VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index loses momentum, banks progress on cash-preserving decision

Việt Nam's benchmark VN-Index gave up early gains despite the strong growth of financial-banking stocks as profit taking strengthened at 930 points.

The VN-Index on the Hồ Chí Minh Stock Exchange edged up 0.20 per cent to 925.83 points on Monday, narrowing its growth from as much as 0.99 per cent.

The market was boosted by the growth of insurance and banking sectors, which gained 4.2 per cent and 1.4 per cent, according to vietstock.vn.

Insurer Bao Viet Holdings (BVH) led the insurance sector up as the stock soared 6.2 per cent.

In the banking sector, the three State-owned lenders Vietcombank (VCB), Vietinbank (CTG) and Bank for Investment and Development of Việt Nam (BID) rose between 1.3 per cent and 5.2 per cent.

Last weekend the Government officially released a new decree that allows commercial banks, in which the State holds more than 50 per cent of the capital, to keep their profits to increase charter capital in order to strengthen their financial status against the volatility of the global markets and economy.

The State Bank of Việt Nam (SBV) represents the State to monitor the State capital in Vietcombank, Vietinbank and BIDV. The ownership in those banks ranges from 64 per cent to 81 per cent.

But when the VN-Index tapped the 930-point level, profit taking pressure increased and pushed the market down to 925 points.

The large-cap tracker VN30-Index gained only 0.04 per cent to 874.90 points. The blue-chip index rose as much as 0.95 per cent during the day.

Twelve of the 30 largest stocks by market capitalisation and trading liquidity increased while 16 lost momentum. On the southern market, 127 stocks increased while 295 stocks declined.

Among other gaining large-cap stocks were consumer firm Masan (MSN), PetroVietnam Gas (GAS) and property firm Vinhomes (VHM).

The VN30 futures due on October 15 was up 0.39 per cent to 875.10 points on Monday after having risen as much as 0.79 per cent during the day.

The mid-cap tracker reversed to fall 0.79 per cent while the small-cap tracker extended its loss to 1.19 per cent at the end of the day.

According to Thành Công Securities Co (TCSC), the market is being driven by a few large-cap stocks and that does not reflect the actual condition of the market at the moment.

The market will struggle in the coming days when profit taking gets stronger in different groups of stocks and the market will diverge on earnings and business outlook expectations, TCSC said.

On the Hà Nội Stock Exchange, the HNX-Index dropped 0.74 per cent to 135.90 points on Monday.

The northern market rose as much as 0.92 per cent on Monday.

More than 531 million shares were traded on the two exchanges, worth nearly VNĐ10 trillion (US$431.4 million).

Macro & Policies

2. Dong Nai's two riverside roads require VND5.2 trillion

The projected 4.6-kilometer road along the Cai River, a branch of the Dong Nai River, had earlier been approved by Dong Nai Province's People's Council with a total investment of over VND3.9 trillion. The provincial project management board, the investor of the project, recently submitted the feasibility study report of the project to the provincial government for approval.

The road will start from Ha Huy Giap Street in Bien Hoa City's Quyet Thang Ward and end at Tran Quoc Toan Street in An Binh Ward. The project will comprise five bridges consisting of Chim Tau, Tan Mai, Ba Bot, Rach Gio and Suoi Linh, with a width of some 23 meters each, according to the provincial project management board.

Over VND3.2 trillion will be spent on site clearance and compensation for 500 households affected by the project, work on which is set to begin in the 2020-2024 period, VnExpress news site reported.

Another riverside road, which will run from Hoa An Bridge in Bien Hoa City to Vinh Cuu District, will need a total cost of over VND1.3 trillion. The 5.2-kilometer road project will consist of building a road surface and pavements, installing traffic signs and signal lights and drainage systems. Other components also include planting trees and building the Rach Lung Bridge.

The projected road, which will be 34 meters wide, will use the State budget, with some VND385 billion set aside for the construction. Some VND713 billion will be used for site clearance and compensation.

In addition, the province will construct a park and embankments with a total cost of over VND614 billion.

The province expects the two riverside roads to stimulate the socioeconomic development of Bien Hoa City and Vinh Cuu District, ease traffic jams facing the city and facilitate transport between the province and other southern provinces.

3. Experts unhappy with cement exports, but industry says unavoidable

The biggest importers were still China with 12.6 million tonnes, the Philippines with nearly 4.5 million tonnes and Bangladesh with over 1.7 million tonnes.

Of Việt Nam's exports, clinker accounts for 70 per cent and cement for 30 per cent. Clinker, the residue formed by high-temperature burning of coal or similar materials, plays an important role in the composition of cement and contributes to the properties of cement in various ways.

Last year the industry exported 34 million tonnes, of which cement accounted for only 11.4 million tonnes.

Clinker is usually $10-17 cheaper than cement.

Việt Nam exported clinker at $38 per tonne and cement for $45 last year. On the other hand Thailand exports cement for around $65 and Indonesia and the Philippines for over $100.

The export tariff on cement has been abolished and exporters also get value added tax refunded. Electricity is sold to cement enterprises at much lower than market prices.

Some experts said that the current export cement prices were lower than the domestic cement rates.

Thus, Việt Nam effectively provides subsidies for buyers of its cement.

Industry insiders however disagreed with this. They said that the export price should not be compared with selling prices in the local market because the export price is the wholesale price, while the price of cement being sold on the local market is the retail price which also includes cost of transport and cost to operate the distribution system as well.

They insist that despite low or no profits cement exports remain critical since this year production has been rising while domestic demand is sluggish.

The Việt Nam Cement Association said two new cement plants would go on stream this year in the central provinces of Nghệ An (2-2.5 million tonnes annual capacity) and Thanh Hóa (4.6 million tonnes).

They will take production capacity to more than 100 million tonnes a year, while demand is only 70 million tonnes or less.

Domestic sales are expected to remain sluggish this year since infrastructure works have stalled and the property market has slowed down due to the Covid-19 pandemic.

A senior official from the association said cement is a dense and heavy product, and so selling it near the site of production rather than far away would be the most efficient.

But while many cement producers do prefer to sell in the local market, some practical issues force them to export.

For instance, in Việt Nam, the dry season is the construction season and demand plummets during the monsoon months, and producers have no choice but to export to keep their inventories at reasonable levels.

They cannot stop production either since most have loans to service, the official said.

Exports not only help cement firms reduce inventories but also bring in foreign currency and increase the efficiency of their investments, he added.

However, many analysts spoke out against exporting cement, saying it is not encouraged by many countries because it leads to overexploitation of natural resources which cannot be replenished by natural processes.

Cement brings little value addition and its production requires large volumes of coal, which Việt Nam has to import.

In 2018 Việt Nam exported 31.6 million tonnes of cement and clinker and imported 21.4 million tonnes of coal.

Last year they rose to 34 million tonnes and a whopping 43.5 million tonnes.

Experts admitted that considering the current domestic demand cement exports are imperative for the industry's stability, but export prices needs to be renegotiated.

They however stressed the need to reduce the export of raw materials like clinker, which do not add any value.

4. Tax cut welcome but not enough: businesses

The tax cut, signed into effect on September 25 for businesses with revenue under VNĐ200 billion (US$8.8 million) in the 2020 financial year, has been widely welcomed by the business community.

In a recent survey conducted by HCM City's Business Association, 84 per cent of the city's businesses said they had experienced difficulties due to falling market demand, disrupted supply or lack of cash.

Đỗ Phước Tống, chairman of Duy Khanh Engineering Co. Ltd, said the tax cut had offered huge relief to small-and-medium-sized enterprises (SMEs), including those in the electrical and electronics industries.

Despite not being hit as hard by the pandemic as the tourism and service industries, Tống said his firm was hit by a sharp fall in demand in the domestic market, and a disrupted supply chain that resulted in numerous orders being cancelled. By his estimation, the industry suffered a 10-20 per cent income decline in the first nine months of the year compared to the same period last year.

"A large number of businesses are having difficulty maintaining cashflow. The tax cut will be a tremendous help in keeping their operations alive and for paying workers," he said.

Phạm Văn Việt, vice chairman of HCM City's Textile and Garment-Embroidery Association, said the tax cut should apply to all businesses. The association also called for a reduction in value-added tax from 10 per cent to 5 per cent in a bid to support businesses across the country.

Việt cited a sharp fall in demand for Vietnamese textile products in traditionally large markets such as the EU and the US, with the number of orders reduced by half in the last quarter of 2020. Even the price for protective equipment and masks had seen a sharp dive as global supply had been steadily on the rise.

For the tourism industry, however, the tax cut didn't offer much as most businesses had been without income since March this year, according to Trần Đoàn Thế Duy, CEO of Vietravel, one of the country's largest tour operators.

"There is no income this year so the tax cut was not of much help. What we really need is the Government to give us more time to pay taxes and land use fees," said Duy. "For example, extending the deadline until June next year instead of by the end of this year. We could really use the cash to keep our businesses running."

5. Vietnam's coasts remain an enticing investment magnet

The real estate landscape in Vietnam has evolved considerably in the last decade. What used to be a market led by mainly foreign developers and contractors is now dominated by local developers, many of whom have focused their efforts on the hospitality sector.

According to the Foreign Investment Agency, despite the pandemic, the year-to-date total registered investment capital by non-nationals as of May 20 reached $13.9 billion, equal to 83 per cent over the same period in 2019.

The fact that foreign investors are still very keen on Vietnam proves that its market dynamics, in particular the young population and growing middle class, imply long-term sustained growth. For real estate, Vietnam's affordability and good rental yields stand out compared to neighbouring markets such as Thailand. Vietnam's rental yields on city properties remain adequate at 6-8 per cent for prime developments, while coastal resorts have enjoyed even higher returns.

The country also boasts one of the world's fastest-growing tourism markets, with domestic arrivals and international arrivals growing at a compound annual growth rate of over 20 per cent and 18 per cent over the last five years, respectively.

Even amid the COVID-19 outbreak, Vietnamese travellers are looking forward to their next trip: Indochina Capital and Wink Hotels' latest Vietnam Traveler Survey conducted in August revealed that 99.7 per cent of the 700 respondents stated they travel domestically for leisure at least once a year, and 68 per cent plan on resuming travel by the end of the year.

The survey also revealed how integral beach destinations are to the local travel market, as they are overwhelmingly the preferred holiday destination.

With over 3,000km of coastline and many islands, Vietnam is primed to become one of the world's top beach destinations, boding well for hospitality developments.

Inviting locations

The central coastal area is attracting both foreign and local investment. The aforementioned survey revealed Danang, Nha Trang, and Hoi An as the preferred holiday destinations in Vietnam, and money flows follow traveller flows.

This has been evidenced by the 22-hectare development in Ngu Hanh Son, the recently-approved Ba Na Hills by a large foreign investment fund, and two urban lifestyle hotels developed by an American/ Japanese joint-venture, also in Danang.

According to the International Association of Golf Tour Operators, 169 golf tourism companies operating in Asia plan to expand to Vietnam, and there is no doubt that the country's effective handling of the pandemic has contributed to its position as a global investment destination. Some of the hospitality destinations set to be up-and-coming in the attraction stakes include Quy Nhon-Tuy Hoa, Van Don, and Ba Ria-Vung Tau.

The Vietnamese government has clearly grasped the link between infrastructure and economic growth, and these secondary cities have benefited from the improved accessibility and connectivity to major cities with more highways and airports planned in the future.

In fact, foreign funds and developers focused in Vietnam are already looking into transforming the coastal landscape of these destinations, with large-scale luxury developments in the pipeline.

For foreign investors new to Vietnam or looking to expand their portfolio here, acquiring operating assets has been an effective the strategy to get their feet wet. With the impact of COVID-19 on performance, newcomers and established firms alike can benefit from adjusted valuations of distressed assets all the while minimising risks related to introducing a new product to the market.

Strategic partnerships with local developers are also an effective strategy; even before the pandemic, Japanese and South Korean investors have been searching for reputable firms to partner with in order to enter the Vietnamese real estate market.

Laying the tracks

Key areas of improvement to further attract foreign capital into Vietnam's coastal real estate include infrastructure development and legal framework reforms. Tourism infrastructure development helped Danang reach its status as the most popular domestic destination and will remain a key driver for the development of Vietnam's tourism property market.

The legal framework on land clearance, acquisition, and issuance of ownership titles in Vietnam is structured differently than in other markets of the world, while the framework for new products, such as condotels, is yet to be built. The approval process is a major obstacle for foreign investors wishing to enter Vietnam, thus a streamlining of requirements in this area will undoubtedly help boost foreign capital inflow.

Opening up ownership of hospitality real estate products to foreigners is another step to create more demand and increase foreign investment in coastal areas and, currently, the government is already considering these transformational steps.

Presently, Vietnam ranks high in Juwai IQI's top 10 most popular countries for investment and the government's impressive handling of the pandemic is only helping to improve the nation's attractiveness to foreign investors.

Furthermore, Vietnam is expected to maintain one of the world's highest GDP growth rates in 2020, despite the fact that it will likely be just half of last year's growth.

The hospitality sector is expected to remain resilient in the mid-term, Vietnamese travellers are travelling more and more, and the government is pushing for tourism to be a key driving sector for economic recovery.

The main benefactors will be Vietnam's irresistible coastal hospitality sector and local and foreign investors who use their head start and invest early.

6. Workshop seeks ways to promote tuna exports to EU

A workshop was held in the south-central province of Khanh Hoa on October 10 to promote tuna supply chain, and tuna exports to the EU under the EU-Vietnam Free Trade Agreement (EVFTA).

The event was co-held by the Ministry of Agriculture and Rural Development (MARD) and the provincial People's Committee.

According to the MARD, two months after the EVFTA entered into force, Vietnam's fishery exports to EU markets have seen positive signs. Tuna export value rose by 8.6 percent month-on-month to 11.4 million USD in August and 13.3 percent to 11.9 million USD in September, adding hope for a rebound in Vietnamese exports to the EU in the remaining months of this year.

Addressing the workshop, Deputy Minister of Agriculture and Rural Development Phung Duc Tien said to sustain fishery production, localities must continue instructing fishermen to comply with international commitments on fishing and stepping up the fight against IUU fishing while encouraging seafood producers to apply advanced technology and diversify their products to match the EU markets' taste and demand. They must also strictly adhere to regulations related to food safety and intellectual property, he said.

Tuna is among three Vietnamese seafood products favoured by the EU markets, said Nguyen Thi Thu Sac, Vice Chairwoman of the Vietnam Association of Seafood Exporters and Producers (VASEP). Under the EVFTA, tariff will gradually reduce to 0 percent, providing a competitive edge for Vietnamese fishermen and businesses. However, they have to invest in improving technology, production lines and fishing practices in accordance to current regulations in order to remove the EU Commission (EC)'s yellow card warning and further develop the fishery sector, she noted.

Data from Khanh Hoa's authority shows that as of the end of September, the province's total sea catches were estimated at 69,760 tonnes, including over 20,380 tonnes of tuna. Its shipments of seafood exceeded 2,890 tonnes, including more than 2,284 tonnes of tuna, a drop of about 20 percent from the same period last year.

The province has set up three local tuna supply chains between seafood producers and fishing cooperatives, which own a total of more than 150 fishing ships.

7. Banks to keep profits on new decree

Decree 121/2020/NĐ-CP will amend Decree 91/2015 dated October 13, 2015 regulating the State capital invested in State-owned companies and management of State capital and assets in the business.

The new policy allows government agencies to increase the State capital in joint stock companies and limited-liability firms with two or more board members.

Commercial banks with the State holding more than 50 per cent of the charter capital are subject to the new decree.

Under the new decree, the three large-cap State-owned banks – the Viet Nam Joint Stock Commercial Bank for Industry and Trade (Vietinbank), the Joint Stock Commercial Bank for Foreign Trade of Viet Nam (Vietcombank), and the Joint Stock Commercial Bank for Investment and Development of Viet Nam (BIDV) – are now able to keep and use their profits to increase capital instead of paying cash dividends to shareholders.

In recent years, the State Bank of Viet Nam (SBV) – representing the Government to monitor the State capital in financial-banking firms – asked the three banks to pay cash dividends, but the request was always rejected by other shareholders.

SBV is holding nearly 81 per cent in BIDV, more than 64 per cent in Vietinbank, and nearly 75 per cent in Vietcombank.

Vietinbank and Vietcombank planned to issue bonus shares using their profits recorded in 2020 to increase capital, meeting BASEL II standards, preparing for any economic shocks caused by the prolonged COVID-19 pandemic and the instability of the global economy.

At its annual shareholders' meeting on April 23, Vietinbank decided to use the remaining post-tax profits during 2017-19 to issue bonus shares and increase capital. The issuance rate has not been selected.

Vietcombank has planned to issue bonus shares at the rate of 18 per cent in the second six-month period of 2020, meaning every shareholder will receive 18 new shares for each 100 shares they have. The time has not been decided yet.

According to Vietinbank chairman Lê Đức Thọ, the adjustment of the Decree 91/2015/NĐ-CP is key to the development of the bank as the plan on using

2017-18 profits to increase capital has already been approved by the Government.

Corporate News

8. VNM: Vinamilk tailors strategy for exporting to win

↑ 0.28%

Recently, Vietnam Dairy Products Joint Stock Company (Vinamilk) was named in the List of Reputable Exporters of 2019 by the Ministry of Industry and Trade (MoIT) for the category of milk and dairy products.

The list, which comprises 268 companies in various sectors, was based on recommendations by related agencies on the basis of criteria set by the MoIT like minimum export turnover, reputation among foreign customers and fulfillment of customs, taxation and environmental obligations.

The certificate enables enterprises to boost their global profile and expand markets.

Building trust for overseas expanding

Already the leading dairy company in Vietnam in terms of market share, in the last decade Vinamilk has invested in expanding its international business to boost growth, especially Asia due to economy potential and increasing urbanization.

The company has been carefully researching specific markets, taking advantage of strengths in product quality and invest in modern distribution channel to create the trust of foreign partners and deepen its footprints throughout the region.

9. VSH: Holding EGM 2020

↑ 0.24%

On October 09, 2020, Vinh Son - Song Hinh Hydropower Joint Stock Company announces the holding of Extraordinary General Meeting 2020 as follows:

- Meeting time: 8:00, October 28, 2020
- Meeting venue: Quy Nhon Hotel, 08 – 10 Nguyen Hue, Quy Nhon City.

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