VIETNAM DAILY NEWS

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Table of content

Table of content

Market Analysis

1. VN-Index returns to recovery streak

The VN-Index gained 0.46 percent to 846.92 points Wednesday as gold prices continued to plummet and banks were instructed to maintain low interest rates.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, saw 205 tickers gain and 180 lose. Total trading volume rose slightly over the previous session to VND4.5 trillion ($193.5 million), the same level as last month's average daily trading.

In the green again, the VN-Index marked its seventh gaining session among the last eight after edging down a miniscule 0.01 percent in Tuesday session.

Analysts said the stock market was in part being propped up by excess cash from investors trying to find an alternative stream of income at a time when social distancing measures have been imposed in several locations in Vietnam.

Plummeting gold prices in the last five days has also made equity markets a more attractive investment option, they said. Prices of SJC gold, Vietnam's national gold brand, fell from VND62.4 million ($2,683) per tael last Friday afternoon to VND51.47 million ($2,213) Wednesday morning, a plunge of 17.5 percent.

Brokerage Bao Viet Securities also noted that the State Bank of Vietnam had on Monday issued a document instructing banks to reduce operating costs, salaries and bonuses for staff so that they can continue lowering retail interest rates to support Covid-19 affected businesses.

On Wednesday, the VN30-Index for the basket of HoSE's 30 largest capped stocks climbed 0.49 percent, with 18 tickers rising and 8 falling.

MBB of Military Bank and BID of BIDV, two state-owned lenders, were the best performers this session, gaining 2.1 percent and 1.8 percent respectively. In the same group, CTG of VietinBank rose 0.9 percent, while VCB of Vietcombank kept its opening price.

They were followed by three oil and gas tickers, PLX of petroleum distributor Petrolimex, GAS of energy giant PetroVietnam Gas, and POW of electricity generator PetroVietnam Power added 1.8 percent, 1.7 percent and 1.5 percent, respectively.

As of 3.43 p.m., the benchmark Brent Crude was up 1.03 percent over the previous session to $44.96 per barrel, while WTI crude was up 1.13 percent to $42.08 per barrel.

Other major gainers this session were VPB of private VPBank, up 1.2 percent, FPT of IT services firm FPT, 1.1 percent, TCB of private Techcombank, 1 percent, and VJC of budget carrier Vietjet Air, also 1 percent.

In the opposite direction, real estate stocks ROS of FLC Faros and KDH of Khang Dien House went down 2.6 percent and 1 percent, respectively.

PNJ of jewelry retailer Phu Nhuan Jewelry fell 0.9 percent, MSN of food conglomerate Masan Group, 0.7 percent, and VIC of private conglomerate Vingroup, HoSE's largest cap, 0.1 percent.

Meanwhile, the HNX-Index for stocks on the Hanoi Stock Exchange, home to mid and small caps, fell 0.17 percent, while the UPCoM-Index for stocks on the Unlisted Public Companies Market added 0.46 percent.

Foreign investors continued to be net sellers for the fourth straight session to the tune of VND98 billion ($4.21 million) on all three bourses, focusing on offloading VHM of Vinhomes, which kept its opening price, and NVL of real estate developer Novaland, which went down 0.5 percent.

Macro & Policies

2. Wage proposal made to facilitate upswing

With nine of the 13 members voting in favour, the National Wage Council will propose the government not to increase the regional minimum wage in 2021, with the opinion of the representative of the Vietnam General Confederation of Labour attached. The final decision will depend on the pandemic situation and socioeconomic development.

The proposal has received the thumbs-up from the business community which is currently struggling to deal with COVID-19 impacts. After being forced to reduce production capacity, numerous companies such as Panasonic are still hard-pressed to maintain their facilities' operations.

According to Morita Ken, director of HR, Planning, Legal, Corporate Communication, and IT at Panasonic Vietnam, the business community welcomed the possible plan on halting the pay rise, adding that consecutive annual raises in past years have been tormenting many of them.

"Compliance with local regulations, including the minimum wage, is our first priority when doing business in Vietnam. However, companies are facing plenty of problems due to the pandemic including shrinking sales as orders drop, mounting inventories, bank interests, and storage costs. More importantly, none of us know when the situation will improve. Panasonic is not an exception to this situation," Ken told VIR.

"Simply keeping employment and wages steady is already a great effort for employers – a higher minimum wage would increase fixed costs and make it even harder on companies," he added.

When talking about Panasonic's woes, Ken gave voice to the general concerns of Japanese-invested enterprises in Vietnam, which are not eager to see yet another rise in regional minimum wages.

Dao Thu Huyen, representative of the Japan Chamber of Commerce and Industry in Vietnam, said that numerous Japanese-invested enterprises have had to reduce operations as the majority of their manufacturing and trade depends on exports. In addition, they are concerned about new waves of the pandemic, which will only exacerbate their current difficulties.

According to Huyen, minimum wages and related adjustments aim to guarantee a minimum quality of life for local employees. Wage increases in recent years, however, have put a burden on both employers and employees. In the context of growing difficulties, not even salary hikes can help employees sustain their living standards and only places more burdens on employers. Ultimately, enterprises cannot realise the purpose of benefiting employees by this salary increase.

According to Ken, in the case of Panasonic's employees, after the deduction of standard living expenses, Panasonic expects that its employees can still put some of their earnings away as savings or investment.

"Currently, we raise salaries on an annual basis but due to a rise in prices, the increase evaporates and does not help to improve our employees' lives. Meanwhile, our fixed costs have increased a lot, which had a distinct negative impact on our business," Ken said.

A survey implemented by the Vietnam Chamber of Commerce and Industry in April showed that 82 per cent of questioned businesses were concerned about a plunge in revenues compared to 2019. Some 30 per cent of surveyed businesses forecast that in 2020 their revenues will decline by 30-50 per cent on year, while 22 per cent said the decrease would be over 50 per cent.

Many are running out of money to pay employees. As of June 10, the National Public Service Portal – the electronic platform connecting the government with individuals and enterprises – received over 660 dossiers from 227 enterprises applying for interest-free loans to pay wages for employees who had to stop working due to the pandemic. However, only nine of the dossiers were approved.

Truong Van Cam, vice chairman of the Vietnam Textile and Apparel Association, also said that without exception, all garment and textile enterprises have been impacted by the pandemic. In the first five months of this year, companies reported average negative growth due to a lack of materials, as well as a plunge in the demand of large markets.

3. Vietnamese consumers prefer using cashless payments

The number of cashless transactions increased more than five times in the first half of 2020 against the same period last year, while the total value of contactless transactions soared six times over the first half of 2019, according to the latest report by Visa.

At the end of June, the number of Visa cards that had recorded at least one contactless transaction within the past three months grew more than three times compared to June 2019.

Findings from the recent Visa Consumer Payment Attitudes study showed 37% of Vietnamese consumers are now using contactless payments, while 42% are currently paying through mobile, of those, 85% said that they make contactless payment at least once a week.

Contactless payment methods have already been introduced at some of the biggest retailers, restaurant chains and movie houses, including Lotte Mart, The Pizza Company and BHD, with promotional campaigns that seek to drive up and popularize contactless payments.

Half of all Visa transactions at Starbucks Vietnam, one of the leading food & beverage chains, are now contactless. Similarly, Saigon Co-op has partnered with Visa to offer a range of exciting prizes to cardholders using this payment technology at their outlets.

A research conducted from June 19 to June 23 by Kantar showed that 68% of Vietnamese consumers prefer paying by cards or via mobile apps instead of cash, due to the impact of the Covid-19 pandemic.

In this context, Shopee and JCB recently announced a regional agreement, taking effect from July in Indonesia, Thailand and Vietnam, and later Singapore and the Philippines. JCB will offer annual discounts and seasonal promotions for Shopee users, while this e-commerce platform will encourage its stores to take part in JCB's programs.

According to Terence Pang, CEO of Shopee, the partnership aims to meet the diversity of user habits and preferences, including cashless payments in the new normal after Covid-19.

Earlier, Vinasun, a taxi business, also launched a VNS Prepaid service, of which customers can top up from Payoo or its banking partners, e-wallets, and convenience stores for paying taxi fares.

“It is expected that in the second phase, in addition to paying directly through the Vinasun application, customers can also top up or pay taxi fares directly from MoMo, ZaloPay”, said Ta Long Hy, deputy general director of Vinasun Taxi said.

4. Foreign banks pour capital into Vietnam

The International Finance Corporation (IFC), a member of the World Bank Group, announced on August 11 that it will provide a 70 million USD loan to Indo Trans Logistics Corporation (ITL Corp), with the aim of improving logistics, trade and competitiveness in Vietnam's economy amid the COVID-19 pandemic.

ITL Corp General Director Ben Anh said the IFC's long-term loan and expertise will help the company improve the efficiency of its logistics system and expand portfolios to better serve customers.

Bac Giang LGG Garment Corporation, which specialises in personal protective suits, recently received a 63 billion VND (2.7 million USD) loan in a preferential credit package from Standard Chartered in support of Vietnam's fight against the pandemic.

Standard Chartered launched the package in March for companies specialising in the production and distribution of pharmaceuticals and anti-pandemic products such as ventilators, medical masks, personal protective suits, and hand sanitiser.

General Director of Standard Chartered in Vietnam Nirukt Sapru said the lender wishes to join hands with LGG in the fight against COVID-19.

HSBC Bank Vietnam, meanwhile, became the first foreign bank to issue bonds in Vietnam recently, totalling 600 billion VND. Each bond, worth 100,000 VND, has a three-year maturity and an annual interest rate of 5.8 percent.

HSBC Vietnam General Director Tim Evans said the move marks the bank's 150th anniversary in Vietnam and affirms its long-term commitment to the country.

It also plans to regularly issue bonds in Vietnam to contribute to the growth of local companies and the country's capital market, he said.

5. HCM City readies land to expand infrastructure at IPs and EPZs, attract investment

The city has earmarked lands on which infrastructure can be built to serve investors in industrial parks, according to its People's Committee.

Seventeen of the city's planned 19 EPZs and IZs are operational with almost 1,800ha available to investors.

The city is speeding up investment in some new IPs like the 200ha Vinh Loc 3 IP in Binh Chanh District, and plans to expand the Hiep Phuoc Industrial Park by 392.89ha.

The city is expected to have 23 EPZs and IZs with a total of 5,797.62ha by the end of this year.

It has established a group chaired by Nguyen Thanh Phong, chairman of the People's Committee, to reduce the investment licensing process by at least 50 per cent.

It is also committed to addressing all problems faced by businesses, who can communicate directly with the Department of Planning and Investment.

Dao Xuan Duc, deputy head of the HCM City Export Processing and Industrial Zones Authority (HEPZA), said the infrastructure at many of the city's IPs and EPZs fell short of investors' needs.

EPZs and IZs must invest in infrastructure to meet the investment needs of businesses, he said.

"It is also necessary to set up zones for supporting industries to regulate land lease prices and attract investors into sectors targeted by the city and the Government."

Experts said the city should switch to newer models of IPs and EPZs to continue to attract investment, while ensuring it has appropriate incentives and policies during the transition process.

According to the General Statistics Office, the city attracted $1.6 billion worth of FDI in the first five months to rank third in the country behind only Bac Lieu ($4 billion) and Ba Ria-Vung Tau ($1.9 billion) provinces.

Viet Nam remains appealing to foreign investors who continue to invest, especially in the southern economic hub comprising HCM City, despite the pandemic.

The city expects to welcome a wave of investments post-pandemic when US, European and Japanese investors move their production lines to Viet Nam, experts have said.

Priority should be given to high-tech projects that could produce high-quality products, they said.

In 2019 the city had attracted $8.3 billion worth of foreign investment.

Before the outbreak the city had set itself a target of 8.5 per cent economic growth this year.

The city aims to have 44,000 new businesses that create 135,000 jobs this year.

6. Trade upswing pressures local ports

US International container shipping company Maersk Line, the largest subsidiary of Danish business conglomerate Maersk Group, can now expand their business activities in the Vietnamese maritime market on the back of the commitments in the landmark EU-Vietnam Free Trade Agreement (EVFTA), which took effect on August 1.

Under the deal, Maersk Line and other businesses from the bloc are allowed to provide redistribution of empty containers and feeder transportation services initially on the Quy Nhon-Cai Mep Thi Vai routes before expanding to all shipping routes after the five-year enforcement in line with EVFTA commitments.

Arising prospects

Nguyen Tuong, deputy secretary general of the Vietnam Logistics Business Association, told VIR, "This is a service line that EU companies have been expecting to enter for years. And the golden opportunity is now coming," adding that the race is beginning for both Vietnamese and EU companies, urging them to increase capacity to win customers.

Before the enforcement of the historic deal, the empty container and feeder transportation services had for years been restricted to Vietnamese companies, with shipping giant Vietnam Maritime Corporation (VIMC) being among the major domestic players. Evidently, along with shipping lines operating in Vietnam by Maersk Vietnam Ltd., those of APL-NOL (Vietnam) Ltd., MSC Vietnam Co., Ltd., and CMA CGM Vietnam JSC are now also able to go on the offensive in the playground.

With a huge sea network of 45 ports, 286 berths, and 18 anchorage and ship-to-ship transfer areas, Vietnam's maritime market is a magnet to foreign players, including those from the EU. In the coverage, the Cai Mep-Thi Vai port area, which is home to seven ports, is among the most promising seaports in Vietnam. The port area boasts a total capacity of seven million TEUs (twenty-foot equivalent units) a year, with current capacity reaching 80 per cent, and is able to accommodate mainline vessels of 194,000 deadweight tonnage (DWT) connecting Vietnam with Europe, North America, and Asia.

Before the health crisis, groups have seen improvements in comparison with previous years thanks to a cargo volume increase.

These include SP-PSA, a joint venture between shipping giant Vietnam Maritime Corporation (VIMC) and Singaporean PSA; CMIT, backed by VIMC and Danish company APMT; and SSIT, backed by VIMC and US firm Carrix/SSA.

CMA CGM Vietnam JSC, which holds a 25 per cent stake in Gemalink Seaport, will also benefit. Gemalink Seaport is expected to come into operation in late 2020 with a total annual capacity of 8.5 million TEUs and handle 200,000 DWT or 23,000 TEUs, making it one of the top 20 seaports worldwide.

Christian Lamhien, director of Business Development at CMA CGM Vietnam, told VIR, "We are also looking to invest in local inland container depots and depots in Southern Vietnam to get us closer to industrial parks. Then we will expand to other regions."

He elaborated, "We also want to develop technology applications to fast-track procedures for cargo entry into Vietnam and to connect with Tan Cang ports and others. We might face difficulties this year due to COVID-19 but see great promise next year amid an investment shift in Vietnam's manufacturing."

Looking forward, in addition to inland shipping services, many other maritime transport services are also open to EU firms to invest or do business, with passenger and cargo transportation services even being committed at a higher level than those in the World Trade Organization and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Moreover, bilateral trade is forecast to grow significantly, thus opening huge business opportunities in the months to come.

Vietnam is the EU's second-largest trading partner in the ASEAN after Singapore, with trade in goods worth €45.5 billion ($53.9 billion) in 2019. As forecast by the Ministry of Planning and Investment, the FTA is expected to help increase Vietnam's GDP by 4.6 per cent and its exports to the EU by 42.7 per cent by 2025.

Future seaport pressures

Vietnam's maritime transport system plays an important role in the country's economy. Currently, up to 90 per cent of goods are transported by sea and, on average, the port system handles 550-570 million tonnes of cargo a year, with the figure forecast to rise further on the back of the EVFTA and new investment shifts.

According to the recent Drewry report of the investment research arm of global shipping consultancy Drewry, COVID-19 has strongly affected logistics businesses in Vietnam, especially marine container business which may lose 7-12 per cent volume throughput in 2020. However, marine transport is forecast to bounce back starting from 2021 when the pandemic is controlled and demand starts budding again.

Despite the opportunities, industry insiders warned about possible pressures on local seaport infrastructure due to a vessel upsizing tendency, as the majority of seaports in the country are unable to receive big vessels due to dredging problems, weak connection with other means of transport, and weak IT application.

According to the statistics of Alphaliner, which harbours a wealth of maritime industry information, container ships have increased in size over the years with the average vessel being 2.5 times higher than two decades ago. The trend in the near future is the proportion of newly-built vessels is mainly 37 per cent of super-sized ships (over 18,000 TEUs).

A representative of Saigon Newport Corporation, a market leader in seaport operation, said that the upsizing trend in a short time puts pressure on port operators and authorities. Ports need to have synchronised investment to avoid lagging and to meet shipping lines' demands.

“The investment should focus on dredging channels, building berths and equipment to receive mega ships, and increase productivity as mega ships carry large amounts of cargo. Unless productivity increases, increased port stay time will affect port productivity and put more pressure on peak time,” he explained.

For instance, with upsized vessels, the -14m channel depth and equipment at the Cai Mep terminal make them less attractive than other ASEAN ones. In the future, even though cargo flow between Vietnam and the EU increases, the bigger vessels and maritime routes between the two sides would still focus at ports of Singapore, Malaysia, and others which are more suitable for vessels passing through the Suez Canal.

The Lach Huyen deep seaport complex is in a similar situation, showing that if planning and dredging does not keep up with the vessel upsizing trend, logistics cost to the EU will remain high, reducing the competitiveness of local ports.

7. Vietnam steelmaker scraps blast furnace plant due to China glut

The steel mill, located in southern Ninh Thuan Province, no longer fits in Hoa Sen's growth strategy, the company said in a recent statement. The project, which was to consist of multiple blast furnaces, would have been among the largest steel production centers in Vietnam.

Hoa Sen started construction at the site in 2017 after winning approval from the government. The complex was due to start production last year and eventually be capable of producing 16 million tons of steel a year.

Hoa Sen, listed in Ho Chi Minh City, specializes in making steel sheets and steel pipes for construction, operating around 10 processing facilities. The company wanted to move into the upstream blast furnace business, but a saturated Southeast Asian market frustrated those plans.

Vietnam manufactured 20 million tons of crude steel in 2019, according to the World Steel Association, a 30% gain and 5 times the output of Thailand. Vietnam leads Southeast Asia in both production and consumption of steel.

Taiwan's Formosa Ha Tinh Steel and Vietnam' s Hoa Phat Group, the first and second-largest steelmakers in Vietnam, have constructed new blast furnaces starting in 2017.

What drove the final nail in Hoa Sen's project was pressure from China, which now produces about 60% of the global steel. Chinese steelmakers have shifted to Southeast Asian neighbors to cut overcapacity at home and to dodge the effects of the Sino-U.S. trade war.

It is believed that Chinese companies plan to boost annual steel capacity in Southeast Asia by 40 million to 50 million tons. China's Alliance Steel started up Malaysia's largest steel production complex in 2018.

Due to Chinese activity, the price of hot rolled coiled steel in East Asia has slumped since 2018. Vietnam is especially exposed to those market conditions since the country depends on imports of hot rolled coiled steel, and does not impose a tariff on the products.

Southeast Asia's steel industry shoulders about 20 million tons in excess capacity, estimates Yeoh Wee Jin, secretary-general of the South East Asia Iron and Steel Institute. If steel producers, including Chinese players, make good on their planned output, the gap between supply and demand would reportedly grow to be as large as 88.6 million tons.

Vietnam has relied on imports of hot rolled coiled steel to make machines, appliances and other assortment of products. About 60% of Vietnam's demand is met by imports, most of it coming from China.

Because the two countries are at odds over South China Sea territories, the Vietnamese government has advanced the localization of steel production as a matter of national security.

However, Vietnamese steelmakers have attracted scrutiny for pollution. In 2016, Formosa Ha Tinh Steel caused a massive toxic spill that killed over 100 tons of fish in nearby waters.

The public outcry forced the government to take a more circumspect stance with respect to the steel industry. In 2017, Prime Minister Nguyen Xuan Phuc called on Hoa Sen to reconsider its steel mill plan, citing "highly sensitive concerns."

Hoa Sen Chairman Le Phuoc Vu tried to sway shareholders to support the steel project, stressing the ample earnings to be gained and urging them not to fear a Formosa-like incident. But the sudden market swings in the steel market forced Hoa Sen to abandon the project.

The unfinished steel facility apparently did not receive government support, placing Vietnam's industrial development in the crossroads. The pattern is repeating itself with some petrochemical products as large new plants are being built in China.

Corporate News

8. PLX: Petrolimex plans to sell 13 million treasury stocks

↑ 1.75%

Vietnam National Petroleum Group (Petrolimex – HSX: PLX) has just declared putting 13 million treasury stocks on trade, which was approved by Resolution No.218/PLX-NQ-HDQTon August 11, 2020.

If the transaction takes place smoothly, the company will keep 75 million treasury stocks.

Previously on June 16, Petrolimex sold 15 million treasury stocks for VND45,318 ($1.97) each, getting nearly VND680 billion ($29.57 million).

At now, PLX stocks are at VND46,000 ($2). If the deal fetches this price, Petrolimex will collect nearly VND600 billion ($26.1 million).

The 2020 shareholders' meeting approved Petrolimex's business plan with VND122 trillion ($5.3 billion) in total revenue, down 35 per cent on-year. The estimated pre-tax profit in 2020 is VND1.57 trillion ($68.26 million), equaling 28 per cent of last year's profit.

Over the first six months of 2020, Petrolimex saw VND65 trillion ($2.83 billion) in integrated earnings but a negative profit of VND1.2 trillion ($52.17 million).

9. GTN: Moc Chau Milk to sell 39.2 million shares to GTNfoods and Vinamilk

↓ -2.06%

Of the figure, more than 75 per cent of stake will be offered to GTNfoods, listed as GTN on Ho Chi Minh Stock Exchange, and the remainder to Vinamilk, as VNM.

The price is expected at VND30,000 (US$1.3) per share.

Moc Chau Milk currently has a total of 66,800,000 shares, in which Vinamilk owns 51 per cent. If Vinamilk buy all newly-issued shares, it will own 68.1 per cent of charter capital in Moc Chau Milk.

In the first half of this year, Moc Chau Milk recorded revenue of VND1.37 trillion and after-tax profit of VND106.3 billion, up 7.6 per cent and 40.8 per cent year-on-year, respectively. It has completed 74.7 per cent of the profit plan.

The company also paid dividend of VND134.3 billion to shareholders.

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