VIETNAM DAILY NEWS

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Market Analysis

1. Shares struggle to stay positive, real estate stocks spur market

Shares struggled to stay positive on Friday with the large-caps experiencing strong volatility but cash flow pouring into industrial real estate stocks still spurred the market's uptrend.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange edged up 0.02 per cent to close Friday at 888.97 points.

It had edged down 0.06 per cent to close Thursday at 888.82 points.

More than 309.9 million shares were traded on the southern exchange, worth VND5.5 trillion (US$237.9 million).

Market breadth was neutral with 196 gainers and 197 decliners.

According to BIDV Securities Co, market liquidity declined compared to the previous trading session, which showed that investors remained cautious as the VN-Index is approaching the 900-point mark.

The VN30-Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, lost 0.04 per cent to close Friday at 825.56 points.

Cash flow tended run into industrial real estate stocks and construction stocks such as Investment and Construction Development Joint Stock Corporation (DIG), Dat Xanh Group (DXG), Hoa Binh Construction and Real Estate Corporation (HBC), Ha Do Group JSC (HDG), Tu Liem Urban Development (NTL) and Phat Dat Real Estate Development Corporation (PDR).

The market's large-caps witnessed struggles with differentiation in pillar codes.

Best performing blue-chips included Vietinbank (CTG), HDBank (HDB), Millitary Bank (MBB), Masan Group (MSN), Novaland (NVL) and VPBank (VPB).

On the other side, many pillar stocks lost momentum and put great pressure on the market such as Vinamilk (VNM), Vietjet (VJC), Vinhomes (VHM), Techcombank (TCB), SSI Securities Incorporation (SSI), Sabeco (SAB), Phu Nhuan Jewelry (PNJ), PVPower (POW), Mobile World Group (MWG), PetroVietnam Gas JSC (GAS) and Hoa Phat Group (HPG).

On a sector basis, 12 out of 25 sectors indices gained ground on Friday, including wholesale, real estate, information and technology, healthcare, banking, rubber production, seafood production and logistics.

On the opposite side, decliners were retail, insurance, securities, mining, agriculture, food and beverage, construction and construction materials.

The minor HNX-Index on the Ha Noi Stock Exchange rose 0.31 per cent to end Friday at 126.21 points.

It had lost 0.09 per cent to end Thursday at 125.82 points.

More than 49.8 million shares were traded on the northern exchange, worth VND515.4 billion.

Foreign investors net sold VND313.52 billion on HOSE. They were net buyers on the HNX with the value of VND21.58 billion.

Macro & Policies

2. Samsung stays in Vietnam not just because of incentives: ADB expert

Many countries are offering Samsung better incentives than Vietnam, but the South Korean tech giant is still committed to the country, largely thanks to its constantly improving business environment and higher skilled labor forces, according to Mr. Nguyen Minh Cuong, principal country economist of the Asian Development Bank (ADB) in Vietnam.

"Strategic investors like Samsung make their investment decisions based on a country's overall competitiveness, rather than what incentives they could receive," Mr. Cuong told Hanoitimes in an interview.

Samsung previously denied rumors that it was planning to shift part of the smartphone production from Vietnam to India, and affirmed that all production facilities in northern Vietnam are operating as normal.

The denial was made after The Economic Times, an Indian news website, reported that the South Korea-based conglomerate hoped to produce devices worth US$40 billion in India by taking advantage of the Production Linked Incentive (PLI) scheme of the Indian government.

Nikkei Asian Review in August also revealed Samsung are planning to shift production of personal computers and TV from China to Vietnam after having decided to close two plants in Chinese cities of Suzhou and Tianjin.

"To ensure Vietnam's place among front-runners in attracting global foreign direct investment (FDI) in the future, the country should prioritize quality over incentives in competing with other nations for new investment capital," Mr. Cuong added.

More importantly, the ADB expert said attracting FDI based on incentives in terms of land and taxes may result in severe consequences, including transfer pricing.

This would become a significant issue as many experts have raised concern over ASEAN countries' race to the bottom in FDI attraction. Different level of tax incentives between countries in the region could only encourage multinationals to turn to transfer pricing activities, Mr. Cuong said.

Meanwhile, given the already weak linkage between foreign-invested and domestic firms in Vietnam, more incentives for foreign companies would only make it hard for local companies to compete and form a strong bond with their foreign peers.

In this regard, Mr. Cuong expected Vietnam to focus on improving the quality of human resources, infrastructure and legal environment, adding these are key factors to attract high qualify FDI projets.

As Vietnam becomes more selective in attracting FDI, the economist suggested the scale of investment projects should not be a matter, but all should be welcomed if they meet criteria of technology transfer, using environmentally friendly technologies and promoting linkages with local enterprises, among others.

"Investors with modest funding may not have advanced technologies like multinationals, but they are more willing to form linkages with local firms, a key step for the latter to further integrate into global value chains", Mr. Cuong asserted.

3. Singapore-based firm seeks long-term contract for LNG supply in Vietnam

Singapore-headquartered Delta Offshore Energy (DeltaOE) has submitted a request for proposal (RFP), the first one of its kind for Vietnam, for a 25-year gas sales agreement.

It's aimed to seek suppliers of liquefied natural gas (LNG) for the company's 3,200-MW power project in Vietnam.

The supply of estimated 2.5 to 3 million tons per annum (mtpa) of LNG will be priced on either a delivered ex-ship (DES) basis or free-on-board (FOB) basis for bidding that will be closed by September 27, the company has said.

The cargoes will be delivered to the Offshore LNG regasification facility in Vietnam's southern province of Bac Lieu which is located the company's power project.

The power project, that has been approved by the government of Vietnam with the inclusion in the national Power Development Plan 7 and the issuance of the Investment Registration Certificate in January 2020, is scheduled to start in 2021 with completion in 2024.

With an investment of US$4 billion, it will be the first large-scale LNG project in Vietnam to be developed by a foreign investor.

Engineering Managing Director for DeltaOE Bobby Quintos said "Delta Offshore Energy's Bac Lieu project addresses Vietnam's need for an LNG import terminal to provide access to growing the LNG industry as a feedstock for electricity generation."

Delta Offshore Energy focuses on developing clean energy solutions as the future for meeting the power generation needs of emerging economies. It originates structures and co-develops clean energy projects with a particular focus on the rapidly evolving power sector in Vietnam.

Vietnam plans to build its first power plants connected to new LNG import terminals from 2021 to 2025, its trade minister said on Monday.

It's an ambitious move that could make LNG a major energy source for the country, according to Reuters.

The Institute of Energy of Vietnam is drafting a new master power development plan and has compiled a list of 22 LNG power plants with a combined capacity of up to 108.5 gigawatts (GW), the first of which will become operational by 2023.

That would be nearly double the country's total installed generation capacity of 56 GW, and more than twice Thailand's capacity of about 46 GW, Reuters reported.

4. Government continues repaying debts of enterprises

According to the Ministry of Finance's report sent to the National Assembly in May, no new project guarantees were provided from January 1, 2019, to March 30, 2020. Thanks to the tightened management of government guarantees, guaranteed loans continued to fall last year, down 8.1% against 2018.

However, the Prime Minister has recently asked the Ministry of Finance to advance US$51.93 million from the accumulation fund for debt repayment so that the Ministry of Transport can repay the loans used for the two projects of the La Son-Tuy Loan expressway (US$33.12 million) and the National Highway 20 upgrade (US$18.8 million).

The Government insists that the Ministry of Transport should fulfill debt obligations and repay the aforementioned loans and the US$746-million advanced last year within this year. Besides, the Ministry of Transport and the Ministry of Planning and Investment must set aside sufficient capital to pay off the loans on time.

As for the La Son-Tuy Loan expressway project, part of Ho Chi Minh Road, site clearance has yet to be completed. The project, with a total investment of over VND11,000 billion, is being financed by the Bank of Tokyo-Mitsubishi UFJ.

Meanwhile, the upgrade of National Highway 20, the road connecting HCMC and Dalat, aims to facilitate the Tan Rai and Nhan Co bauxite projects. The project has an adjusted investment of VND5,264 billion and is financed by Sumitomo Mitsui Banking Corporation and a syndicate of lenders.

The Ministry of Finance has made advance payments to repay loans from March 2018 to March 2019 at these two projects (US$194.2 million), and the Ministry of Transport has repaid them in part.

The two projects are not the first transport infrastructure projects to use the accumulation fund for debt repayment or public investments instead of government guarantees.

In 2013-2014, the fund helped repay the bond debts of VEC and the loans of the Hanoi-Haiphong expressway project.

According to the National Assembly Committee for Finance and Budget in 2016, such loan repayments are against the law of the State budget and the Constitution.

At a meeting on loan borrowing and repayment in June 2019, Vo Huu Hien, deputy director of the Department of Debt Management and External Finance, said the fund had advanced some VND18,000 trillion.

In recent years, the Government had to repay almost US$100 million. However, with cement, oil and gas and air transport projects, the Government has stopped providing guarantees and debt repayments.

Since 2018, the Government has given guarantees to two power transmission projects with a combined value of US$1.6 billion and no new guarantees to domestic enterprises. This means that despite no new guarantees, the repayment of old loans still remains, posing risks for the budget.

According to the department, there are risks concerning public debt safety, such as a third of debts needing to be repaid in 2020-2021. Interest rates and terms will increase the country's debt repayment obligations in the years to come.

However, as Minister of Planning and Investment Nguyen Chi Dung said to the National Assembly in May, the amounts allocated to the medium- and long-term public investment plan could only resolve problems at old projects. Of the 9,600 ongoing projects, there are up to 8,000 old projects and 400 new projects. Though the transport ministry has spent significantly on repaying debts, it still has over VND20,000 billion left unpaid.

5. HCMC new housing supply continues to fall

A report by the Ho Chi Minh City Real Estate Association (HoREA) says 23,046 housing units entered the market last year, down 18.6 percent from 2018. This was a drop of 46.4 percent compared to 2017, it said.

In the first six months of this year, 4,569 new units were introduced to the market, down 79 percent over the same period in 2017, making it likely that 2020 will be the third consecutive year that new supply falls.

Obstacles in acquiring permits has been the main roadblock for real estate developers. From 106 housing projects approved in 2016, the figure fell to 16 last year and 12 in the first six months of this year.

There is a lack of transparency in the approval of projects, HoREA said. Meanwhile, hundreds of projects have been struggling to acquire permits, it added.

The report also said that only 21.81 percent of new supply between 2016 and H1 2020 was in the affordable segment, showing a shortage of this type of property in the market.

In the last three years, average- and low-income people and rural-urban migrants have been most affected by the shortage of affordable housing. Many workers live in small and low quality rented houses which lack security and proper services.

Data from the Construction Ministry shows that between 2015 and 2020, social housing projects met only 41.4 percent of target with 248 projects contributing just 100,000 apartments.

The report also said that the Covid-19 pandemic has had major impacts on the real estate industry. There was no merger and acquisition deal involving a housing project recorded in the first six months of this year in HCMC.

Nationwide, 923 real estate companies either were dissolved or suspended their business in the first eight months this year, up 136 percent year-on-year, the highest among all sectors.

6. Air, rail transportation for farm produce should be improved: experts

Deputy Director of the Ministry of Industry and Trade's Import-Export Department Trần Thanh Hải told a conference to connect agriculture firms with railways and airways on Tuesday in Hà Nội that logistics issues were making it difficult for Vietnamese agricultural products to make use of their competitive advantages.

Due to the nature of agricultural products, the logistics process required a smooth flow from production, harvesting, processing, packaging, storing, transporting to distributing, Hải said.

A survey showed road transportation remained the top choice to transport agricultural and frozen products due to flexibility and speed, especially when exporting to markets which share a border with Việt Nam.

The second was marine transport thank to its low cost, which was appropriate for exporting to long-distance markets and products with low seasonality.

Rail and air transportation were not very popular because of high costs and being inappropriate for agricultural products with low added value. Besides, these methods lack flexibility due to limited connectivity.

Experts said heavy dependence on road transportation for farm produce affected the competitiveness of the products as road transportation charges remained high and congestion often happened at border gates around peak harvest seasons.

The COVID-19 pandemic urged the need for airways and railways to improve the infrastructure system and service quality as well as increase the provision of cargo transport.

According to Nguyễn Chính Nam, head of planning and business department of Việt Nam Railways Corporation (VNR), to promote rail transportation for agricultural product, VNR was working with neighbouring countries to connect routes and service charges to provide the most reasonable fees to customers.

Nam said that transportation of agricultural products via railways remained modest, noting that 17,400 tonnes of farm produce were shipped abroad through railways in the first half of this year, or just 4 per cent of the total export cargo the industry handled.

Airlines are also converting passenger aircraft into cargo to increase the capacity of cargo shipments, helping bring air transportation charges down.

Đỗ Xuân Quang, deputy director-general of Vietjet Air Cargo, said the scale of domestic carriers remained small compared with foreign firms. In addition, domestic airlines had not paid much attention to developing freight services.

Statistics showed foreign carriers accounted for 90 per cent of the global cargo shipment market.

Quang added that the cargo air transportation charges of domestic airlines remained high, adding that developing separate cargo airlines should be considered to cut costs.

He added that investment was needed to develop the system for storage and preservation to ensure quality for agricultural products.

From the viewpoint of a farm produce exporter, Nguyễn Đình Tùng, general director of Vina T&T, said cargo air transportation was dependent on foreign carriers. Only when Việt Nam opened direct flights or had a fleet of freighters could logistics cost be reduced, he said.

7. Management fees for metro lines to be increased

The city's leaders have submitted the petition to the Ministry of Construction, having considered a suggestion from the Management Authority for Urban Railways (MAUR), the investor of the Ben Thanh-Suoi Tien and Ben Thanh-Tham Luong metro line projects.

Earlier, the management fees were calculated based on Decision 79 by multiplying the percentage regulated by the Construction Ministry with building and equipment costs. Given the method, the metro No. 1 project, or Ben Thanh-Suoi Tien, would have a management fee of VND68 billion and metro No. 2, Ben Thanh-Tham Luong, would have a fee of VND49 billion.

Bui Xuan Cuong, head of MAUR, said that the amounts were not enough to cover the operation costs and had been used up in the middle of 2013. Between 2013 and 2019, the city had to use the local budget to advance VND235 billion to pay wages.

Last November, MAUR predicted the management fees for metro lines No. 1 and 2 at over VND168 billion and nearly VND303 billion, after their total investment had been revised up to over VND43.7 trillion and nearly VND47.9 trillion, respectively.

The metro lines No. 1 and 2 are the first urban railway projects in HCMC using official development assistance capital. Due to numerous reasons, their construction is taking longer to progress, thus elevating workload and management fees.

Therefore, the recalculation of management fees is reasonable to attract talent to the sector, said the MAUR leader.

The metro No. 1 stretches nearly 20 kilometers from Ben Thanh Market in District 1 to Long Binh depot in District 9 and includes three underground stations and 11 elevated stations. The project is scheduled for completion at the end of 2021, with 76% of the workload completed so far.

The metro No. 2 stretches 11 kilometers, including a 9.2 underground section. The project has nine underground stations, one elevated station and a depot in Tham Luong in District 12. The investor expects to kickoff construction in 2021 and complete it in 2026.

Corporate News

8. VIC: Vingroup weighs selling school, health units as Vietnam's biggest firm refocuses

↑0.66%

Vingroup, Vietnam's largest listed firm, could look for buyers for Vinschool, a private school business, and Vinmec, a chain of private hospitals, the sources told Reuters.

The conglomerate has not appointed any advisers for the stake sales so far, but in its informal talks two buyers have shown interest in the two businesses, the sources said.

A third source aware of the matter said Vingroup has received preliminary interest, and the controlling stakes could fetch roughly $1.5 billion. The source said the interest was rejected.

It is also planning to raise as much as $1.1 billion in debt before the year-end for refinancing existing debt, one of the sources said.

The company did not respond to a request for comment. The sources declined to be named because they were not authorised to speak to the media.

Vinschool runs 27 educational facilities and Vinmec operates seven hospitals in Vietnam.

The plans are part of moves by Vingroup, which has a market value of $13 billion and posted half-year revenue of $1.7 billion, to stem losses in some of its units that have been compounded by the COVID-19 pandemic.

9. DBC: The transfer of profit after tax

↑4.28%

DABACO Group announces that it will transfer the profit after tax of subsidiaries to parent company until July 31, 2020 in order to pay interim dividends for 2020, as follows:

– Profit after tax after transfer: 634,121,385,804 dongs

– Profit after tax in the separate financial statements of parent company until July 31, 2020: 656,434,967,832 dongs.

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