VIETNAM DAILY NEWS

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Table of content

Table of content

Market Analysis

1. VN stocks reach 8-month high

Vietnamese shares soared on Wednesday, propelled by the positive performance of the large-cap sector.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 1.11 per cent to 940.18 points.

The VN-Index has increased by total 2.32 per cent in the last four trading days.

Large-cap companies kept progressing to boost the domestic market.

The blue-chip tracker VN30-Index rose 1.57 per cent to 892.15 points.

The VN30 futures due on October 15 rose nearly 2.1 per cent to 894.80 points.

Twenty-two of the 30 largest stocks by market capitalisation and trading liquidity in the VN30 basket increased while six declined.

Among the best performers in the large-cap sector were consumer firm Masan (MSN), Techcombank (TCB), Bank for Investment and Development of Viet Nam (BID), brewer Sabeco (SAB), SSI Securities (SSI), Vingroup (VIC) and retailer Mobile World Investment (MWG).

Among those large-caps, MSN and TCB surged 7.0 per cent and 6.8 per cent, respectively. Other stocks advanced between 2.6 per cent and 4.0 per cent.

The positive growth of large-cap stocks helped cloud the negative sentiment in mid-cap and small-cap stocks.

The mid-cap tracker VNMID-Index inched up 0.12 per cent while the small-cap tracker VNSML-Index slid 0.24 per cent.

The retail, banking, securities, insurance, agriculture, food and beverage, and medical and pharmaceutical sectors were among the best-performing industries on Wednesday.

Nearly 475 million shares were traded on the southern bourse, worth nearly VND14.4 trillion (US$621.3 million).

The market is being driven by a few large-cap stocks such as brewer Sabeco (SAB) and Techcombank (TCB), which are luring attention for their own business news, Thanh Cong Securities Co (TCSC) said in its daily report

The growth of those large-cap stocks spurs the market to new highs, the company said.

However, the market's dependence on the large-cap sector may put the market at risk of strong correction if those large-caps suffer from profit-taking, the company warned.

"The profit taking may arise around 940 points and the VN-Index could turn back down to its lower levels in coming days," BIDV Securities Corp (BSC) said in a note.

On the Ha Noi Stock Exchange, the HNX-Index rose nearly 1.0 per cent to 137.49 points.

The northern market index inched up 0.18 per cent on Tuesday.

Macro & Policies

2. Reforms of checks on imported products would create large room for growth: minister

Dũng was speaking at the Government Office's meeting on Tuesday to discuss the draft project about reforms of quality and food safety control on imported products following the proposal of the Ministry of Finance.

Dũng said there were barriers in procedures for importing products, which was time-consuming and pushing up costs, adding that the project aimed to tackle these problems and create a favourable business environment.

The World Bank's Doing Business 2020 report announced in October last year revealed Việt Nam's ranking for the ease of trading across borders dropped four spots from 100th to 104th out of 190 economies while the ease of doing business fell one spot from 69th to 70th.

Detailed measures must be raised to improve ease of trading across borders as well as the business climate and national competitiveness, especially in the context that the Vietnamese Government set the targets of simplifying and cutting at least 20 per cent of business regulations and slashing at least 20 per cent of compliance costs, Dũng said.

“If we do well with reforms on checks on imported products, it will create large room for growth," Dũng said.

Deputy Minister of Finance Vũ Thị Mai said reforms were being carried out but more drastic measures were needed to create breakthroughs.

Specialised checks on imports remained a burden on business, which increased time spent on customs clearance and undermined national competitiveness in trading across borders, she said.

Mai said the project would aim to cut time and costs and create favourable conditions for business, protect the rights of businesses and consumers and improve efficiency in the management of imported products.

The project would focus on reforms which would make customs the focal point for quality and food safety control on imported products.

The finance ministry estimated the reformed model would help reduce the number of declarations for quality and food safety control per year by about 54.4 per cent and help save 2.4 million working days, equivalent to VNĐ881 billion (US$37.8 million).

A representative from the Ministry of Industry and Trade said the project needed to clarify the roles of other ministries in carrying out specialised checks and post-clearance checks to have the most appropriate reforms.

Ngô Hải Phan, Director of the Government Office's Administrative Procedures Control Agency, said the project would put enterprises at the centre to create the best possible conditions for their operation, reduce time and costs while improving transparency and efficiency in management.

Dũng also asked ministries to hasten reforms to remove inconsistencies and overlaps which were burdening businesses.

During the past four years, 3,893 out of 6,191 business prerequisites were removed or simplified, together with removing 6,776 out of 9,926 product lines subjected to specialised checks for customs clearance. This helped save more than 18 million working days, equivalent to more than VNĐ6.3 trillion.

3. Infrastructure development at the centre of PPP decree direction

The Ministry of Planning and Investment is now compiling two decrees to guide the implementation of the Law on Public-Public Partnership Investment.

They include a decree on detailing the law and another one on selecting investors.

The new Law on Public-Private Partnership Investment adopted by the National Assembly in June and will come into effect on January 1, 2021.

In fact, many investors' expectations are high that the nation will further foster private investors for public-private partnerships (PPP) to support local infrastructure development. The law contains important improvements and implications to ensure cost-effective and predictable project implementations, and aims to attract more private and foreign investment by clarifying the existing legal framework.

The Vietnamese government hopes to show its commitment to domestic and foreign financiers and create a secure environment for them when participating in PPP projects.

This year, Vietnam has made significant efforts to revise its legal framework for infrastructure development since January. At that time, businesses were concerned with corresponding laws that they considered a limiting factor for Vietnam's economic development and said that the state should come up with a comprehensive strategy on judicial reform to continue its infrastructure expansion.

Dr. Tran Tho Dat, member of the prime minister's Economic Advisory Group, said that within ASEAN, countries like Indonesia, Thailand, and Malaysia are evolving their infrastructure faster than Vietnam, adding that, "If we do not catch up, the Vietnamese economy is likely to lag further behind."

Although Vietnam has been a dynamic country with frequent legal changes, Dat remains concerned about the limitations of the nation's infrastructure system. "Planning, especially in large cities, has not met the requirements regarding connection efficiency and quality. The transport system remains weak and cannot yet support the country's development goals of industrialisation and modernisation," he concluded.

According to the World Bank's report "Vibrant Vietnam – Forging the Foundation of a High-Income Economy," published in June, about 90 per cent of the nation's residential infrastructure is invested in by the state. Meanwhile, private funding has remained low at just under 1 per cent of GDP during the past decade, with most of this being poured into the energy sector.

Vietnam has further prioritised infrastructure development and encouraged the private sector to rely on the regulations stated in Decree No.15/2015/ND-CP issued in February on investment in the form of PPP, which so far has been the only legal framework for private investments in public infrastructure.

Although Decree 15 specified procedures that authorities must follow when bidding on PPP projects and removed the limits of 30 per cent for government funding, the decree's regulations have not yielded the expected results.

No project was bid on by more than one eligible or interested investor, although as the World Bank's report stated that 18 PPP projects out of 53 were competitively bid on. The decree's requirements have created burdens with crafting feasibility studies and undertaking competitive bidding, while most ministries and agencies have not been prepared for this.

As a result, the private sector has not participated heavily in infrastructure investment. The World Bank's data also shows that, since 1990, only 116 PPP projects with a total value of $19.4 billion have been approved in Vietnam, equal to less than 10 per cent of total investment in infrastructure since then. Additionally, approximately 75 per cent of PPP schemes were implemented in the energy sector.

According to analysts, the country currently does not have enough capital or suitable solutions within its financial system to meet the investment needs for local infrastructure projects. Moreover, local banks so far limit outstanding loan increases as public infrastructure ventures require long-term capital supply and banks are not ready to lend to new private and small developers.

Thus, as neither state budget nor local banks could be the solution, the government has been required to find alternatives to finance public infrastructure developments. With the new law on PPP investment, it is hoped some groundwork will be carried out imminently.

Vietnam's capital demand for infrastructure development

According to previous estimates of the Ministry of Transport, the total capital needed for the country's transport infrastructure has been equivalent to about $48 billion from 2016 through 2020. Besides this, road infrastructure and projects according to the National Power Development Plan VII also require total investment of approximately $148 billion until 2030, with this number likely to even increase further.

The Asian Development Bank estimates that Vietnam will need an average of at least $16.7 billion a year between 2015 and 2025 to finance infrastructure development needs.

Meanwhile, the World Bank even forecasts that Vietnam's capital needs for infrastructure development may reach $25 billion per year, an amount much higher than the average level in the 2011-2015 period.

4. Japanese favouring a Vietnam+1 strategy

Juki Vietnam Co., Ltd., specialised in manufacturing industrial sewing machines, is now seeking local outsourcing partners to ramp up production in Vietnam.

"We deal with a large number of companies and a wide range of contract production is currently possible. With more than 20 years of production experience in Vietnam and quality control of Japanese standards we will deliver safety, stability, and security together," said a company representative.

Meanwhile, Panasonic Life Solutions Vietnam, a member of Panasonic Vietnam Group companies, will begin operations of its new factory in the southern province of Binh Duong in January 2021, covering an area of 24,000 square metres of the total 50,000sq.m of land for future growth.

Panasonic is manufacturing diverse products in Vietnam ranging from television sets, air conditioners, and refrigerators to electrical home appliances. Therefore, it has a high demand for suppliers of components and accessories.

Hirai Shinji, chief representative of the Japan Trade Promotion Organization in Ho Chi Minh City, told VIR that these companies are among many more from Japan that are pursuing a "Vietnam+1" approach to expand their production here, prompting local suppliers to step up the game to meet their requirements.

Many other big Japanese investors are also planning to shift their manufacturing operations to Vietnam, including Able Yamauchi and Showe producing coats, gloves, and medical masks; Techno Global making medical face shields; Hashimoto Cross producing hats and medical masks; and Nikkiso manufacturing medical equipment.

Such Japanese operations mean they must seek more local vendors who they believe have sufficient quality to have a working agreement with.

"We have witnessed more Japanese companies embrace this approach. Unlike the China+1 strategy which focuses on diversification by having a factory in China and another in a developing country in the Southeast Asian region, this strategy involves Japanese companies in Vietnam expanding production there, opening up opportunities for local suppliers," Shinji said.

Le Nguyen Duy Oanh, vice director of the Ho Chi Minh City Centre of Supporting Industries Development (CSID) also told VIR that it has received many requests from Japanese companies to connect with local suppliers.

Not only Japanese corporations like Panasonic, Sharp, and Juki, but also small- and medium-sized Japanese ones want to team up with local partners to beef up production in Vietnam. They are looking for local producers who can ensure mass production in a stable manner.

However, Oanh cited a CSID survey of 60 Vietnamese companies in supporting industries, revealing that over 50 per cent of companies have small production depending on each order. This is in contrast to the high demand for output by Japanese investors.

"Japanese investors need local partners to supply materials and spare parts with sufficient output in a timely manner. To meet the requirements of Japanese companies, Vietnamese vendors need to optimise their production and invest in modern technology to improve both productivity and competitiveness," she said.

Some Vietnamese companies are qualified to join the supply chain of some Japanese manufacturers including Hiep Phuoc Thanh, Cat Thai, and Tien Thinh.

Hiep Phuoc Thanh, for example, has provided plastic inputs to brand names such as Samsung, Toyota, and Panasonic. Cat Thai provides accessories for Japanese electronics manufacturers, while Tien Thinh is supplying wires for some projects by Toyota and Canon.

The demand for local suppliers is set to continue as more Japanese companies look to ramp up investment in Vietnam. The Japanese government is paying about ¥12 billion ($114 million) to 30 companies to increase production in Southeast Asia, in the first round of a multi-billion dollar programme to diversify supply chains after COVID-19.

5. US announces assistance to strengthen Vietnam's e-government capacity

US Ambassador to Vietnam Daniel J. Kritenbrink, the United States Agency for International Development's (USAID) acting vietnam mission director Bradley Bessire, and Chairman of Vietnam's Government Office Mai Tien Dung participated in an MoU signing ceremony between USAID and the Government Office.

During the signing ceremony, Ambassador Kritenbrink said, "The MoU signed on Vietnamese e-government capacity building demonstrates continued close cooperation between the United States and Vietnam and reinforces the US government's commitment to support Vietnam's efforts in modernising public administration, administrative reform, and e-government development."

USAID assistance towards this capacity building effort has four main components, including updating implementing regulations related to online public service delivery and processing and organisational change management to improve service delivery and communications plans to strengthen the National Public Service Portal.

The third component is improving business processes, interface design, and user experience on the National Public Service Portal, while the last one is business process re-engineering support for one-stop shops, focusing on the digitalisation of administrative procedures and access to digitised results via the National Public Service Portal.

Over the past 15 years, USAID has been working closely with Vietnam to strengthen the local enterprises' ability to scale operations, create an enabling business environment, train emerging leaders, reduce the time and cost of trade, and enhance the national and provincial legal and regulatory framework to drive private sector growth.

6. Binh Duong expects wave of billion-dollar foreign investment

In that context, hubs of industrial parks are now standing a chance of booming, of which the southern province of Binh Duong being deemed as an odds-on candidate.

Binh Duong becomes "top dog" as Viet Nam expects billion-dollar foreign investment

Binh Duong has maintained high economic growth and been considered the most modern industrial hub in the southern region with 48 industrial clusters and parks covering a total area of more than 10,000 hectares.

The province has always been among the leading recipients of foreign direct investment (FDI), only after Ho Chi Minh City and Ha Noi.

It is expected that by the end of 2020, FDI inflows in Binh Duong will reach over US$11 billion. Such a figure is still posing no sign of stopping as the locality is seizing a golden opportunity from the wave of shifting global supply chains thanks to its indisputable advantages.

Owning a modern infrastructure network and being located in the key economic triangle Ho Chi Minh City – Binh Duong – Dong Nai, Binh Duong is considered the focal point of all economic connections in the Southeastern region.

The large land fund and flat land terrain suitable for the construction of large-scale factories and export processing zones (EPZs) are also the province's strengths.

In addition, with an abundant labor force supplied from more than 30 cities and provinces nationwide, as well as simple administrative procedures and numerous incentives for investors, Binh Duong has been becoming one of the "top dogs" in the face of opportunities to attract FDI capital after the disease.

Chance for Binh Duong's real estate to boom

Attracting FDI capital is a direct lever that creates a quality supply source for real estate. This source of supply comes from a large number of senior experts and foreign experts with high to very high income, who are seen as a "quality" output for real estate projects in Binh Duong.

There is no need to wait until the global supply chains have been officially shifted into Viet Nam. Many real estate businesses have leapfrogged such a potential by landing the province with large-scale projects.

It can be said that in the danger from the complicated COVID-19 context, the chance has still been created under the name of FDI waves.

Alongside that fact, Binh Duong's available advantages will be a lever to enable the real estate market in general and the apartment segment in particular in the southern province to boom, not only in 2020 but also in the following year.

7. Viet Nam to increase imports of coal and gas

The latest data from the ministry sent to the National Assembly shows that Viet Nam is transitioning from an energy exporter to a net importer.

Notably, the import scale of coal and gas of the country is also growing along with increased spending to invest and buy fuel to serve the country's development.

The amount of imported coal increased sharply due to difficulties in domestic coal exploitation, especially the development of new mines, so coal output produced domestically was not enough to fuel thermal power plants.

Viet Nam National Coal – Mineral Industries Holding Corporation Limited (Vinacomin) and Dong Bac Corporation under the Ministry of Defence have had to import coal and mix for electricity production since 2018.

Calculations of the Ministry of Industry and Trade show that the gas output exploited ashore for household consumption maintains at 8.5 - 10.2 billion cubic metre (m3) of gas per year in 2010-2019.

Due to the decline of gas fields in the southeast since 2022, the gas output of the region will decline rapidly from 11 billion m3 in 2022 to nearly 3 billion m3 in 2030.

This means Viet Nam will have to import liquefied natural gas (LNG) for electricity generation. The amount of imported LNG is estimated at more than 10 million tonnes per year by 2030.

Vinacomin's recent reports said the annual mining of 50-56 million tonnes of coal must be guaranteed, but mining costs were increasing due to the need to dig deeper.

The corporation could only exploit up to 45 million tonnes each year. The rest must be imported to ensure supply for electricity development, consumption and production.

Tran Xuan Hoa, Chairman of the Viet Nam Mining Science and Technology Association, said that to exploit coal, miners needed to dig deeper, causing coal prices to rise, so it would be difficult to compete with imported coal in the future.

The increase in coal and gas imports would put great pressure on the economy as the proportion of energy imports was increasing, he said.

A representative of the Oil, Gas and Coal Department under the Ministry of Industry and Trade said the country's energy import trend would continue to increase in the long term and energy import dependency ratio would be around 33 – 37 per cent by 2025 and up to 50 – 58 per cent by 2035.

Corporate News

8. FCN: FCN wins a new construction project

↑ 0.44%

FECON Corporation has assigned a new project in October 2020, as follows:

- Project: My Dinh Pearl Complex – Phase 2
- General contractor: PetroVietnam - SSG Real Estate Joint - Stock Company
- Time: October 2020 – May 2022
- Location: Ha Noi
- Value of package: 113,168,000,000 dongs.

9. HVN: Vietnam Airlines reports huge losses

↑ 0.00%

Hien was speaking at a press conference held in Ha Noi on Tuesday.

He said the group's third quarter revenue was 32 per cent compared with the same period last year, even though it was normally the peak quarter with the highest revenue of the year.

“The aviation industry is in an extremely difficult time. Around the world, many airlines have to sell their assets, including key businesses such as catering and maintenance services. There are even companies selling their headquarters or renting them out to survive,” Hien said.

Facing such difficulties, Hien said the carrier had taken initiatives to solve the impacts of the COVID-19 pandemic, seeking financial solutions since the outbreak began and the cash flow declined rapidly, including cost cutting. “We have also proposed shareholders, including the State which owns an 86 per cent of stake, to give us assistance.”

“We are proactively seeking and taking advantage of every opportunity to increase revenue, such as promoting cargo transportation and charter flights to carry Vietnamese passengers back home and expert visitors, and selling old aircraft,” he added.

Hien said Vietnam Airlines had cut up to VND5.34 trillion in costs, of which the most difficult decision was to cut wages and reduce the number of workers. At the same time, the group also worked with banks to restructure loans and delay the repayment periods.

“This is how Vietnam Airlines can ensure liquidity, maintain operations and survive.”

At the conference, Hien also denied reports that Vietnam Airlines was filing for bankruptcy. “This information is wrong. We are doing our best to overcome the crisis.”

Despite the outbreak, Vietnam Airlines Group, including Vietnam Airlines, Pacific Airlines and VASCO, still took the leading position in the domestic market with 51.7 per cent market share in passenger transportation.

Director of Vietnam Airlines Communication Department Dang Anh Tuan said the passenger transport activities of Vietnam Airlines were recording positive changes in the context of rapid and effective control of the disease by the Government. The domestic market had recovered and some international routes had been reopened under strict control and prevention of the outbreak.

“Vietnam Airlines is ready to open international routes and additional domestic routes right after the Government gives the green light to the aviation industry. We have prepared to bring the best and safe services to all passengers,” Tuan said.

In the last months of the year, Tuan said the group would continue to closely monitor disease developments and follow the market to have an appropriate plan to restore the flight network, ensuring the highest priority to pandemic prevention and meeting the travel demand of passengers.

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