



VIETNAM DAILY NEWS

October 2nd, 2020



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Market Analysis

1. New economic data, policy lifts VN stocks

Vietnamese shares on Thursday cheered positive economic news and data while investors remained highly interested in purchasing shares on corporate earnings prospects.

The benchmark VN-Index on the Hồ Chí Minh Stock Exchange gained nearly 1 per cent to end at 914.09 points.

The VN-Index inched up 0.14 per cent on Wednesday.

Gaining stocks doubled losers by 305 to 108 while 63 stocks ended flat on the southern market.

Market sentiment was lifted after the State Bank of Vietnam (SBV) on Thursday cut its benchmark interest rate to support the national economy and businesses amid the continuous spread of the coronavirus, BIDV Securities Co (BSC) said in its daily report.

Accordingly, the maximum refinancing rate, rediscount rate and electronic interbank rate were cut by 0.5 percentage points to 2.5-5 per cent annually. Meanwhile, the ceiling deposit rate was set at 4 per cent annually, down 0.25 percentage points.

The rate cut clearly had a positive impact on the market and helped propel the VN-Index to near 915 points on Thursday, BSC said.

Investors' confidence was also bolstered by good data from data mining company IHS Markit, which showed Việt Nam's purchasing managers' index (PMI) in September rose 6.5 points monthly to 52.2 points – the highest since the beginning of the year, MB Securities Co (MBS) said in a note.

The improvement was made by the efforts of the Government and people to contain the spread of COVID-19 in the country, boosting the outlook of the industrials and production sectors, MBS said.

In addition, the market was still driven by the hunt for companies' stocks, which are likely to release good earnings reports in the past quarter.

Shares of brokerage firms, material producers, technology companies and building contractors were the major focus on Thursday.

The four industry indices grew between 0.9 per cent and 5 per cent, according to vietstock.vn.

Securities firms had the best growth rates. Leading companies in this sector such as SSI Securities (SSI), HCM City Securities (HCM), VietCapital Securities (VCI) and VNDirect Securities (VND) soared between 5 per cent and 6.9 per cent.

Material producers such as steel firms Hòa Phát (HPG) and Hoa Sen (HSG) also made good gains. HPG rose 2.3 per cent and HSG added 1 per cent.

HPG topped the most-active stock board on HoSE with more than 17 million shares being traded. HSG and SSI ranked third and fourth with 10-11 million shares being traded each.

"The stock market now has the chance to beat the short-term peak of 915 points on Friday, backed by both internal and external factors," MBS said.

"If the short-term peak is successfully passed, the market will enter a new stage of expansion," MBS forecast.

On the Hà Nội Stock Exchange, the HNX-Index gained 0.42 per cent to 133.50 points.

The northern market index rose 0.91 per cent on Wednesday.

Nearly 409 million shares were traded on the two exchanges, worth VNĐ7.48 trillion (US\$323.7 million).

Macro & Policies

2. Greater efforts needed to tackle bad debts: Experts

The Government has directed the State Bank of Vietnam (SBV) to add non-performing loan (NPL) settlement regulations under Resolution No.42/2017/QH14 into the revised Law on Credit Institutions, SBV Deputy Governor Nguyen Kim Anh has said.

Addressing a forum on Vietnam's banking industry in 2020 held in Hanoi on September 30, Anh said the restructuring of the credit institutions system, in association with bad debt handling, has been one of the key tasks of the banking industry during the 2016-2020 period.

The National Assembly issued Resolution No.42/2017/QH14 in 2017 as a pilot programme for the first time to speed up the bad debt handling of credit institutions.

"The resolution has created positive changes and proved effective in the handling of bad debts and restructuring of credit institutions in the past few years", Anh said.

He said credit institutions have so far followed the resolution to build and implement their restructuring plans associated with bad debt handling in the 2016-20 period. As a result, credit institutions' credit quality has improved with their on-balance-sheet NPL ratio controlled below 2 percent. Their size, financial strength, governance capacity and transparency have been also improved significantly, Anh added.

Besides, based on the resolution, inspection and supervision of competent authorities over credit institutions have been strengthened, which have contributed to removing cross-ownership of groups of shareholders in the institutions.

Nguyen Dang Phi, SBV's Deputy Chief Inspector, reported the NPL ratio of the banking sector has been gradually decreasing over the years, from 2.46 percent at the end of 2016 to 1.99 percent, 1.91 percent and 1.63 percent at the end of 2017, 2018 and 2019, respectively.

On average, the banking industry recovered some 6.92 trillion VND (298.27 million USD) of bad debts per month by the end of July this year, much higher than the rate of 3.94 trillion VND in the 2012-2017 period.

However, Anh noted the COVID-19 pandemic this year had adverse impacts on the restructuring and bad debt settlement of credit institutions in the 2016-2020 period.

"If the pandemic continues, causing production and business to stagnate and affect the country's economic growth adversely, the credit risk will rise and the pressure of bad debt will be very high. Therefore, meeting the Government's targets of controlling bad debts is still a huge challenge for the banking industry," Anh said.

According to Do Giang Nam, Deputy General Director of the Vietnam Asset Management Company, despite its effectiveness, Resolution 42 is only a pilot programme and took effect for five years from August 15, 2017.

Therefore, Nam said, if there were no other regulations to replace the resolution after it expires, bad debt buyers would be concerned, causing a delay in the banking industry's bad debt settlement.

3. Vietnam starts building 3 national expressway sub-projects worth US\$1.6 billion

The Ministry of Transport on September 30 held a ground-breaking ceremony for three sub-projects under the Eastern North-South Expressway project.

These sub-projects consist of sections of Mai Son – National Highway No.45 (Thanh Hoa province), Vinh Hao – Phan Thiet (Binh Thuan province), and Phan Thiet – Dau Giay (Dong Nai province) with a

combined investment capital of VND37 trillion (US\$1.6 billion).

All three were previously subject for change in the financing format from the Public-Private Partnership (PPP) to public investment, scheduled for completion by late 2022.

Vice Minister of Transport Nguyen Ngoc Dong said once completed, the North-South expressway would address shortcomings of the National Highway No.1 which runs in parallel with the new ones. Specifically, the existing National Highway only allows an average speed of around 40 – 60 kilometers per hour due to residential areas on the roadsides, while the use of mixed lanes also poses risk of traffic accident.

Meanwhile, the new highway is designed to have a speed limit of 80 – 120 kilometers per hour with opposite lanes divided to ensure higher speed for vehicles.

According to Mr. Dong, the construction of the North-South expressway would help better connect economic zones to support economic growth.

The Eastern North-South expressway project, which is of national priority for investment in the 2017 –

2020 period, includes 11 sub-projects with a total length of 654 kilometers running through 13 provinces and cities worth US\$100.81 trillion (US\$4.32 billion), including VND78.46 trillion (US\$3.36 billion) from the state budget to be pumped into six state-funded projects.

Prime Minister Nguyen Xuan Phuc said once the entire project is completed, Vietnam would have 2,000 kilometers of expressways, the figure would be at least 5,000 kilometers by 2025 for the national road network stretching from the northern province of Lang Son to the southernmost province of Ca Mau.

Mr. Phuc suggested transportation is essential for development, and Vietnam is determined to have the best transportation system to serve the country's goal of industrialization and modernization.

The PM also noted the government would not only invest in road transportation, but also other transportation modes, especially in upgrading the current obsolete railway network.

With the Eastern North-South expressway included, the country would have four major trans-Vietnam roads, including National highway No.1, Ho Chi Minh highway, and coastal highway.

4. Vietnam applies automatic customs management system at Noi Bai Airport

The Ministry of Finance, the General Department of Vietnam Customs (GDVC) and Hanoi's Department of Customs jointly launched on September 29 the Vietnam Automatic System for Customs Management (VASCN) at Noi Bai International Airport.

At the launching ceremony, Director of Hanoi Customs Department Duong Phu Dong said the system proved successful after two years of pilot implementation by processing 99.5% of the consignments.

According to Mr. Dong, the VASCN processes an average of 5,300 shipments per day at Noi Bai Airport and helps reduce the average clearance time from up to six hours to less than 10 minutes.

The launch of the system, along with the National Single Window, would significantly change the operation of customs authorities from paper-based to relying on modern technologies in all processes of clearance.

Notably, as the VASCN would be able to process information of shipments before the flight arrives, the system could identify high risk shipments that would require a more thorough check.

This would help the customs to timely prevent acts of smuggling and trade frauds.

Moreover, these two systems are expected to help airlines, logistics companies and trading firms to save time and costs during the clearance process, a key step to enhance businesses' competitiveness an efficiency.

Vice Minister of Finance Vu Thi Mai requested the GDVC to ensure efficiency in operating the system and minimize any inconvenience that it may causes

to businesses' activities, while planning to launch the system at other airports, including Tan Son Nhat International Airport this year.

5. Central bank further cuts benchmark interest rate to aid economy

The State Bank of Vietnam (SBV) on September 30 announced its decision to lower the benchmark interest rate as part of efforts to support the national economy amid difficulties posed by the COVID-19 pandemic.

From October 1, the refinancing interest rate will be cut to 4 percent per annum from 4.5 percent, while the rediscount interest rate will go down to 2.5 percent from 3 percent.

The overnight electronic interbank rate and rate of loans to offset capital shortage in clearance between the SBV and credit institutions will be lowered to 5 percent per annum from 5.5 percent.

The central bank also decided to cut the interest rate of bids of valuable papers through open market operations from 3 percent per annum to 2.5 percent.

Regarding the maximum interest rate for deposits in Vietnam dong (VND) by organisations and individuals at credit institutions and foreign bank branches, the SBV stipulates that the maximum interest rate applicable to demand deposits and those of less than one month is 0.2 percent per annum.

The maximum interest rate applicable to deposits with terms from one month to less than six months will fall to 4 percent per annum from 4.25 percent.

The maximum rate for deposits with terms of one month to less than six months at people's credit funds and microfinance institutions will be cut to 4.5 percent per annum from 4.75 percent, while interest rates on deposits with a term of six months or more will be determined by credit institutions on the basis of market capital supply and demand.

Notably, loans to borrowers in a number of regulated fields and economic sectors have been cut to 4.5 percent per annum from 5 percent. The maximum short-term lending interest rate in VND at people's credit funds and microfinance organisations for these capital needs is now down from 6 percent per annum to 5.5 percent.

According to the central bank, since early this year it has synchronously operated monetary policy tools to control inflation, stabilise the macro-economy and the monetary market, and reduce the market interest rate to support economic recovery amid the COVID-19 pandemic.

6. Vietnamese logistics players urged to embrace digital transformation

This was stressed at the seminar titled "Logistics industry before the turning point of digital transformation. Risk management to properly and effectively digitize services", held in Ho Chi Minh City on September 30.

Nguyen Tuong, deputy secretary general of the Vietnam Logistics Association, pointed out three challenges keeping logistics companies from embracing digital transformation, including financial capacity, human resources, and choosing suitable technology. In particular, companies need from hundreds of millions to dozens of billions of dong to invest in digital technologies. However, the

majority of Vietnamese logistics players are small- and medium-sized, so they lack the capital to digitise their operations.

"In addition, there are few international-standard software offerings in Vietnam, making it difficult for local firms to choose suitable technology. Logistics leaders are not confident about data and payment security when implementing digital transformation. Both leaders and staff remain hesitant to change their habits for the digital environment. Thus, we need to change the perceptions of logistics companies," he said.

Nguyen Ngoc Dung, vice chairman of the Vietnam E-commerce Association (Vecom), shared that local firms have remained slow to embrace digital transformation in the past 10 years. A shipper in a developed market can deliver 200 parcels a day with map data to optimise routes. In Vietnam, a shipper can deliver two parcels a day on average as it takes time to find the address and wait for the recipient to collect the order.

Most e-commerce activities are taking place in big cities like Hanoi and Ho Chi Minh City. Logistics

companies also focus on the urban areas which increases shipment costs for long distance.

According to the Vietnam Logistics Association, not many logistics firms apply integrated solutions in their logistics and supply chains. Around 40 per cent of software applications remain basic such as international forwarding management, warehouse management, transport management, electronic data exchange, and customs declaration.

7. Quang Yen Coastal Economic Zone – new push for northern development

Located southwest of Quang Ninh and on the border to Haiphong, Quang Yen Coastal Economic Zone will cover a total area of 13,303 hectares, with two functional subzones: the nearly 6,900ha Dam Nha Mac seaport services and industrial zone, and a more than 6,400ha urban area and high-tech sub-zone.

The economic zone is scheduled to be developed from now to 2035.

Quang Yen Coastal EZ was established with three development goals. The first is to enhance economic, trade, and services connections with other coastal economic zones (CEZs) such as Van Don, Dinh Vu-Cat Hai (Haiphong), and Thai Binh as well as develop socioeconomic links between EZs and neighbourhood areas. Investment attraction to Quang Yen must be in harmony with national defence and security, the preservation and promotion of marine ecosystems and historical and cultural relics in the zone.

Secondly, it aims to develop Quang Yen into a major centre of industry, services, logistics, and a modern urban area of Quang Ninh and the Hong River Delta through the synchronisation of technical and social infrastructure, high-tech development, environment-friendly industries, and research and development (R&D) centres.

These two goals must be achieved together by improving the quality of the workforce and increasing incomes and employment opportunities (the third goal).

The decision on establishing Quang Yen CEZ will enter into force from November 15, at which time the EZ Tax Package shall be automatically activated for every new project in Quang Yen, regardless of investment size or the number of employees. This is a game-changer in enhancing the investment climate of Quang Yen CEZ and Quang Ninh province.

Before the establishment of Quang Yen CEZ, investors already saw the province's huge potential and compiled long-term business plans, including DEEP C Industrial Zones, an IZ developer backed by Belgian group Rent-A-Port.

“Connectivity and tax incentives are crucial criteria that investors take into consideration when choosing an investment destination. Quang Yen CEZ, with improved regional and global linkages through a series of mega-projects and preferential tax incentives soon to be applied, satisfies both requirements,” Said Bruno Jaspaert, general director of DEEP C Industrial Zones.

DEEP C invested in two IZs in Quang Yen CEZ, namely Bac Tien Phong and Tien Phong, generally known as DEEP C Quang Ninh. Of the nearly 6,900ha area of Dam Nha Mac subzone, DEEP C Quang Ninh occupies 1,680ha.

“Quang Yen is well-positioned for us to go beyond the industrial zone concept and build a seamless industrial zone ecosystem connected to seaports,” Jaspaert revealed. “Besides, 150,000-square-metre ready-built factory space in DEEP C Quang Ninh is scheduled to be built and put into operation next year.”

With the new change, Quang Yen CEZ now has on offer all the factors that are of prime concern in investment decisions: tax incentives, accessibility, and governmental support.

To elevate the local investment climate and build up ready-to-serve infrastructure for businesses in a fast manner, Quang Ninh province is calling for more

experienced developers like DEEP C to raise the bar for industrial infrastructure development.

These players will play a crucial role in growing Quang Yen toward its outlined path: a high-tech and eco-friendly EZ that contributes to the development of the Hanoi-Haiphong-Quang Ninh economic triangle.

Corporate News

8. HDG: BOD resolution on selling the treasury shares

↑ 1.61%

The Board resolution dated September 30, 2020, the BOD of Ha Do Group Joint Stock Company approved the plan to sell its treasury shares with the following details:

- Current treasury shares volume: 32,627 shares
- Number of registered shares to sell: 32,627 shares

- Purpose: to increase the number of outstanding shares

- Expected trading period: Quarter 4/2020, after being approved the State Securities Commission of Vietnam (SSC).

- Trading method: order matching or out through.

9. VIC: Vingroup launches a new service

↑ 1.09%

A wholesale online model

Vingroup has sold Vincommerce retail, which operates a chain of supermarkets and convenience stores, to Masan at the end of last year. It also closed Adayroi, its ecommerce website selling to consumers. With VinShop, traditional grocery store owners can buy goods at wholesale prices directly from suppliers. They can pay via VinID Pay, an e-wallet developed by Vingroup.

Traditional trade is evolving in Vietnam

Traditional retailers are beginning to compete with modern retailer to understand shoppers' needs. They accept cashless payments, pay attention to product display and connect shopper feedback to suppliers. Apart from selling essential products like rice and oil, they also provide dairy products, biscuits and sweet for large manufacturers. Sales management tools like Sapo X and KiotViet can help traditional retailers manage sales, update selling prices and confirm orders with ease. About 90% of grocery still trades through traditional trade in Vietnam and it will continue to have a key role to play in the market for a long time.

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