



VIETNAM DAILY NEWS

September 1st, 2020



Table of content

Table of content

- 1. VN stocks struggle with profit taking**
- 2. Vietnam August inflation slows to 5-year low**
- 3. Vietnam to reopen commercial air routes to Japan, South Korea**
- 4. Red River Delta to be logistics centre of the country**
- 5. Beer industry: market slowly recovers**
- 6. Pig imports push domestic pork prices down**
- 7. Vietnam's construction market forecast to lure more foreign investors**
- 8. VJC: Vietjet Air offers half priced fares to celebrate National Day**
- 9. VNM: Investors fail in plans to increase Vinamilk stake**

Market Analysis

1. VN stocks struggle with profit taking

Vietnamese shares inched up on Monday as investors booked profits following the recent rally and put pressure on the large-cap sector.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 0.30 per cent to end the first day of the week at 881.65 points after rising as much as 1.07 per cent.

The VN-Index gained total 2.83 per cent last week. It has increased by total 0.93 per cent in the last three trading days since last Thursday.

The market traded in the positive territory during the day but stronger profit taking in the later half of the afternoon sent some stocks down.

The large-cap tracker VN30-Index narrowed its growth to 0.24 per cent from as much as 1.20 per cent.

Sixteen of the 30 largest stocks by market capitalisation and trading liquidity in the VN30 basket declined while 14 increased.

The best gainers in the large-cap group included brewer Sabeco (SAB), Vietinbank (CTG), aviation firm Vietjet (VJC), dairy producer Vinamilk (VNM), property firm Novaland (NVL) and steel producer Hoa Phat (HPG).

Sabeco shares jumped 5.2 per cent apiece while other stocks gained between 1.0 per cent and 2.4 per cent.

On the opposite side, Hoang Huy Investment and Financial Services (TCH), sugar firm Thanh Thanh Cong-Bien Hoa (SBT), Techcombank (TCB), SSI

Securities (SSI) and retailer Phu Nhuan Jewellery JSC (PNJ).

These five stocks lost between 1.3 per cent and 2.6 per cent.

Profit taking also tackled mid-cap and small-cap groups, sending the two sector indices down 0.83 per cent and 1.11 per cent, respectively.

By sector, insurers, consumer firms and material producers remained positive with the three industry indices rising 0.7 per cent and 2.4 per cent, according to vietstock.vn.

Insurer Bao Viet Holdings (BVH) jumped 3.9 per cent to boost the insurance industry. The stock soared 4.6 per cent in the morning session.

On the Ha Noi Stock Exchange, the HNX-Index fell 0.78 per cent to end Monday at 124.85 points.

The northern market index had gained total 7.53 per cent in the previous eight straight days.

More than 421.2 million shares were traded on the two exchanges, worth VND7.34 trillion (US\$317 million).

According to Thanh Cong Securities Co (TCSC), trading liquidity remained high on Monday to prove there is still room for the VN-Index to gain and test the peak of 895-905 points.

“The market will struggle on its way as investors have begun locking in profits, especially after local stocks have gained substantially,” the company said in its daily report.

Macro & Policies

2. Vietnam August inflation slows to 5-year low

Vietnam's consumer price index (CPI), the main gauge of inflation, in August increased 0.07% against the previous month, but dipped 0.12% versus the end of 2019, both at the weakest levels in the 2016 – 2020 period, according to the General Statistics Office (GSO).

Overall, the CPI in the first eight months of this year increased by 3.96% year-on-year.

Seven out of 11 commodity groups that are components of the basket for CPI calculation witnessed month-on-month increases in prices. Among them, education posted the sharpest increase of 0.18% as some major institutions raise tuition fees for the 2020 – 2021 school year, along with prices hikes in school stationery as demands grows ahead of a new school year, contributing 0.01 percentage point to the overall CPI growth.

Other groups that saw their prices up in August were food and catering services (0.11%); transportation (0.1%); housing, water and electricity supply, and construction materials (0.1%); beverages and cigarettes (0.05%); medicine and healthcare

services (0.02%); and other goods and services (0.2%).

The three groups that saw their prices down in August were culture, entertainment, and tourism (-0.2%); post and telecommunications (-0.05%); garment, footwear and hats (-0,03%); while household equipment and appliances remained unchanged.

According to the GSO, core inflation in August went down 0.01% month-on-month, resulting in an increase of 2.16% year-on-year and a rise of 2.66% in the January – August period compared to the same period of 2019.

Domestic gold prices continued the growing trend due to global uncertainties from the Covid-19 pandemic. Meanwhile, the escalating US – China trade tension prompted investors to turn to gold as a safe investment option.

In August, gold prices increased 9.86% month-on-month, 32.81% against last December and 35.02% year-on-year.

3. Vietnam to reopen commercial air routes to Japan, South Korea

Prime Minister Nguyen Xuan Phuc has asked relevant agencies to study the reopening of commercial routes between Vietnam and Japan, South Korea and other places with a high safety factor.

According to the conclusions of the prime minister at a government meeting on Covid-19 prevention and control last week, Mr. Phuc stressed the importance of resuming air flights to Japan and South Korea to restart sending Vietnamese workers to those countries.

The PM agreed to the proposal of the Ministry of Planning and Investment to allow the entry of business executives of South Korean enterprises who make short business trips in Vietnam according

to the list submitted by the South Korean Embassy in Hanoi, as well as for other specific investors.

The Ministry of Foreign Affairs is assigned to handle the flights to bring Vietnamese citizens back home as well as to facilitate the entry of experts, investors, and skilled workers. Each flight must have a specific plan to ensure safety, including isolation, suitable for each group of arrivals.

The head of the government agreed to expand paid quarantine and all incoming people must pay quarantine fees from September 1 while the state budget will still bear the cost of medical examination and treatment under the Law on Infectious Diseases Prevention and Control.

From late March, Vietnam stopped all inbound and outbound commercial flights. Recently, a number of foreign airlines have resumed air travels to Vietnam, but only for taking goods in and passengers out of Vietnam.

Vietnam continues to conduct repatriation flights according to the plan of the Ministry of Foreign Affairs, with priority given to passengers who are in difficult circumstances, experts, high-tech workers. All incoming people must undergo quarantine for 14 days.

In mid-July, the Ministry of Transport sought prime ministerial approval for reopening international flights to a number of Asian destinations with two flights on each route per week. The proposed priority destinations include Guangzhou (China),

Seoul (South Korea), Tokyo (Japan), Taiwan (China), Vientiane (Laos), and Phnom Penh (Cambodia).

The ministry expects 2,500-3,000 passengers would arrive by air in Vietnam per week, besides special flights for repatriation and business purpose approved by the transport authorities with a total of 1,000-1,500 passengers.

Passengers, in order to be qualified for boarding, must have a valid visa and comply with quarantine measures issued by Vietnam's Ministry of Health.

As of August 31, Vietnam recorded 1,040 CoV positive cases, of them 32 have died, 695 recovered. The outbreaks in Danang, Quang Nam and Hai Duong provinces have been put under control, with no new cases recorded in the community.

4. Red River Delta to be logistics centre of the country

At last week's meeting held by the Ministry of Planning and Investment (MPI) and other ministries, agencies, and localities, services such as seaports, sea transport, logistics, and aviation were cited as the key sectors for upcoming investment and development by Tran Duy Dong, director general of the MPI's Department for Local and Regional Economy.

The affirmation is part of the terms of the socioeconomic development plan and public investment targets of both 2021 and the 2020-2025 period for the Red River Delta region.

The region, with Hanoi as the centrepiece, is the hub of politics, culture, and the economy, with Hanoi-Haiphong-Quang Ninh as a development triangle connecting to other economic areas in both the country and overseas. The Red River Delta is also a location where factories of leading manufacturers such as Samsung, LG, Panasonic, and VinFast are based. As a result, developing seaports, logistics, and more in the region is a strategic priority.

According to the master plan for seaports for 2021-2030 with a vision to 2050 drafted by the Vietnam National Maritime Bureau, around VND100 trillion (\$4.35 billion) is required for seaport infrastructure. "The annual volume of goods transported through seaports usually increases by tens of percentage

points. Two decades ago only 73 million tonnes were transported by seaports, but the volume rose to 654 million last year," a representative of the bureau said.

"In the north, Lach Huyen deep-water port in Haiphong, which can receive ships with of 100,000-200,000 tonnes, enabled Vietnam to become a key part of the global supply chain," he added.

Thus, in addition to such world-leading corporations in transport and port operations that already have a presence in Vietnam like Hutchison, PSA, DP World, SSA, Maersk, and CMA-CGM, it has become necessary to lure more investment into the sector to increase the potential of terminals and sea ports, along with aiding the evolution of add-on services like loading and unloading, warehouses, logistics, and the road system.

Besides this, the road transport system also needs to be developed synchronously to match the increasing demand for logistics and enable the Red River Delta region to become the key logistics centre of Vietnam. According to Decision No.356/QD-TTg from 2013 on the Vietnamese road transport development scheme to 2020 and orientation towards 2030, around 35 projects related to building, upgrading, or expanding national highways have come to fruition, connecting big centres together and linking

mountainous provinces with administrative centres, sea ports, and airports.

Asserting the result of implementing the socioeconomic development plan for 2016-2020, Tran Duy Dong from the MPI said that the transport system in the region is the best in the country and is constantly improved, providing motivation for growth and added links between the Red River Delta, the key northern economic region, the capital, the northern midlands, and beyond.

“We should mobilise all resources to realise the plans, while synchronously developing and step-by-step modernising infrastructure system for fast and modern development to make sure that the Red River Delta will become a big centre for logistics, trade, and investment in the country,” said Dong.

Additionally, health, education and training, and scientific research will also be a focus for the development of the region in the time coming. Tourism will also be developed sustainably to become a key, environmentally friendly economic sector while effectively promoting the traditional cultural values associated with Red River

civilisation. The industry will be focused on fields with high productivity and added value, applying science and technology for increased export potential and ability to join global value chains.

In the first seven months of the year, socioeconomic development has been hit by the pandemic, but development indicators of the region are still positive. Regional GDP growth fell to 3.74 per cent, but was still higher than the average of the country (1.81 per cent). The index of industrial production of some provinces in the region increased, such as Haiphong (12.8 per cent), Quang Ninh (7.8 per cent), and Hung Yen (6.9 per cent).

Total state revenue of the region was VND284.2 trillion (\$12.36 billion), equivalent to 36.5 per cent of the country's total revenue, reaching 52.3 per cent of the yearly estimate. Export turnover was \$49.3 billion, accounting for 33.4 per cent of the country, rising by 4.9 per cent on-year.

Total registered FDI, meanwhile, was \$5.824 billion, equalling 31 per cent of the country, of which Hanoi ranks second nationwide in registered capital (\$2.82 billion) and in project numbers (336).

5. Beer industry: market slowly recovers

Despite progress, beer consumption volume is unlikely to reach the figures recorded before the Covid-19 pandemic, according to SSI Research.

“We believe that beer consumption volume may take several years to recover to the levels prior to the Covid-19 outbreak and before the promulgation of Decree No.100/2019/ND-CP [which outlines sanctions for drunk driving that took effect early this year].”

Demand for beer was negatively affected by the pandemic in the first six months, with consumption volume down by 12.7 per cent, while consumption of the FMCG portfolio dropped by only 7.3 per cent, according to Nielsen's statistics.

According to Nielsen, beer consumption volume in the second quarter dropped by 22.6 per cent compared to the same period last year. Nielsen's data reflects actual beer consumption, while the revenue of Sabeco (SAB) and other beer brewers in

Vietnam reflect figures from breweries to distribution agents.

The share of beer consumption accounted for 20.7 per cent of FMCG consumption in Vietnam in the first six months of 2020, slightly down compared to 22 per cent last year.

Production output has recovered from May, with an increase of 60 per cent compared to the period from February to April. Accumulating output in the first half was down 17 per cent over the same period last year, according to the General Statistics Office of Vietnam.

The second quarter was the worst quarter for the beer industry due to the national social distancing measures in the first three weeks of April. Beverage businesses stopped operation from mid-March to early June. Non-essential businesses in high-risk localities were asked to stop operations again amid the second COVID-19 outbreak.

SSI Research said Q1 was the worst quarter for SAB's earnings, as SAB did not promote sales and distribution channels in Q1. However, its beer consumption in June almost recovered to levels prior to the COVID-19 outbreak.

It also reported higher profit margins thanks to its efforts to cut costs. Similarly, most of the listed beer brewers reported a recovery in Q2.

It estimates that SAB's beer output in 2020 will decrease by 30 per cent year-on-year. The company's business outcome in the latter half of the year is expected to be better than that in the first half of 2020 if there is no social distancing applied across the country.

According to the report, COVID-19 has changed the industry sales structure, with an increase in sales through off-trade channels (all retail outlets like hypermarkets, supermarkets, convenience stores, mini markets, kiosks, wines and spirits shops).

"Consumption in off-trade channels will become even more important in the following years," SSI Research said.

Thus, beer companies are making efforts to boost sales on off-trade and modern trade channels.

In 2019, total beer production reached more than five billion litres (up 22.9 per cent over the same period in 2018), while consumption reached over four billion litres (up 29.1 per cent over the same period last year).

6. Pig imports push domestic pork prices down

The ministry forecasts that pork supply will increase from the end of the third quarter, leading to stability in pork prices on the domestic market, according to the ministry's report on pork supply sent to the Government.

The report says so far, Viet Nam has licensed companies from 24 countries to export pork and poultry meat products to Viet Nam. Of which, more than 800 enterprises from 19 countries can export pork and products made from pork to Viet Nam.

In the first seven months of this year, Viet Nam imported more than 93,248 tonnes of pork, mainly from Canada, Germany, Poland, Brazil, the US, Spain and Russia, up 223 per cent compared to the same period in 2019.

The ministry licensed imports of live pigs from Thailand to Viet Nam for slaughter for food from June 12. As of August 1, about 36 Vietnamese enterprises registered to quarantine imports of more than 4.7 million live pigs from Thailand into Viet Nam, including 75,334 live pigs for slaughtering.

Deputy Minister of Agriculture and Rural Development Phung Duc Tien also said Viet Nam did not set a quota for imports of live pigs and pork while the Department of Animal Health always

created favourable conditions for customs clearance of pork imports. However, importing pork had been difficult as African swine fever had reduced the global pig output by 12 per cent.

In China alone, the total pig herds had decreased by more than 50 per cent due to this disease so this country had ordered pork imports at high prices for 3-5 months.

These factors have created difficulties for Viet Nam's pork imports, according to the ministry.

Over the past week, live hog prices nationwide gradually decreased each day. On Tuesday, live hog prices fell by VND1,000-4,000 per kilo compared to the previous day to VND79,000-86,000, Hai quan (Customs) newspaper reported.

Specifically, live hog prices in the north range from VND80,000 to VND86,000 per kilo. The prices in the central region and Central Highlands were stable from VND79,000 to VND85,000 per kilo while they were at between VND80,000 and VND86,000 per kilo in the south.

According to the MARD, the production cost at present is VND71,000 per kilo of live hog if breeders buy piglets for production and VND50,000 per kilo if

they build a chain from piglet production to pig production.

According to Tien, the ministry and agencies will continue to work to prevent the COVID-19 and African swine fever, and breed pigs to ensure enough pork supply for domestic consumption from the end of the third quarter.

By the end of July, pigs for slaughter reached 4.87 million pigs, up 17 per cent year-on-year. The domestic husbandry industry expects to produce 5.17 million pigs by the end of the third quarter and 5.36 million pigs in the fourth quarter, up 68 per cent compared to the volume of pigs at the beginning of this year.

7. Vietnam’s construction market forecast to lure more foreign investors

More foreign participation is forecast in Vietnam's construction market over the coming years, buoyed by the gradual opening up of the Vietnamese economy to foreign investors and the Government's emphasis on infrastructure development.

The information was included in a recent report by Fitch Solutions on the outlook for Vietnam's construction and infrastructure sector.

According to analysts from the UK-based financial data and research group, more than half of construction roles are awarded to foreign contractors, reflecting the openness of Vietnam's construction market. Foreign participation is mainly represented by the Republic of Korea, Japanese and Chinese engineering companies. Japanese financiers are particularly active in supporting projects in Vietnam, highlighting their dominance as an important exporter of infrastructure.

“When analysing the mix of nationalities of companies operating in Vietnam's burgeoning construction and infrastructure market, we note that the country has one of the most diverse competitive landscapes within the Southeast Asia region,” the analysts noted.

According to Fitch, opportunities for foreign companies to participate in Vietnam's construction market exist mainly in areas where private or foreign companies have competitive advantages. These areas include designing, consulting, building and managing projects and supplying high-value industrial goods such as rolling stock and wind turbines.

Based on data from Fitch's proprietary Infrastructure Key Projects Database (KPD), local Vietnamese companies unsurprisingly dominate the construction scene, holding 43 percent of construction roles awarded.

“The enactment of the Public-Private Partnership (PPP) Law in 2020 signals the Government's intention to attract more private sector investment in the infrastructure sector, and we believe foreign players will play an increasingly important role over the next decade,” Fitch said.

Leading the foreign nationalities in construction roles are RoK and Japanese.

Corporate News

8. VJC: Vietjet Air offers half priced fares to celebrate National Day

↑ 2.39%

Vietjet Air has teamed up with the five-star hospitality group Vinpearl offering half-priced fares and hotel stays in order to celebrate the country's 75th National Day.

From August 31 to September 4, passengers can book tickets at www.vietjetair.com and Vietjet Air's mobile app using the promotion code "QUOCKHANH" to get the fares (excluding taxes and fees) on Vietjet's extensive domestic flight network.

Five million promotional tickets are available from September 1, 2020, to April 27, 2021 (excluding public holidays), the airline said in a statement.

Passengers can also use the code "QUOCKHANH" to receive a one-of-a-kind promotion at Vinpearl's

high-class resorts and hotels with 50 per cent discounts when booking at www.vinpearl.com as long as the length of stay is appropriate with the flight itinerary (subject to Vinpearl's terms and conditions).

Each boarding pass is applied once and will be revoked upon check-in, Vietjet said.

At the meantime, Vietjet is also offering 15kg of checked baggage free of charge for all passengers flying across Vietnam from now until March 28, 2021, including the Lunar New Year period.

The promotion is applied for passengers buying tickets and completing the payment from August 12, 2020, to October 24, 2020.

9. VNM: Investors fail in plans to increase Vinamilk stake

↑ 1.42%

A subsidiary of the State Capital Investment Corporation (SCIC) was unable to buy 225,000 VNM shares, or a 0.01 percent stake, due to "market volatility", according to a Vinamilk statement on Friday.

SCIC is the largest shareholder in Vinamilk with a 36 percent stake.

F&N Dairy Investments Pte Ltd failed to buy 17.41 million shares, or nearly 1 percent, between July 17 and August 14. It already owns 17.69 percent.

Another company, Platinum Victory Pte Ltd, too failed to buy a nearly 1 percent stake and its ownership stays at 10.62 percent.

Both Singaporean companies have registered again to buy in September. They have been seeking to increase their stakes in Vinamilk repeatedly since early 2018 but in vain.

Vinamilk saw first half pre-tax profit rise by 3 percent year-on-year to over VND7 trillion (\$302 million).

CEO Mai Kieu Lien said earlier the company had stocked ingredients so that it could have an advantage when trade is disrupted by travel bans.

The company, which holds half the Vietnamese dairy market, last year acquired a majority stake in a competitor, Moc Chau Milk, and has recently announced plans to set up a cafe chain in Vietnam and increase its investment in a Laotian subsidiary.

Research Team: **Tsugami Shoji** *Researcher* jsi@japan-sec.vn

Disclaimer:

Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn