



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. VN shares step back under global pressure

Vietnamese shares felt pressure from global markets on Thursday, impacting the banking and brokerage sectors.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange fell 0.35 per cent to end at 848.21 points.

The VN-Index retreated from a 0.56 per cent increase on Wednesday.

After picking up in the early morning, the benchmark lost its momentum under the pressure of other Asia-Pacific markets.

Stock markets in the region declined on Thursday after the US central bank unveiled its July 28-29 meeting minutes with a cautious economic outlook, according to MB Securities Co (MBS).

Bank and brokerage stocks led the market downturn on Thursday as the two sectors fell 1.4 per cent and 1 per cent, respectively, according to vietstock.vn.

The worst decliners in the banking and brokerage industries included HDBank (HDB), Sacombank (STB), Bank for Investment and Development of Vietnam (BID), SSI Securities (SSI), and VNDirect Securities (VND).

Two-thirds of the 30 largest stocks by market capitalisation and trading liquidity in the blue-chip VN30 basket declined, pulling the large-cap index down 0.42 per cent to 786.11 points.

On the derivatives market, the VN30 futures fell 1 per cent to end its maturity date at 785 points.

Mid-cap and small-cap stocks were also weighed down by poor market sentiment.

“The VN-Index had a correction session when it was somewhat affected by the general downward movement of most financial markets in the world,” BIDV Securities Co (BSC) said in its daily report.

The closing position of proprietary traders during the maturity session of the VN30 futures also caused troubles for local stocks, the company said.

“Traders are somewhat doubtful about the index’s ability to continue gaining,” BSC said.

The market may continue swinging between 845 and 855 points on Friday, the company forecast.

On the Ha Noi Stock Exchange, the HNX-Index rose 1.67 per cent to end Thursday at 121.18 points, extending its growth for the second day.

The northern market index has increased by a total of 3.55 per cent in the last two days.

Shares of Asia Commercial Bank (ACB) were the major boost for the northern bourse as they soared 5.6 per cent.

More than 350 million shares were traded on the two exchanges, worth VND7.46 trillion (US\$319.4 million).

Foreign investors net-bought total VND1.37 trillion worth of local shares on Thursday, including the net purchase of VND1.7 trillion for nearly 22.8 million Vinhomes shares (VHM).

## Macro & Policies

### 2. Vietnam passes Bangladesh in textile and garment exports

Despite the negative impact caused by the COVID-19 pandemic, the country has successfully beaten Bangladesh to become the world's second largest textile and garment exporter, behind only China.

According to the Bangladesh Export Promotion Bureau, the South Asian nation raked in US\$11.92 billion from exporting ready-made garment products over the first half of the year, while the Vietnam figure was about US\$13.18 billion.

Despite Vietnamese textile and garment exports enduring a drop of 12.1% in the seven-month period, the country still earned a total of US\$16.2 billion.

In response to these figures, Bangladeshi garment exporters explained that the COVID-19 pandemic has forced them to lag behind their Vietnamese rivals.

Mohammad Hatem, vice president of Bangladesh Knitwear Manufacturers and Exporters Association, said Bangladesh's textile and garment industry plummeted throughout March to May, as production activities and supply chains were interrupted by the COVID-19.

"Meanwhile, Vietnam's production activities were not much affected because the country has controlled the spread of the virus", Hatem added.

Most notably, Bangladeshi textile and garment exports fell by 20.14% to US\$2.25 billion in March, before suffering a further 85.25% drop to US\$375 million in April. Indeed, these declines mark the most significant decreases in the history of exports from the South Asian nation.

Moving into May, Bangladeshi export earnings witnessed an improvement, reaching US\$1.23 billion, but marking a 62% decline from the start of the year. Following this, June saw their textile and garment exports show signs of recovery, reaching US\$2.24 billion.

The January-June period has seen Vietnamese firms not suspend production, something that has occurred in both China and Bangladesh. As a result, the market share of local textile and garments being shipped to the United States and the EU has increased.

A representative from the Vietnam Textile and Apparel Association said that in comparison to the overall falls of the textile and garment industry worldwide, Vietnam only recorded a small decline of between 12% and 14%. Simultaneously, Bangladesh and India's exports were hit by a drop of 23% during the first six months of the year.

Despite this, the Vietnamese textile and garment industry still faces an array of challenges as the COVID-19 is still significantly affecting global exports.

### 3. Ministry approves HCM City-Long Thanh expressway expansion

The Ministry of Transport has approved Dong Nai province's proposal to widen Ho Chi Minh City-Long Thanh expressway to 10 lanes from its current four.

Minister of Transport Nguyen Van The has ordered the Cuu Long Corporation for Investment Development and Project Management of Infrastructure (Cuu Long Corporation) to submit a pre-feasibility report for the proposal by the fourth quarter.

The widening of the 24km section from HCM City's District 2 to Long Thanh township in Dong Nai will be done in 2021-2030 period, according to the ministry.

The said the Department of Planning and Investment would advise on how to source capital for the work.

He also urged the department to study about construction of elevated roads, light rail and transit

bus stations to connect the city with the proposed Long Thanh International Airport in Dong Nai.

The province has said the expansion work is urgent since the expressway is “a key transport route connecting the proposed Long Thanh International Airport.”

Traffic congestion has become routine on both the expressway and the section of Highway No. 51 to HCM City during peak hours and holidays, it said.

The spots most often gridlocked are Long Phuoc and Dau Giay stations, branch D of Highway No. 50, inner roads connecting Highway 51, and Mai Chi Tho and Vo Chi Cong streets.

The widening will ease congestion when the airport opens in 2025.

The Cuu Long Corporation has recommended widening to eight lanes at a cost of 9.8 trillion VND

(422.36 million USD) from 2025 and to 10 lanes starting in 2040.

The 55km expressway was built five years ago, shortening travel from HCM City to south-eastern provinces to 20 minutes from the earlier 60 and to Vung Tau to a little more than an hour.

But drivers have been complaining about the slow speed of traffic on the road, and the expressway management has to frequently warn people to take other routes.

According to the Vietnam Expressway Services Engineering Joint Stock Company, which manages it, the traffic volume was 10 million vehicles in 2015 and 16.5 million last year.

It now handles 52,000 vehicles daily (rising to 60,000 on holidays and Lunar New Year) though its designed capacity is only 44,000, the company said.

#### **4. PM requests effective solutions for economic recovery in coming years**

Prime Minister Nguyen Xuan Phuc on August 19 chaired a meeting of the Government's permanent members to discuss draft development plans for coming years, asking for effective and feasible solutions to minimise COVID-19-caused losses and recover the economy in both short and medium terms.

The event looked into the draft socio-economic development plan and State budget estimates for 2021, the draft financial-State budget plan for 2021-2023, along with the draft medium-term socio-economic development plan and public investment plan for 2021-2025.

PM Phuc stressed that economic development must be ensured amid the COVID-19 pandemic so as to provide jobs and guarantee people's livelihoods.

He also underlined the need for staying proactive in governance and plan making, noting that facing serious impacts of COVID-19, effective and feasible solutions are necessary to ease losses and spur economic development in both 2021 and the medium term of 2021-2025.

He asked Government members to be unanimous to exert efforts to support socio-economic recovery this year, as well as the following years.

Noting countries around the world have taken measures like large-scale aid packages to minimise impacts of COVID-19, especially on people and businesses, the PM requested ministries and sectors, especially the Ministry of Finance, the Ministry of Planning and Investment, the Ministry of Labour, Invalids and Social Affairs, and localities, to devise timely support solutions that are strong enough to help affected people and enterprises.

Those solutions must be proactive, flexible and match the “new normal”. In particular, the fiscal and monetary policies should be more flexible to stimulate demand, create jobs and promote growth while still maintaining macro-economic stability, according to the Government leader.

Meanwhile, the State budget plan for 2021 should include funds for social security policies for workers facing job losses and those in the informal sector, and for vocational training to help labourers adapt to changes in supply chains.

PM Phuc also requested continued assistance for certain sectors heavily affected by the pandemic like transportation, tourism, textile-garment, health care, and education; along with policies to encourage rational consumption.

He demanded priority be given to development investment, especially in developing socio-economic

infrastructure, including transport facilities, by using every possible resource.

The public investment plan for 2021-2025 needs to include projects and programmes important to national development like the ones on North-South Expressway, coastal roads, and digital economy, he added.

## 5. Vietnam central bank delays enforcement of loan regulation to aid economy

The State Bank of Vietnam (SBV), the country's central bank, has delayed the roadmap for reducing the ratio of short-term capital for medium- and long-term loans at banks for one more year.

Under the newly issued circular No.08/2020/TT-NHNN on August 14, scheduled to take effect from October 1, 2020, banks and foreign banks and branches will be allowed to maintain the maximum ratio of short-term capital used for medium and long-term loans at 40% until September 30, 2021.

The ratio would later be reduced to 37% from October 1, 2021 to September 30, 2022; to 34% from October 1, 2022 to September 30, 2023; and to 30% from October 1, 2023.

The SBV suggested the move is necessary to ensure efficiency of existing preferential rates policy for customers amid the Covid-19 pandemic.

With the pandemic's impacts on production and business activities, customers' deposits at banks are

expected to decrease, stated Bao Viet Securities Company (BVSC).

Therefore, in order to keep implementing preferential interest rate policies and maintain a stable medium- and long-term debt for customers, the SBV's decision would help banks apply the maximum rate of short-term capital for medium- and long-term loans, stated the securities firm.

"It is necessary to delay the roadmap of tightening the ratio of short-term capital sources used for medium and long-term lending, in order to help credit institutions better support customers to restart production and business after the pandemic," BVSC asserted.

Data from the SBV revealed as of the end of the first quarter, the ratio of short-term capital used for medium- and long-term loans at state-owned commercial banks was 28.9%, while the similar rate at private banks was 28.7%. These rates are significantly lower than the ceiling of 40% set up by the SBV.

## 6. Đà Nẵng to develop digital hub and regional bio-tech centre

CMC said the creative space will help turn Việt Nam into a digital hub in the Asia-Pacific region with estimated investment of VNĐ12 trillion (US\$522 million).

It said the Đà Nẵng-based CMC Creative Space will help Đà Nẵng become an internet and data exchange site in the Asia-Pacific region, and a destination for the 2,500km Cross Việt Nam Cable System that will run through 19 provinces and cities including Lạng Sơn, Hà Nội, Đà Nẵng, HCM City and Tây Ninh.

CMC said Đà Nẵng will act as a data centre and software and internet exchange in the VNĐ500 billion (\$21.7 million) trans-Việt Nam cable system that will connect Việt Nam and ASEAN through the Greater Mekong Sub-region-Internet Exchange.

### Biotech

Đà Nẵng has agreed to put forward VNĐ651 billion (\$28.3 million) for upgrading the Đà Nẵng Bio-



technology Centre and turn it into the South-central regional R&D Bio-Technology Centre.

The R&D centre will supply research and development plans for high-tech farming, bio-tech applications in environment and sustainable development projects in the region in 2020-30.

The city also called for investment in five high-tech farms to create a centre for hi-tech-farming in the central and central highlands region.

The city has offered to cut land-clearance fees by 50 per cent per hectare per year for five years and \$1,000 in support for investors per hectare each year for five years.

Seven suburban communes in the city were planned as an organic farm area in Hòa Vang District on a total area of 540ha.

The Việt Nam Dairy Products Joint-Stock Company (Vinamilk) has invested \$26.5 million in a dairy farm on 124ha in Hòa Phong Commune in Hòa Vang District.

## 7. Japanese ramping up investment in Vietnam

As one of the early birds exploring business in Vietnam, aerospace and healthcare manufacturer Nikkiso Vietnam in late July decided to expand its production by \$3 million.

As a subsidiary of Nikkiso Group, Nikkiso Vietnam was established in 1996 and placed its production base in Ho Chi Minh's Tan Thuan Industrial Park (IP). A modern production line and Nikkiso's know-how have made it possible for the Vietnam branch to manufacture high-quality medical products, including blood tubes for dialysis treatments.

Nikkiso Vietnam legal representative Satoshi Okawa said, "Although the group had a facility in Thailand, it still decided to expand its production in Vietnam as one solution to reduce risks while value chains were disrupted by COVID-19."

This year many Japanese enterprises showed ambition to establish new projects and expand existing business in Vietnam, demonstrating the country's position as an attractive destination for foreign investors.

### New investment wave

According to the Japan External Trade Organization (JETRO), there are 15 Japanese enterprises currently registered to invest in Vietnam in an attempt to diversify supply chains, strengthen cooperation between Japan and the ASEAN, and move out of China.

"In the past, Japan has based its supply chains in China and South Korea, but in recent years expanded to ASEAN countries, thereby expanding its supply chains to more than just one location," said a JETRO representative.

Amid the pandemic, Japan issued a support package of ¥243.5 billion (\$2.23 billion) to help manufacturers shift production out of China as the health crisis disrupted supply chains between major trading partners, including Vietnam.

Masahico Makata, CEO of Long Duc Investment Co., Ltd., said that the company's Long Duc IP in the southern province of Dong Nai has attracted investment since 2013. Up to now, more than 200 hectares for industrial development have been rented out. Meanwhile, many Japanese enterprises want to continue investment, so the company has proposed procedures for the expansion of Long Duc IP.

Meanwhile, Lixil Global Manufacturing Vietnam Co., Ltd. has increased its investment capital by \$25 million in Dong Nai where in 2014, the company developed a project with the total investment of more than \$440 million, built on an area of 55ha. The project manufactures all kinds of door frames, windows, and accessories made of aluminium and plastic for civil and industrial constructions.

Explaining the reason for Japanese business expansion in Vietnam, Wakamatsu Hiroyuki, director of Chubu Rika Vietnam said, "Labour is the main attraction of the country as labour costs are

cheaper compared to China, while the quality is very good. Therefore, products made at factories in Vietnam meet high-quality requirements while production costs remain very reasonable.”

Hiroyuki added, “The investment of Japanese enterprises in Vietnam is increasing and their aim is also to provide products for Japanese consumers.”

Chubu Rika Vietnam currently has four factories with its main products used for machinery and vehicle parts.

### **Key to success**

As Vietnam is considered to be an attractive location for Japanese investors, they have established a strategy in order to carry out business here called the “1+1 model”.

Accordingly, Japanese investors are cooperating with enterprises that have already invested in Vietnam to form a production chain in IPs. These activities also receive support from banks and localities.

Additionally, the model creates an ecosystem for Japanese businesses. Hanoi-based Thang Long IP,

funded by Japan's Sumitomo Group, for instance attracted about 100 projects with total capital of \$2.5 billion by using this model, mostly in the technology sector.

Aguin Tooru, chief representative at the Japan Bank for International Cooperation said, “More than 100 Japanese enterprises submitted documents for investments in Vietnam, and our bank will continue to support them.”

Meanwhile Makata from Long Duc said that the JETRO's support, which includes information, specialists, and technicians, has also contributed to Japanese investors' success in Vietnam.

According to the JETRO representative, besides traditional investment sectors like manufacturing, Japanese investors are also grasping onto new sectors such as healthcare, clean energy, and customer services.

Vu Tien Loc, chairman of the Vietnam Chamber of Commerce and Industry, suggested that the country should create a sufficient plan in order to upgrade its skilled labour force, and added that cooperating with internal associations will be a necessary step to further attract Japanese investors.

## Corporate News

### 8. CMC: CMC proposes VND12,000-billion technology project in Danang

↑ 4.17%

CMC Creative Space will have functional departments such as R&D, software production, information technology, Internet transit, data center and apartments for experts, staff and related services with complete amenities.

The project will be developed in two phases, providing jobs for some 2,000 workers in the first phase and 10,000 workers in the second phase, aimed at turning Danang into an international gateway of big data and digitalization. This is part of the company's strategy to turn Vietnam into the Digital Hub of the Asia-Pacific region.

The information was unveiled at an online meeting held on August 18 with the participation of leaders from the Danang City People's Committee and CMC.

There are currently three Digital Hubs in the region, including Hong Kong, Singapore and Japan. Vietnam is expected to become the next regional Digital Hub.

To turn this into a reality, CMC is promoting many projects such as building a large-scale neutral Data Center at the Tan Thuan Export Processing Zone and Industrial Park and the Saigon High Tech Park (both in HCMC).

In addition, CMC has invested in building the Cross Vietnam Cable System (CVCS), with a total length of more than 2,500 kilometers, stretching 19 provinces nationwide. The CVCS system has a total investment capital of over VND500 billion, becoming the only Vietnamese cable line directly connected to the Southeast Asia mainland cable network - A Grid.

Danang's leaders have agreed to allow CMC to invest in the project, requiring the business to complete the related procedures and submit the project proposal soon.

The Department of Construction, the Department of Natural Resources and Environment and others are searching for suitable sites for the project.

Speaking with the Saigon Times on August 19, Pham Truong Son, Head of Danang Hi-Tech Park and Industrial Zones Authority, stated, "The investor is looking for land outside the industrial park and high-tech park. This is a pity because at present, the Danang High-Tech Park is zoning some areas for technology development."

### 9. HTV: Notice of record date to pay cash dividend for 2019

↑ 0.00%

On August 17, 2020, Logistics Vicem Joint Stock Company announces the record date to pay cash dividend for 2019 as follows:

- Record date: September 15, 2020
- Exercise ratio: 12% (1,200 dongs/share)
- Payment date: September 30, 2020.

- Place of payment:

- Shareholders whose shares have been deposited: at the securities firms where the shares have been deposited.
- Shareholders whose shares have not been deposited: at Logistics Vicem Joint Stock Company (Address: 296 Tran Nao, Binh An Ward, district 2, Hochiminh.



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