



# VIETNAM DAILY NEWS

September 15th, 2020



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## Market Analysis

### 1. Realty, materials boost VN market

Vietnamese shares were upbeat on Monday, driven by large-cap companies in the real estate and materials sectors.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange rose 0.63 per cent to 894.57 points.

The VN-Index dropped a total of 1.39 per cent last week.

Real estate and material sectors led the market's upturn.

The two industries advanced 1.9 per cent and 1.2 per cent, respectively.

Vingroup (VIC), Novaland (NVL), Khang Dien House Trading and Investment (KDH), and Phat Dat Real Estate Development (DPR) rose between 1.2 per cent and 2.2 per cent.

Vingroup shares advanced 2.2 per cent after the company said last weekend it would not exit the medical and education units.

Material producers were led by steel companies such as Hoa Sen Group (HSG), Nam Kim Steel (NKG), Pomina (POM), Vietnam-Italy Steel JSC (VIS) and Hoa Phat (HPG).

Among those companies, Hoa Sen shares soared 6.7 per cent and the company was the most active stock on the market with more than 25.8 million shares being exchanged.

According to Vietnam International Securities Co's head of market analysis Nguyen Hong Khanh, some

real estate companies will still record good earnings in the past quarter.

In general, realty firms with huge land assets and strong financial status will be a good choice at the moment and the purchasing power into property developers may only benefit some particular stocks in the short term, he said.

By market capitalisation, the large-cap tracker VN30-Index gained 0.81 per cent to 832.24 points while its VN30 futures due on September 20 edged up 0.74 per cent to 834 points at the end of Monday.

Mid-cap and small-cap indices VN MID and VNSML were up 0.87 per cent and 0.67 per cent to support the market.

The market sentiment improved on Monday and large-cap stocks were still the designated destination for investors, Thanh Cong Securities (TCSC) said in its daily report.

"But the market may struggle when the VN-Index is boosted to 900 points and that could be the key landmark for the index at the moment," the company said.

On the Ha Noi Stock Exchange, the HNX-Index was up nearly 1 per cent to 127.43 points on Monday.

The northern market index inched up nearly 0.5 per cent last week.

Nearly 423 million shares were traded on the two exchanges, worth VND7.03 trillion (US\$303.6 million).

## Macro & Policies

### 2. Drug retailers in fierce competition for bigger share of \$16 billion market

While many retail chains have had to shut down or reduce operations because of Covid-19, drug retail chains have been thriving because of the increased demand. This has prompted retailers to expand their chains.

Pharmacy is the drug retail chain with the highest number of stores. Established in 2011, it had 328 stores as of April 2020. The chain plans to open 350 more stores this year to increase the total number of stores to 602.

Long Chau drugstore chain said it has found 40 retail premises for the opening of new stores in Q2. It plans to have 200 stores by the end of the year. It has been expanding very rapidly. It had 83 stores in 19 cities and provinces as of late Q1 2020.

In 2017, The Gioi Di Dong, a mobile phone distribution chain, said that it would join the drug retail market. Nguyen Duc Tai, chair of The Gioi Di Dong, said he would expand the chain through M&A deals. It is expected that it will have 500 stores from the initial 10-15 stores.

To implement the ambitious plan, in 2018, The Gioi Di Dong poured capital into the Phuc An Khang chain, which was managing 20 medium-scale stores in HCM City.

Foreigners also have also jumped on the bandwagon. Century Pharma from Indonesia is one of them.

The chain of Century Healthcare stores took shape after the retailer bought Vistar, which then had 24 stores, located at large shopping centers in HCM City, including Bitexco, Saigon Center, Aeon Mall and Giga Mall.

Nikkei reported that the Japanese drug chain Matsumotokiyoshi Holdings is planning to expand business to Vietnam. The company said the activities in Vietnam would be carried out in cooperation with the HCM City-based Lotus Food.

Meanwhile, Guardian and Medicare are dominating the distribution of health care and beauty care products targeting individual consumption.

#### Great potential

The drug market is described as "the goose that lays golden eggs" because of its promised high profits.

BMI, a market analysis firm, believes that market value would rise from \$7.7 billion in 2021 to \$16.1 billion by 2026 with the CAGR of 11 percent based on Vietnam dong.

IMS Health predicted that the average spending for drugs would increase from \$20 per head per annum in 2015-2017 to \$50 in 2020. It is estimated that 25 percent of revenue of the pharmacy industry in Vietnam, or \$2 billion in 2021 and \$4 billion in 2026, would be poured into the drug retail market through drugstores.

Vietnam is increasingly attracting investors, especially after the government decided to reduce many business conditions and loosen requirements on foreign investors.

In early February, when Covid-19 broke out in many countries, Pharmacy got another \$31.8 million from a series-C round.

In May 2019, MEF III also announced investment in Pharmacy, but the value was not unclear. Analysts guess the investment was worth \$8-15 million.

#### Money not easy to be made

Analysts said the drug retail market is large, but there is no outstanding retailer that dominates the market. A report of Rong Viet Securities showed that there are 30,000 drugstores, which means that the market is fragmented.

Rong Viet believes that limited market share is a great challenge to retailers. At present, it is not drug retail chains, but individual stores, which dominate the market.

The stores have advantages in low rent and store owners who offer consultancy to buyers. They have high flexibility and competitive operation costs.

According to Rong Viet Securities, drug retail turnover in Vietnam just accounts for 30 percent of total revenue from the pharmacy market. The

figures are 64 percent in Brazil and 80 percent in the Philippines.

Chair of The Gioi Di Dong Nguyen Duc Tai recently told the press that he doesn't intend to make heavy investment in An Khang drug chain because he thinks the environment is not favorable enough.

### 3. Local shrimp quality must improve after enjoying tax incentives from EVFTA

Although in order to enjoy tax incentives, shrimp exporters must improve product quality.

The EU is the country's fourth largest shrimp buyer after the United States, Japan, and China, accounting for 13.3% of the nation's total shrimp export value. Despite this, Vietnamese shrimp exports to the EU witnessed a consistent fall between March and June this year, although exports to this market during July and August showed signs of a slight increase from the previous months and over the same period last year.

After suffering a series of drops from March to June, local shrimp exports to the EU in July reached US\$54.2 million, an annual rise of 2%. Indeed, the first half of August saw the export of this item to the highly-lucrative EU market hit US\$29.4 million, marking a rise of 26% on-year. It is believed that domestic shrimp exports to the EU this August may enjoy a surge of approximately 20% compared to the same period last year.

Furthermore, experts anticipate that Vietnamese shrimp exports to the EU until the end of the year will continue to increase, although the growth rate is limited due to the negative impact of the novel coronavirus pandemic.

As a result of the tax advantage that Vietnamese shrimp enjoys in comparison to its competitors, EU importers are keenly seeking additional supply sources from the nation, with deeply processed,

packaged, and ready-to-eat items for home consumption being the most sought after.

With regard to trends of the European shrimp market moving towards the end of the year, experts state that despite the gradual reopening of food establishments, coupled with the tourism industry restarting, shrimp importers and their suppliers remain under long-term pressure due to the uncertainty of the pandemic. With retail and online sales continuing to increase, demand for shrimp from the retail segment will be even higher once end-of-year holiday approach.

As a means of ensuring their quality and reputation, shrimp farmers must redouble efforts to improve their knowledge and experience in farming due to diseases relating to farmed shrimp being quite serious. In addition, many farms that run clean and intensive farming models tend to yield positive results, although it is difficult to replicate these models due to high requirements in terms of investment capital and knowledge.

Moreover, enterprises must also focus on building their own brands by improving their operational efficiency and competitiveness, along with joining the global value chain in a more extensive manner. The efforts made by each business will therefore contribute to making the domestic shrimp industry develop into a strong economic sector for the nation moving forward.

### 4. Construction steel sales projected to recover in year-end months

Construction steel sales are predicted to recover in the remaining months of 2020 after a fall in the January-August period due to impacts from the

COVID-19 pandemic, according to the Vietnam Steel Association (VSA).

VSA Vice Chairman Trinh Khoi Nguyen said that in the short term, the domestic market will see higher demand after the social distancing period ended, thus bettering sales of construction steel from September.

A VSA report showed that production of construction steel in the first eight months of 2020 reached more than 6.6 million tonnes, down 6.9 percent year on year. Meanwhile, sales of the product reached 6.66 million tonnes, a decrease of 5.8 percent over the same period last year, including 906,962 tonnes exported abroad, down 5.9 percent.

Currently, construction steel inventories stand at more than 604,000 tonnes, which is at a medium level.

The COVID-19 pandemic outbreak in Da Nang in late July and its spread to some other localities greatly affected the recovery of business and production activities as well as the whole economy.

In the first eight months of 2020, production of steel of all kinds reached more than 16 million tonnes, down 5 percent year on year, while sales it nearly 14.44 million tonnes, a decrease of 6.9 percent,

including 2.74 million tonnes exported, a drop of 13.8 percent over the same period in 2019.

The increased disbursement of public investment in August and the first eight months of 2020 rose 45.4 percent and 30.4 percent year on year, respectively, the highest in the five-year period thanks to the Government's efforts to speed up the recovery of business and production, which helped promote sales of steel.

As a result, steel production exceeded 2.34 million tonnes in August, up 11.36 percent over the previous month, while sales reached over 2.07 million tonnes, up 5.88 percent compared to that in July. Export volume also rose 8.81 percent to 462,138 tonnes.

In August 2020, the price of material for construction steel continued the rising trend that began in late July.

The VSA noted that domestic firms are competing fiercely to maintain their market shares, leading to only slight adjustments in steel prices despite the increase in material prices.

## 5. Competitive distribution market unlikely to reduce power prices: experts

Prices will likely not go down because of dwindling resources and increasing dependence on imported minerals, they said.

An electricity development plan recently approved by Prime Minister Nguyen Xuan Phuc allows customers and power distributors to settle on a price without government intervention, starting in 2024.

This will end the monopoly of state-owned Vietnam Electricity (EVN), which has been the sole power distributor in the country for decades.

Industry and Trade Minister Tran Tuan Anh said at a recent meeting that the "new market mechanism" will allow electricity prices to "go up and down" instead of only rising, as in previous years.

However, experts are skeptical that prices can go down in any sustained manner.

Tran Viet Ngai, chairman of the Vietnam Energy Association (VEA), said retail prices will mostly be determined by production costs, which depend on the cost of minerals such as coal or oil.

With Vietnam becoming a net importer of coal several years ago due to dwindling domestic coal reserves, retail prices will go up and down according to coal import prices, he said.

Hydropower production has been dropping because of water shortages and this will also affect prices. In the first eight months, it fell 13 percent year-on-year, according to EVN.

Other alternative sources such as solar and wind power are becoming more popular but they cost more than thermal and hydropower. This means that retail prices are unlikely to be low whether there is competition in the market or not, he said.



Echoing Ngai, Tran Dinh Long, deputy chairman of the Vietnam Electrical Engineering Association (VEEA), said that production costs account for 60 percent of retail prices. Any changes in material prices and fluctuation of currency exchange rates will result in changes in retail prices.

"It is unlikely that retail prices will drop when there is competition in the market because there are many unpredictable factors," he said.

But most experts agree that a competitive market means consumers can choose which distributor they want and change their decision if distributors fail to follow their commitments.

Many Vietnamese consumers expressed anger in the second quarter this year when their electricity bills doubled or even quadrupled month-on-month even without an unusual upsurge in their use.

EVN said that 3.1 million customers have recorded usage rising by between 30 and 300 percent from April to June due to rising temperatures in the north and central regions.

Several experts said they hope contentious issues like this will be resolved with a competitive market. Long said the new market mechanism will require distributors to reveal how they calculate their retail prices and try to bring the figure to the lowest possible to attract customers.

He added that a lot of work needs to be done in the next three years to build the new market mechanism, such as setting standards for measuring power consumption and creating a legal framework for distributors.

## 6. Public investment the only bright spot

The General Statistics Office recently released the macroeconomic indicators for August. Generally speaking, economic recovery seemed to have lost its momentum last month, when Covid-19 came back in some localities, according to Bao Viet Securities Company (BVSC).

Specifically, on the supply side, the index of industrial production continued its recovery in August, picking up 3.5% against July. Overall, the index of industrial production in the first eight months of 2020 grew 2.2% year-on-year, slightly lower than the rate of 2.6% registered in the first seven months, and much lower than the 9.5% increase in the same period last year. Processing and manufacturing (the main driver of industrial production) recorded a rise of only 3.7% (versus 10.6% in the same period last year). Apparently, the fact that Covid-19 remains rampant worldwide and came back to Vietnam in late July adversely affected the recovery of industrial production in August.

In the first eight months of the year, most industries in Vietnam achieved modest or negative growth year-on-year, including textile (+1.3%), electricity production and distribution (+2%), clothing (-4.2%), motor vehicle (-14%) and metals (-1.4%), etc. However, two industries fared well with remarkably higher growth in January-August,

namely production of pharmaceutical chemicals (+26.2%) and electronics, computers and optical goods (+7.8%).

One notable point is, according to the General Statistics Office, the number of industrial workers as of August 1, 2020 had fallen 2.9% year-on-year, with a decline of 1.7%, 3.5% and 2.8% at State-run enterprises, non-State enterprises and foreign-invested enterprises, respectively. These statistics indicate the challenging business situation has adversely affected employment in the industrial sector, thereby exerting more pressure on the demand side in the coming time.

Domestic consumption suffered from a hard blow in August when the epidemic returned. Obviously, retail sales of consumer goods and services last month went down 2.6% against July, marking the first month in which retail sales have dropped again after three consecutive months of recovery. As a result, the cumulative retail sales in the first eight months of the year saw a slight decrease of 0.02% year-on-year, or as much as 4.5% if price adjustment were excluded (versus 9.5% in the same period last year). It is clear that there are hardships on the demand side, but this is not difficult to explain when one looks at the decline in both employment and

workers' incomes under the negative impact of the pandemic.

When it comes to structure, retail sales of goods which account for 79% was less affected, with a rise of 4%, since people still had to shop for essential goods. That said, the increase would be less than 1% if the price factor were excluded. Furthermore, compared with the average growth of 11-12% in the same period of recent years, the aforesaid rate is much lower. Meanwhile, accommodation/dining and travel services were hardest-hit by the pandemic, plunging 16.4% and 54.4% respectively in the first eight months.

### **Public investment further accelerates**

In August, State investment was estimated at more than VND47.35 trillion, up 3.4% from July and 51.3% year-on-year. This is the highest disbursement rate in a month since January 2014. Overall, in the first eight months of the year, investment capital from the State budget reached VND250 trillion, meeting 56.7% of the plan for the whole year, a rise of 32.3% over the same period last year—the highest growth in 2016-2020. Some cities and provinces enjoying a remarkable increase in the disbursement of investment capital from the central budget are: HCMC (nearly VND22.28 trillion, up 79.8%), Quang Ninh (some VND9.45 trillion, up 58.3%), Thanh Hoa (around VND6.35 trillion, up 29.8%), Nghe An (over VND4.99 trillion, up 41.7%), etc.

As per the plan, the Ministry of Transport this month will be in charge of carrying out three component projects of the North-South expressway: the three sections Mai Son-National Highway 45, Vinh Hao-Phan Thiet and Phan Thiet-Dau Giay. In the first

eight months of the year, the Ministry of Transport posted the highest rate of State capital disbursement among all ministries, spending some VND10.74 trillion, 53.5% of the year's plan, up 90.8% year-on-year. Given the policy on stepping up public investment, especially in the key infrastructure projects, it is likely that the Ministry of Transport will remain an important factor in the disbursement of investment from the State budget in the months to come.

### **Inflation becomes flat**

The CPI in August remained almost unchanged from July, posting a negligible rise of 0.07%. By the end of August, the CPI had grown 3.18% over the same period last year. This is the third month in a row inflation has slackened its pace. Seven out of the 11 groups of commodities posted a price hike last month. The highest hike was the education group (+0.18%), as some centrally-run cities and provinces impose higher tuition fees for the new school year 2020- 2021 and the price of books and stationery slightly went up because of the heavy demand before the start of a new school year. The group of food and catering services registered the second greatest price hike (+0.11%), with a rise of 0.6% in the price of food (rice price alone went up by 0.79%, probably due to the surge in export prices under the impact of floods in China this July), and 0.08% in the price of foodstuff (1.96% and 0.84% respectively for fresh vegetables and poultry eggs).

A positive thing concerning inflation is pork price has plummeted since the second half of August. This coupled with sluggish demand will help control the growth of the CPI in the final months of the year. Even though inflation is now put in check, that low demand is the key cause is needlessly good news!

## **7. Smartphones 'determine the fate' of VND-billionaire farmers**

Nguyen Van Phuc, a farmer with the Suoi Thong Cooperative, which produces safe vegetables in Lam Dong province, begins his working day not by watering or fertilizing plants, but by checking and updating data on his smartphone.

Pointing to the smartphone, Phuc said it "determines the fate of many farmers".

Farmers have been taking part in the MM Mega Market's production chain for the last 10 years, and have used electronic diaries to control the production process with their smartphones since 2018.

All the information related to cultivation, from water, fertilizer and weather conditions to the health of crops and harvesting predictions, is updated regularly and sent to the control center.

“We faced some difficulties in the first days. But now Suoi Thong's farmers can master the technology, and use smartphones and computers in cultivation,” he said.

Vo Van Tuan, an engineer in charge of managing the production chain, said an e-diary not only helps save time, but also makes it easier to work with farmers. To date, 60 percent of farmers have used e-diaries on computers and smartphones. This allows both farms and collectors to find information about the quality of products.

The figures updated by farmers are integrated into QR Codes which are placed on every product when it hits the, supermarket shelves. The QR Code includes the production date and harvesting date, and provides all necessary information.

Also succeeding in applying digital technology into production is Nguyen Dong Hai, the owner of VietFarm in Da Lat City, who runs a large-scale startup in agricultural production.

The entire farming process at VietFarm is completely automated and controlled with IT apps,

following Global GAP, the highest agricultural production standard.

There are chips attached to plants that help control humidity and the nutrients and health of plants. When the plants need more nutrients or water, the chips send an alert and the automatic irrigation system works without human intervention.

The information about the cultivation process is updated on Hai's smartphone and computer. He can control the growth process of the plants, no matter where he is.

Asked about his income, Phuc said his family's 1.5 hectare farm can bring VND1.6-2 billion a year in revenue, and VND800 million in profit. The 25 households in Suoi Thong Cooperative all have income of at least VND1 billion a year.

Hai of VietFarm said the investment rate is relatively high, VND4 billion for every hectare, and capital can be recovered after five years. The revenue of the farm is VND60 billion a year.



## Corporate News

### 8. VNM: Vinamilk to expand milch cow farms

↑ 0.32%

The Vietnam Dairy Products JSC (Vinamilk) is working on plans to expand its milch cow farms at home and abroad, said its Executive Director for Raw Materials Development Trinh Quoc Dung.

Several farms will be put into operation in the near future, including a 90ha milch cow farm in the central province of Quang Ngai with 4,000 heads of cow.

Built at a total cost of 700 billion VND (30,400 USD), the farm is expected to supply about 20 million litres of fresh milk to the market each year.

As planned, Vinamilk will continue completing the first stage of an organic milch cow farm on Xiengkhuoang highlands of Laos with a herd of 24,000 cows. In the second stage, the herd will increase to 100,000.

In particular, it is going to launch a germ transplantation centre using Japanese and US technologies to choose the best genes and develop cow herds in the country.

### 9. HVN: Vietnam Airlines resumes international flights from September 18

↑ 4.01%

National flag carrier Vietnam Airlines will resume international flights by conducting one-way flights linking Vietnam and Japan from September 18, following suspension caused by the COVID-19 pandemic.

The airline's representative said on September 11 that flights aim to meet demand of Vietnamese passengers travelling to Japan for study and work.

Accordingly, flights will depart from Hanoi for Tokyo at 11:45pm on September 18, 25, 30 and leave Ho Chi Minh City at 0am on September 30, using Boeing 787 - the largest wide-body and most modern aircraft of the carrier.

The airline is building a plan to resume flights to the Republic of Korea, China, Taiwan (China), Laos and Cambodia in the near future.

Earlier from June, Vietnam Airlines conducted several one-way flights between Hanoi, Ho Chi Minh City and Seoul in the RoK and Frankfurt in Germany.

Many of its aircraft were also upgraded to carry cargo instead of passengers to help it through the pandemic crisis.

Further information could be found on the website [www.vietnamairlines.com](http://www.vietnamairlines.com), Vietnam Airlines mobile app and Facebook page [www.facebook.com/VietnamAirlines](https://www.facebook.com/VietnamAirlines), its ticket agents nationwide or customer care hotline 1900 1100.

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