



# VIETNAM DAILY NEWS



JAPAN SECURITIES INC.

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## Market Analysis

### 1. VN stocks extend rally as large-caps advance

Vietnamese shares extended gains on Tuesday, led by insurance and pharmaceuticals amid the rise of coronavirus infections across the country.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 1.59 per cent to end at 827.57 points, totalling a two-day increase of 3.65 per cent.

Pharmaceutical and insurance stocks led the market rally, with the two sectors' indices growing 2.9 per cent and 3.3 per cent, according to vietstock.vn.

The total number of coronavirus-infections in Viet Nam on Tuesday was 652, with eight deaths.

In the insurance sector, Bao Viet Holdings (BVH) and BIDV Insurance (BIC) jumped 4.9 per cent and 3.6 per cent, respectively.

DHG Pharmaceutical JSC (DHG) soared 5.8 per cent, Vidipha Central Pharmaceutical JSC (VDP) surged 4.8 per cent, and SPM Company (SPM) rose 3.4 per cent to lift the health care and pharmaceutical sector.

In addition to the insurance and pharmaceutical sectors, bank stocks also made good gains to boost the banking industry index 2.7 per cent.

The largest lender by market value Vietcombank (VCB) jumped 3.9 per cent while others such as Bank for Investment and Development of Vietnam (BID), Vietinbank (CTG) and Military Bank (MBB) increased between 1.2 per cent and 1.9 per cent.

The technology and information sector index was lifted 1.6 per cent after a report by the Nikkei Asian Review said the South Korean electronics firm Samsung will move its last factories to Viet Nam.

As the European Union-Viet Nam Free Trade Agreement (EVFTA) took effect on August 1, seafood processing and consumer production sectors advanced by 2.2 per cent and 3.1 per cent overall.

“The VN-Index may touch the resistance zone of 840-850 points and the market sentiment is still fragile with the news about the COVID-19 pandemic,” Thanh Cong Securities Co (TCSC) said in its daily report.

The recent rally confirmed the short-term bottom of 775-785 points for the VN-Index, TCSC said.

On the Ha Noi Stock Exchange, the HNX-Index was up 1.87 per cent to finish Tuesday at 112.50 points.

The northern market index gained 2.71 per cent on Monday.

Nearly 323 million shares were traded on the two exchanges, worth VND4.66 trillion (US\$202.5 million).

Foreign investors net-sold more than VND131 billion worth of local shares while they net-bought VND6.7 billion on Monday.

## Macro & Policies

### 2. Hanoi proposes PM to speed up appraisal of \$1.75 billion Metro Line No.3

The chairman requested the prime minister to assign the Ministry of Planning and Investment and the Ministry of Finance to submit a plan on using ODA capital and incentive loans from overseas to develop the project. The ODA loans are expected to come from the ADB, French Development Agency (AFD), and Germany's KfW Development Bank. As of July 2019, ADB pledged ODA loans worth \$450 million for the project.

In addition, the two ministries were asked to report on the plan to establish the state evaluation council that will appraise the pre-feasibility report, according to the Law on Public Investment. Then, the report will be submitted to the National Assembly along with other relevant documents to approve the project's investment planning in late 2020.

Furthermore, in order to ensure the schedule to sign and negotiate ODA capital for the project right after

the investment planning is approved, Hanoi People's Committee requested the prime minister to assign the Ministry of Finance to cooperate with cities, other ministries, and relevant authorities to negotiate with sponsors.

Metro Line No. 3 will be 8.7km long, a little more than 8.13 km of which will run underground, with the rest being an open tunnel section leading to the depot area.

According to the proposed plan, the metro line will include dual underground tunnels connecting Tran Hung Dao – Tran Thanh Tong – Kim Nguu – Tam Trinh and a 10-hectare depot area located near Yen So pumping station.

According to the plan, the metro line will be able to handle 124,000 passengers a day by 2030 and the figure will increase to 295,000 passengers per day by 2040.

### 3. Corporate income tax reduction comes into effect

The policy is a major effort to help companies overcome the negative impacts of the COVID-19 pandemic on business operations.

Under the resolution, all enterprises, co-operatives, agencies and organisations established under Vietnamese law and generating income of no more than VNĐ200 billion (US\$8.58 million) a year are eligible. The 30 per cent reduction is only applicable to income generated in 2020.

Enterprises formed in 2020 are required to distribute revenues according to real time business operation during the year.

According to the Ministry of Finance, by the end of 2019, Việt Nam had a total of 760,000 firms in operation and 97 per cent of which are small- and medium-sized enterprises, playing an irreplaceable role in economic development and social stability in Việt Nam.

The Ministry also estimates a loss of approximately VNĐ23,000 billion in State revenues due to the CIT reduction programme. However, it lends a helping hand to businesses facing difficulties amid the pandemic, while facilitating business recovery and enhancing competitiveness.

### 4. Samsung plans to shift Chinese PC production to Vietnam: Nikkei

Samsung Electronics will end Chinese personal computer production as it looks to shift production to Vietnam to cut costs and remain competitive in the PC business, Nikkei Asian Review reported.

The plant in the city of Suzhou will close as soon as this month and convert part of the facility into a research and development center, while Samsung

informed employees of the factory stoppage and job cuts at the end of July, Nikkei reported.

The South Korean tech group looks to shift production to an existing factory in Vietnam. A spokesman said the decision to shut the Chinese plant was based on the need to find a cost advantage.

Samsung Electronics Suzhou Computer, the unit that runs the Chinese plant, was established in 2002 as a PC assembly center. The computers made at the factory were sold mainly in South Korea, North America and China.

At its peak, Suzhou Computer employed 6,500 people, South Korean media say. The headcount has since shrunk to 1,700.

Global PC shipments inched up 0.6% last year to 261.23 million units, research firm Gartner said. China's Lenovo Group holds the top share at 24.1%, while US rival HP ranks second at 22.2%.

Japanese makers have left the business as top players dominate the market. Samsung will continue

to make PCs, but the company will cut labor and other costs by relocating production.

Samsung once operated three smartphone factories in China, but the group shut down all Chinese production at the end of 2019. The capacity has been transferred to Samsung's Vietnamese facilities or delegated to contract manufacturers.

According to Samsung's statistics, around 50% of Samsung's smartphones and tablets are produced in Vietnam and exported to 128 countries and territories, including the US, Europe, Russia and Southeast Asia.

In the 2008 – 2018 period, Samsung increased its total investment in Vietnam from US\$670 million to over US\$17.3 billion, a 26-fold increase.

In early March, Samsung Vietnam started construction its largest R&D center in Southeast Asia in the west of Hanoi at a cost of US\$220 million. The company expected Vietnam would not only be its largest production hub, but also a strategic base for R&D.

## 5. E-wallet firms battle for slice of cashless payment pie

Mobile wallet and digital payment app MoMo this week announced a deal with Be Group to provide cashless payment services on the ride-hailing platform which only accepted credit card payments previously.

SmartPay wallet also expects to see rapid growth after launching online saving services two weeks ago, which it worked on with Viet Capital Bank.

Lu Duy Nguyen, head of SmartPay's Product Development, said the e-wallet firm hoped to have four million users and one million acceptance points. SmartPay entered the market since May 2019 and now has 1.7 million users, 65 per cent of them verified.

Airpay has launched several promotions, including free shipping and cash refunds for users of platforms within its ecosystem, including online game and social platform Garena, restaurant management app Ocha, food and restaurant review platform Foody,

on-demand food delivery app NowFood and e-commerce platform Shopee.

This year has seen the speeding up of digital payments, Tran Tuan Anh, CEO of Shopee Viet Nam. When Viet Nam imposed social distancing, the platform saw digital payment demand soar in, Tuan Anh said, forecasting that the trend would continue growing.

Shopee's statistics showed Ha Noi, Da Nang and Thua Thien Hue had the highest percentages of cashless payment. About 80 per cent of cashless payments were conducted by users aged from 18 to 34.

Viet Capital Bank said online saving transactions in the first half of this year were six times higher than in the same period last year.

When the COVID-19 pandemic began, many banks worked with fintech companies to promote cashless transactions, not only in payment but also in

digitalisation of financial transactions, Do Thanh Nam, e-banking director of Viet Capital Bank said.

A study of Boston Consulting Group (BCG) published in May showed e-wallets are used by only 13 per cent of Southeast Asia's "unbanked" urban population segment, which includes nearly half of Indonesian and two-thirds of Vietnamese adults. However, the study indicated e-wallet penetration among the region's unbanked would surge to 58 per cent by 2025.

There was very strong interest among consumers to use e-wallets to pay for products everywhere, from hawker stands and food courts to grocery stores, BCG said.

More than a third of Southeast Asian consumers surveyed were willing to shift some of their banking activity, including credit cards and loans, to non-bank digital players, the study said, pointing out that up to 10 per cent of deposits and up to 12 per cent of credit card business in Indonesia, Malaysia, Thailand, and Viet Nam could move to non-bank digital players.

According to market research company Asia Plus, there are more than 20 e-wallets in operation in Viet Nam, with 94 per cent of the market share in the hands of MoMo, ViettelPay, Moca, Airpay and ZaloPay.

## 6. Provisions now in place via EVFTA for Vietnamese labour advances

The new agreement (EVFTA) includes commitments to implement the International Labour Organization's (ILO) core standards as well as the UN conventions relating to, for example, the fight against climate change and the protection of biodiversity.

Phan Thi Thanh Xuan, deputy chairwoman and general secretary of the Vietnam Leather and Footwear Association said, "This is an important agreement to Vietnam's export industry. For the leather and footwear industry, it is necessary to focus on labour and environmental criteria, such as improving capacities to meet and take advantage of the opportunities provided by the EVFTA."

Xuan also warned that businesses could lose orders from the EU if they do not ensure their labourers' rights.

"Sustainable development and the circular economy are now a trend. Many importers require each pair of exported shoes to be accompanied by a certificate, which must clearly state how the shoes can be recycled after use," Xuan said. "Importers also require businesses to demonstrate their environmental, employment, and labour regimes, as well as how they handle carbon emissions. If businesses do not meet these requirements, they will not be able to participate in the global value chain."

In the EVFTA, provisions related to social and environmental development can be found in Chapter 13, on trade and sustainable development. The provision on multilateral labour standards and agreements is of particular interest as it stresses the commitment of both parties to the fundamental rights at work, in accordance with obligations stemming from their participation in the ILO.

Four rights are pinpointed – the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination with respect to employment and occupation.

In addition, Chapter 13 also provides for the obligation of both parties to make sustained efforts towards ratifying the fundamental ILO conventions, which cover the four aforementioned rights as well. This issue is to be monitored closely considering that only some of them are currently in force in Vietnam, according to the European Papers Jean Monnet Network.

However, the country has already made progress on some of these commitments as Vietnam ratified the ILO Convention 98 on collective bargaining and adopted the revised Labour Code in November 2019. The nation also confirmed a timeline for the ratification of the remaining two fundamental ILO

conventions on freedom of association and on forced labour.

## 7. New wave of Covid-19 to threaten still-struggling garment industry

TNG Investment and Trading JSC., which manufactures clothing and footwear for various domestic and international brands, reported first half revenues and net profit were down 10 percent and 29 percent at VND1.84 trillion (\$79.3 million) and VND66 billion (\$2.84 million).

The Vietnam National Textile and Garment Group (Vinatex) reported a 15 percent decrease in revenues and 25 percent decrease in profits despite partially switching to manufacturing face masks and protective clothing and retaining all its workers.

The situation was "better than predicted," according to Vinatex's deputy general director, Cao Huu Hieu, who said the company had anticipated declines of 30 percent and 50 percent.

Song Hong Garment JSC. reported its profit had fallen by 44 percent to just VND122 billion (\$5.26 million).

RTW Retailwinds Inc., one of its major partners in the U.S., has filed for bankruptcy but still owes it around VND166 billion (\$7.16 million).

According to a report by the Ministry of Industry and Trade, Vietnam's apparel production in July increased by 13.2 percent from June but was nearly 5 percent down year-on-year in the year to date.

Exports of textiles and footwear are down 21 percent and 8 percent.

While the switch to making face masks and protective clothing was considered a lifesaver for many garment firms in the first half of the year, a global oversupply of these products have caused prices to plummet. Firms such as TNG have even

stopped manufacturing masks and started focusing on high-value products.

With many countries, including Vietnam, being hit by a new wave of Covid-19, getting orders has also become a difficult task for the majority of garment firms. Many did not receive a single order for high-value products in the second half of the year, according to the ministry.

Another challenge facing the garment industry is the fact that consumer behaviors have changed dramatically due to the pandemic.

Recent surveys by the global professional services company Deloitte of the international market and Vietnamese garment producer Vinatex of the domestic market show that the top priorities for consumers now are medicines, food and savings. While clothing did come fourth in the list, the budget for clothes was very limited.

"The trend of consuming less, using basic products more and low purchasing power will dominate the fashion market in future," Le Tien Truong, CEO of Vinatex, said.

Vinatex forecast the country's garment exports to decrease by 14-18 percent year-on-year in the second half, and full-year exports to drop by 16 percent to around \$32.75 billion.

The International Textile Manufacturers Federation said if the Covid-19 pandemic lasts until the end of the year, the global textile and garment trade would decrease by 15-20 percent this year to \$600-640 billion, but even if it is controlled well, it would still take at least until the third quarter of next year for demand to return to normal.

## Corporate News

### 8. HPG: Hoa Phat steel sales surge in July

↑ 0.44%

Leading steel manufacturer Hoa Phat Group sold 300,000 tonnes of construction steel in July, a rise of 19 percent over that in June and 27.5 percent year on year.

According to the firm, last month it exported 53,500 tonnes of steel, doubling the volume recorded in the same period last year.

Sales in the southern region rose two times year on year to 75,000 tonnes, mostly thanks to civil construction works. The launching of public infrastructure projects also helped push Hoa Phat's steel sales up.

In the first seven months of 2020, Hoa Phat supplied to the market 1.81 million tonnes of construction steel, up 14.5 percent year on year, including 256,500 tonnes shipped to foreign

markets, an increase of 73.3 percent and equivalent to the total export volume in the whole year of 2019.

Major export markets of Hoa Phat steel included Japan, the Republic of Korea, Laos, Malaysia, Australia, Canada, Thailand, and Cambodia.

Along with ready-to-use steel, Hoa Phat also sold 1 million tonnes of steel billets for construction steel production in seven months, with 169,000 tonnes in July alone.

The completion of Hoa Phat Dung Quat port also made great contributions to the transport of Hoa Phat steel, thus promoting its sales. Recently, the port received a 176,000 tonne capsized vessel, the biggest of its kind it had ever served.

### 9. SAB: Sabeco sees recovery in second quarter after dual pressures

↑ 1.30%

Vietnam Beer-Alcohol-Beverage Corporation (Sabeco) has just announced its business results for the second quarter, with both revenue and profit much higher than the first quarter's VND5 trillion (\$217.39 million) of revenue and VND 700 billion (\$30.43 million) of profit. This shows that the effects of Decree No.100/2019/ND-CP on sanctions for drink-driving and the COVID-19 epidemic are softening.

In the second quarter of this year, net revenue went up 45 per cent on-quarter while earnings rose by 66 per cent, supported by improving sales in May and June following the COVID-19 lockdown.

Neo Gim Siong Bennett, general director of Sabeco said the company's performance has improved as the market gradually recovers from the pandemic.

However, throughout the first six months, Sabeco's revenue and profit dropped on-year, reaching

VND12.044 trillion (\$523.65 million) and VND1.933 trillion (\$84 million), respectively. Sabeco adjusted its business plan to better align with market conditions. Accordingly, the company has fulfilled 51 per cent of its revenue plan and 59 per cent of the profit plan for the year.

In a recent e-mail interview with VIR, Sabeco said, "While it is difficult to provide forecasts due to uncertainty, particularly with regards to COVID-19, we have been seeing some positive signs of recovery as of late. This is in large part attributable to the Vietnamese government's swift and effective actions to prevent and contain the spread of the COVID-19 pandemic. Further, this has helped put the country's economy in a great position to recover faster, and we believe that this bodes well also for our industry and our company."

Sabeco added that the pandemic has altered consumption habits. "For instance," they wrote,

"we see off-premise as potentially becoming the new norm after COVID-19. The pandemic has also accelerated people's move towards online shopping and home delivery. We at Sabeco are working to adapt to these developments, including planning how to structure our processes, employees, logistics and supply chain."

For instance, the corporation plans to continue focusing on developing the "home delivery" channels it set up when Vietnam introduced strict social distancing initiatives.

Meanwhile, regarding Decree 100, Sabeco said, "We at Sabeco fully understand the good intentions of the government's policy in line with the campaign to reduce drink-related accidents. Sabeco, along with other members of the Vietnam

Beverage Association (VBA), is continuing to engage relevant authorities to identify effective ways to promote and encourage responsible consumption, in line with the government's objective."

Given these challenges, the company feels it is especially important for it to double-down on meeting the needs of consumers and adapting to new market demands.

Bao Viet Securities (BVSC) predicted that 2020 would be a challenging year for beer and beverage firms who are experiencing two main sources of headwinds in the new decree and the coronavirus outbreak which are expected to continue slowing down beer and alcohol consumption in Vietnam in the foreseeable future.



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