



VIETNAM DAILY NEWS

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Market Analysis

1. Shares climb higher on supportive news

Shares had a good start on Monday thanks to an upbeat market sentiment in the wake of fewer COVID-19 infection cases reported in the country.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 1.63 per cent to end Monday at 868.68 points.

The market liquidity continued to rise compared to the previous session with more than 381.5 million shares were traded on the southern exchange, worth VND6.6 trillion (US\$284.7 million).

The market breadth was positive with gainers outnumbering decliners by 332 to 84.

By 6pm Monday, there were six new community transmission cases confirmed in Viet Nam. The country has recorded 1,022 patients, with 588 of them having recovered. Its death toll is 27. A majority of the COVID-19 fatalities in Viet Nam have involved chronic kidney disease patients and others have had other comorbidities, including cancer.

According to Thanh Cong Securities Company, if the cash flow continues to be injected into the market, the VN-Index is likely to climb to higher resistance levels at the 880-900 point range with support from large-cap stocks.

The large-cap VN30-Index, which tracks the performance of the 30 largest stocks by market

capitalisation and liquidity on HoSE, rose 2.03 per cent to 809.69 points.

Twenty-eight of the 30 largest stocks by market capitalisation and trading liquidity in the VN30 basket increased while only two ended flat.

Among the best large-cap performers were Vingroup (VIC), rising 3.4 per cent, Vietcombank (VCB), gaining 1.2 per cent, VPBank (VPB), soaring 5.9 per cent, Bank for Investment and Development of Viet Nam (BID), going up 1.8 per cent, Viet Nam National Petroleum Group (PLX), rising 4.2 per cent, brewery Sabeco (SAB), climbing 1.9 per cent, Techcombank (TCB), gaining 2.9 per cent, PetroVietnam Gas JSC (GAS), up 1.4 per cent, Vinhomes (VHM), rising 0.6 per cent and Vinamilk (VNM), edging up 0.8 per cent.

On a sector basis, 21 out of 25 sector indices on the stock market gained ground, including real estate, insurance, banking, securities, insurance, information and technology, agriculture, logistics, seafood processing, food and beverage and construction.

On the Ha Noi Stock Exchange, the HNX-Index grew 0.43 per cent to end Monday at 123.16 points.

More than 61.7 million shares were traded on the two exchanges, worth over VND788 billion.

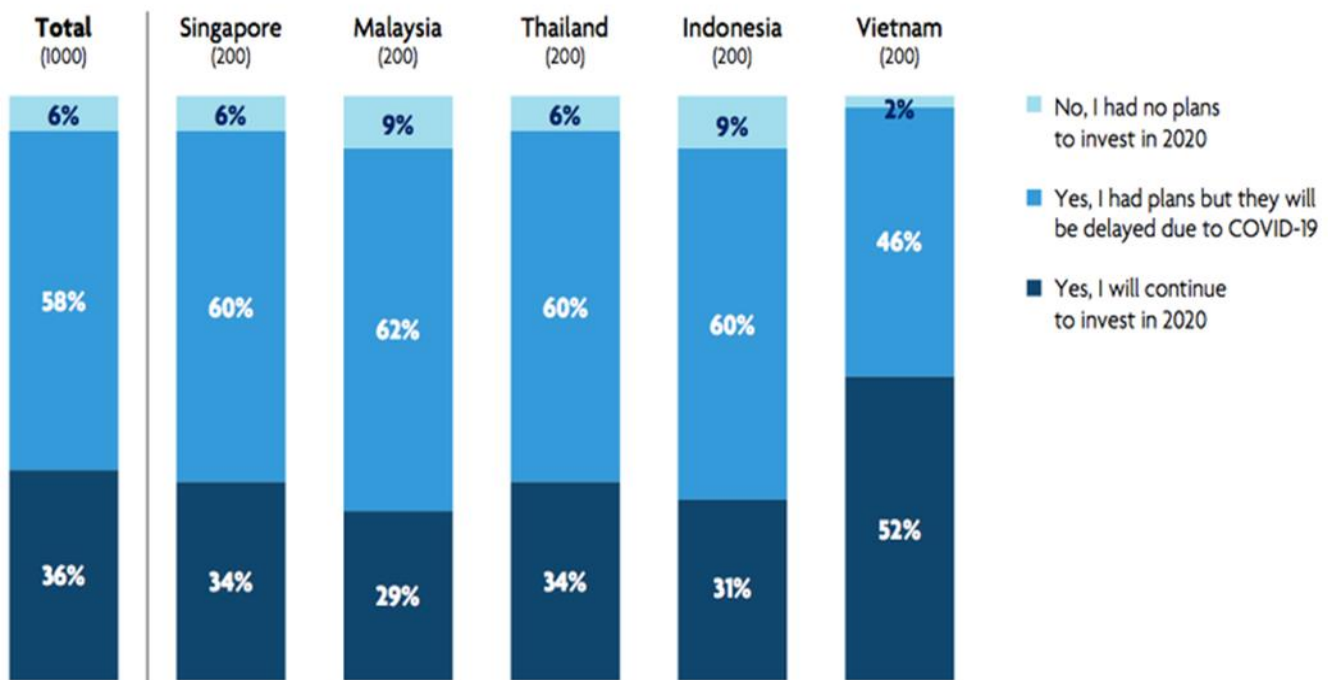
Macro & Policies

2. Vietnam records highest rate of SMEs in SE Asia looking for expansion in 2020

Around 52% of small and medium enterprises (SMEs) in Vietnam indicated that they would continue to invest in 2020, the highest ratio in Southeast Asia, according to findings from Singapore's United Overseas Bank (UOB), Irish services company Accenture and US analytics firm Dun & Bradstreet.

For a more specific look into areas of investments that Vietnamese SMEs are planning, 63% of respondents added they are looking to invest in technologies, down from 67% in the pre-Covid-19 period; and 49% in employee's skill development, a 38% increase over the previous plan.

Figure 7: Investment plans for 2020



Source: UOB, Accenture and Dun & Bradstreet.

The rate is significantly higher than the region's average of 36%. Singapore and Thailand were at second rank with 34%.

Such insights were gained from two surveys with 1,000 SMEs conducted before and during the Covid-19 pandemic in July 2019 and May 2020 in five major countries in ASEAN of Indonesia, Malaysia, Singapore, Thailand and Vietnam.

Meanwhile, 47% of Vietnamese SMEs said they would put off their investment for the year and 2% expected no change.

Firms are also refraining from investing in machinery and equipment, or land, building and furniture, with the corresponding rates at 37% and 32%, a sharp decrease from 55% and 37% before the Covid-19 pandemic, respectively.

Notably, 90% of Vietnamese firms said they expected less revenue during the Covid-19 this year, slightly higher than the regional average of 88%, with only 4% expecting the opposite.

The survey also revealed SMEs in Singapore (72%) and Vietnam (68%) were the most satisfied with the

government's relief measures, while those in Thailand (47%) and Indonesia (45%) felt that more could be done for them.

More than half (52%) of Vietnamese SMEs expressed their optimism about post Covid-19 recovery, and 22% were pessimistic.

UOB and its partners anticipate that Vietnam's GDP in 2020 will grow by 3.5% and will recover by 6.6% in 2021, returning to the growth path, somewhat like the growth rate of 6.8% seen in 2019.

3. Japanese enterprises seek distribution partners in Vietnam

Japanese businesses that sell homecare, beauty and health care products will join a programme in Ha Noi to seek Vietnamese distributors in the local market.

Due to the impact of the pandemic, the framework of the Good Goods Japan 2020 programme held by the Japan External Trade Organisation (JETRO) from August 24 to October 30 will be held online with 46 Japanese enterprises.

JETRO Project Director Hanoi Abe Tomofumi said Vietnamese distributors, importers and wholesalers and retailers will have online negotiations with Japanese consumer goods manufacturers after checking products in Hanoi.

"There are many Japanese distribution channels in Vietnam via local retail system," he said.

He said Good Goods Japan 2020 was the programme's seventh year in Vietnam, showing the strong interest of Japanese businesses in the market.

He also said as Japanese manufacturers saw the strong development of the local retail market in recent years with increasing demand for high-quality products from Japan, adding that half of the enterprises were new to the market.

JETRO's survey showed that among Japanese products, Vietnamese consumers were most interested in kitchen utensils, health and beauty products, sanitary products and detergent.

According to the General Statistics Office, Vietnam's retail goods market has grown rapidly in the past 10 years, with retail sales of goods nationwide exceeded VND3.7 trillion (US\$159.3 million) last year, three times higher than the figure in 2009.

4. Finalization of legal framework needed to accelerate SOE privatization: Vietnam DPM

A finalization of legal framework is needed to address issues during the process of privatization and divestment of state capital at state-owned enterprises (SOEs) in the 2021 – 2025 period, according to Deputy Prime Minister Truong Hoa Binh.

The Ministry of Finance is tasked with instructing the State Securities Commission (SSC), the country's stock market watchdog, to ensure SOEs that have completed the privatization process float shares on local bourses and create room for more foreign investors to invest in the local stock market.

Meanwhile, the Ministry of Planning and Investment is responsible for summing up suggestions and concerns from the business community to report to Prime Minister Nguyen Xuan Phuc for appropriate supportive measures.

Deputy PM Binh also requested the Ministry of Natural Resources and Environment to review existing land-related regulations that are hindering the privatization process and causing difficulties for some SOEs to determine their own values.

The privatization process is expected to speed up at Vietnam Cement Corporation (VICEM) and Housing and Urban Development Corporation (HUD) under

the management of the Ministry of Construction, as well as for the Vietnam Bank for Agriculture and Rural Development (Agribank) under the State Bank of Vietnam.

In a recent report from the Ministry of Finance, of the total of 128 SOEs due to undergo privatization during the 2017 – 2020 period, only 37 have completed the progress as of July 2020, or 28% of the target.

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 PM 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).

5. Firms urged to promote digital transformation to expand exports

Dang Hoang Hai, Director of the ministry's Viet Nam e-Commerce and Digital Economy Agency, said to Vietnam News Agency that together with opportunities from the new-generation free trade agreements, the trend of shifting from traditional business models to digital-based is becoming common.

Digital transformation was considered an effective solution for firms to penetrate and expand their export markets, Hai said, adding that digital transformation would help firms set up a more flexible and more efficient export model.

A number of Vietnamese firms were now implementing business-to-business and business-to-consumer e-commerce business models, he added. On a global scale, cross-border e-commerce was developing rapidly and becoming a highlighted trend of trade in recent years.

It was forecast that global online exports could touch US\$1 trillion this year, especially amid the COVID-19 pandemic.

Hai said firms should pay attention to three factors, namely developing digital platforms, digital databases and mobile websites in the digital transformation process to boost exports.

Hai said that the Ministry of Industry and Trade was implementing a number of measures to support

import and export activities, especially through e-commerce.

Under the national e-commerce development master plan in 2021-25 and the national digital transformation programme to 2025, Viet Nam identified digital transformation as a vital process to speed up the modernisation of the distribution system, increase enterprises' competitiveness, develop the domestic market and increase exports.

Hai said the ministry was increasing the application of information technology in conducting administrative procedures to facilitate exports, such as the eCoSys system which allows online submission of certificates of origin.

According to the Multilateral Trade Policy Department, trade promotion activities were now moving online, especially amid the COVID-19 pandemic, which also helped save significant sums for businesses compared to traditional trade promotion.

Hai, however, noted that the digital transformation of Vietnamese firms was taking place too slowly.

Vu Thi Hong Nhung, deputy director of VietRap Investment Joint Stock Company, said although firms would develop more rapidly with digital transformation, most remained not ready due to challenges related to resources.

As the digital economy was gradually becoming the main road of economic development, it was vital for firms to renovate their ways of running business through the application of technologies to increase competitiveness, especially for small and medium sized enterprises.

Viet Nam targeted to develop about 50,000 technology companies nationwide to accelerate digital transformation.

6. Localities want to return over VND6.3 trillion in unused capital

Nearly VND6 trillion, or 95% of the sum, is from foreign aid and loans, the ministry announced at a teleconference on public capital disbursement chaired by Prime Minister Nguyen Xuan Phuc on August 21. Once returned, the capital would be allocated to other agencies and localities in need.

Nine cities and provinces that have requested a return of unused capital include Lao Cai, Thai Nguyen, Hanoi, Vinh Phuc, Gia Lai, Dong Nai, Binh Duong, Ba Ria-Vung Tau and Can Tho.

The Ministry of Agriculture and Rural Development wanted to return more than VND1.8 trillion to the State. Other governmental agencies seeking to return unused public investment capital include the Ministry of Culture, Sports and Tourism and the Ministry of Natural Resources and Environment to name a few.

On the other hand, 31 localities and seven governmental agencies have asked for additional public investment capital with the total amount of more than VND13.5 trillion.

The slow public capital disbursement has been a major problem in public investment for years. As of late July, five governmental agencies and 19 localities had the public capital disbursement rate of over 60%, while this rate of 29 other governmental agencies and six localities was below 35%.

7. No consensus in Vietnam on resuming international flights

The Vietnam Aviation Business Association last week called on the government to resume flights to countries that have contained the pandemic, and allow foreign tourists entry if they meet pandemic prevention requirements.

Economist Le Dang Doanh concurred, saying resumption of flights would help the tourism and hospitality sectors, which have suffered because of the pandemic, recover.

Deputy chairman of the association, Bui Doan Ne, said aviation is a catalyst for economic growth, and there are destinations that have high demand for travel to and from Vietnam such as Guangzhou (China), Tokyo (Japan) and Seoul (South Korea).

Many foreign business executives also want to travel to Vietnam, and controlling the outbreak must go along with reviving the economy, he said.

A gradual resumption would help airlines survive and keep their employees, he said. "The safety of passengers and crew members must be top priority when resuming flights."

"The government should gradually restart flights with safety measures."

The International Civil Aviation Organization has provided guidelines for traveling amid the pandemic, and Vietnam should issue its own regulations, he said.

To start with Vietnam could allow three flights a week on one or two routes to assess the situation, and charge travelers quarantine fees, he said.

Each province and city could designate three or four hotels for quarantine, while business people with limited time could furnish medical certificates before departure and be tested on landing in Vietnam, Doanh added.

Nguyen Si Dung, former deputy director of the National Assembly Office, agreed, saying, "We cannot keep our doors closed forever" and flights should be resumed so that businesses could recover.

A spokesperson for budget airline Vietjet said aviation companies have been the worst affected amid the pandemic, and the government should allow regular services to restart to countries that have contained Covid-19.

But another economist, Ngo Tri Long, warned it might be too soon to resume flights, pointing out that the lack of strict control over illegal immigration is possibly the cause of the Covid-19 resurgence Da Nang and some countries have seen.

Domestic infections of the pandemic has resurfaced in Vietnam since July 25. The country's Covid-19 tally has risen to 1,009 with 25 deaths.

For now only experts and businesspeople should be allowed to enter Vietnam, and international flights should only be resumed when countries stop recording new cases, he added.

Of some 64,500 readers who voted in a survey on the Vietnamese edition of VnExpress this month, 78 percent rejected resumption of international flights for the moment.

Corporate News

8. DPM: Explanation for the fluctuation of business results in the first half

↑ 2.92%

Petrovietnam Fertilizer And Chemicals Corporation has explained the fluctuation in the consolidated financial statements in the first six months of 2020 compared to the same period of 2019 as follows:

The profit after tax of parent company and consolidated profit after tax in the first six months of 2020 were higher than ones in the same period of last year because of the followings:

- In the first six months of 2020, the Company's production increased over the same

period last year (Urea output increased by 60%) while during the first six months of 2019 the Company had to suspend for maintenance.

- In the first six months of 2020, oil price in the world sharply slipped. This made the average gas price the first half of 2020 decreased by 23% compared to the first half of 2019. As the price of gas, the main input material of Urea, went down, the cost of Urea fertilizer in the first six months of 2020 decreased accordingly.

Item	6 months of 2020	6 months of 2019	Increase (+)/ Decrease (-)
Profit after tax of parent company	383,983,863,420	58,373,581,357	325,610,282,063
Consolidated profit after tax	414,541,595,558	89,910,047,986	324,631,547,572

9. PLX: Petrolimex might not sell treasury shares to Japanese investor JX Nippon Oil & Energy

↑ 4.19%

Petrolimex (HSX: PLX) recently notified the Ho Chi Minh City Stock Exchange that it will sell another 13 million treasury shares or 1.1 per cent of the outstanding shares between August 27 and September 25. After selling this latest tranche, the remaining treasury shares would be 75 million shares (6.2 per cent of the outstanding shares).

The current treasury share sale represents about nine trading days of stocks so the sale will likely be conducted via the put-through market.

In June, the company's Board of Management confirmed that it would contact the parent company of JX Nippon Oil & Energy Vietnam, a local

franchise of Japan-based leading energy corporation, to ask whether they would be interested in purchasing the company's treasury shares.

However, according to KB Securities, this current tranche of treasury shares will be sold to local portfolio investors instead of the Japanese strategic partner, which would not impact the 9.0 per cent free float.

This free float at Petrolimex is below the 10.0 per cent requirement for inclusion in the VN30 Index but remains a member of the index due to the free-float adjusted market capitalisation rule.

Notably, the largest oil and gas stock in the VN30 Index is PV Gas (HSX: GAS) which maintain only 5 per cent free float.

Although the Petrolimex Board of Management prefers selling a portion of its remaining 6.2 per cent treasury shares to strategic investors, any additional sell-downs should not put Petrolimex's stocks at risk of being dropped from the VN30 Index.

This, however, highlight the low free floats of Vietnam's oil and gas stocks due to delayed privatisation.

In general, experts still believed Petrolimex 12-month target price would benefit thanks to growth in retail energy demand, expansion of more profitable directly-owned gas stations, and greater use of convenience stores to boost revenue from the gas station network.

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