



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Shares gain as late cash flow outweighs profit-taking pressure

Vietnamese markets gained on Thursday after a late surge on the HoSE overcame earlier declines on investors' short-term profit-taking activities.

The benchmark VN-Index in the Ho Chi Minh Stock Exchange gained 1.16 per cent to close trading at 949.90 points.

It had declined 0.57 per cent to 939.03 points on Wednesday.

After a short accumulation period in the area of 940-945 points, the VN-Index was retesting the support level of 940 points, said BIDV Securities Co.

More than 365.1 million shares were traded on the southern bourse, worth VND7.3 trillion (US\$317 million).

Market breadth was positive with 152 decliners and 250 gainers.

The VN30-Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, increased 1.35 per cent to close Thursday at 918.30 points.

In the VN-30 basket, 24 stocks gained ground and five decreased while one remained flat.

Profit-taking pressure appeared at the beginning of the trading session and weighed down some large-caps. But at the end of the trading session, cash flow was injected strongly into most sectors, pulling up indices.

On a sector basis, 23 out of 25 sector indices gained ground, including wholesale, insurance, real estate, securities, information and technology, banking, rubber production, food and beverage, retail, healthcare, energy, agriculture, chemicals and plastic production, and construction materials.

On the other side, only two sectors lost ground, namely seafood processing and logistics.

Some notable gainers included Vietinbank (CTG), increasing by 3.1 per cent to VND32,000 per share, Vingroup (VIC), rising 2.9 per cent to VND100,100 per share, Mobile World Group (MWG), rising by 2.6 per cent to VND108,500 per share, FPT Corporation (FPT), climbing by 2.3 per cent to VND54,000 per share, and PetroVietnam Gas JSC (GAS), rising 1.9 per cent to VND73,700 per share.

According to Thanh Cong Securities Co, corrections may appear in the next trading session.

“Markets will witness differentiation between stock prices following their Q3 business results. Therefore, investors need to be cautious at present,” it said.

The minor HNX-Index on the Ha Noi Stock Exchange increased 0.63 per cent to end Thursday at 140.86 points.

More than 44.6 million shares were traded on the northern exchange, worth VND629.4 billion.

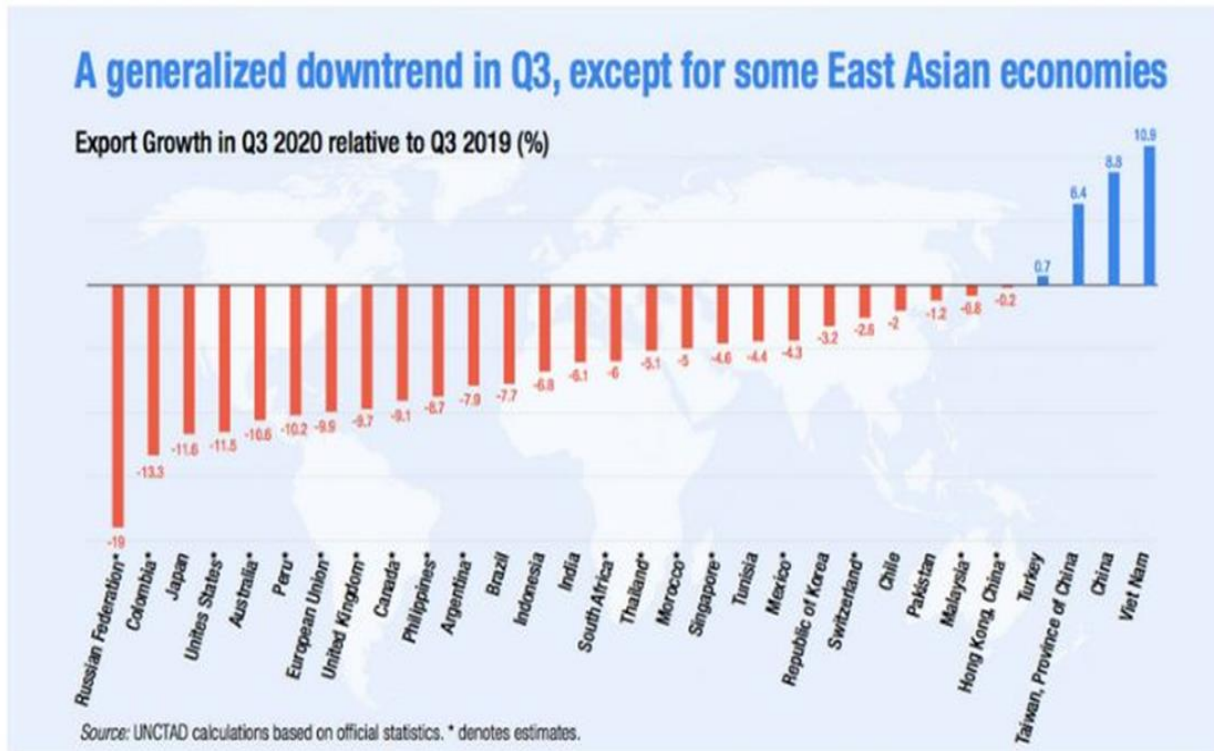
Foreign investors net sold VND951.9 billion on HOSE. They were net buyers on the HNX with a value of VND6.07 million.

## Macro & Policies

### 2. Vietnam records world’s highest trade growth in Q3: UNCTAD

Amid a generalized downtrend in the third quarter, Vietnam posted the highest trade growth globally during the period at 10.9% year-on-year, according

Japan, the US and the EU shrinking by between 11.6 and 9.7% year on year in the third quarter, according to the UNCTAD report.



to the United Nations Conference on Trade and Development (UNCTAD)'s new Global Trade Update report.

China, Taiwan (China) and Turkey were three other economies that have posted positive export growth during the July - September period, with the corresponding rates of 8.8%, 6.4% and 0.7%.

Notably, the top three were also among a handful of economies that have brought the spread of Covid-19 under control early on, with Vietnam having reported only 1,141 cases of Covid-19 infection and 35 deaths to date.

On the contrary, other major economies are still suffering from large number of infections and an inability to kick-start their trade, with exports from

“No region has been spared from the decline in international trade in the second quarter of 2020. However, trade in East Asia appears to have fared relatively better than in other regions. This trend is even more evident for the month of July. On the other hand, the sharpest decline has been for the West and South Asia region, where imports have dropped by 35%, and exports by 41%. As of July, the fall in trade remains significant in most regions,” noted the UNCTAD report.

Overall, global trade is expected to fall by about 7% in 2020 under the assumption that the trend observed in the third quarter continues into the final one of the year. The lower bound for 2020 is at about 9% considering the possibility of a resurgence of the Covid-19 pandemic during the coming months and the prospect of a deteriorating policy environment, with sudden increases in trade restrictive policies.

Vietnam's trade turnover in the first nine months of 2020 stood at US\$388.62 billion, representing an increase of 1.7% year-on-year or US\$6.6 billion, according to the General Department of Vietnam Customs (GDVC).

Upon breaking down, the export grossed US\$202.57 billion during the period, up 4.1% year-on-year,

while imports reached US\$186.05 billion, down 0.7%.

This resulted in a trade surplus of US\$16.52 billion, slightly lower than the estimated figure of US\$16.99 billion of the General Statistics Office for the January – September period.

### 3. Apple's Shifting Supply Chain Creates Boomtowns in Rural Vietnam

Now officials in the rural area north of Hanoi host representatives from Apple Inc. and Hon Hai Precision Industry Co. The growth in foreign investment is almost doubling every year -- even during the coronavirus pandemic -- and the province forecasts the value of exports this year will reach \$11 billion, a tenfold leap in six years. Residents have swapped loud, dirty motorbikes for new Honda two-wheelers while others drive Toyota SUVs and Mercedes sedans on freshly paved roads.

"Life is heaven now and it's thanks to the factories," said Nguyen Van Lanh, 64. His family, which once couldn't afford to buy meat, runs boarding rooms for workers built with their factory salary savings. One relative with a loan business for plant employees drives a red Mercedes-Benz.

The boom in Bac Giang highlights how the shift in the world's supply chains is touching regions previously left behind. Vietnam's ability to attract more sophisticated manufacturing is accelerating with rising Chinese labor costs, the U.S.-China trade war and logistics vulnerabilities amid the epidemic, which the nation's Communist leaders have so far successfully curtailed.

#### Shifting Sands

During the decades after the Vietnam War as the country opened its borders to foreign investors and trade, Bac Giang remained poor. Its 2010 per capita income was \$650, about half that of the nation overall, according to government statistics. The region's flood-prone plains produced low-yielding crops, so its residents looked for factory jobs some 1,700 kilometers from home in the south. Now the province is experiencing its first boom as per capita income is forecast at \$3,000 this year.

Manufacturers are knocking on the doors of Vietnam's northern provinces and committing billions of dollars to set up operations, including Samsung Electronics Co., where it is producing about half its smartphones. Apple assembly partner Pegatron Corp. plans to invest \$1 billion in the northern port city of Haiphong, local media reported, following moves to Vietnam of other suppliers for the Cupertino, California company. Apple recently posted Vietnam job openings, including for a mechanical quality engineer, and managers for supply chain operations and government relations.

Vietnam's success, though, is creating a swelling trade surplus with the U.S., its largest export market, reaching \$34.8 billion by July. Driven in part by device shipments, the imbalance triggered tariff threats. U.S. Trade Representative Robert Lighthizer announced an investigation into Vietnam's currency policy earlier this month.

For now, investments from electronics suppliers continue pouring in as other sectors struggle amid the pandemic. The country's tourism revenue has been slashed by about 50% and garment and other factories are laying off tens of thousands of workers as exports in the trade-dependent economy stall. Economic growth is forecast to slow to 2%-3% in 2020 from last year's 7.02%, though the government expects a recovery to 6%-7% between 2021 and 2025.

Vietnam's low costs, political stability, investor-friendly policies, improving infrastructure and state-backed efforts to promote tech startups make the country appealing, said Gene Tyndall, a supply chain expert at Atlanta-based eMATE Consulting.

#### Cows, Factories

In the heart of Bac Giang, where cows still roam the streets, a six-lane thoroughfare now replaces a one-lane road. Almost two dozen industrial parks for factories are proposed as pile drivers and cranes dot the landscape. The local economy expanded by 10.9% in the first nine months of 2020 from a year earlier compared with 2.12% growth for the entire country during the same period.

“We are living the changing of the global supply chain,” said Nguyen Dai Luong, deputy chairman of the People's Committee in Viet Yen district, where four of the province's five operating industrial parks are located. The pace of manufacturers moving to Bac Giang has surged since 2016 as companies poured \$3.8 billion into the province, a fourfold increase from the previous four years.

The government is building a river port for transporting parts and, at Apple's request, provided land for workers' housing near the 16-hectare complex of Luxshare Precision Industry Co., the world's biggest manufacturer of AirPods, Luong said.

Bac Giang has nearly full employment, with residents of nearby provinces rushing in to chase the electronics gold rush at companies such as Luxshare. The Chinese company will hire 20,000 workers in the last four months of the year, bringing the total to 47,000 in his district, Luong said. The company employs 12,000 elsewhere in the province, he said.

### Higher Salaries

Electronics assembly line workers can earn an after-tax salary of about \$5,500 a year, including overtime and bonuses, more than the nation's average annual salary of less than \$3,000, Luong said.

Nguyen Thi Ha, 22, mixed concrete for a construction company before joining an assembly line making 10 million dong (\$431) a month. “I used to earn about half of that working under the sun and

sometimes in the rain,” said Ha, who declined to identify her Taiwanese employer.

Factory workers pack restaurants like Lao Chu Quan, downing pitchers of beer, plates of pork cooked on an outdoor rotisserie and fresh fish hot pot. “They spend freely,” said Nguyen Thi Ly, the 26-year-old manager whose family owns a Mazda automobile and five new motorbikes after having “almost nothing” before the factories came. “Our lives have changed, amazingly.”

The sudden growth comes with a cost: Electronics assembly lines are high-pressured. Hoang Phuong Duy, 30, participated in a brief September labor strike at Luxshare that was triggered by a change in overtime pay calculation, leading to tense standoffs between workers and supervisors who don't speak Vietnamese.

Duy said the company quickly resolved the dispute to the workers' satisfaction. “It's very hard working on assembly lines,” he added. “We always have to be very fast with an intense concentration while working long hours.”

Vietnam's challenge going forward is to ensure that education improves so the country can avoid the “middle-income trap” once factories leave as costs eventually rise and pivot to a high-skilled economy, said Scott Rozelle, a Stanford University development economist.

A high-quality education for future generations is the dream of Bac Giang residents such as boarding house owner Lanh, who as a child harvested rice from a “basket boat” on flooded fields where factories now rise up.

“We hardly had anything to eat and clothes to wear,” he said of his childhood. Gazing down at his 3-month-old granddaughter, he added: “She will have plenty of food to eat and the best clothes to wear. We will send her to a university so she can have more opportunities than we ever had.”

## 4. Balanced recovery to battle unemployment

The International Monetary Fund (IMF) last week released its fresh forecast that Vietnam will be among only a few nations expected to see positive

economic growth this year, at 1.6 per cent, before bouncing back to 6.7 per cent in 2021. GDP for 2020 will likely be over \$340 billion, higher than



Singapore's expected \$337 billion. Moreover, the IMF predicted that this year Vietnam's per capita average income will increase from \$3,415 last year to about \$3,500 this year.

Vietnam is the only economy in the ASEAN-5 group (with Indonesia, Thailand, Malaysia, and the Philippines) that will maintain positive growth in the year in which the COVID-19 pandemic has been raging, exacerbating problems from the trade war between the United States and China.

However, Vietnam remains slow in creating new employment. Data from the General Statistics Office showed that in the third quarter of 2020, more than 1.2 million became unemployed, up over 148,000 people as compared to the same period last year, though the figure reduced by 63,000 against in the second quarter. The figures show that the domestic labour market is continuing to recover but at a slow pace.

According to Nguyen Hoai Nam from the Central Economic Commission, it is now necessary for the government to have a thorough assessment of its policies in supporting enterprises.

“Numerous difficulties remain for businesses, despite the government applying many new policies early this year,” Nam said. “For example, the policy on extending the time for corporate income tax payment is not significant because many enterprises have no revenues caused by the pandemic, so they cannot pay it.”

The government has set a target of 2.5-3 per cent in economic growth and in 2021, Nam said, if the pandemic still fails to be controlled globally it is likely that the economy will grow around 2 per cent thanks to development of the agricultural sector.

In the economy's structure, agriculture counted significantly. In the first nine months of this year, the sector climbed 1.84 per cent on-year, almost

equalling the economy's nine-month 2.02 per cent economic growth. It is seen as a short-term fix, however, as the economy's growth will still depend on many other sectors – especially processing and manufacturing, and services.

The Vietnamese economic outlook for 2021 is creating interest for scholars and policymakers. What is most important, said Nam, is that social and political stability must continue to be maintained in addition to macroeconomic stability and employment generation. “Creation of sufficient employment will help spur on economic growth and ensure social security,” he said.

According to experts, the key factors driving the Vietnamese economy are foreign direct investment, local private investment, and state funding. While the former will depend on foreign investors' strategy, it will be difficult to increase investment from domestic private groups if there are no breakthroughs in institutional reforms and the state's sturdy actions in favour of them.

Deputy Minister of Planning and Investment Tran Quoc Phuong stated that the economy is expected to grow over 2 per cent this year, with average per capita income estimated to be \$2,750.

“In the 2021-2025 Socioeconomic Development Plan, GDP is expected to grow 6.5-7 per cent annually, the consumer price index will likely increase 4 per cent on average, and average per capita income is estimated to be \$4,700-5,000,” Phuong said.

“To this end, it is necessary to continue macroeconomic stability, control of inflation, and ensuring balance in the economy. This must be done along with the proper use of fiscal and monetary tools to stimulate aggregate demand, and supporting enterprises and labourers – especially those suffering from income reductions and unemployment,” he added.

## 5. Government direct debt nears allowable ceiling: NA

At the sitting, Nguyen Duc Hai, chairman of the NA Committee on Finance and Budget, made reports over the results of the implementation of socioeconomic development and State budget plans for 2020, State budget revenue collection and

spending plans for 2021, the execution of the 2016-2020 financial plans on socioeconomic development and solutions for socioeconomic development in the 2021-2025 period.

Reporting the State budget plans, Minister of Finance Dinh Tien Dung also said that in 2020, State budget collections are expected to reach VND1,323 trillion, down 12.5% against the target. Several collection targets have failed to be fulfilled, including collections from taxes and fees.

Meanwhile, the budget spending is expected to total VND1,686 trillion this year, inching down 3.5% from the initial estimate. The Government has cut the spending on some unnecessary plans, tightened expenditures and focused resources on disease infection prevention and control and support for residents and firms to overcome the consequences of floods and natural disasters.

As such, the NA Committee on Finance and Budget proposed the Government carefully assess the efficiency of State budget collections, especially from stake sales in State firms, crude oil and divestment, to adopt appropriate solutions.

Besides, the Government should continue taking drastic and effective measures to obtain the highest State budget collection for the rest of the year, the local media reported.

The NA Committee on Finance and Budget pointed out that the country's regular spending remained high, accounting for 63.4% of the total budget expenditure, while aid policies for residents and firms hit by the coronavirus pandemic have yet to bring about as good results as expected.

The disbursement of public investment capital remained slow, reaching 24.8% of the target between January and September.

In 2020, the budget deficit is estimated at 4.99% of the nation's gross domestic product (GDP), up 1.55% against the target. Due to the impact of the coronavirus pandemic, the rise may be acceptable, said the committee.

However, the budget deficit is expected to rise by an additional VND38.5 trillion at 5.59% of GDP as collections from stake sales in State firms may fail to be done.

Given the rising public debt, the NA committee also proposed the Government focus on its direct debt payment obligations.

In 2021, the Government targets the total budget collection at VND1,343 trillion, while the budget spending is expected to be VND1,687 trillion, resulting in an estimated budget deficit of VND343 trillion. The Government's direct debt burden will stand at over 25% of the 2021 State budget collections.

This is a dangerous sign, posing high risks for the nation's financial safety, according to the NA committee.

## **6. Banks offer easy loans to meet year-end credit targets**

The Saigon Hanoi Commercial Joint Stock Bank is offering firms that manufacture goods for export credit for up to 12 months.

It said the loan would cover the costs of raw materials and salaries.

Other lenders including the Military Commercial Joint Stock Bank (MB Bank) and the Vietnam Prosperity Joint Stock Commercial Bank (VPBank) are offering to lend 70-100 percent of renewable energy projects at interest rates of 8-10 percent for up to five years against equipment bought with the loan.

The banks' moves come amid slowing credit growth after the pandemic caused great difficulties to many businesses and the fact that only two months are left for them to meet their credit targets for the year.

Credit growth for the year as of September 16 was 4.81 percent, the lowest in six years and far short of the 11-14 percent target set for the year, according to the State Bank of Vietnam.

Market research company Fitch Solutions has forecast credit growth to reach only 7 percent this year, down from 12-18 percent in the last three years.

"A weak economic environment does not bode well for the creditworthiness of many borrowers," it said in a report.

The SBV has cut its policy rates four times so far this year, and Fitch forecast additional cuts to deliver a further thrust to the economy whose outlook remains clouded by pandemic-related uncertainty.

Banks are scrambling to increase lending as industry insiders say credit growth of 2-3 percent a month is required to meet the targets.

A top executive of a bank based in the south, who asked not be identified, said businesses with good financial plans to recover from the impacts of the pandemic would receive loans of up to 90 percent of their costs at low interest rates.

"Banks lowered their loan interest rates in the second and third quarters in order to benefit businesses, but now they are doing so to save themselves as the end of the year is approaching."

Some banks have been able to draw close to their targets.

Nguyen Duc Thach Diem, CEO of the Saigon Thuong Tin Commercial Joint Stock Bank (Sacombank), said credit grew at 8-9 percent in the first nine months and the bank is close to achieving the remaining 4-5 percent to meet this year's target.

Experts have tipped companies in renewable energy and exports as the top candidates for the low-interest loans thanks to the increasing demand for power and the EU-Vietnam Free Trade Agreement taking effect in August.

## 7. Vietnam's e-Commerce revenue to exceed 15 billion USD this year: Association

Vietnam's e-Commerce growth reached 32 percent last year and averaged about 30 percent annually since 2016, according to a report by the Vietnam e-Commerce Association (VECOM).

The data was announced at the Vietnam Online Marketing Forum (VOMF) 2020 held by VECOM in Ho Chi Minh City on October 21.

Total retail sales of goods and services online hit around 11.5 billion USD in 2019.

The e-Commerce sector is forecast to maintain a growth of more than 30 percent this year to exceed 15 billion USD.

The market size is expected to hit 43 billion USD by 2025, ranking third in Southeast Asia, according to earlier forecasts of Google, Temasek and Bain&Company.

A recent report released by the Ministry of Industry and Trade suggests that the e-Commerce revenue may climb 20 percent in the last quarter of the year to reach 12 billion USD by the year's end if the COVID-19 is still kept under control.

In the early stages of the pandemic (from February to April), 57 percent of surveyed e-commerce-

related businesses reported their revenue growth was below 30 percent compared to the same period of 2019, with some even seeing negative growth, the report said.

However, 24 percent of businesses saw revenue increasing more than 51 percent.

E-commerce revenue in the first six months declined 6 percent year-on-year despite the number of transactions increasing by 25 percent. Most transactions at that time were of low value.

In case the pandemic worsens and adversely impacts production and consumption, supply and operation of transport and catering services, growth could reach only 13 percent with estimated market value of 11 billion USD.

In May, the Government approved the national e-commerce development master plan for 2021-2025, targeting an annual industry growth of 25 percent with more than half of the population shopping online and average spending of about 600 USD per person per year by 2025.

Business-to-consumer (B2C) sales will rise 25 percent per year, accounting for 10 percent of total retail sales of goods and services. Cashless payments



in e-commerce would make up 50 percent and about 70 percent of transactions on e-commerce platforms have electronic invoices.

## Corporate News

### 8. VNS: Taxi giant lays off 1,300 employees

↑ 0.00%

Vinasun has cut its staff by 1,300 in the first nine months as it restructures to reduce costs amid the Covid-19 pandemic.

The staff cut has lowered the company's salary costs by 35.5 percent year-on-year to VND80 billion (\$3.4 million), saving it VND4.9 billion each month. It now has 4,480 employees.

However, lower salary costs have not been enough to offset Covid-19 impacts. The firm's revenue in the first nine months plunged 52 percent year-on-year to VND734.7 billion, with business mostly frozen in April during the nationwide social distancing campaign.

It has posted a loss of VND185 billion so far this year, compared to a post-tax profit of VND94 billion in the same period last year.

It forecasts a post-tax loss of VND115 billion this year.

Company leaders have said they expect the recovery process to be slow due to a lack of foreign visitors. After Vietnam closed its borders and stopped international flights in March, only a few routes have resumed operations.

### 9. PDR: Resolution of Extraordinary General Meeting 2020

↑ 0.52%

Phat Dat Real Estate Development Corp announces Resolution of Extraordinary General Meeting 2020 dated October 15, 2020 after collecting shareholders' written opinions approving a share issue for the first dividend payment of 2020:

- Stock name: Stock of Phat Dat Real Estate Development Corp
- Stock type: common stock
- Par value: VND10,000/share
- Total issued volume: 370,252,887 shares
- Outstanding volume: 370,252,887 shares
- Treasury shares: 0 shares

- Estimated issue volume: 25,917,700 shares
- Total issue value: VND259,177,000,000
- Issue ratio: 7% (those who own 100 shares will receive 07 new shares)
- Financial resource: the retained profit according to the reviewed semi-annual financial statements
- Issue date: in Quarter IV of 2020
- Plan to deal with fractional shares: The shares newly issued to shareholders will be rounded down to units. The fractional shares (if any) will be cancelled.

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