VIETNAM DAILY NEWS

JSI
JAPAN SECURITIES INC.

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Table of content

Table of content

Market Analysis

1. Shares decline on foreign selling

Vietnamese shares ended the last trading session of the week on a negative note after foreign investors extended their net selling streak, further damping investor sentiment.

The VN-Index on the Ho Chi Minh Stock exchange (HoSE) lost 0.50 per cent to end the Friday session at 850.74 points.

It had gained 0.96 per cent to end Thursday at 855.05 points.

More than 304.7 million shares were traded on the southern exchange, worth VND5.2 trillion (US$223.5 million).

Market breadth was negative with 239 decliners and 145 gainers.

Foreign traders continued their selling. On the HoSE, foreign investors net sold VND208 billion on Friday, up 61 per cent compared to the net selling value in the previous session. They have been net sellers for six consecutive sessions on HoSE with a total value of up to VND832 billion.

According to BIDV Securities Company, local investors should keep a close watch on the net selling activities of foreign investors.

If this net selling trend continues with high volume while the global market experiences negative movements, the market will face significant pressure in the short run, it said.

Financial stocks were the biggest losers on Friday. Big names such as Vietcombank (VBC), Vietinbank (CTG), BIDV (BID), Techcombank (TCB), VPBank (VPB) and SSI Securities (SSI) all fell.

Some bucked the trend such as Military Bank (MBB), Phu Nhuan Jewelry (PNJ), Sabeco (SAB), Vinhomes (VHM) and Vinamilk (VNM) but their growth was modest and failed to rescue the market.

The blue-chip index VN30, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, dropped 0.39 per cent to end Friday at 791.98 points.

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

On a sector basis, 21 out of 25 sector indexes lost ground on Friday, including real estate, insurance, securities, banking, agriculture, information and technology, food and beverage, logistics, rubber production, healthcare and seafood production.

On the Ha Noi Stock Exchange, the HNX-Index lost 0.54 per cent to end Friday session at 116.23 points.

The index had gained 0.66 per cent to end Thursday's session at 116.87 points.

More than 157.4 million shares were traded on the northern exchange, worth VND3.1 trillion.

During the morning session, more than 105.5 million shares of Vietnam Construction And Import-Export Joint Stock Corporation (VCG) were traded via put-through method with trading value totaling VND2.5 trillion.

On the HNX, VCG hit the ceiling price to VND29,000 per share.

Macro & Policies

2. Early warning system on trade defense to be built

The early warning system on trade remedies will help improve the efficiency of international economic integration, and assist investigative agencies in investigating and handling trade defense cases at home and abroad and resolving disputes at the WTO.

It will also proactively prevent and respond to foreign trade defense lawsuits, towards sustainable export and ensure the goal of protecting domestic production.

Along with that, ministries, branches, localities, commodity associations, overseas Vietnamese representative agencies and the business community have strengthened their co-ordination to grasp the situation and regularly update policy adjustments of the country's major trading partners.

In addition, the Ministry of Industry and Trade will strengthen monitoring of compliance with international regulations in bilateral and multilateral trade agreements of domestic enterprises operating in fields which are at risk of being investigated and applied trade measures; study, review and complete domestic and international policies and laws related to trade remedies.

In particular, the ministry will promote international co-operation in the field of trade defense in the direction of protecting the legitimate interests of Vietnamese enterprises in production, trading and import-export activities.

3. Vietnamese consumers prioritize buying preventive, essential products

Vietnamese people keep prioritizing anti-pandemic products as well as essential goods, instead of spending money on entertainment or travel services, VnExpress reported.

Ngo Hoang Gia Khanh, vice president of Corporate Development at Tiki, said that in the last week of July, demand for face masks leaped 12 times and that of hand sanitizer nearly doubled compared to normal days on the e-commerce platform. Thermometer was also on the list of best-selling products.

Besides, spending on basic necessities also surged again. Data released by GrabMart app showed that the 10 best-selling product categories since July 24 included fresh products (vegetables, fresh meat and fish); snacks; milk; beverage; frozen products; personal care products (shampoo, shower gel); instant noodles; spices & cooking oil; breads and pastries; ready meals.

Nguyen Thai Hai Van, CEO of Grab Vietnam said that the average daily orders on GrabMart increased 10 times at the end of July compared to the end of April. Weekly two-digit growth remained stable, indicating that local consumers also prefer online shopping channels to avoid crowded places.

A report titled "Vietnamese lifestyle changes after Covid-19" in late June conducted by Q & Me, a market research service in Vietnam, found that at that time, the demand of online food delivery was normalized but the demand for eating out did not recover. People eat more at home to save costs.

"Nearly 80% of consumers are financially impacted due to less workload. They also show disbelief about the possibility of economic recovery in the next few months and become more conservative in spending," the Q & Me report wrote.

The cautious spending trend is rising, as the pandemic has returned when Danang city reported locally-infected Covid-19 case in late July.

ShopBack, a Singapore online shopping refund platform which runs a beta version in Vietnam since December 2019, noticed that the consumers are reticent in spending due to the pandemic. The platform is planned to be officially launched in August.

Jacky Ha, commercial director of ShopBack Vietnam, said he has observed steady growth in sales and up to now, the amount refunded to users in Vietnam has reached VND4 billion (US$172,382) with 800,000 users and more than 150 partners.

4. Decree aims to ensure companies benefit from corporate income tax cut

A decree has been published to guide the implementation of a National Assembly resolution offering firms a 30 per cut corporate income tax (CIT) cut.

The draft is up for comment, while the resolution came into effect on August 3.

Under the draft, the tax cut would be given to enterprises with total revenue of less than 200 billion VND (8.62 million USD) in 2020 – those considered the most vulnerable to the COVID-19 pandemic's negative impacts.

In case firms were just founded in 2020 and did not operate for the full 12 months of this year, their revenue would be calculated based on the number of months they actually operated. Specifically, the revenue would be divided by the number of months they operated then multiped by 12 to determine their eligibility for the support policy.

According to the Vietnam Chamber of Commerce and Industry, the draft decree still lacks a way to calculate revenue of firms which temporarily halted operations.

To Hoai Nam, deputy president of the Vietnam Association of Small and Medium-Sized Enterprises, said that it was not necessary to have a specific regulation for firms which temporarily halted operations.

Nam said the pandemic was heavily affecting businesses and it would be difficult for SMEs, which account for about 97 percent of the total number of firms in Vietnam, to achieve revenue of 200 billion VND this year.

Nam stressed the decree should not erect any barriers which caused difficulties for firms in accessing the support.

Statistics of the Ministry of Finance showed that as of the end of 2019, Vietnam had a total of 760,000 firms in operation. The ministry estimated the tax cut would cause a reduction of around 23 trillion VND to State revenues this year.

However, the policy was necessary amid the pandemic to help firms to overcome difficulties and recover.

According to the Ministry of Planning and Investment, nearly 63,500 firms withdrew from the market in the first seven months of this year, up 11 percent against the same period last year.

Among them, 33,000 firms temporarily halted operation, up 40 percent, while 21,800 registered for dissolution procedures and 8,940 completed dissolution.

5. Make-in-Vietnam blockchain platform debuts

The Ministry of Information and Communications, on August 13, held a ceremony to debut the akaChain blockchain platform, as part of a programme introducing “Make in Vietnam” digital platforms.

The akaChain, developed by Vietnam's largest tech firm FPT Software corporation, supports enterprises in quickly building their business network systems and distributed applications using blockchain technology. It helps shortening the time spent on a number of tasks like electronic Know Your Customer (eKYC), credit scoring, customer loyalty programmes, and origin tracing.

In the coming time, it will be further developed for strengthened security and transparency.

At the event, Deputy Minister of Information and Communications Nguyen Thanh Hung said despite just being established in 2018, the platform has become popular.

He named a number of its successful users, including food group Masan Consumer, Baoviet Insurance, AIA Group, and VPBank.

The official took the occasion to call on digital firms to continue investing in the research and development of advanced technologies of the 4th Industrial Revolution, adding that it will help Vietnam catch up with latest developments in the world and complete its national digital transition.

The introduction of "Make in Vietnam" platforms is part of the national digital transition programme toward 2025 approved by the Prime Minister.

6. Local firms struggle to fulfill needs of FDI companies

The world was seeing an increasing wave of investment capital shift, bringing significant opportunities for Viet Nam to attract the FDI flow, Minister of Planning and Investment Nguyen Chi Dung said. However, the participation of Vietnamese producers in the global value chains remained modest, Dung said according to Vietnam News Agency.

The loose links between small and medium-sized enterprises (SMEs) with big firms and between Vietnamese and FDI firms remained a problem in FDI attraction, he added.

Little improvement has been seen in the participation of local producers in the global supply chains of FDI companies in recent years.

The participation of Vietnamese suppliers in Canon's supply chain did not see any considerable changes in the past few years although the company's local procurement rate increased to 65 per cent, said Dao Thi Thu Huyen, senior manager at Canon Viet Nam.

She said that the multinational company had 340 suppliers globally, 147 of which were in Viet Nam but only 20 suppliers were 100 per cent Vietnamese.

Canon has a list of components for being localised in Viet Nam and the company was seeking new suppliers, she said.

Nguyen Anh Tuan from Samsung Viet Nam said changing production lines and technologies was the biggest challenge for Vietnamese manufacturers. It was critical for local producers to improve their production capacity and meet the requirements of FDI companies to participate in global value chains, he said.

According to Duong Lien, Deputy Director of the USAID Linkages of Small and Medium Enterprises (LinkSME), Vietnamese firms had not made adequate preparations to meet the needs of FDI firms. A major problem was Viet Nam was still heavily dependent on raw materials from China.

For example, the garment and textile industry must import 70-80 per cent of raw materials from China, the electronic industry about 77 per cent of the total product value, the pharmaceutical industry 85-90 per cent and the plastic industry around 70-80 per cent of the production cost.

Dung pointed out two major reasons for the modest participation of Vietnamese firms in the global production network. The first was FDI companies often had a close supply network which was difficult for Vietnamese firms to join. The second was the limited capacity of local producers to meet the strict requirements of FDI firms.

"Sometimes, local producers are still hesitant and do not dare to invest in breakthrough developments," Dung said.

Dung said that to capture opportunities from the wave of investment, Viet Nam needed to prepare clean land at industrial zones and economic zones with developed technical infrastructure system together with favourable land policies, an improved investment climate and quality human resources.

"The process will require the close co-ordination among the Government, ministries, localities and industries in determining priority policies and improving the business climate and promoting the roles of enterprises in enhancing links," Dung said.

According to Tuan, sometimes Vietnamese firms required FDI companies to promise orders first then they would invest in production to meet FDI companies' requirements. This was not the best way forward, Tuan said, adding that improving capacity was of critical importance because only with adequate capacity could firms seek many other partners.

The COVID-19 pandemic was generating new business models, bringing opportunities for the establishment of new value chains and it was time for Vietnamese firms to improve their capacity, Hoang Thu Thuy from Panasonic Viet Nam said.

7. Privatization of Vietnam state firms remains slow, meeting 28% of target

Of the total of 128 state-owned enterprises (SOEs) due to go privatization during the 2017 – 2020 period, only 37 have completed the progress as of July 2020, or 28% of the target, according to the Ministry of Finance (MoF).

From 2016 to July 2020, 177 SOEs had their privatization schemes approved with total asset value of VND443.5 trillion (US$19.1 billion), of which the state capital was estimated at VND207.1 trillion (US$8.91 billion).

However, of these 177 SOEs, only 37 are from the list of 128 firms expected to be privatized by the end of this year under the instruction of Prime Minister Nguyen Xuan Phuc, which means that the remaining 91 should complete the process in the next five months.

Notably, SOEs subject to privatization in Hanoi and Ho Chi Minh City make up 54% of the total, including 13 in Hanoi and 38 in Ho Chi Minh City; others include six managed by the Committee for State Capital Management (CSCM), four under the Ministry of Industry and Trade (MoIT), and two under the Ministry of Construction (MoC).

According to the MoF, some large SOEs are facing difficulties in determining their own values, mainly due to complicated financial situations, including Vietnam Posts and Telecommunications Group (VNPT), Vietnam National Chemical Group, Vietnam National Coal – Mineral Industries, MobiFone, and Vietnam Bank for Agriculture and Rural Development (Agribank), among others.

Meanwhile, in the first seven months of this year, 10 SOEs in the PM-approved list divested VND260 billion (US$11.19 million) in book value for VND678 billion (US$29.19 million) in proceeds.

This resulted in the amount of state capital divested during the period of VND601 billion (US$25.87 million) in book value and VND1.1 trillion (US$47.35 million) in proceeds, which remained slow compared to the plan, stated the MoF.

The slow progress in privatization and divestment of SOEs is attributable to Covid-19, according to the MoF, not to mention a lack of commitment from localities and SOEs in complying with the PM's instruction for SOE restructuring.

To speed up the privatization process, the MoF said it would continue to perfect the legal framework for the operation of SOEs subject to privatization and divestment, including the proposal on SOE restructuring in the 2021 – 2025 period.

More importantly, localities and SOEs involved in the process must show stronger commitment to realize the PM's instruction on SOE restructuring, the MoF urged.

Corporate News

8. VRE: VRE receives the certificate for the public offering of bonds

↑ 0.00%

Vincom Retail Joint Stock Company received Certificate for Public Offering No.161/GCN-UBCK dated August 05, 2020 from the State Securities Commission of Vietnam allowing the Company to issue bonds to the public as follows:

1. Listed firm: Vincom Retail Joint Stock Company

- Head office: No.7 Bang Lang 1, Vinhomes Riverside, Viet Hung Ward, Long Bien District, Ha Noi City, Viet Nam.

- Charter capital: 23,288,184,100,000 dongs

2. Securities type: non-convertible secured corporate bond, no warrants

3. Par value: 100,000 dongs/bond

4. Total offering volume: 20,000,000 bonds

5. Total offering value at par value: 2,000,000,000,000 dongs

6. Distribution time: within 90 days from the effective date of the certificate

7. Offering method: according to the Company's prospectus.

8. Advisory company: Techcom Securities Joint Stock Company.

9. HDB: Announcement of public offering certificate

↑ 1.11%

Ho Chi Minh City Development Joint Stock Commercial Bank announces a public offering certificate as follows:

Information on stock:

- Name of company: Ho Chi Minh City Development Joint Stock Commercial Bank

- Charter capital: VND 9,809,999,790,000

- Securities type: Corporate bond, non-convertible, unsecured and no warrants

- Par value: 100,000 dongs/bond

- Registered offering volume: 15,000,000 bonds; Of which:

• Phase 1: 8,000,000 bonds. Number of bonds of phase 1 will be transferred to the second phase if the first phase is not sold out;

• Phase 2: 5,000,000 bonds. Number of bonds of phase 2 will be transferred to the third phase if the second phase is not sold out;

• Phase 3: 2,000,000 bonds.

- Total value (based on par value): VND 1,500,000,000,000

- Distribution time:

• Phase 1: within 90 days as from the effective date of public offering certificate.

• Phase 2: expected in Quarter 3/2020.

• Phase 3: expected in Quarter 3/2020 or Quarter 4/2020. The offering period of each phase cannot exceed 90 days.

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