



VIETNAM DAILY NEWS

October 28th, 2020



Table of content

Table of content

1. Local stocks dragged by profit-making attempts
2. Positive signs for steel industry at year-end
3. Starting a business now takes less time
4. Vietnam PM dismisses deliberate devaluation of currency
5. Fruit, vegetable exports expected to revive after 9-month slump
6. Egypt emerges as promising market for Vietnamese canned tuna
7. Fitch Solutions revises down Vietnam fiscal deficit to 3.6% of GDP
8. PNJ: Jewellery chain PNJ retail sales up significantly in first 9 months
9. PDR: Notice of stock issuance for dividend payment

Market Analysis

1. Local stocks dragged by profit-making attempts

Vietnamese shares declined on Tuesday as selling mounted and hit local stocks across a wide range.

The benchmark VN-Index on the Hồ Chí Minh Stock Exchange could not hold onto the resistance of 950 points, ending down 0.46 per cent to 946.47 points.

The index gained as much as 0.41 per cent during the day. It lost 1.09 per cent on Monday after having risen total 4.62 per cent since October 9.

The large-cap, mid-cap and small-cap trackers all declined on Tuesday. The losses were recorded between 0.45 per cent and 1.07 per cent.

In the large-cap basket VN30, 16 of the 30 largest stocks by market capitalisation and trading liquidity were taken down while seven increased.

Among large-cap decliners were Sacombank (STB), sugar company Thành Thành Công-Biên Hòa JSC (SBT), Military Bank (MBB), mall operator Vincom Retail (VRE), SSI Securities (SSI) and tech group FPT Corp (FPT).

These large-cap stocks were down between 1.3 per cent and 5.7 per cent.

Brokerage, mining and energy, technology, consumer, and banking were among the key sectors that suffered on Tuesday.

The VN-Index fell for a second day with large-cap stocks struggling as they were hit by strong profit taking, Thành Công Securities Co (TCSC) said in its daily report.

“Investors were still calm and not panicked despite profit taking rising gradually, proven by high trading liquidity recorded in the day,” the company said.

Nearly 456 million shares were traded on Tuesday, worth VNĐ8.73 trillion (US\$377.5 million).

“Though the market sentiment is still positive, more investors are becoming more cautious with the market rally,” and they tend to sit back to watch how the market moves before making decisions, TCSC said.

“The market could move by five points around 940 points in the coming days to find its short-term balance,” the firm forecast.

On the Ha Noi Stock Exchange, the HNX-Index dropped 1.37 per cent to 137.13 points.

The northern market index plunged 1.88 per cent on Monday.

The HNX-Index had gained a total of 4.27 per cent between October 12 and October 23.

More than 56 million shares were traded on the northern market, worth more than VNĐ790 billion.

Foreign investors net sold a total of 168.7 billion worth of local assets.

The figure was down nearly 60 per cent in value compared to Monday.

Macro & Policies

2. Positive signs for steel industry at year-end

Trinh Khoi Nguyen, deputy chairman of Viet Nam Steel Association (VSA), spoke to more than 100 participants who took part in a seminar that reviewed the steel market in the first nine months in Ha Noi yesterday,

“Though the impact of the COVID-19 pandemic made great difficulties for the production and consumption of steel products, making many local producers not achieve the same growth rate as in previous years, there have also been good signs for the industry in the period,” he said.

“The drastic direction of Prime Minister Nguyen Xuan Phuc on speeding up the public investment projects will be actively implemented and make the local industry rise,” Nguyen told Viet Nam News.

“If that workload is accelerated at the end of the year, it will surely have a positive impact on the recovery and growth of the building materials industry, the steel industry included,” he added.

According to the VSA, both production and consumption of steel products increased in the first nine months of the year when production reached 18.34 million tonnes, from 17.46 million tonnes from the last same term in 2019.

“There are huge Chinese-invested integrated carbon steel mills in ASEAN and Viet Nam while the steel consumption potential in those countries is reported to be increasing up to 7 per cent in the region by 2021,” Nguyen said.

Local producer Hoa Phat was reported to have exported more than 1 million tonnes of steel billets to China so far this year.

A representative from Hoa Phat Group said the exports, of which more than 70 per cent were to China, were thanks to the firm's effort and investment in technology and products and as well as the Chinese policy to close low-tech steel producers in China.

He added buying steel from ASEAN was in some periods more effective and economical for Chinese buyers but also mentioned it was still a big challenge for the local industry to compete with Chinese firms when production resumed.

“Local producers should diversify their products and enhance their export to ease the pressure in the local market and better compete with the world,” he said.

A representative from Formosa Ha Tinh Steel Corporation, which also exported more than 1 million tonnes of steel products this year, said as Viet Nam controlled the pandemic very well, the construction industry has resumed well and created opportunities for the steel industry.

Together with big steel producers, smaller firms also discussed difficulties for steel billet prices at the seminar.

VSA deputy Nguyen told Viet Nam News: “We will create more seminars so producers can meet and discuss challenges and opportunities. In the long term, steel producers need to strengthen their market research, not only in the country but also in the regional and international markets, for each type of product to achieve the highest efficiency or they will lose out.”

3. Starting a business now takes less time

Under Decree 122/2020/ND-CP which took effect in mid-October, there were now only three procedures – which would take six days altogether – to complete before starting a business in Viet Nam.

Specifically, three days would be for handling business registration procedures, two days for opening a bank account and one day for issuance of invoices.

In comparison, the World Bank's Doing Business 2020 report pointed out that one must go through eight procedures in 16 days to start a business in Viet Nam. The report ranked Viet Nam 115th among 190 economies and sixth in ASEAN in terms of the ease of starting a business.

According to Bui Anh Tuan, Director of the Agency for Business Registration, the decree reduced the administrative procedures businesses must conduct. Specifically, enterprises now needed to submit only one set of documents at the business registration agency, instead of four, including business registration, employee use declaration, social insurance registration and printed invoice registration at four separate agencies.

The information would be shared among relevant management agencies online.

Tuan said that this would help create favourable conditions for starting a business while ensuring the Government's management target as well as reducing time and costs for handling the procedures.

The decree also created a mechanism for State management agencies to exchange information online and apply information and technology in

handling administrative procedures which would help improve transparency, he added.

Tuan said that the decree was a bold effort in improving the ease of starting a business in Viet Nam as well as improving the overall business environment.

The Government's Resolution No 02/NQ-CP dated January 1 stressed that improving the business climate and national competitiveness was the priority of the Government this year, setting the target that Viet Nam would rank fourth in ASEAN in the ease of doing business and move up 10-15 spots in the ranking of the ease of starting a business.

According to the Decree No 22/2020/ND-CP dated February 24, newly-founded firms would be exempt from license fees in the first year of operation, meaning that paying license fees would no longer be a procedure for starting a business.

As the National Assembly passed the Law on Enterprise 2020 which would take effect from the beginning of next year, the procedure of seal announcement would also be eliminated from the process of starting a business.

4. Vietnam PM dismisses deliberate devaluation of currency

Vietnam's flexible management of its monetary policy is to ensure a stable macro-economic environment and mitigates negative impacts from external shocks to the economy, not for unfair trade gains or to support any specific sectors, according to Prime Minister Nguyen Xuan Phuc.

In fact, a devaluation of the Vietnamese dong (VND) would have serious consequences on macro-economic stability, the trust of investors and the people, resulting in a big loss to the economy, Mr. Phuc said in a meeting with a US delegation led by US International Development Finance Corporation (DFC) CEO Adam Boehler on October 26.

The Vietnam PM asked Mr. Boehler to send the message to US President Donald Trump, the Office of the US Trade Representative (USTR) and other agencies in supporting Vietnam to realize the joint action plan agreed late 2019 towards a more

balanced trade relationship between the two countries.

Mr. Phuc expected the US to have a more objective view from Vietnam's perspective to ensure mutual benefits that are in line with US commitment for a strong, independent and prosperous Vietnam.

In early October, the USTR announced its decision to initiate an investigation to determine whether an undervalued VND may cause negative impacts on US commerce.

In this regard, Mr. Boehler said the US pays attention to monetary and exchange rate policies of its trading partners, and is willing to work with Vietnamese agencies to resolve the issue.

Mr. Boehler informed the DFC is planning for a major investment in Vietnam and US Export –

Import Bank (US Eximbank) would facilitate business plans in the country soon, especially in the fields of renewable energy, transportation, healthcare, agriculture, 5G, among others.

As the Vietnam – US relations are growing strongly, the US is committed to continue supporting Vietnam in various fields, including the latter's view on the South China Sea.

Prime Minister Phuc said the US remains Vietnam's partner of top priority and expects to further its comprehensive partnership with the US, especially in trade and investment.

Since 1995, bilateral trade has increased by 170-fold, and US export growth to Vietnam is among the highest among its trading partners in Southeast Asia.

Moreover, the US is among top 10 largest investors in Vietnam. The Vietnamese government gives priority to supporting US enterprises doing long-term business in the country, stated Mr. Phuc, adding Vietnam is open its door for US investors amid a shift in regional supply chains.

Mr. Phuc proposed DFC soon invest in major projects in Vietnam, including the North – South expressway or Long Thanh International Airport.

5. Fruit, vegetable exports expected to revive after 9-month slump

Đinh Gia Nghĩa, deputy general director of vegetable and fruit producer and exporter Doveco, said that COVID-19 did not affect the company much since large customers had faith in its ability to supply.

The company has a lot of orders for the rest of the year, he said, adding that the Europe–Việt Nam Free Trade Agreement (EVFTA) is proving beneficial.

Before the EVFTA came into effect in August, exports of vegetables and fruits were down, with prices dropping as a result of lack of demand.

The first nine months of the year saw a 11 per cent fall in exports, but the last quarter is seeing a recovery in terms of orders.

Nguyễn Đình Tùng, chairman of fruit exporter Vina T&T Group, told *Đầu Tư* newspaper that many large markets continue to buy fruits from Việt Nam, which could help businesses increase their exports to make up for the previous lack of sales.

The company had expected to see a big drop in exports this year, but is now confident they would be higher than last year, he said.

Exports of fruits and vegetables to the EU have increased since the trade deal took effect and removed tariffs.

Businesses also have major expansion plans to ensure future growth, and to make use of the EVFTA, they are focusing on modern technologies to process products that are popular in the EU.

Nguyễn Quốc Toàn, head of the Ministry of Agriculture and Rural Development's department of processing and agriculture market development, said the agricultural sector is making an effort in achieving this year's export target of US\$40 billion, and fruits and vegetables are expected to contribute around \$3.5 - 3.6 billion.

6. Egypt emerges as promising market for Vietnamese canned tuna

Vietnam's tuna exports to the Middle East and Africa have seen positive signs since the beginning of the year despite declines in overall seafood exports in the face of COVID-19, First Secretary and Head of the Trade Office at the Vietnamese Embassy in Egypt Nguyen Duy Hung said on October 25.

The pandemic has taken a heavy toll on Vietnam's exports of seafood to the Middle East and Africa, he told the Vietnam News Agency (VNA)'s reporter in the Egyptian capital of Cairo.

Data from the General Department of Vietnam Customs shows that seafood exports to Vietnam's three largest markets in the region - Israel, the United Arab Emirates (UAE), and Egypt - plunged during the first nine months of 2020. Seafood shipments to Egypt nosedived 35.6 percent year-on-year to 23.5 million USD, Hung said, compared to an 8.7 percent decline in overall exports to the country.

He attributed the steep decline to weakening demand for imported food in general because of measures taken by the Egyptian Government to curb the spread of the coronavirus, which have included night-time curfews, bans on gatherings, and closures of restaurants. Egypt's policies limiting imports and boosting exports to bridge the trade deficit this year also represent challenges for Vietnamese seafood exporters, he added.

Vietnam's tuna shipments, particularly canned tuna, have experienced decent growth over the last

several years. According to a report from the Vietnam Association of Seafood Exporters and Producers (VASEP), canned tuna exports accounted for 2.29 percent of Vietnam's total tuna exports to Egypt, or 11.9 million USD, in the first three quarters of this year. The share was the second-highest in the Middle East and Africa, after only Israel.

Egypt imported 160 million USD worth of tuna last year, with 89.5 percent, worth 145 million USD, coming from Thailand. Vietnam was second but with just 5.6 percent of the market share, or 9 million USD, Hung continued, so possesses major potential to increase tuna exports to the country, as COVID-19 has made it evident that importers must diversify their supply sources.

Such trends are a “golden” opportunity for Vietnamese enterprises to gain a stronger foothold in the market, he noted.

7. Fitch Solutions revises down Vietnam fiscal deficit to 3.6% of GDP

More Fitch Solutions, a subsidiary of Fitch Group, has revised down its forecast for Vietnam's fiscal deficit in 2020 to 3.6% (excluding debt repayment) of GDP, from 6.4% previously, staying below the latest government projection of 5 – 5.1% in May.

Including debt repayment, the projected deficit would be 7.4% of GDP, assuming no change to the government's budgeted repayment target of about VND245 trillion (US\$10.57 billion) for 2020.

Fitch Solutions' deficit forecast revision is due to slow expenditure disbursements during the year alongside a sharp revenue decline owing to tax relief provided in light of weak economic conditions as a result of the pandemic.

Additionally, it also forecast a 3.6% deficit in 2021, expecting the government to continue pushing for quicker public funds disbursement to accelerate public investment to make up for delays during 2020.

Meanwhile, Fitch Solutions has revised its 2020 forecast for Vietnam's state revenues to contract 12.9%, from a previously forecast fall of 7.3%.

According to data from the Ministry of Finance, total state revenue and grants as of September only stood at VND975 trillion (US\$42.06 billion), 64.5% of the budget projection at VND1,512 trillion (US\$65.23 billion). This was mainly due to a shortfall in corporate and personal tax collections which were at 58% and 70% of the full year target.

The category of export-import taxes, excise duties and environment taxes also saw an underperformance, where collection for the first nine months of 2020 only stood at 56.2% of the budget target. To be sure, shortfalls in these areas are in line with Fitch Solutions' expectations, although the magnitude appears to be larger than it had previously anticipated.

Low collections in these areas can be attributed to tax relief measures extended by the government at mid-year to aid the economy through the pandemic-induced economic crisis. These measures included an extended deadline for excise tax payments for domestically-produced/ assembled cars to late 2020, a 30% reduction to current environmental protection tax payments until end-2020, and a 30% cut in corporate taxes payments for small and micro-sized enterprises for 2020.

Vietnam economy to stage strong recovery in Q4

The economy is likely to stage a stronger recovery in the final quarter of the year, versus 2.6% y-o-y real GDP growth in the third quarter, as Vietnam has managed to contain its domestic outbreak and has since seen most domestic containment measures been lifted, which Fitch Solutions expected to improve revenue collection in tandem. A continued recovery of the economy will support stronger fiscal revenue collection in 2021, and Fitch Solutions forecast total revenues to grow by 17.5%.

Meanwhile, Fitch Solutions has revised its expenditure forecast to a 6.1% decline, from 8.3% growth previously. Expenditures for the first nine months of 2020 came in at VND1,113 trillion (US\$48.02 billion), representing 63.7% of the budget target.

This was mainly due to slow fund disbursement for public investment, which was only at 57.2% of the full year target at VND267 billion (US\$11.52 billion). Current expenditures were at 71.6% of the annual budget at VND758 billion (US\$32.7 billion).

Fitch Solutions referred to report by Hanoitimes quoting the Ministry of Finance that public fund

disbursements were mainly held back by difficulties in site clearance and resettlement, as local authorities and the landowners were unable to reach an agreement on land handover for project execution. Other problems include adjustments to financing agreements and investment procedures of overseas developmental assistance-funded projects causing delays in the construction process, and the Covid-19 pandemic causing delays in the import of capital equipment and arrival of foreign project advisors.

Prime Minister Nguyen Xuan Phuc has since set up seven task forces to speed up the disbursement of public funds as well as warning officials would face disciplinary action if their ministries or localities fail to realize their respective public investment disbursement targets for 2020.

Fitch Solutions believes that these measures will go some way in accelerating capital expenditure during the final quarter of 2020. In 2021, Fitch Solutions forecast expenditures to grow by 16.6% as a rebound of economic activity as well as government efforts to expedite public capital expenditure should drive rapid growth in expenditures. Additionally, Fitch Solutions forecast real GDP growth to recover to 8.2% in 2021, from 2.6% in 2020.

Corporate News

8. PNJ: Jewellery chain PNJ retail sales up significantly in first 9 months

↑ 0.58%

The retail segment continued to be a growth driver in the third quarter, with its sales rising by 9.5 per year-on-year and accounting for 55.7 per cent of total revenues.

Gold bullion sales increased by 19.1 per cent in Q3.

Wholesale revenues decreased significantly.

The company said comprehensive optimisation of its retail network helped it achieve positive growth in retail sales through the year has otherwise been made tough by the COVID-19 pandemic.

Le Tri Thong, its CEO, said PNJ is optimising revenues at each point of sale. The company plans to close stores that are not doing well, mainly those selling silver jewellery and inside shopping malls, and expand independent outlets at prime locations, he said.

Last week the company opened the first PNJ Next store and PNJ Centre in Binh Duong Province.

It has opened 24 of the 31 new stores it plans to open this year and upgraded eight gold jewellery outlets.

9. PDR: Notice of stock issuance for dividend payment

↑ 6.90%

Phat Dat Real Estate Development Corp announced the information on a stock issuance to dividend payment:

- 1) Stock name: Stock of Phat Dat Real Estate Development Corp
- 2) Stock type: common share
- 3) Par value: VND10,000/share
- 4) Total issued volume: 370,252,887 shares
- 5) Outstanding volume: 370,252,887 shares
- 6) Treasury volume: 0 share

- 7) Expected issue volume: 25,917,700 shares
- 8) Total issue value: VND259,177,000,000.
- 9) Issue ratio: 7%
- 10) Financial resource: Undistributed profit after tax
- 11) Record date: November 09, 2020
- 12) Plan to deal with fractional shares: The distributed shares will be rounded down. The fractional shares (if any) will be cancelled.

Research Team:

Tsugami Shoji *Researcher*

jsi@japan-sec.vn

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Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn