900 kilometers by the end of 2021. Between 2021 and 2025, it aims to build an additional 2,000 kilometers.

3. New resolution promotes the development of supporting industries

Prime Minister Nguyen Xuan Phuc has signed a resolution to promote the development of support industries.

These companies provided essential, high-quality parts for larger enterprises to allow them to carry out business in Viet Nam.

The resolution sets out the target that Vietnamese enterprises will be able to produce highly competitive supporting industrial products, meeting 45 per cent of the essential needs for domestic production and consumption, accounting for about 11 per cent of industrial production value by 2025.

About 1,000 enterprises are expected to be capable of supplying directly to assembly enterprises and multinational corporations, of which domestic enterprises account for about 30 per cent by 2025.

By 2030, supporting industrial products will meet 70 per cent of the demand; accounting for about 14 per cent of industrial production value.

About 2,000 enterprises will be capable of supplying directly to assemblers and multinational corporations in the territory of the country by 2030.

To accomplish the above objectives, the resolution offers groups incentives including developing, improving and implementing effectively and synchronously specific mechanisms and policies to develop supporting industries and create favourable conditions.

The resolution also noted the implementation of preferential interest rate policies for supporting industry enterprises and processing and manufacturing industries.

Another solution is attracting investment effectively and promoting business links between Vietnamese and multinational enterprises, domestic and foreign production and assembly companies; building concentrated supporting industrial parks; and developing material industries to increase autonomy in raw materials.

Resolution 115/NQ-CP also emphasised promoting the development of domestic and foreign markets.

It will also improve scientific and technological capacities to develop and create a breakthrough in technology infrastructure, technology transfer, and enhance capacity to absorb technology.

In addition, the resolution also emphasised developing human resources through national programmes and plans on skills improvements and links between training institutions and enterprises.

Finally, building and perfecting the statistical system to promote the connection between Vietnamese suppliers and multinational corporations; enhancing the effectiveness and efficiency of state management and policies on supporting industries; and improving the quality of statistics to ensure timely, complete and accurate information.

4. Banks cut home loan interest rates

The home loan interest rates at State-owned banks, including Vietcombank, BIDV and VietinBank were cut by 0.2-1 percentage points per annum for different terms from the end of July 2020.

Specifically, the preferential interest rate at BIDV was lowered from 8 per cent to 7.8 per cent per annum on 12-month terms, from 9 per cent to 8.8 per cent per annum on 24-month terms. By the end of the preferential period, the average lending rate is 10.1 per cent per annum, on a borrowing period of 20 years.

At Vietcombank, home loan interest rates were cut from 8.1 per cent to 7.7 per cent per annum for a preferential term of 12-month. Particularly, Vietcombank provides seven interest rate options so that homebuyers can take the initiative in calculating loan plans.

At foreign-owned banks such as Standard Chartered, UOB, HongleongBank, HSBC and Shinhanbank, the average interest rate of home loan packages is listed at 6.49-8.8 per cent per annum for one- to three-year loans. In the following years, the additional rate is 1.5 3.9 per cent per annum based on the deposit interest rates for terms from six months to two years, fluctuating from 10 to 10.5 per cent per annum. The borrowing terms are from 20 to 25 years, thoibaonganhang.vn reported.

For the group of private joint stock banks, Techcombank made the largest interest rate decrease to home loan packages. Accordingly, the bank stimulates home loans with a long term of 35 years with preferential interest rates of only 8.29 per cent per annum in the first year. After the preferential period, loans of more than VND5 billion are offered with an attractive rate of 10.8 per cent per annum.

Other private commercial banks, such as MB, TPBank, VPBank and VIB, also listed 12-month preferential interest rates for home loans at 7.7-10.1 per cent per annum. After the preferential period, the rates will be adjusted to about 11-15 per cent per annum.

According to experts, banks' interest rate cut for home loans is mainly aimed to boost credit growth targets in the middle of low capital demand for production and business activities due to the impact of the COVID-19 pandemic. The credit growth expanded only 3.45 per cent at the end of July this year.

Besides, banks currently also prefer home loans because they are secured and less risky than loans for business purposes. The sharp interest rate decline to the lowest level in the past ten years is also creating favourable conditions for more people to own home.

However, the current biggest obstacle is that housing prices are still relatively high compared to people's incomes. Therefore, even when the interest rate level has fallen sharply, it is not enough to encourage people to buy houses.

Thus, if localities, especially big cities like Ha Noi and HCM City can boost the supply of small apartments, social housing and commercial housing for low-income people with prices of less than VNĐ2 billion per unit, the home loans will grow strongly in the next one or two years as demand for the housing segments has remained high.

Statistics of many real estate exchanges from early Q2 2020 until now have pointed out that the number of searches for small apartments with an area of about 45 square metres increased strongly by more than 200 per cent compared to the previous quarter.

5. Vietnam could afford raising public debt to support post-Covid recovery

Vietnam could afford widening public debt by additional 2 – 3 percentage points of GDP to mitigate negative Covid-19 economic impacts, as the ratio of public debt to GDP in this case would still be lower than the limit 65% set by the National Assembly, according to Vo Huu Hien, deputy director of the Ministry of Finance's Department of Debt Management and External Finance.

Disbursing such an additional amount, equivalent to VND180–240 trillion (US$7.77–10.36 billion), however, would be a major challenge, Mr Hien warned, given the slow disbursement rate to date.

Mr. Hien pointed to the fact that over US$10 billion is funding from official development assistance (ODA) and preferential loans from abroad that has been signed and needs to be disbursed in the coming time under commitments with donors.

By the end of 2019, Vietnam's public debt had significantly fallen to 55% of GDP from 63.7% in 2016, Mr. Hien informed, adding this has created room for government agencies to maneuver the fiscal policy and helped boost economic resilience against external shocks, including the Covid-19 pandemic, without putting pressures on macro-economy and national financial security.

Mr. Hien said depending on growth scenarios, Vietnam's public debt could rise to 57 – 58% of GDP at the end of this year.

Nevertheless, Mr. Hien suggested the low public debt has partially reflected the slow disbursement of public investment, including projects financed by ODA and foreign preferential loans.

This not only limits the impacts from loans for economic growth, but also puts pressure on the state budget with higher commitment fees, which are charged by a lender to a borrower for an unused credit line or undisbursed loan.

Mr. Hien said in 2020, the government plans to borrow VND501 trillion (US$21.65 billion), including VND394 trillion (US$17.02 billion) from the domestic sources and VND107 trillion (US$4.62 billion) from foreign ones.

From international experiences, Mr. Hien said widening fiscal deficit and public debt, as well as taking part in debt service suspension initiatives from international organizations would cause negative impacts on a country's credit rating.

For example, Cameroon, Senegal, Pakistan, among others, have all been downgraded by credit rating firms after having expressed their intentions to join G20's debt service suspension initiative.

Prime Minister Nguyen Xuan Phuc at a meeting on July 7 said the country could expand fiscal deficit and public debt to provide additional aids for the economy during the Covid-19 crisis.

PM Phuc suggested finance management should not only focus on ensuring the balance of the state budget, but also nurturing sources of revenue and creating driving forces for economic recovery.

6. Vietnam faces lowest growth in 35 years

Economists have predicted the resurgence of the COVID-19 pandemic could leave Vietnam facing its lowest level of economic growth in 35 years.

After 99 days without any new cases of community transmission, a local infection was confirmed in Da Nang on July 25 and the virus has since spread around the country and caused 15 fatalities, greatly impacting economic activities.

According to many experts, the return of the virus will immediately eclipse the glimmer of hope for an early recovery for the tourism industry.

Dinh Trong Thinh, a lecturer of the Academy of Finance, said: "If the pandemic is not well controlled this time, the economic impact will be very large due to the bigger scale."

Thinh added the local economy was under great pressure from weak demand for goods, products and services and it was facing the risk of interrupted production and service supply capacity.

"The cost of fighting against the new wave of the pandemic and overcoming its influence will be much more expensive than the previous one. The most negative impacts will be seen on employment, production and business growth," he told local media.

Nguyen Dinh Cung, former director of Central Institute for Economic Management (CIEM) said the economy was now defined by being unstable, uncertain and insecure, with many forecasting a deteriorating direction.

"All forecasts could be changed constantly in this situation so we must prepare for all scenarios. Local economic growth will definitely be low. It could be the lowest of 35 years," he said.

Cung said in the short term, people will limit travel and spending, causing a decrease in demand.

"At the same time, a lot of public investment is still stagnant because the implementers are afraid of risks and don't decide to act or to strengthen them quickly as they should," he added.

To solve public investment issues, the CIEM's former director said: "The capital allocation should be assigned more to the Government than the National Assembly. More decision-making power in public investment decisions should be given to leaders of provinces, cities and ministers."

Stefanie Stallmeister, acting director of the World Bank (WB) in Vietnam, also said the country was facing the biggest economic shock in the past 35 years.

She told local media though the country stood stable in the first half of the year, the economy only grew 1.8 percent, equivalent to a decrease of approximately five percentage points compared to the previous growth trajectory of the country.

"Vietnam must be active in a world full of uncertainty both domestically and internationally. Therefore, we believe that policymakers will have to find alternative directions for the country's traditional growth drivers, including overseas demand and weakening domestic consumption," she said.

Stallmeister suggested three measures for Việt Nam. They were considering carefully removing international travel restrictions gradually, speeding up the implementation of public investment projects to increase domestic demand and supporting the private sector, especially in the most severely affected industries such as tourism, processing and manufacturing for export, with financial support and smart incentive policies.

With the pandemic's impacts growing, many businesses have said they have not received help from Government support packages.

The local business community has also been calling on banks to relax loan policies to give firms more time to adjust and seek new markets, said Nguyen Quang Vinh, CEO of a construction material company.

"We are doing our best to find new businesses and to make sure we don't have to lay off our workers," Vinh said.

Director of tour firm New World Travel Dang Thanh Trung said: "It will be very difficult for domestic travel to gain momentum, especially now everyone is anxiously watching how the second wave unfolds."

Most experts urged the Government to make it easier for businesses to access the support packages.

Cung said though the current support policies were basically sufficient, some policies such as policies to suspend, postpone, exempt taxes, should be extended to serve increasing difficulties from the new wave of the virus.

In late July, the World Bank forecast the country's GDP growth could reach 2.8 percent in 2020 and will recover to 6.7 percent in the next year. In the latest report, the bank forecast Vietnam to rank fifth in the global growth this year.

7. Vietnam's EVFTA action plan focuses on industrial sectors, agriculture restructuring

Vietnam's action plan to implement the EU – Vietnam Free Trade Agreement (EVFTA), approved by Prime Minister Nguyen Xuan Phuc on August 6, would focus on industrial sectors and agriculture restructuring.

Each government agency is assigned with specific tasks with the aim of implementing the EVFTA efficiently and ensuring the full realization of Vietnam's commitments in the deal.

Local authorities and agencies are tasked with disseminating information and regulations under the EVFTA as well as those of EU member countries to the business community; perfecting existing institutional frameworks; building up competitiveness and training high quality human resources; speeding up the ratification of International Labor Organization Convention No.87 on Freedom of Association and Protection of the Right to Organize, among others.

Mr. Phuc expected those under direct impacts of the EVFTA, including farmers, fishermen, business associations and enterprises, among others, should be given priority in receiving information related to the deal.

Meanwhile, Vietnam would continue to promote trade and investment activities in EU countries, so that European investors would have more understandings about business and investment opportunities in Vietnam.

Mr. Phuc requested the Ministry of Industry and Trade, along with other agencies, to continue providing training for micro, small and medium enterprises to enhance competitiveness and set up plans to meet international commitments, so that they could further integrate into global and regional supply chains, as well as taking advantages of the EVFTA.

According to the plan, Vietnam is expected to restructure industrial sectors, creating platforms for further industrialization and modernization; speeding up agricultural restructuring efforts towards greater scientific application and environmentally friendly production; promoting stronger linkages between domestic and foreign-invested enterprises to form new supply chains.

The EVFTA, officially signed last June after six years of negotiations, has been dubbed "the most ambitious" FTA the EU has ever reached with a developing country, according to the European Commission (EC). It includes not only the almost full elimination of bilateral tariffs, but also a substantial reduction of non-tariff barriers. Moreover, it includes provisions to protect intellectual property, labor, environmental standards, and fair competition, while promoting regulatory coherence.

A pre-Covid-19 study from Vietnam's Ministry of Planning and Investment suggested the EVFTA and EVIPA would help Vietnam's GDP grow an additional 4.6% and boost the country's exports to the EU by 42.7% by 2025.

Meanwhile, the EC estimated the bloc's GDP would be added US$29.5 billion by 2035, along with additional growth of 29% in exports to Vietnam.

Vietnam is the EU's second largest trading partner in the Association of Southeast Asian Nations (ASEAN) after Singapore, with trade in goods worth US$53.6 billion in 2019.

With a total foreign direct investment stock of US$8.71 billion (2018), the EU is one of the largest foreign investors in Vietnam. Most EU investments are in industrial processing and manufacturing.

Corporate News

8. HPG: Hòa Phát steel pipe export posted 16% increase

↓ -0.21%

Of which, its export volume of the products rose by 16 per cent from the same period last year to 10,800 tonnes in the period. Its importers included the US, Canada, Australia, Mexico and Southeast Asia.

In July alone, Hòa Phát Steel Pipe Company Limited provided 75,200 tonnes of steel pipes to the local market, a 7 per cent year-on-year increase. The northern region had the highest growth rate with 18 per cent, following by the southern region with 9.3 per cent. Hòa Phát steel pipes continued to lead the industry with a market share of 32 per cent.

According to Việt Nam Steel Association (VSA), steel pipe export volume in the first half of the year of its member companies fell by 17.3 per cent from the corresponding period last year. However, Hòa Phát steel pipes still had positive results thank to diversified markets and flexible sale policies.

The company has paid attention to investing in improving product quality and introducing new products, especially large pipes with super large diameters. The products have been used for projects across the country.

The products have affirmed the position and stature of Hòa Phát Steel Pipe Company and contributed to the increase in its sales volume in the first seven months of 2020.

Hòa Phát Steel Sheet Company Ltd also achieved positive results. Its popular products saw increased market coverage and were highly appreciated by customers. The premium diamond sheet and panel steel products have been initially welcomed by projects.

Hòa Phát's steel sheet unit also recorded positive results with its first export order of more than 10,000 tonnes to the Thai market.

9. FCN: FCN wins a new construction project

↑ 0.54%

FECON Corporation has assigned a new project in August 2020, as follows:

- Project: Ha Noi Metro Line 3
- General contractor: Huyndai E&C - Ghella
- Location: Ha Noi
- Time: August 2020 – August 07, 2021
- Value of package: 200,545,000,000 dongs.

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