



# VIETNAM DAILY NEWS

September 16th, 2020



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## Market Analysis

### 1. VN stocks lose grip of 900 points

The benchmark VN-Index on the Ho Chi Minh Stock Exchange inched up 0.19 per cent to close Tuesday at 896.26 points.

The southern market index gained as much as 0.46 per cent during the day to near 900 points.

The VN-Index has totalled a two-day increase of 0.82 per cent.

Realty, technology, healthcare and medical, and securities sectors helped boost the market while insurance, aquaculture and construction industries weighed on the market.

The best-performers in the four sectors included Vingroup (VIC), Vincom Retail (VRE), tech group FPT Corp (FPT), DHG Pharmaceuticals (DHG), HCM City Securities (HCM), and MB Securities (MBS).

The large-cap stocks weakened towards the end of the day as the blue-chip index VN30 rose only 0.13 per cent.

Mid-cap and small-cap stocks also narrowed their gains. The two sector indices were up 0.17 per cent and 0.15 per cent, respectively.

Sai Gon Thuong Tin Joint Stock Commercial Bank (Sacombank) stock was the most active code on the market with more than 24 million shares being traded.

The bank shares (STB) gained 2.7 per cent to end at VND11,600 apiece.

On the Ha Noi Stock Exchange, the HNX-Index fought to remain positive, rising 0.39 per cent to 127.93 points.

The northern market index gained a total of 1.36 per cent in the first two trading days of the week.

More than 443.7 million shares were traded on the two exchanges, worth VND7.43 trillion (US\$321 million).

Foreign investors continued net-selling local assets. They sold a total net value of VND365 billion worth of Vietnamese shares, down 19.2 per cent from the previous day.

The local market struggled a bit on Tuesday and the market progress was narrowed as large-cap stocks varied on increased selling pressure, Thanh Cong Securities (TCSC) said in its daily report.

Given high trading liquidity on Tuesday, the market would remain positive in the short term, the company said.

But the 900-point level would remain a difficult challenge for the market and it would keep struggling with this resistance at the moment, TCSC said.

In the coming days, the VN-Index would swing between 875 points and 905 points and leading sectors would vary on hopes for the third-quarter earnings reports, the company forecast.

## Macro & Policies

### 2. Việt Nam's GDP revised down to 1.8% in 2020: ADB outlook

In June, ADB forecast Việt Nam may reach an economic growth rate of 4.1 per cent in 2020.

The revision was made after Việt Nam saw new infections in late July, which further threatened the economic outlook, Andrew Jeffries, ADB country director for Việt Nam, said at a press conference.

“Việt Nam is hailed as one of the best performers in the world in containing the COVID-19 spread and it is among the first countries to fully re-open its domestic economy fully,” he said.

“But Việt Nam's economy has not been spared from the COVID-19 crisis. The global economic downturn and weak domestic conditions have hurt the economy more than expected,” Jeffries said.

The revised GDP growth projection for 2020 reflected lower domestic consumption and external demand than the earlier projection, he added.

According to the ADB officer, the growth would bounce back in 2021 if Việt Nam successfully controls the disease.

GDP growth “is expected to revive to 6.3 per cent in 2021, supported by improved domestic consumption, increased disbursement of public investment, expanded trade with the European Union, China and other countries, and the re-allocation of global value chains into Việt Nam,” Jeffries said.

The economic fundamentals remained resilient and the medium- and long-term economic outlook remained positive, he added.

Bilateral and multilateral trade agreements Việt Nam has signed would “improve the opportunities for trade and investment and help the country's economy rebound” while enjoying “the global and regional shift of value chains,” he said.

The COVID-19 pandemic clearly had a strong impact on regional economies and Việt Nam was no exception, ADB principal economist Nguyễn Minh Cường said.

“For the first time in 60 years, the economic growth of Asian nations is projected to fall to negative 0.7 per cent this year,” he said.

For Việt Nam, the pandemic pulled down the production of all sectors in the first half of the year, he said. For example, the growth of the industrial sector fell to 3 per cent from 10 per cent, and those of the services and agriculture sectors dropped to 1 per cent and 2 per cent from 7 per cent and 4 per cent, respectively.

Public and private spending also dived in the first six months of 2020 compared to the same period of the previous year, Cường said.

Other impacts of COVID-19 included the increased number of business shutdowns, increased jobless count, lower remittances, and decreased foreign investment, he added.

But increased disbursement of public investment starting in August and rising domestic consumption would be key to Việt Nam's economic rebound in 2021, he said.

Plus, low lending interest rates and inflation would also help stabilise the socio-economic fundamentals, Cường said.

### 3. Vietnam urged to step up fight against origin frauds

Amid a growing number of Chinese goods forging Vietnamese origin to evade US punitive taxes when being exported to the US, Vietnam could face

sanctions from the later without drastic measures to address the issue, according to experts.

Last week, the General Department of Vietnam Customs (GDVC) identified a local company that imported Chinese silk but then changed the origin as Vietnamese products to export to India. By being labeled as of Vietnamese origin, those products would only be subject to an import tariff of 5%, instead of 25% as Chinese products.

Head of USAID Trade Facilitation Program Claudio Dordi said the issue is not new as the agency has found many Chinese products, ranging of bicycles, footwear, lighters, among others with counterfeit origin as Vietnamese goods to export to the US or the EU since 2000.

A report from the Vietnamese customs authority revealed it has caught 76 cases of origin frauds since 2019 to date, in which the majority were Chinese goods that underwent basic assembling process in Vietnam. After having acquired the certificate of Vietnamese origin, they are later exported to other countries such as the US, EU or Japan, among others.

Director of GDVC's Customs Control and Supervision Department Au Anh Tuan said foreign companies are abusing preferential treatments from free trade agreements (FTAs) between Vietnam and its partners for illegal transshipment.

Recently, as the US has raised import tariffs to Chinese goods and products by an additional 7.5 – 285%, more and more goods have forged Vietnamese origin to evade US tariffs, Tuan added.

### **Lack of proper measures**

Facing risks from foreign goods using Vietnamese origin for unfair trade gains, Prime Minister Nguyen Xuan Phuc on July 4, 2019 issued Decision No.824 aiming to improve state management to prevent evasion of trade remedies and origin fraud.

However, many experts raised concern that Vietnam's legal framework has not had proper regulations and laws to address this issue.

Vu Tien Loc, chairman of the Vietnam Chamber of Commerce and Industry (VCCI), said the current Penal Code does not include punishments against the act of forging origin, while the concept of “illegal transshipment” has not been mentioned in any law.

Sharing the same view, Head of Hanoi's Department of Market Surveillance Chu Xuan Kien said the law does not provide a detail clarification of “basic assembling works”, making it difficult for local authorities to identify whether a local firm is actually just assembling products for its foreign partners.

Loc from VCCI suggested local authorities should not tighten rules related to the issuance of certificate of origin, especially products having two thirds of production process outside Vietnam.

## **4. Saudi Arabia to import seafood from 12 Vietnamese firms**

The Asia-Africa Market Department under the Ministry of Industry and Trade (MoIT) said the Saudi Embassy in Việt Nam recently sent a note to Vietnamese authorities to notify them of the decision from the Saudi Arabia Food and Drug Authority (SFDA) allowing 12 Vietnamese enterprises to export some seafood products to the country. These firms include Halong Canfoco – Danang – Company Limited, Binh Dinh Fishery Joint Stock Company, Tín Thịnh Co Ltd and FUJIURA Nha Trang Ltd.

After more than two years of efforts between the MoIT, the Ministry of Agriculture and Rural Development (MARD) and Vietnamese representative offices in Saudi Arabia, SFDA has

initially allowed a number of Vietnamese businesses to export wild-caught fish.

The list of 12 Vietnamese enterprises and seafood products allowed by SFDA to export to Saudi Arabia is available at the [sfda.gov.sa/sites/default/files/2020-09/vitnam-fish\\_0.pdf](https://sfda.gov.sa/sites/default/files/2020-09/vitnam-fish_0.pdf).

To achieve this result, Vietnamese businesses have also worked with authorities to overcome shortcomings and complete self-assessment dossiers to send to Saudi Arabia.

This is a good sign for Vietnamese seafood exporters, opening a new direction for the domestic seafood industry, especially in the context of seafood exports to many markets facing difficulties caused by the COVID-19 pandemic.

According to the Asia-Africa Market Department, the MoIT will continue to co-ordinate with MARD and related agencies to ask SFDA to add more Vietnamese businesses to the list of firms eligible for seafood exports to Saudi Arabia. This will help completely remove the order to suspend imports of seafood from Việt Nam.

However, Vietnamese seafood exporters also need to note that Saudi Arabia is a demanding market for food safety and hygiene.

This is also a leading market in the Middle East, so Saudi Arabia's policy moves could exert influence on other markets in the region.

Therefore, local seafood enterprises need to review, strengthen inspection and supervision of the farming and production environment in seafood production and processing establishments to ensure quality, hygiene and food safety for seafood products exports.

This also contributes to limiting the possibility of Saudi Arabia re-applying the import ban on seafood products from Việt Nam in the future.

The department said since January 2018, Saudi Arabia suspended imports of seafood originating from Việt Nam after an inspection team of SFDA came to Việt Nam. They concluded some shrimp and tra fish production and processing facilities in Việt Nam did not meet requirements of food hygiene and disease safety.

## 5. Middle class buyers drive Vietnam's housing market

This has happened because housing products in the affordable and mid-tier housing segments are within reach of most emerging middle class buyers despite price increases, fund management company VinaCapital said in a recent report.

About 350,000 people move to HCMC and Hanoi each year, and the population of Vietnam's major cities grew at a fairly constant 3 percent annually over the last decade, reaching 9 million in HCMC and 8 million in Hanoi, it said.

It expects Vietnam's urban population growth rate to decelerate to 2 percent compound annual growth over the next decade, which implies that nearly 11 million people will live in HCMC and 10 million in Hanoi by 2030.

This influx means that demand for new housing units in HCMC and Hanoi combined is around 250,000 a year, but with approximately 60,000 units being constructed annually in recent years, demand will far exceed supply.

Another growth driver for the market is increasing availability of mortgages to finance new units.

In recent years, about half of new apartments developed by Vietnam's real estate firms and purchased by middle-class buyers were financed with mortgages.

The middle and affluent class is categorized as those earning \$714 a month or more, according to the Boston Consulting Group. Meanwhile market research firm Nielsen has estimated that the number of middle class Vietnamese will reach 44 million by 2020 and 95 million by 2030.

There seems to be more potential for this kind of payment in the future as Vietnam's current mortgage penetration rate of 6 percent GDP is well below other countries in the region, such as Thailand, at 24 percent of GDP.

Despite rising demand, new apartment sales in HCMC and Hanoi are likely to drop by about 40 percent this year due to Covid-19 and legal issues, the report said.

Data from real estate consultancy CBRE shows that current prices of affordable (\$900-1,100 per square meter) and mid-tier segment (\$1,200-1,600) are up

about 10 percent year-on-year, partly because demand is exceeding supply.

## 6. Key economic regions urged to promote innovation for breakthrough development

The resolution pointed out that key economic regions were facing a number of challenges, including economic slowdown, a lack of efficiency in coordination mechanisms among regions, poor regional linkage of industries, as well as unclear development strategies of localities in the region which caused them to fail to bring into play their available potential and a shortage of human resources.

There were also difficulties in raising resources for infrastructure development, shortages of clean land for industrial park development and attracting large-scale projects as well as pressure from increasing population, traffic congestion, home shortages and environmental pollution.

The COVID-19 pandemic was also significantly impacting the development of key economic regions with major indicators including economic growth, import-export, budget collection and tourism revenue in the first half of this year much lower than the same period in previous years.

To create momentum for economic recovery, the Government asked localities in key economic regions to make best efforts to overcome the difficulties, maximise their potential and promote innovation.

Localities must renovate thinking, encourage innovation and identify factors which would create breakthrough developments to contribute to the country's development, the resolution said.

Priority must be placed on improving the legal environment and the regional coordination mechanism to enhance regional linkages.

The regional and national planning for 2021-30 would be developed to ensure a long-term vision, promote potential and competitive advantage and enhance regional linkages.

These regions were urged to develop policies to raise resources from the private sector and allocate appropriate sums from the State budget to develop the infrastructure system in 2021-25 period with a focus on transport, regional irrigation system, water storage, salinity control and climate change adaptation.

It was also important to identify industries and fields suitable to the competitive advantages of each region and each locality to attract investment, according to the resolution.

The Government's statistics showed the key economic regions contributed significantly to national economic growth. The four key economic regions contributed an average of 72.95 per cent to the country's gross domestic product (GDP) growth in the 2011-19 period.

Every one per cent growth of these four key economic regions would push up GDP by 0.61 per cent.

There are four key economic regions, including the Northern Key Economic Region, the Central Key Economic Region, the Southern Key Economic Region and the Cúru Long (Mekong River) Delta.

## 7. VN to be only country in region to attain positive growth in 2020: report

The Global Economic Outlook report said recovery prospects look brightest for Việt Nam, which had

contained the Covid-19 outbreak very effectively until recently.

The pandemic has delivered the biggest growth shock to South-East Asia since the Asian financial crisis in 1997, and regional growth is forecast to contract by 4.2 per cent in 2020, according to a new report.

The report, commissioned by chartered accountancy body, the Institute of Chartered Accountants in England and Wales, suggested that while economic activity was picking up again and growth was expected to eventually rebound to 6.4 per cent in 2021, the pace of recovery over the second half of 2020 would vary across the region depending on the easing of lockdown restrictions and improved export demand.

The Covid-19 outbreak had reduced global GDP by around 9 per cent in the first half of 2020, at least three times the size of the decrease during the 2007-09 global financial crisis. Despite a strong rebound in the third quarter of 6.4 per cent, global GDP would contract overall by 4.4 per cent this year.

However, momentum had been building in the second half of 2020, which would drive growth to 5.8 per cent in 2021, and lead the global economy to recover to its pre-crisis peak by the mid-point of next year, a similar time frame as the post-2008 financial crisis recovery.

The strength of the rebound over the coming quarters in South-East Asia remained uncertain, particularly in the fourth quarter of 2020, after the expected initial strong bounce in global trade and domestic activity post-lockdowns faded.

Additionally, varying success rates in containing the Covid-19 outbreak, and differing lockdown exit strategies would widen the disparities in economic growth in the region.

Economies which had convincingly contained the outbreak such as Thailand and Việt Nam would see a stronger recovery than Indonesia and the Philippines, which were battling new waves after restrictions were prematurely relaxed, the report said.

The pace of recovery in the second half 2020 would vary across South East Asia.

Mark Billington, ICAEW Regional Director, Greater China and South-East Asia, said: “The road to recovery for economies in South-East Asia will be a long one, with existing US-China tensions, a long-term slowdown in global trade activity, and a prolonged Covid-19 pandemic weighing on the region's growth prospects.

“While each region's economy has suffered due to the crisis, the unique economic structures mean the crisis has played out in different ways.

“Ultimately, countries that can strike a balance between resuming economic activity and keeping the outbreak under control will see their economies bounce back faster than the rest.”

## Corporate News

### 8. DGW: Finnish fund pours capital into Digiworld

↑ 2.08%

After the purchase, the fund has become a major shareholder of DGW, holding 2.2 million shares of the company, equivalent to the holding ratio of 5.14 per cent.

The fund is owned by Evli Fund Management Company, a Nordic fund management company founded in 1985. This fund management company is 100 per cent owned by Evli Bank, a Finnish bank which manages assets of 12.2 billion euros.

Evli Emerging Frontier was introduced in October 2013, focusing on investing in fast growing economies. As of the end of August, the fund's portfolio size reached more than 61 million euros.

Viet Nam is the third largest market in its portfolio with 18 per cent of proportion.

Digiworld six-month revenue reached VND4.9 trillion and after-tax profit totalled VND93 billion, up 45 per cent and 55 per cent respectively over the same period last year. Earnings per share reached VND2,166.

In May this year, Digiworld became one of the four official distributors of Apple products in Viet Nam, besides Synnex FPT, Petrosetco and Viettel. Main product categories include iPhone, MacBook, iPad, Apple Watch, Beats, Apple TV and other accessories.

DGW shares ended Tuesday at VND53,800 per share, three times higher than that in April. Temporarily calculating at this price, the number of DGW shares that Evli Emerging Frontier is holding is worth VND117 billion.

### 9. FCN: Board resolution on seeking strategic investors

↓ -1.91%

On September 09, the Board of Directors of FECON Corporation decided not to continue the negotiation with China Harbour Engineering Company Ltd., (CHEC) in the private placement of

32 million shares. The Board of Directors will seek other potential strategic investors and collect shareholders' opinions for approval.



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