



VIETNAM DAILY NEWS

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Market Analysis

1. Shares sink on selling pressure

Vietnamese shares sank again on Monday as large-cap stocks were hit by massive selling pressure, especially during the ATC session.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange lost 1.47 per cent to close the trading session at 888.25 points.

The index last week had gained a total of 2.57 per cent.

More than 434 million shares were traded on the southern bourse on Monday, worth VND7.6 trillion (US\$328 million).

Market breadth was negative with 273 losers and 135 gainers.

“After the VN-Index successfully broke through the threshold of 900 points in the previous sessions, the index has started to struggle to test the stability of this trend, with a drop today,” said Thanh Cong Securities Co (TCSC).

“The resistance at the 895-905 point range is still a challenge for the VN-Index in the current period,” the company said.

“TCSC recommends investors to consider maintaining a holding proportion in the portfolio at 60-70 per cent for medium and long-term goals,” it said.

The VN30-Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, decreased 1.92 per cent to close Monday at 824.36 points.

In the VN30 basket, 27 of the 30 largest stocks by market capitalisation and trading liquidity

decreased. One gained ground and two were unchanged.

Heavy selling pressure was seen across the board and increased in the last few minutes of the trading session, hitting many blue chips, including VPBank (VPB), dropping 4.1 per cent, Mobile World Group (MWG), down 4 per cent, Thanh Thanh Cong - Bien Hoa Joint Stock Company (SBT), decreasing 3.8 per cent, Vietinbank (CTG), declining 3.8 per cent and Bank for Investment and Development of Viet Nam (BID), losing 3.6 per cent.

Vinamilk was the only one gainer in the VN-30 basket, edging up 0.8 per cent.

On a sector basis, 23 out of 25 sector indices on the stock market lost ground, including real estate, energy, healthcare, insurance, banking, securities, information and technology, food and beverage, construction, construction materials, rubber production, retail and wholesale.

The losers were agriculture and seafood processing.

The HNX-Index on the Ha Noi Stock Exchange dropped 0.57 per cent to close Monday at 125.43 points.

The northern market index had gained 0.25 per cent last week.

More than 57.2 million shares were traded on the northern bourse, worth VND684 trillion.

Foreign investors net bought VND53.38 billion on HOSE. They were net buyers on the HNX with a value of VND1.54 billion.

Macro & Policies

2. MoIT aims to diversify local retail market

The Ministry of Industry and Trade (MoIT) plans to consolidate traditional markets in rural areas while developing a large number of convenience stores and diversifying types and methods of modern business.

These are part of targets set in the project to develop domestic trade in 2021-25 period.

According to the ministry's assessment of 2016-20, the local market has become important for the momentum of sustainable development. Total retail sales and revenue from services saw a high growth rate of 9.2 percent annually from 3.5 trillion VND (150.7 million USD) in 2016 to 4.9 trillion VND in 2019. The growth was relatively equal among economic regions.

Total retail sales of consumer goods and services per capita increased from 38 million VND in 2016 to 51.2 million VND in 2019 per person.

The contribution of the domestic market to GDP has increased, from 10.5 percent in 2016 to 11.16 percent in 2019. It showed the domestic market plays an important role in product consumption. At the same time, it has provided jobs as it employed about 6-7 million workers (accounting for more than 12 percent of the total workforce in the country), contributing to poverty reduction and ensuring social security.

Over the past five years, supply and demand connection has also performed well, contributing to stabilising prices in the market, through linking to create a stable source of goods between domestic manufacturers and large distribution systems nationwide.

The proportion of Vietnamese goods in retail distribution systems is high with 90 percent for distribution systems owned by domestic enterprises (90 – 93 percent at Co.opmart, 90-95 percent at Satra and 96 percent at VinMart). The proportion is more than 70 percent at foreign supermarkets and commercial centres (90 percent at Lotte and Big C and 82 – 85 percent at AEON and Citimart).

However, the MoIT said the overall growth rate was not high compared to potential and the domestic market still has plenty of room to grow.

To effectively implement the five-year socio-economic development plan for 2021-25, the ministry has set goals and solutions for domestic trade to continue to play an important role in the economy.

The plan hopes to increase the added value of the domestic trade sector's contribution to GDP by 13.5 percent in 2025.

The average annual growth rate in 2021 - 25 of the total retail sales of consumer goods and services (including the price factor) is expected to hit about 9 - 9.5 percent a year, while the proportion of total retail sales of goods by type of modern trade by 2025 will reach 35-40 percent.

Another goal is to gradually complete commercial infrastructure such as shopping malls, supermarkets, trade-service areas, convenience stores, specialised stores, logistics centres, wholesale warehouses and fair centres in big cities.

To complete the targets, the ministry will enhance the efficiency of State management over the market; strengthening market regulation capacity for key commodities. At the same time, it will strengthen the management of goods circulation in the market. It hopes to ensure 90 percent of businesses in provinces and cities no longer display and sell smuggled goods, counterfeit goods, banned goods or goods infringing intellectual property rights by 2025. All businesses nationwide shall list prices and sell them at listed prices.

Among the 10 regions with the largest market size in the country, HCM City continued to lead with 1.08 trillion VND in 2019, accounting for 22.1 percent of the national market and two times higher than the second-highest Hanoi with 512 trillion VND last year, accounting for 10.03 percent of the total.

3. More Vietnamese consumers now shop online

Online shopping and electronic payments in Vietnam have become more common in recent years as more of the country's population gains access to the internet, and e-commerce in the 95 million-strong market is set to enter a rapid growth phase in the near future, according to industry experts.

Dao Duong Thanh, development director at Moca, a popular mobile payment firm in Vietnam and partner of ride-hailing firm Grab, said more than 61 million people in the country access the internet through the mobile devices and spend as much as three 3 hours and 12 minutes online daily.

Thanh said since his firm's partnership with Grab in 2018, Moca has built a cashless regime for Grab's ecosystem, which covers not just rides, food and package deliveries but also other services such as electronic payments for utility bills and mobile phone top-ups.

By mid-2020, 43 percent of all transactions on Grab were classless, claimed Thanh as his firm observed a steady growth of users, indicating a shift in consumers' habit in favour of online, cashless payments.

Hoang Quoc Quyen, a PR executive from Tiki, a major e-commerce platform in Vietnam, said the development of 4G infrastructure, fibre optic internet technology and more than 100 million registered mobile phone subscriptions in the country have laid the foundation for the rapid development of e-commerce and electronic payment.

A relatively young population quick to adapt to and adopt new technologies, coupled with one of the fastest-growing economies in the world, made Vietnam a fertile ground for the digital economy, including e-commerce. Online shopping not only

offers a faster and more convenient shopping experience but also reduces risks on the buyers' side compared to traditional cash-based transactions.

Despite these numerous advantages, however, e-commerce firms, especially domestic players, have been unable to realise the full potential of the market to achieve faster growth, said Quyen.

He said the major shortcomings of Vietnam's e-commerce included a lack of sound policies to support the development of e-commerce firms, a mismatch between e-commerce platforms and electronic payment systems and inadequate trust on the consumer's side.

Quyen said among 4.5-5 million orders handled by Tiki on a monthly basis, online payments account for just more than 40 percent with the rest still employ cash-based transactions. This was a significant gap compared to ASEAN countries such as Indonesia and Malaysia, which average 85 percent.

Cao Xuan Quang from the competition and consumer protection department under the Ministry of Industry and Trade said there is an urgent need for stronger policies to protect consumers as well as e-commerce firms.

Quang said violations in e-commerce activities are often complex and typical complaints included the sales of goods that did not match their online descriptions and the illegal collection and handling of consumer personal information.

He urged government agencies to quickly review and amend the country's Law on Consumer Protection and to create a level playing field for e-commerce and mobile payment firms.

4. Vietnam aims to reduce reliance on foreign supply chains

Vietnam would continue to build an independent and self-reliant economy, aiming to reduce its dependence on foreign input materials and supply

chains, according to Prime Minister Nguyen Xuan Phuc.

To realize this goal, the priority should be the domestic market with a population of nearly 100 million, stated Mr. Phuc at a monthly government meeting on September 4.

In addition to support for small and medium enterprises, large ones, especially those at the top of each economic sector with high spillover effects, should also be included in the government's supporting programs, Mr. Phuc added.

Regardless of the circumstances, Vietnam remains steadfast in pursuing the dual target of both containing the pandemic and boosting economic recovery, so that the economy could reach the highest growth rate possible, Mr. Phuc stated.

Mr. Phuc requested government agencies to come up with further monetary and fiscal relief measures while keeping a stable macro-economic foundation and inflation under control.

In the coming time, Mr. Phuc expected the banking sector to lower interest rates for loans, including existing ones.

Vietnam is set to continue boosting exports, promoting domestic consumption, and attract investment, particularly that from foreign investors looking to diversify their value chains.

5. Concern for an unnecessary cost

Nguyen Van Kich, chairman and general director of the seafood company Cafatex in Hau Giang Province, said the information on the packaging of his company's export products to the Middle East is generally in English or Arabian as required by partners, and is in Japanese for export to Japan. In the United States, the products must have English labels and sub-labels in Vietnamese for sale in supermarkets which have overseas Vietnamese customers. "The import market requires labeling under its regulation, not in the language of the export country," Kich said.

However, under the draft decree, the label must be written in Vietnamese, except when there are foreign words with Latin alphabet, including the international name or the scientific name of medicines for humans with no equivalents in

At a time of crisis, it is more urgent for Vietnam to address current shortcomings of the economy and adopt a digital strategy for economic restructuring. This would be the way to prepare for a next development phase in the post-Covid-19 period, Mr. Phuc suggested.

The Ministry of Planning and Investment is tasked with grasping opportunities from a shift in investment activities to attract high-quality FDI projects.

The State Bank of Vietnam would be responsible for finalizing the legal framework for fintech and e-verification, and the Ministry of Information and Communications for soon putting in motion the pilot project on direct carrier billing services, also known as Mobile Money.

Regarding the reopening of international commercial flights to and from Vietnam, the Vietnamese PM stressed the strict compliance with Covid-19 preventive measures.

At the meeting, Minister of Planning and Investment Nguyen Chi Dung said the government is targeting an economic growth rate of 2% for this year in normal conditions and 2.5% if favorable factors emerge. In 2021, GDP growth is expected to rebound to around 6.7% as the government continues to look for a rapid and sustainable economic growth rate.

Vietnamese; the international name or the scientific name of the components and quantitative components of goods untranslatable into Vietnamese or translatable into Vietnamese but meaningless; and the name and the address of foreign businesses related to goods production.

Besides the Vietnamese language, the contents on the label can be written in other languages. The contents in other languages must be the same as the contents in Vietnamese. The size of words in other languages must not be bigger than the size of the Vietnamese words.

At a recent workshop to garner opinions on the draft decree and its guidelines, Tran Quoc Tuan, head of the Department for Goods Quality Management

under the Directorate for Standards, Metrology and Quality (Ministry of Science and Technology), said goods labeling regulations have helped businesses with transparency for their goods before the market launch. However, coordination between local management agencies in goods label management is not close, which has allowed some businesses to take advantage of the sub-labeling regulation to commit fraud in goods labeling.

Hoang Thi Thuy from the Supervision and Management Department under the General Department of Vietnam Customs cited an example that a Chinese-invested company in Binh Duong Province has imported bicycle and electric bicycle parts from China for assembly for export to the United States to enjoy tax preferences, tarnishing the image of Vietnamese goods.

Therefore, the revision of Decree 43 on goods labeling is expected to prevent origin fraud and faking and incorrect labeling.

Importers matter

Commenting on the draft decree, Truong Dinh Hoe, general secretary of the Vietnam Association of Seafood Exporters and Producers (VASEP), said one of the concerns is the inclusion of export goods into the scope of revision. He argued that it's unreasonable, unbeneficial for consumers and even costly for businesses when export goods are not consumed in Vietnam but are required to be labeled under the regulations of both Vietnam and the importing country.

Hoe cited the footwear industry as an example. With the production capacity of some one billion pairs of footwear per year, the label change, with just VND100 per pair, will cost the industry more than VND100 billion per year.

Further, the labels on export goods, such as seafood, generally state the name of owners, who are distributors like Costco and Walmart. Therefore, would the importers accept the name of the producer on the label?

Hoe argued that under the international practice, exporters in Vietnam are only responsible for supplying goods as per the commitment in the contract, while importers are responsible for goods labeling not in violation of the regulations in their countries.

Kich of Cafatex said it's not necessary to introduce the above-mentioned goods labeling rule. "Foreign customers do not know the Vietnamese language. Compliance with this proposed labeling rule is very costly and time consuming, and even requires businesses to travel overseas for re-negotiation with their partners," he said.

Economic expert Tran Huu Hiep cited as an example Decree 36/2014/ND-CP on tra fish farming, processing and exporting with a regulation that the ice glazing ratio must not exceed 10% of the total weight and the maximum water content must not exceed 83% of the net weight (the weight of tra fish fillets exclusive of the ice glazing). Hiep said the decree with the aim of improving the quality of export tra fish is a good move, but not all customers accept it. "That's what we want, but what matters is it must refer to customer demand," Hiep said, adding that at that time, quite a few customers still preferred tra fish products with higher ice glazing ratio and maximum water content.

This is the reason for the issuance of a new decree (Decree 55/2017/ND-CP replacing Decree 36/2014) which has a more liberal regulation for the ice glazing ratio and the maximum water content. With this reality, Hiep thought that all policies regarding export goods regulations should refer to the market demand.

6. Airline service fees reduced by half for next six months

The Minister of Transport has approved Circular 19, which regulates the fees of takeoff and landing and aircraft operating services for domestic flights, including specialised aviation services, at airports across Viet Nam, for the next six months, from October through March.

The fees for airline service fees such as aircraft takeoff and landing service and other flight operation services have already been reduced by 50 per cent since the beginning of March, under a Government resolution on supporting enterprises affected by the pandemic.

The Airports Corporation of Viet Nam (ACV) had reduced airline service fees from March through August to support airlines suffering from the impact of the outbreak.

ACV reduced fees for a range of airline services at airports, including service fees for aircraft navigation (cut by 50 per cent); and pipe ladder services, carousel rentals, automatic baggage handling, check-in counters and ground services (by 10 per cent).

In addition, ACV, which operates more than 20 airports across the country, waived office rental fees for airlines that have stopped flying, and reduced fees by 30 per cent for airlines that are still operating flights.

ACV has also waived fees for some specialised aviation services.

Earlier this year when the pandemic broke out, the Ministry of Transport asked the Ministry of Planning and Investment to consult with the Prime Minister about the proposed reduction.

The Ministry of Transport also asked the Government to assign the Ministry of Finance to oversee exemptions of import tax and environmental protection tax on aircraft fuel from March to August.

The pandemic has severely affected revenues of Vietnam Airlines and ACV.

Vietnam Airlines reported VND6 trillion (\$257.1 million) in second-quarter revenue, down nearly 70 per cent from the previous quarter, as a result of a month-long social distancing order in April and the ongoing suspension of international flights.

The national flag carrier suffered quarterly losses of VND4.03 trillion, raising the total loss in the first half of the year to more than VND6.64 trillion.

In mid-July, it estimated that losses would reach VND13 trillion this year.

Meanwhile, ACV recorded post-tax losses of over VND365 billion in the second quarter as its revenues plunged VND76.6 per cent from the same period last year to over VND1.04 trillion.

The airport operator projected that the number of air passengers would fall by 41 per cent year-on-year to 69.2 million this year, while the volume of cargo going through 21 airports across the country would fall by 13 per cent to 1.34 million tonnes.

Airlines around the world are expected to lose \$84 billion as the pandemic has cut revenue by half to mark the worst year in the aviation industry's history, according to a forecast of the International Air Transport Association made in June.

7. PM approves programme to boost productivity

The programme aims to support businesses to adopt standards, technical regulations, advanced management systems and tools to enhance productivity and quality of products and commodities, contributing to increasing the national total factor productivity (TFP) and competitiveness of the economy.

It sets specific objectives for two periods, namely in 2021-25, 65 per cent of the national standard systems (TCVN) will be harmonised with international and regional standards, while there will be capacity building and training for about 600 specialists and consultant staff on productivity and quality at ministries, agencies, localities and businesses.

In 2026-30, the harmonisation rate of the TCVN system with international and regional standards will be about 70-75 per cent; while the number of specialists being trained and certified will increase to 1,000, of which about 200 experts will be certified with regional and international qualifications.

In the next 10 years, the number of enterprises supported with solutions to improve productivity and quality is expected to increase by 10-15 per cent per year, of which the number of certificates for ISO 9001 quality management system and ISO 14001 environmental management system granted to businesses will increase at least 10 per cent compared to the 2011-20 programme.

At least 100 enterprises will be instructed to apply solutions synchronously to improve productivity and quality.

To achieve these goals, the programme sets out tasks and solutions, focusing on enhancing mechanisms and policies to boost productivity and quality, researching and proposing solutions on science, technology and innovation to improve national productivity and the productivity of each industry, province and enterprise in the economic restructuring process.

As these matters are key to the country's sustainable development and raising the competitiveness of local enterprises, communication and information diffusion about productivity and quality improvement solutions will be strengthened.

In addition, the programme will help enterprises employ new advanced solutions and quality and productivity management systems fit for specific industries, helping businesses apply systems of traceability, adopt good agricultural practices (GAP) and invest in organic farming and green productivity.

The last programme (Programme 712) supported more than 5,000 businesses to adopt many solutions and systems to improve productivity and quality such as ISO 9000, ISO 14000, SA 8000 (global standards for managing human rights in the workplace), Good Manufacturing Practice (GMP) and Hazard Analysis and Critical Control Points (HACCP).

The Ministry of Science and Technology is responsible for implementing the programme.

Corporate News

8. BWE: Biwase to put 37.5 million shares on auction

↓ -0.98%

The Board of Directors of Biwase has approved the initial price of VND25,500 (\$1.11) apiece for the auction of 37.5 million shares. This offered price is calculated based on the recent transaction sessions between July 21 and August 31.

Biwase expects to acquire at least VND956.3 billion (\$41.6 million) from the sale and increase its charter capital from VND1.5 trillion (\$65.2 million) to VND1.87 trillion (\$81.3 million).

At present, the foreign ownership ratio stands at 10 per cent and is offered to increase to 49 per cent.

Becamex IDC currently owns a 25 per cent stake at Biwase, while Thu Dau Mot Water JSC owns 38.5 per cent.

Right after Biwase issued the notification, Thu Dau Mot announced that it will buy additional shares of Biwase to maintain its 38.5 per cent ownership.

With 150 million shares listed, Thu Dau Mot will have to buy an additional 14.4 million shares.

According to the plan, the capital mobilised from the auction is expected to pay bonds, offset the counterpart funds for projects related to water provision, waste incineration, and compost fertiliser manufacturing, among others.

In the first half of this year, Biwase reported VND1.42 trillion (\$61.74 million) in net revenue and VND249 billion (\$10.83 million) in after-tax profit, up 25.8 and 20 per cent, respectively.

The company targets to acquire VND3.15 trillion (\$136.96 million) in net revenue, up 25 per cent on-year and VND470 billion (\$20.43 million) in after-tax profit this year.

The company completed 45 per cent of its full-year revenue target and 53 per cent of profit target.

9. PLX: Big name like Petrolimex listed as non-marginable security

↓ -0.97%

Generally, non-marginable securities are put in place to mitigate risks and control costs on stocks that are volatile.

The decision was made shortly after Petrolimex – the country's largest state-owned petroleum group – published its semi-annual revised financial statement with a negative after-tax profit of VND816 billion (\$35.5 million).

Besides, consolidated net revenue was VND65.185 trillion (\$2.83 billion), down 33 per cent on-year. Petrolimex group reported a pre-tax loss of more than VND920.4 billion (\$40 million).

The COVID-19 outbreak has been a heavy cross to bear, even for large-cap firms such as Petrolimex.

The crisis transformed global oil markets in the first half of 2020, sending prices on a wild ride and spurring historic changes to energy supply chains and products used to invest in crude.

Oil started 2020 trading above \$60 a barrel. The crisis-ensuing global economic shutdown slammed US crude, which fell below \$0 for the first time ever in late April, according to Wall Street Journal. A landmark agreement by key oil-producing nations reached in early April to curb production has helped the turnaround.

In the second quarter of this year, global oil price picked up thanks to gradual economic re-opening, helping crude oil rise from \$20.31 to \$39.27 per barrel.

Notwithstanding, concerns about fresh spike in both global and domestic COVID-19 cases has led to tug-of-war between supply cuts and demand

anxiety. Consequently, energy firms like Petrolimex find it a bitter pill to swallow.

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