



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Shares advance as confidence rises on quarterly earnings prospects

Vietnamese shares ended the week on a positive note as third-quarter earnings expectations propelled capital into banking, securities, technology and consumer sectors.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 0.77 per cent to end Friday at 900.95 points.

The VN-Index recovered from a 0.38 per cent drop and totalled a 1.35 per cent increase this week.

Banks, securities firms, technology companies and consumer businesses stood out among best-performing sectors on Friday.

The four industry indices rose between 1.1 per cent and 2.1 per cent, according to vietstock.vn.

The market was driven by investors' expectations for those companies to release positive third-quarter earnings reports, VietDragon Securities Co (VDSC) said in a report.

Large-cap companies in the four sectors made their way up.

The brokerage sector was boosted by SSI Securities (SSI), HCM City Securities (HCM), VietCapital Securities (VCI) and VNDirect Securities (VND).

Vietinbank (CTG), Techcombank (TCB), VPBank (VPB) and Military Bank (MBB) were the four lenders that lifted the banking industry.

In addition, dairy and tech giants Vinamilk (VNM) and FPT Corp (FPT) advanced to support the consumer and information-technology sectors.

Those were also the large-cap stocks that helped bring the blue-chip tracker VN30-Index up 1.13 per cent to 841.26 points.

The VN30 futures due on October 15 were up 1.70 per cent to 846.3 points.

Positive gains in the large-cap group pulled mid-cap and small-cap indices up 0.97 per cent and 0.37 per cent, respectively.

"Investors' sentiment is somewhat more optimistic," BIDV Securities Corp (BSC) said in its daily report.

The VN-Index may keep increasing in the coming days to achieve new highs, the company said.

"The market is expected to remain positive in the last days of September on the back of leading large-caps," Thanh Cong Securities Co said.

However, fluctuations may appear as the VN-Index had reached the short-term peak of 900 points, the company warned.

On the Ha Noi Stock Exchange, the minor HNX-Index was up 0.57 per cent to 129.20 points on Friday.

The northern market index extended its gains for a second day with total growth of 1.04 per cent.

The HNX-Index made a weekly gain of total 2.37 per cent.

More than 406 million shares were traded on the two exchanges, worth VND7.15 trillion (US\$309.7 million).

Foreign investors remained as net sellers, offloading a net value of VND78.2 billion worth of local shares, down 43.6 per cent from the previous day.

## Macro & Policies

### 2. Vietnam to lift monopoly, electricity prices to be determined by market

“Will the electricity prices go down when the competitive retail market becomes operational?” was a question from National Assembly Deputy to MOIT Minister Tran Tuan Anh.

Anh said if the competitive retail market is put into operation and the legal framework is set to regulate the market, the electricity prices will go up or down depending on market demand and supply as per the spirit of the Politburo's Resolution 55.

National Assembly's Deputy Chair Phung Quoc Hien said that only when a competitive market runs will Vietnam be able to cut electricity production costs and have resources for re-investment to ensure national energy security.

“If the pricing policy is unreasonable and doesn't cover all input costs, this will threaten energy security,” Hien said.

Deputies have also raised the question about the offset of the household-use electricity price for the production-use price. The price applied to the manufacturing sector is lower than that applied to households. The low price has caused manufacturers to use out-of-date energy consuming technologies.

The Decision 648 dated March 20, 2019 says the price for the production sector, which consumes 59.1 percent of total output, is VND1,684 per kwh on average.

The figures are 6.6 percent and VND2,809, respectively, for the business sector, which consumes 3.8 percent of total, and VND1,845 for administrative agencies.

Meanwhile, the household-use sector, which consumes 28.04 percent of output, is priced at VND2,056 per kwh.

Anh explained that many consumers in the production sector buy electricity at high or medium voltage, which have prices lower than electricity at low voltage, because they set up the transmission lines and transformer stations themselves.

Other clients mostly buy electricity at the low voltage of 0.4 KV, and EVN builds the transmission lines and transformer stations.

Manufacturers also organize production in three shifts and consume electricity in off-peak hours.

The statistics about high annual electricity growth rates in the production sector, at 10-13 percent, and the high GDP growth rates over the last 10 years, show that the pricing mechanism can encourage production, thus boosting economic development.

MOIT will propose amending the Electricity Law to set up a pricing policy in accordance with market demand and supply. with no offset among groups of clients and regions.

Regarding the pricing scheme restructuring, MOIT said the ministry is consulting with relevant ministries and consumers on the five-tier pricing mechanism.

It previously had designed a single-pricing mechanism, but later scrapped the proposal.

### 3. Opportunities arise for local supporting industry firms to join global supply chains

Panasonic, a major Japanese multinational electronics company, is planning to start its new factory in Binh Duong Province this month or in early October, so its demand for suppliers of components and accessories is high.

Speaking at the conference, Hoang Thu Thuy, head of the Global Procurement Group at Panasonic Vietnam, said that Panasonic products manufactured in Vietnam are diverse and range from television sets, air-conditioners and

refrigerators to electric home appliances, thus opening the door wide for qualified local suppliers for supporting industries.

“There will be opportunities for foreign firms and local enterprises alike,” said Thuy, adding that these firms must meet all the requirements set by Panasonic on the quality of products.

Aside from this, Techtronic Industries Co. Ltd (TTI), a power tool and electronic equipment manufacturer headquartered in Hong Kong, is seeking 200 local suppliers to serve its US\$650-million factory project at the Saigon Hi-Tech Park (SHTP).

Besides Panasonic and TTI, many foreign direct investment firms attending the event are also looking for local suppliers.

Le Bich Loan, deputy head of the SHTP management board, said that apart from the participating foreign firms, many investors and other foreign enterprises are seeking Vietnamese suppliers for supporting industries, especially since the coronavirus pandemic has been brought under control in the country.

#### **4. Sugar firms struggle due to ATIGA**

The Việt Nam Sugar and Sugarcane Association (VSSA) reported that a third of sugar factories have closed and many companies are facing bankruptcy as they cannot sell their products, meaning there is no money to cover production costs and pay farmers or workers.

Unbalanced competition between domestically produced sugar and imported sugar from Thailand under the ATIGA's commitments is seen as the cause of the problem by industry insiders.

“Currently, the Thai sugar industry is being supported by its government in many different forms to boost exports. Therefore, the domestic sugar price cannot compete with sugar imported from Thailand,” said VSSA secretary-general Nguyễn Văn Lộc.

“This is a big chance for Vietnamese suppliers that has never been seen before,” Loan said, adding that a number of FDI firms from the United States and Europe have faced an interruption in supply sources from other foreign countries and are seeking local suppliers as an alternative option.

Many firms at the hi-tech park have received offers from foreign firms to become suppliers, Loan said.

However, Le Nguyen Duy Oanh, deputy director of the HCMC Center of Supporting Industries Development, said that as most supporting industry firms in Vietnam are small and operate at low capacity, it is not easy for them to seize such a chance without undergoing several changes.

SFS 2020, co-organized by the HCMC Department of Industry and Trade and the HCMC Export Processing and Industrial Zones Authority and the SHTP management board, was aimed at helping local manufacturers and supporting industry enterprises connect with domestic and foreign partners and gradually participate in global value chains.

The low sugar price has caused sugarcane prices to fall, seriously affecting the raw material areas as well as farmers' income.

Many businesses have increased the purchase price of sugarcane to VNĐ800,000 - 850,000 per tonne (US\$35) to encourage farmers to keep growing sugarcane.

However, the increase in raw material prices leads to higher production costs. It is estimated that the average cost of producing a kilo of white sugar in Việt Nam in the 2019-20 crop year will increase by VNĐ1,000-2,000 per kilogramme compared to that estimated from the beginning of the crop.

Chairman of Lam Sơn Sugar Joint Stock Corporation Lê Văn Tâm said that due to excess global sugar supply, the price of sugar was lower than cost, products could not be sold, inventory was large and

cash flow was not circulating, while banks had restricted lending limits.

Along with the effect of the ATIGA, smuggled sugar has also plagued the domestic sugar industry.

Phạm Hồng Dương, vice chairman of Thành Thành Công - Biên Hòa JSC (TTC Sugar), expressed concern as Việt Nam had 41 sugar factories with an area of about 300,000 hectares of sugarcane before ATIGA but 11 had to close after the agreement took effect.

Of the 30 factories in operation, only 13 were efficient, and 17 were suffering losses, he noted.

Data from the General Department of Customs said Việt Nam imported about 200,000 - 400,000 tonnes per year, including both raw and refined sugar, on average in 2017-19.

However, statistics this year showed imports of sugar into Việt Nam reached 820,000 tonnes since the ATIGA took effect, an increase of seven times compared to 2019, mainly Thai sugar.

Việt Nam is one of the largest sugar producers and consumers in the world and in ASEAN. The average annual production capacity of Việt Nam is from 1 to 1.3 million tonnes of sugar.

Compared to other countries in Asia and ASEAN, Việt Nam's annual average sugar production volume is sixth after China, Thailand, Australia, Indonesia and the Philippines.

Thailand and Australia are the two largest sugar exporters in the region and Thailand exports about 5 million tonnes of sugar on average per year. Việt Nam, Indonesia and the Philippines are major sugar importers from Thailand.

## 5. European investors propose US\$1 billion logistics project in Vietnam

European investors have proposed a US\$984-million Cai Mep Ha logistics center in the southern province of Ba Ria – Vung Tau.

The proposal was made at a meeting among Prime Minister Nguyen Xuan Phuc, Dutch Ambassador to Vietnam Eibeth Akkerman, Belgian Ambassador to Vietnam Paul Jansen and European investors on September 16.

According to a joint venture of investors from Belgium and the Netherlands, the logistics center could accommodate large container ships. Meanwhile, the project is set to facilitate the development of inland waterway transportation that help bring agricultural products from the Mekong delta river to the world.

At the meeting, investors expected the government to soon approve the projects, stressing the commitment to ensure the implementation progress with high quality, as well as using the “green transportation methods” for sustainable development.

The project, if approved by Vietnam's authorities, would be among first projects between European

investors and Vietnam after the EU – Vietnam Free Trade Agreement (EVFTA) came into effect.

Prime Minister Nguyen Xuan Phuc welcome the project proposal, saying bilateral relations between Vietnam and the two Benelux countries are on the rise.

According to Mr. Phuc, both countries are Vietnam's major trading partners, while many enterprises from Belgium and the Netherlands are reaping benefits from investing in Vietnam, including the Rent-A-Port, or ship building firm Damen, among others.

Mr. Phuc, however, stressed the investment capital from the EU to Vietnam remains at modest level.

Dutch Ambassador to Vietnam Eibeth Akkerman congratulated Vietnam's achievements in the Covid-19 fight and subsequent economic recovery efforts.

While both Vietnam and the EU are focusing on boosting economic growth, the EVFTA is a symbol of the EU – Vietnam cooperation, stated Mrs. Akkerman.



The EVFTA would lay the foundation for further cooperation between two sides, and the logistics project be proof of that, added Mrs. Akkerman.

Ms. Akkerman said the Dutch government fully supports the project, as such, the Dutch Development Bank FMO has committed to contribute 10% of the project's investment capital.

Regarding the logistics project, Belgian Ambassador to Vietnam Paul Jansen said the Belgian Corporation for International Investment is willing to support the project.

PM Phuc said the EVFTA would open up new opportunities for further cooperation between Vietnam and EU's enterprises, requesting Belgium and the Netherlands to assist Vietnam in enhancing the efficiency in implementing the EVFTA.

Vietnam is willing to create favorable conditions for foreign investors, especially those from the EU, stated Mr. Phuc.

The Vietnamese PM urged local authorities in Ba Ria – Vung Tau province to speed up the approval process of the project.

Trade turnover between Vietnam and the Netherlands in the first seven months of 2020 stood at US\$3.54 billion, while Belgium is Vietnam's sixth export market with trade revenue of US\$3.1 billion in 2019.

Investors from the two European countries expected to turn the Cai Mep Ha logistics center into the region's major hub of logistics and support the export of agricultural products from the Me Kong delta river to EU.

## 6. Climate change interrupts operations of half of Vietnamese enterprises

Fifty four percent of enterprises in a survey of 10,356 participants conducted by the Vietnam Chamber of Commerce and Industry (VCCI) and the Asian Foundation in Vietnam said they had to suspend operation because of climate change.

This was followed by a decrease in labor productivity due to inclement weather and the decline of revenue (both at 51%).

Meanwhile, 46% of respondents reported disruptions in their transportation channels (46%) and 44% reported increase in production and business costs (44%).

The report, released on September 16, also revealed natural disaster risk and climate change caused stagnation in the distribution system of 38% of surveyed businesses, reduction of product and service quality (37%), damage to facilities (34%), manpower shortages (33%), and lack of supply in input production materials (32%).

“Vietnam is one of the countries most affected by extreme climate events,” said VCCI Chairman Vu Tien Loc at the launching ceremony, citing a World Bank study that climate change may affect about 1.5% of Vietnam's GDP each year and the damage may increase in the future.

In this context, Mr. Loc said enterprises in Vietnam's central coast region are more exposed to natural disaster risk and climate change compared to other regions while those operating in agriculture, forestry and fisheries are the most vulnerable.

“Notably, newly created enterprises, or those with less than three years in operation, are more affected than the other groups,” Mr. Loc said.

Going further into impacts of climate change and natural disaster risks on activities of enterprises, Head of the VCCI's Legal Department Dau Anh Tuan said 7,643 enterprises revealed the median number of interruption days in the past year due to climate change was about seven working days.

On average, the number of disrupted workdays was up to 16 days (on the average), Mr. Tuan added, while some enterprises said the number of interrupted days was over 100 days (confirmed by 1.5% of respondents), and there were some cases in which the total number of interrupted days was nearly half a year.

“Whether measured by median or average values, domestic enterprises had a much higher interruption time than their foreign-invested peers,” Mr. Tuan informed.

Compared to other regions, enterprises in the northern mountainous area, central highlands and central coast regions had significantly higher interruption intervals due to the phenomena of natural disasters and climate change, he continued. Among them, those in the mining sector had the highest rate of days interrupted, followed by the construction and agriculture, forestry, and fisheries sectors.

Meanwhile, 6,225 businesses when providing information on the total value of losses last year due to issues related to climate change said the common loss for businesses was about VND20 million (US\$860) and the average value of losses for an enterprise was about VND95.2 million (US\$4,100).

Mr. Tuan noted nearly 100 businesses reported losses of over VND1 billion (US\$43,023), accounting for about 1.6% of the respondent businesses while the data also indicated that the losses of local firms were larger than that of foreign ones.

### Active response to climate change

As the climate change issue is causing negative impacts on enterprises, Mr. Tuan said more and more local firms are responding to the risk, including changing their business practices or upgrading production technologies.

Mr. Tuan also said the fact that many businesses have participated in contributing and responding to the consequences of natural disasters, with cash being the most popular form of contribution,

followed by the support of facilities/vehicles, human resources and services is the sign of business positive response to climate change.

Despite difficulties, enterprises have relatively positive assessments regarding government readiness in response to natural disasters. According to the report, up to 91% said they had easy access to local weather information and data. 90% of enterprises reported that right after a natural disaster occurred, basic infrastructure (electricity, water supply, and telecommunications) is repaired in a timely manner, and most of the time is ready to use immediately.

Additionally, they are also optimistic about opportunities in the context of climate change, in which they could restructure production, create new products and services, among others.

“On average, businesses are willing to pay up to 7.32% of their operating costs for being more environmentally friendly,” Mr. Tuan stated.

However, in order to further motivate businesses to increase their resilience against climate change, Mr. Tuan said the government plays an essential role, especially in creating an enabling business environment for businesses.

At the same time, it is necessary to focus on improving the quality of labor in localities, more specifically, the quality of universal education and vocational education to better meet the labor demand of enterprises.

## 7. Three North-South Expressway sections receive 44 bids

Fifteen bids have been received for the 63-kilometer Mai Son – National Route 45 section between northern Ninh Binh Province and central Thanh Hoa Province.

The 104-kilometer Vinh Hao – Phan Thiet section running through four districts of the central province of Binh Thuan has attracted 16 bids.

A 98-kilometer section between Phan Thiet in Binh Thuan and Dau Giay in the southern Dong Nai Province has received 13 bids.

“The Ministry of Transport has set stringent criteria in order to attract the most reputable, experienced and capable contractors,” Nguyen Duy Lam, director of the ministry’s construction management and traffic quality, said Wednesday.

The results of the bidding would be announced by the end of this month, he added.

The National Assembly decided in June to fund these three sections, which need to be completed quickly, publicly after failing to find interest among private investors.

This reduced the number of sections to be built through public-private partnerships (PPP) in the eastern cluster of the North-South Expressway from eight to five.

The cluster will have a total of 11 sections running 653 kilometers. It is one of the most prioritized transport projects as the government seeks to renovate the country's outdated infrastructure to foster economic growth.

Last year the transport ministry had tried to find foreign investors for the eight sections, but few got through the qualification round resulting in low competition.

It then decided to invite bids only from domestic companies also to "ensure national security and expand Vietnamese firms' capability in infrastructure construction."



## Corporate News

### 8. BID: BIDV, RoK federation promote cooperation

↑ 1.23%

Under the agreement, BIDV will provide favourable conditions for KBIZ-VN to participate in conferences and events held by the bank, thus attracting RoK businesses to invest in Vietnam. The Vietnamese bank will also work with KBIZ-VN in advertising banking products and services as well as developing new ones suitable for RoK firms.

In addition, the bank will provide legal consultancy service, merger and acquisition advice and

connecting industrial parks and processing zones in Vietnam for KBIZ-VN's members and partners.

KBIZ-VN will facilitate BIDV in meeting with RoK enterprises as well as providing information of its investors in Vietnam.

KBIZ-VN has nearly 3.55 million member companies worldwide. Of which, it connects more than 2,000 members out of some 8,000 RoK firms operating in Vietnam.

### 9. KSB: BoD approves to issue shares to the dividend payment

↑ 2.62%

On September 17, 2020, the Board of Directors of Binh Duong Mineral and Construction Joint Stock Company approved a plan for issuing shares to the dividend payment:

- 1) Stock name: Stock of Binh Duong Mineral and Construction Joint Stock Company
- 2) Stock type: common share
- 3) Par value: VND10,000/share
- 4) Total issued volume: 53,779,882 shares
- 5) Outstanding volume: 53,444,482 shares

- 6) Treasury volume: 335,400 shares
- 7) Expected issue volume: 10,688,896 shares
- 8) Total issue value: VND106,888,960,000
- 9) Issue ratio (Expected issue volume/Total volume): 20%
- 10) Implement date: in 2020
- 11) Financial resource: from profit after tax
- 12) Plan to deal with fractional shares: The distributed shares will be rounded down. The fractional shares (if any) will be cancelled.

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