VIETNAM DAILY NEWS

JSI
JAPAN SECURITIES INC.

September 30th, 2020

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Market Analysis

1. Stock market dives, profit taking rises in banking, consumer and energy sectors

Vietnamese shares wiped out early gains to collapse on Tuesday, dragged by banking, consumer and energy sectors on stronger profit taking.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange dipped 0.93 per cent to end Tuesday at 903.98 points.

The market's growth momentum weakened in the later half of the morning session after the VN-Index had risen as much as 0.55 per cent.

The VN-Index gained 0.47 per cent on Monday.

Banks, consumer firms and energy companies weighed on the market as investors tried to profit from their recent gains.

Large-cap stocks in the three sectors such as brewer Sabeco (SAB), retailer Masan (MSN), sugar firm Thanh Thanh Cong-Bien Hoa JSC (SBT), PetroVietnam Drilling and Well Services (PVD), Vietinbank (CTG), Techcombank (TCB) and Vietcombank (VCB) declined.

In the banking sector, significant gainer Sacombank (STB) plunged 3.6 per cent after having rallied total 36.6 per cent since July 31.

Those large-cap stocks also pulled the blue-chip tracker VN30-Index down 0.82 per cent to 856.20 points.

The VN30 futures due on October 15 was down 1.02 per cent to 854.1 points, indicating investors were pessimistic about the market's short-term outlook, according to Sai Gon-Ha Noi Securities Co (SHS).

Other worst-performing sectors included property, insurance, technology, wholesale, and home appliances.

The mid-cap and small-cap trackers on HoSE dropped 1.12 per cent and 0.65 per cent, respectively.

On the positive side, retail, rubber and construction were among the sectors that helped cushion the market from dropping further.

The General Statistics Office (GSO) on Tuesday reported Viet Nam's nine-month GDP growth was 2.12 per cent – the lowest in 10 years.

The country's economy in the past nine months had been driven by the construction sector, the GSO reported, as the sector expanded 3.08 per cent and contributed more than 58 per cent to the overall growth rate.

"Profit taking pressure showed signs of increasing when the VN-Index tapped the 920-930 zone," Thanh Cong Securities Co (TCSC) said in its daily report.

"The market will see a big divergence among stocks as companies with positive third-quarter earnings outlooks may stand out," the brokerage firm said.

"The VN-Index may test the 895-905 zone again to find out if the market has stabilised after its recent rally," TCSC forecast.

On the Ha Noi Stock Exchange, the HNX-Index lost 1.04 per cent to 131.74 points at the end of Tuesday.

The northern market index advanced 1.22 per cent on Monday.

More than 525.7 million shares were traded on the two exchanges, worth VND9.47 trillion (US$408.3 million).

Foreign investors net-sold total VND617.4 billion worth of local shares, up 58.8 per cent from the previous day.

Macro & Policies

2. Solar power investment heats up again

Of this, the unit will give priority to 21 projects recently added to the country's power development master plan, said a news report on Thanh Nien Online website.

The projects, whose combined capacity is less than 1,000 MW, went through the evaluation to prepare for the pilot competitive price mechanism after December 31.

According to Dr. Ngo Duc Lam, the current problem the projects face is the commitment to deal with expired panels of investors after 20 to 25 years. The local authorities should consider including commitments by investors in their building contracts.

Earlier, data of the Ministry of Industry and Trade showed that 135 solar power projects had been added to the master plan at the end of 2019. As per the most recent statistics, the total designed solar power output has reached some 10,300 MW, in which over 90 projects with a total output of around 5,000 MW have been put into operation.

Meanwhile, the master plan stipulates that the nation's total capacity for solar power is just 850 MW in 2020 and will be 4,000 MW in 2025 and around 12,000 MW in 2023. However, the supplement output has hit 10,300 MW or 12 times higher than the projected level.

Local authorities have suggested adding a large number of new solar power projects with a combined capacity of 25,000 MW, and 45,000 MW of wind power projects, said the Ministry of Industry and Trade.

Some experts have warned of the strong surge in solar power projects as investors are racing to finish their projects before the end of this year. As such, they will be able to secure a high selling price in 20 years.

The number of new solar projects has far outpaced the national grid infrastructure, resulting in poor capacity and huge waste, said Dr. Tran Van Binh, a renewable energy expert.

The Government should redo the master plan, as the actual capacity of solar power projects, not to mention wind power projects, has been much higher than previously estimated. In the near future, once put into operation, they will trigger a heavy overload on the national grid, Binh said.

As per the Government's Decision 13, the buying price for rooftop solar power is 8.38 U.S. cents per kWh, applied for projects that were put into operation before December 31. The price is applicable in 20 years from the day it begins its commercial run.

Meanwhile, the project in Ninh Thuan Province is subject to a rate of 9.35 U.S. cents. The rate for projects developed after December 31 remains undecided.

Tran Dinh Long, an energy expert, attributed the overload to the surging output from households. As local families now have to pay high electricity bills, installing a solar power system is a wise choice to save money.

3. Vietnamese textile and garment products may face EAEU safeguard duties

The Eurasian Economic Commission (EEC) warned the Vietnamese Ministry of Industry and Trade (MoIT) about this issue in a recent note.

They include dresses and women's clothing of certain HS codes. The export volume of these products to the EAEU from January to July this year reached 79.4 per cent of the threshold set for all of 2020, the ministry revealed on its website on Monday.

According to the trade deal, textile and garments are among 12 Vietnamese products that may face the EAEU's safeguard duties if import volumes during a calendar year exceed the trigger level of the agreement.

Depending on the exceeding volume, Viet Nam's garment products may be subject to the most favoured nation (MFN) tariffs for a period of six months or nine months.

Viet Nam was the first nation to sign a free trade agreement (FTA) with the EAEU so it had special advantages to penetrate the EAEU market. After three years of taking effect, bilateral trade growth has increased from just 5 per cent in 2011-15 to more than 30 per cent per year.

The EAEU has high demand for the products that Vietnamese enterprises have export strengths in such as garments, footwear, electronics and agricultural goods such as rice, seafood, pepper and vegetables.

Difficulty ahead

A MoIT report showed that the textile production in the first eight months increased by just 1.3 per cent over the same period last year. Apparel production in August showed signs of recovery, growing 4.9 per cent over the previous month but still down 4.2 per cent year-on-year.

The COVID-19 pandemic has pushed many industries into difficulties, including the textile and garment sector. Consumer demand in the world has been heavily affected by social distancing measures as well as uncertainty about the future and austerity policies of households.

Demand for garment products in the third quarter has yet to improve as consumer confidence in key markets such as the US, EU and Japan has not shown many good signals.

Annually at this time, businesses often receive orders until the end of the year and even the first half of next year. However, Vietnamese textile and garment enterprises are currently only receiving orders on a monthly or even a weekly basis.

Export turnover of textile and garments in the first eight months reached US$19.26 billion, down 11.5 per cent year-on-year, meanwhile, exports of fabrics and fibre also declined 36.8 per cent and 19.4 per cent, respectively.

4. $4 billion LNG project helps Bac Lieu lead in FDI attraction

This project alone accounted for 18.8 per cent of total registered FDI in Viet Nam in January-September.

The latest update from the FIA showed foreign investors registered to pour a total of $21.2 billion in Viet Nam from the beginning of this year to September 20, equivalent to 81.1 per cent of the same period last year.

Of the figure, $13.76 billion was disbursed, 96.8 per cent of the same period last year.

Although there were some drops in registred and disbursed capital in the period, Viet Nam's FDI attraction results were positive amid a sharp decline in global investment due to the impact of the COVID-19 pandemic, the FIA said.

There were 1,947 FDI projects with a total registered capital of $10.36 billion, 29.4 per cent and 5.6 per cent lower than the same period last year, respectively.

Nealy 800 projects registered to increase their capital to the tune of $5.11 billion, 23 per cent lower in terms of the number of projects but 6.8 per cent higher in additional capital.

Foreign investors also spent $5.73 billion on buying stakes, 55.1 per cent of the same period last year.

According to the Ministry of Planning and Investment, FDI flowed into 18 sectors, among which, the processing and manufacturing industry led in FDI attraction with a value of nearly $9.9 billion.

Power generation and distribution ranked second with a total investment of $4.3 billion, followed by real estate with $3.2 billion FDI and wholesale and retail sales with $1.3 billion.

The statistics showed that 111 countries and territories invested in Viet Nam in January-September. Singapore was the largest investor with total registered capital of $6.77 billion, followed by South Korea with $3.17 billion and China with $1.87 billion.

In terms of the number of new FDI projects, South Korea ranked first with 499 projects. China was second with 271 projects, Japan third with 209 and Singapore fourth with 173.

In the first nine months of this year, foreign investors invested in 60 out of 63 provinces and cities in Viet Nam.

With the Singapore-invested $4 billion LNG-to-power project, Bac Lieu became the leading locality in FDI attraction.

Other leading destinations included HCM City with $3.25 billion worth of registered FDI and 719 projects and Ha Noi with $2.92 billion investment and 409 projects.

In June, a working group was founded to promote foreign investment and attract quality and high-tech FDI flow and capture the opportunities from the global production shift.

5. Master plan for a competitive power market

Deputy Minister of Industry and Trade Hoang Quoc Vuong made the statement at a conference held in Ha Noi on Monday.

Vuong said the power development master plan 8 had basically been completed and would be submitted to Prime Minister Nguyen Xuan Phuc for approval next month.

The country's total power output is expected to increase by nearly 80,000MW by 2030. Large power sources such as coal, gas and LNG thermal power plants are expected to increase by over 30,000MW, while onshore and offshore wind and solar power plants will expand by approximately 50,000MW.

“Most of these sources are located far from central power centres. Therefore, the development of transmission grids to carry the capacity of these power sources raises many issues that need to be considered. Research for the plan found that transmission patterns were likely to change, and instead of transmitting electricity from the North to the South as in the past, the direction would gradually change in the opposite direction,” he said.

He added that the harmonious development of the transmission grid and the stable operation of the system needed to be carefully studied and considered.

The Government has issued a policy regarding power imports from regional countries, and memorandums of understanding have been signed between Viet Nam and neighbouring countries to increase imports of electricity by 2030. However, the process of importing electricity has not achieved the expected results, affecting connections.

“The issue has been carefully studied by the MoIT to implement solutions to realise the Government's grid connection policies in the power development master plan 8,” Vuong said.

Nguyen Manh Cuong, deputy head of Electrical System Development under the Institute of Energy, said the power development master plan 7 had been implemented for nearly 10 years. The implementation of the master plan had achieved many good results, basically meeting the load demand with an average annual growth rate of 10.5 per cent. The electricity network operated stably, safely and reliably, meeting the needs of socio-economic development and ensuring national security and defence. The source structure was quite diversified, with active participation of private investors. The electricity access index had made great progress, and from 2013-18 it improved by 129 steps, reaching 27th position out of 190 economies in 2019 and currently ranking 4th in ASEAN. A wholesale electricity market was also in the process of development.

"However, the power sector has faced many major challenges such as growing demand and an uneven development of power sources in different regions. In addition, the implementation of many large power projects, especially coal-fired thermal power projects, is still behind schedule. There has been rapid development of renewable energy sources but the power grid has not kept up, leading to the fact that power in some places is not fully used. The electricity price mechanism has also failed to meet the requirements or attract investment. Environmental protection still poses many challenges," he said.

In this context, power master plan 8 is expected to provide comprehensive solutions to address current bottlenecks in electricity development.

The research showed that the load growth rate in 2021-30 is forecast to remain high, about 8.6 per cent from 2021-25 and 7.2 per cent from 2026-30. Power source development has been thoroughly researched, considered and analysed. The scenario of optimal power source development is the one that meets the objectives set out in Resolution No 55 towards becoming environmentally friendly and maximising the benefits of renewable energy sources.

The capacity of the whole system is expected to reach about 138,000MW by 2030 and 302,000MW by 2045, of which priority is given to the development of renewable energy sources in accordance with the potential of each region to ensure safety. Coal-fired thermal power will be reduced gradually, with an increase in gas thermal electricity to compensate.

However, the challenges that await power master plan 8 are also great. Electricity demand is still growing at a high rate but primary energy sources are becoming increasingly scarce. To ensure electricity supply by 2030, Viet Nam is expected to import about 1.2 million tonnes of LNG and 35.1 million tonnes of coal per year by 2025, gradually increasing to 8.5 million tonnes of LNG and 45 million tonnes of coal by 2030.

These are big challenges to ensuring electricity supply security. The annual investment needed for the power and grid development programme will amount to about US$13 billion for 2021-30, while the increasing environmental requirements of international organisations in considering credit for power and grid development also pose many challenges to the successful implementation of the plan.

"To solve this problem, many mechanisms and policies have been proposed, including a bidding mechanism to select investors for power projects, and the socialisation of transmission grids to encourage all economic components to get involved in the investment and development of the electricity industry," he added.

6. Japan praises Ha Nam province's investment potential

Japanese Ambassador to Vietnam Yamada Takio and representatives of Japanese companies praised the potential, advantages, and investment attraction policies of northern Ha Nam province at a seminar on September 28.

During the seminar, on economic cooperation between Japan and Ha Nam and jointly held by the provincial People's Committee and the Ministry of Foreign Affairs, the Japanese side expressed a hope for stronger cooperation and an attractive investment environment.

Vice Chairman of the provincial People's Committee Tran Xuan Duong reviewed the 10-year cooperation between Ha Nam and Japanese localities and businesses through a range of trade and investment activities and people-to-people exchanges.

Deputy Foreign Minister Le Hoai Trung also highlighted the extensive and intensive cooperation between Vietnam and Japan, which has been consolidated through high-level meetings, and suggested the two countries enhance their cooperation in education and culture.

Ha Nam had 321 FDI projects as of September, including 100 from Japanese investors in 26 Japanese prefectures with registered capital amounting to 1,041 million USD, or 25 percent of the total FDI in the province.

Le Thi Thuy, Secretary of the provincial Party Committee, said Ha Nam regards Japan as a priority partner, and pledged that it will make greater efforts to improve its investment environment. She also proposed implementing high-quality human resources training programmes for Japanese companies.

The seminar saw the participation of representatives from the Japan International Cooperation Agency (JICA) and the Japan Chamber of Commerce and Industry (JCCI).

7. Vietnam - a development success story: WB official at VDRF 2020

With its outstanding achievements over the past three decades, Vietnam is a development success story and continues to perform well even in the pandemic on a range of indicators, including trade, growth and human capital, Victoria Kwakwa, Vice President for East Asia and the Pacific at the World Bank, has said.

Addressing the third Vietnam Reform and Development Forum (VDRF 2020) themed "Vietnam: Actions to Recover Growth towards Inclusiveness and Sustainability", Kwakwa stressed that there is notable room for further improvements in global value chain (GVC) development to meet Vietnam's ambitious long-term development goal of becoming a high-income country by 2045 and narrow the development gaps with the advanced economies.

According to her, Vietnam's participation in global and regional value chains remains limited, despite being "one of the most open economies in the world".

Vietnam's level of participation in GVCs remains well below its ASEAN peers such as Singapore, Thailand, Indonesia, Malaysia, and the Philippines, she said, noting that in 2018, the country earned only 20.4 billion USD through GVCs, ranked 55th out of 174 countries. This is less than one quarter of the next ASEAN peer, the Philippines, which earned 84.8 billion USD and ranked 34th.

The level of Vietnam's participation in sophistication also remains low. The World Bank estimates that a 1 percent increase in GVC participation boosts per capita income levels by more than 1 percent - about twice as much as conventional trade, so strengthening GVC participation will be important for accelerating Vietnam's productivity and growth.

To be well prepared for strong recovery and make most of the new emerging opportunities, Kwakwa said that in the short term, Vietnam needs to continue to contain the coronavirus and consolidate activities that can accelerate a strong recovery.

She said she believed that Vietnam should continue to ease entry and operational FDI restrictions.

In the medium term, being well-prepared for the "new normal" of GVCs is important. Supply chains cannot be established overnight, and companies still have to overcome the expensive and time-consuming process of relocation.

In the longer term, Vietnam needs to narrow the productivity gap and move towards the productivity frontier.

For Vietnam, emphasis need be placed on skills development and R&D capacity building, as well as effective implementation of Vietnam's breakthrough on institutional reform.

Vietnam needs to be prepared for the future shift in GVCs and mitigate potential adverse impact of accelerated adoption of technology on labor markets.

"As we approach the traditional Mid-autumn festival, I would like to offer a special Moon cake recipe for Vietnam's success for the next decade. The recipe includes: a vibrant and innovative Private Sector with strong linkage to FDI, effective Institutions and quality Education. And we hope that every Vietnamese get a fair share of this cake" she said.

Corporate News

8. MSN: Masan to inaugurate 2nd meat processing complex

↓-2.01%

The MEATDeli Saigon plant, situated in the Tan Duc Industrial Park in Duc Hoa District, cost VND1.8 trillion (US$77.5 million).

It can process 140,000 tonnes of chilled pork annually in the first phase.

It can also produce 15,000 tonnes of processed meat products such as braised pork, pork rolls, shredded pork, and others.

The second phase will expand the capacity to 25,000 tonnes a year and enable production of 14,000 tonnes of pork by-products such as blood flour, plasma, collagen, and meat and bone powder.

The plant has modern equipment from Marel, a leading global supplier of advanced meat processing and slaughtering equipment from the Netherlands, and is considered the most modern meat processing and slaughtering facility in the country.

It has applied for the BRC (British Retail Consortium) Global Standard for Food Safety and obtained HACCP certification for food safety.

It is directly run, supervised and tested by experienced European experts.

The plant is designed as a closed system with a sterile environment. Engineers and workers will always be required to wear masks, and wash their hands with alcohol to ensure safety.

The pork, after being processed, will be chilled quickly and packed using Oxy Fresh 9 technology to prevent the growth of bacteria.

To preserve the meat's freshness, nutrition and taste and ensure hygiene, the pork will be maintained at temperatures of zero to four degrees Celsius during subsequent processing.

It will have a shelf life up to nine days.

In addition to the modern processing lines, the MEATDeli Saigon plant will also carefully control the source of pigs.

The pigs are sourced from associated farms at which they are being carefully selected and fed with bio-zeem technology in a closed raising process without growth hormones, antibiotics or other banned substances.

The adoption of a 'three-layer quarantine' control system (only healthy pigs will be allowed to enter the plant for slaughter, only healthy pigs will be processed at the plant and only safe pork will be sold from the factory) under the guidance of the Ministry of Agriculture and Rural Development and Food Safety Department will ensure the safety of MEATDeli pork when it reaches consumers.

9. KDC: KIDO hits full-year profit target in just 9 months

↓-1.35%

It reported a net profit of VND261 billion ($11.2 million), a 56.6 per cent increase year-on-year.

The company attributed the sharp increase to strong growth in its edible oil business and optimisation of strategies in its ice cream business.

Its net revenues were 17.3 per cent up at nearly VND6 trillion ($259 million).

Talking about the results, KIDO said it was closely monitoring the market situation amid the effects of the COVID -19 pandemic and raw material price fluctuations so that it could respond in time and efficiently.

For instance, when the epidemic first broke out, it changed distribution system and stockpiled goods.

It also launched new products with high nutritional value, promoted premium products, undertook activities to expand its market share, and reviewed and optimised its product portfolio with a focus on promoting core and premium products.

When the epidemic was controlled and business activities returned to normal, it grasped the snacking trends among young people and the demand for nutritious products and launched products to meet these needs.

The third quarter marked the return of KIDO Group to the snacking industry with mooncakes under the brand name Kingdom as part of its food business expansion strategy.

It is expected that during the Mid-Autumn Festival season the brand will contribute around VND160 billion to revenues and VND36 billion to profits.

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

Disclaimer:

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