VIETNAM DAILY NEWS

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Market Analysis

1. VN shares advance on hopes for virus block

Vietnamese shares posted the second biggest gain in the last month following the Government's intention to block the spread of coronavirus across the country.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange rose 2.04 per cent to end Monday on 814.65 points.

This was the index's second biggest increase in the last month. On July 28, the VN-Index jumped 3.59 per cent.

The benchmark lost a total of 3.71 per cent last week.

The market sentiment eased off from worries about the second coronavirus wave in the country after Prime Minister Nguyen Xuan Phuc during a Monday meeting urged ministries, Government agencies and local authorities to stop the second wave of coronavirus in Viet Nam.

On Sunday, the Prime Minister also asked the banking-financial sector to give more support to the business community so they could recover from the pandemic.

On Monday, large-cap stocks were the driving force of the market, pulling both mid-cap and small-cap groups.

Better market confidence lifted the blue-chip tracker VN30-Index up 2.31 per cent to 757.86 points and the mid-cap and small-cap indices up 2.48 per cent and 2.72 per cent, respectively.

The VN30 futures maturing on August 20 gained 2.34 per cent to 742.00 points.

In the VN30 basket, 29 of the 30 largest stocks by market capitalisation and trading liquidity advanced while only one declined.

Sugar producer Thanh Thanh Cong-Bien Hoa (SBT) led the group's upturn, followed by steelmaker Hoa Phat (HPG), consumer staples firm Masan (MSN), SSI Securities (SSI), dairy firm Vinamilk (VNM), and petrol company Petrolimex (PLX).

The Vietnamese stock market had returned to its balance in recent days despite the surge of infection cases and deaths in Viet Nam, Le Anh Tung, market strategy director at KB Securities Vietnam Co, said.

"Worries about a nationwide breakout had been priced in," he said, adding the market sentiment may improve as the authorities strengthen their control over infected areas.

"The strong gain today with improved trading liquidity indicated investors' confidence was better and cash seemed to return to the market," Sai Gon-Ha Noi Securities Co (SHS) said in its daily report.

"But in the short run, the market would still decline," the company said. "The gap of 16.86 points between the VN30-Index and its August futures proves investors remain pessimistic."

On the Ha Noi Stock Exchange, the HNX-Index advanced 2.72 per cent to close Monday at 110.43 points.

The northern market index lost a total of 1.7 per cent last week.

More than 347 million shares were traded on the two exchanges, worth VND5.23 trillion (US$223.3 million).

Macro & Policies

2. Hanoi urged to improve infrastructure system, administrative reforms

Hanoi should focus on improving its infrastructure system while hastening administrative reforms to attract investors eyeing Vietnam amid the global production shift, experts have said.

According to Deputy Head of the Party Central Committee's Economic Commission Nguyen Huu Nghia, Hanoi plays an important role in the northern key economic region and in improving regional links.

It was necessary for the capital city to promote regional economic development, Nghia said, adding that the focus should be placed on attracting foreign direct investment (FDI) on offer due to the global shift of value chains pushed by the COVID-19 pandemic.

An important factor was developing the urban infrastructure system, said Tran Quoc Cuong, Deputy Head of the Party Central Committee's Commission for Internal Affairs.

Cuong said Hanoi had seen considerable infrastructure development in recent years, mostly in the capital city's northern and western parts. Cuong said more attention should be paid to developing the infrastructure system in the city's south.

He said that Hanoi should consider building an airport in the southern region to reduce the pressure on Noi Bai International Airport and contribute to developing the economic triangles Hanoi – Hai Phong – Quang Ninh and Hanoi – Thanh Hoa – Nghe An.

Nguyen Mai, Chairman of the Vietnam Association of Foreign Investment Enterprises, said what was important to Hanoi now was not how much FDI the city attracted but the quality of the investment.

To compete with other countries in attracting FDI, Mai said Hanoi in particular and Vietnam must hasten administrative reforms to create favourable conditions for investors.

In addition, Hanoi must focus on developing a skilled labour force and tackling traffic congestion and environment pollution, Mai said.

Besides, attention should be paid to improving the infrastructure system and building industrial zones with developed infrastructure systems and logistics services.

According to the municipal Department of Planning and Investment, the capital city is now more selective in attracting FDI.

The capital city is developing FDI attraction strategies for specific markets, with the Republic of Korea, Singapore, Taiwan, the US, the EU, Australia and New Zealand key target markets.

"Hanoi will focus on calling for FDI in large-scale projects and highly competitive products and those which promote small and medium-sized enterprises to engage in the global value chains of multinational corporations, through which, the city will receive technology transfer and could develop the support industries," said Nguyen Manh Quyen, Director of the municipal Department of Planning and Investment.

Hanoi aims to attract 30-40 billion USD in registered FDI in 2021-2025 period with the disbursed capital of around 20-30 billion USD. Projects which used advanced technologies to increase operational efficiency and protect the environment are set to make up 50 percent in 2025 and 100 percent by 2030. The local procurement rate is expected to increase to more than 30 percent in 2025 and 40 percent in 2030.

Quyen said the capital would enhance investment promotion, support investors in implementing their projects and protect their rights.

In addition, e-government would be developed to reduce time and costs for enterprises while the city would act to increase investors' access to land.

He said the city was speeding up the construction of infrastructure in industrial zones and industrial clusters. Statistics showed the city had 17 industrial zones and 107 industrial clusters.

Hanoi has been among top localities in attracting FDI in recent years. In 2018 and 2019, the capital city ranked first out of 63 provinces and cities in Vietnam in FDI attraction with registered capital of 7.5 billion USD and 8.67 billion USD, respectively.

In the first seven months of this year, Hanoi attracted around 2.82 billion USD in FDI and the city expects to attract 5 billion USD for the full year.

3. Czech expert lauds changes in Vietnam's foreign investment attraction policy

David Jarkulisch, an economic diplomat from the Czech Republic, has spoken highly of positive changes in Vietnam's revised Law on Investment which aims to attract and bolster efficiency of foreign investment.

In an article published on the website of the Ministry of Foreign Affairs of the Czech Republic, he noted that the revised law, which is to take effect at the beginning of 2021, will improve conditions and incentives for foreign investors.

The law aims to make Vietnam's business climate more appealing to foreign investors and attract new investment in high technology, Jarkulisch said.

Although Vietnam is among the most attractive investment destinations in Asia, foreign investment in the country so far has primarily targeted low tech sectors, he added.

As a result, the Vietnamese Government decided to adjust its foreign investment attraction strategy last year to support innovative and high-tech industry sectors, the diplomat noted. An important factor of this strategy is to change investment incentives.

The Government emphasises that a majority of the incentives and changes in the new investment law reflect the demands of large multinational companies that have long sought to enter the Vietnamese market.

The author also underlined that despite the negative impacts of COVID-19, Vietnam remains attractive to investors and drew a total of 18.8 billion USD in foreign investment in the first seven months of 2020, a year-on-year decline of only 7 percent.

4. Vietnam factory activity dips in July as Covid-19 impacts grow

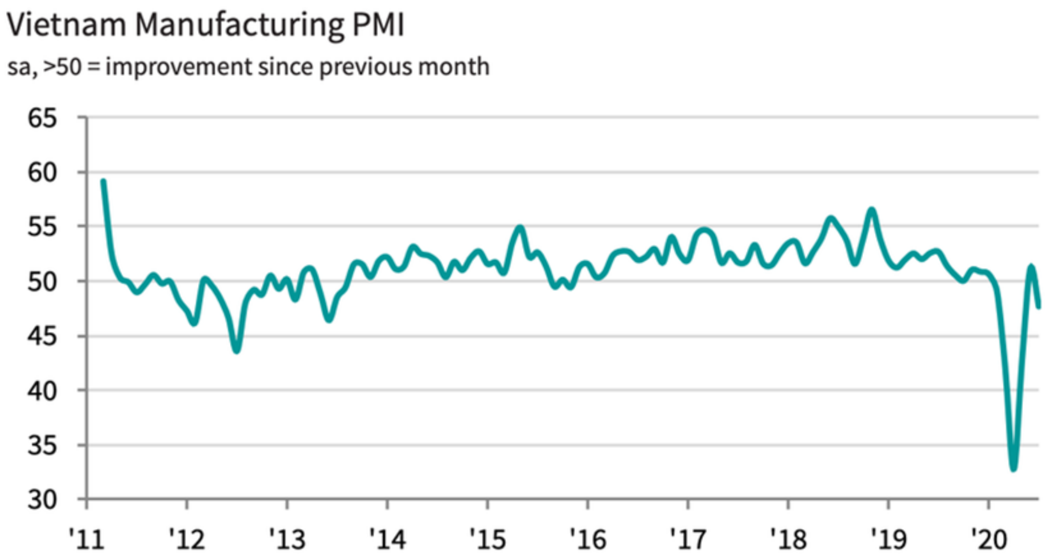
The headline Vietnam Manufacturing Purchasing Managers' Index (PMI) dipped back below the 50.0 no-change mark in July, posting 47.6 compared to 51.1 in June, indicating business conditions have now deteriorated in five of the past six months due to the Covid-19 impacts, according to Nikkei and IHS Markit.

A reading below the 50 neutral mark indicates no change from the previous month, while a reading below 50 indicates contractions and above 50 points to an expansion.

July data pointed to a modest reduction in manufacturing output, after a return to growth had been registered in the previous month. That said, the fall was much softer than seen during the worst of the recent downturn.

Respondents indicated that the Covid-19 pandemic continued to impact operations, with new orders reportedly lower. Both the intermediate and investment goods sectors recorded falls in output, while consumer goods production increased.

In line with the picture for output, new orders fell following a rise in June. Total new business was undermined by a sharp contraction in new export orders, linked to restrictions on travel and falling demand in export markets due to the Covid-19 pandemic. With new orders taking a step back, firms



Source: IHS Markit.

were able to deplete their backlogs of work again in July.

As well as seeing staffing levels decrease, manufacturers scaled back their purchasing activity, stocks of inputs and finished goods inventories at the start of the third quarter. In all cases, falls in July followed rises in June and were linked to a reduction in new orders.

Scarcity of raw materials contributed to a second successive monthly increase in input costs during July. That said, the rate of inflation remained muted.

Meanwhile, output prices were reduced for the sixth month running. The latest fall was modest, but sharper than that seen in June. Those panelists that lowered selling prices generally linked this to competitive pressures.

Despite a drop in output in July, firms remained confident in the 12-month outlook for production. Sentiment was down only slightly from that seen in the previous month. According to respondents, expected improvements in market demand and new orders were behind the positive outlook for output.

“The recovery in the Vietnamese manufacturing sector took a step back in July, a disappointing development given the return to growth seen in June. The data highlight the impact that the Covid-19 pandemic continues to have on the economy, with new export orders particularly hard to come by given travel restrictions and continuing outbreaks in a number of export markets,” said Andrew Harker, associate director at IHS Markit, which compiles the survey.

"The reduction in output was relatively mild compared with the depths of the recent downturn, however, and historical relationships of the PMI against official manufacturing output data suggest that production is growing at something approaching 10% year-on-year."

5. Vietnam needs new growth drivers to consolidate economic recovery: WB

The report, which was compiled before the recurrence of Covid-19 that has locally infected over 100 people and killed one as of July 31, states that although the Vietnamese economy suffered due to Covid-19 in the first half of 2020, prospects remain positive for both the short and medium terms.

The World Bank predicted that if the world situation gradually improves, economic activity should rebound in the second semester of 2020 so that the economy will grow at some 2.8% for the entire year and by 6.8% in 2021. With less favorable external conditions, the economy will expand by only 1.5% in 2020 and 4.5% in 2021.

The main challenge for Vietnam will be finding new drivers of growth to consolidate the expected recovery as its traditional sources of growth, including foreign demand and private consumption, are unlikely to return to their pre-crisis levels soon, amid continued uncertainties both at home and abroad.

Covid-19 has also caused a surge in inequality as the pandemic affects businesses and people differently; for example, workers in the service sector have seen a bigger decline in their income than farmers.

"To adapt to the new normal, policymakers must find new ways to compensate for the weakening of the traditional drivers of growth while managing rising inequality," noted Stefanie Stallmeister, World Bank Acting Country Director for Vietnam.

The report suggests three complementary measures for the Vietnamese Government to help the country avoid the Covid-19 economic trap and return to its historical trajectory of rapid and inclusive growth.

First, it should consider removing mobility restrictions on international travel, gradually and carefully to balance with safety concerns, as the economy is dependent on foreign visitors and investments.

The second measure is to accelerate the execution of the existing public investment program to enhance domestic demand. However, the effective implementation of this action will require significant improvements in the allocation of resources and financial management.

Moreover, it should provide targeted support to the private sector, particularly to the hardest-hit industries such as tourism and manufacturing exports, through a combination of financial assistance and smart incentives.

The country can also exploit several global trends, which have been accelerated by Covid-19, to push ahead its domestic agenda. For example, in a new global trading system, Vietnam can consolidate its existing footprint by developing strategic alliances with countries that also have a low rate of Covid-19-infections and boosting promotion efforts to attract companies planning to diversify their supply chains.

Additionally, the pandemic presents a unique opportunity to move toward a more contact-free economy by promoting digital payments, e-learning, telemedicine and digital data sharing.

6. Reality and vision for industrial zones

What is the current situation of industrial zones and what is the solution associated with the long-term vision for socio-economic development in general and the industrial zone system in particular to properly handle the issue?

The Sino-U.S. trade war, especially the global spread of Covid-19, has forced many countries and multinationals to consider restructuring the supply chain. In Vietnam, attracting foreign direct investment (FDI) is selected by the Government as one of the five "spearheads" to spur growth in the current tough times of the economy. FDI is an important source of capital for industrial zones and economic zones, accounting for 60-70% of the total FDI capital attracted into the country. Therefore, industrial zones are becoming more attractive to local and foreign investors.

According to statistics, there are 374 industrial zones with a total area of 114,000 hectares in Vietnam; among them 280 with 77,000 hectares are operational and 75 are in the process of site clearance and compensation. The occupancy rate in the zones is 73.7%.

Statistics of the Industrial Zone Management Department under the Ministry of Planning and Investment show that some 37,000 hectares of land in industrial zones is under site clearance and compensation and not yet used. The 18,200 hectares of land that the Ministry of Natural Resources and

Environment has proposed to reduce belong to those industrial zones. So, the area of unused industrial land is large and the area of land proposed for reduction is also large, accounting for nearly 50% of the area of unused land. However, to conclude that the area of 37,000 hectares of unused land is so large that whether it needs a reduction or not, it must take into account the development need.

Vietnam is gearing FDI attraction to large, hi-tech projects associated with R&D centers, training centers, services and related facilities to serve the production activities of the whole complex. With this orientation, it needs large land areas up to several hundred hectares. To attract investment in the development of intersectoral hi-tech complexes, several thousand hectares is needed. As an example, Indonesia is preparing thousands of hectares of land in suitable locations and developing infrastructure to welcome the international FDI movement due to restructuring of the global supply chain. Vietnam should also think of creating land funds large enough to attract this capital flow.

There are different opinions about the proposal to reduce the industrial land area. In view of reality and vision, it's necessary to suggest a good solution to meet the development demand and at the same time to avoid wastage of land resources, as stakeholders, with their own positions and responsibilities, have different views and it's not easy to reach consensus.

Leaders and economic experts have had discussions on the sidelines about sectoral development zoning in the local socio-economic development plans. During such discussions, many have criticized the frequent changes of and modification to sectoral development zoning in the socio-economic development plans of some localities. A final conclusion is naturally not available, as the discussions have not been held at official events. However, most stakeholders have often agreed that before a final decision for zoning is made, it needs surveys to have a correct assessment of the reality that must be changed, the pros and cons of the decision to be made should be defined, the decision must achieve the target for those subject to changes in the development zoning, and short-term benefits may be sacrificed to achieve long-term goals.

Regarding the proposal to reduce the area of industrial land, they have suggested things to do before a decision is made.

First, it needs a survey to have a correct assessment of the use and rent of land in industrial zones following some criteria, such as the year when the land is allocated, and why infrastructure development is not yet completed and the land is not yet rent. The reasons for this situation should be pointed out, for example lack of capital for development, site clearance failure, no tenants, or problems with procedures for conversion of land use purposes.

Second, to ensure the rationale before the decision to reduce the area of industrial land is made, it needs a suggestion for the use of the area to be reduced to ensure the effective utilization of this important resource. The complexity and the prolongation of the procedure to reduce the land area and transfer the reduced area to other developers should be considered. Also, it should take into account the interest of developers of industrial zones who have failed to rent land but the reason is not within their scope of responsibility.

Third, it needs to assess whether the reduction of the industrial land area will affect the land funds for industrial development of the country or the locality concerned over the long term. Is it necessary to set aside immediate benefits and spare time for things to do first to achieve the long-term target? If the purpose for the use of the reduced land area is not changed but is only aimed to transfer the land to new developers for more efficiency, the issue is simple, as those who have better conditions and bring more benefits for the country should be let to do the job. However, if the reduction is made for other purposes, such as residential or tourism property development, it's a big issue which needs careful consideration.

7. Disbursed public investment in July increased at the highest rate in five years

The money came as Viet Nam hurried up public investment disbursement as one of major drivers to get the economy back on its feet after the COVID-19 pandemic.

Latest updates from the finance ministry showed that the State budget sourced public investment disbursement was estimated at total VND45.7 trillion (US$1.97 billion) in July, representing a rise of 51.8 per cent against the same period last year.

This year the disbursement of public investment totalled VND203 trillion, equivalent to 42.7 per cent of the plan for the full year and up by 27.2 per cent over the same period in 2019.

Ministries with good growth in disbursing public investment were the Ministry of Transport, VND8.34 trillion, equivalent to 41.6 per cent of the plan for the full year and up 91.7 per cent against the same period last year. The Ministry of Health disbursed a sum worth VND2.3 trillion, 34.7 per cent of the target and up 36.1 per cent while the Ministry of Agriculture and Rural Development saw VND1.76 trillion in disbursed capital, 39.6 per cent and 34.1 per cent, respectively.

Ha Noi saw disbursed investment capital worth more than VND22 trillion, or 48.6 per cent of the plan for the full year, HCM City VND17 trillion, 35.8 per cent and Quang Ninh VND8.46 trillion, 60.9 per cent.

The Vietnamese Government targeted to disburse all public investment planned for this year as well as the public investment sums transferred from previous years in an effort to accelerate post-pandemic economic recovery.

This means that about VND630trillion must be disbursed this year.

Prime Minister Nguyen Xuan Phuc asked the Ministry of Planning and Investment and the Ministry of Finance from the beginning of August to transfer public capital from ministries and localities which failed to make disbursement to projects which could spend the money.

The finance ministry's report showed that about VND160 trillion was disbursed in the first half of this year.

Corporate News

8. SBT: Explanation for the fluctuation of business result in 2019-2020

↑ 6.06%

Thanh Thanh Cong - Bien Hoa Joint Stock Company explains the fluctuation in the consolidated financial statements in the fiscal year 2019 – 2020 compared to the same period of last year as follows:

The Company's consolidated profit after tax in the fiscal year 2019 – 2020 increased by VND 113 billion or 43% compared to the same period because of the following causes:

- Consumption and revenue increased, total output went up 41%.

- The firm decreased interest expenses, selling expenses, general management expenses, had good control of input.

9. HBC: HBC wins a new construction project

↑ 0.27%

Hoa Binh Construction Group Joint Stock Company has assigned a new construction package with the total contract value of nearly VND220 billion as follows:

- Project: Aqua City Ha Long

- Investor: Ha Long Investment and Production Co., Ltd. (part of BIM Group)

- Location: Bai Chay, Ha Long city, Quang Ninh province

- Construction package: Hoa Binh Construction Group Joint Stock Company is the main contractor for 150 shophouses.

- Value of package: nearly VND220 billion.

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