



VIETNAM DAILY NEWS

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Market Analysis

1. New storm hits local stock market

Vietnamese shares posted the worst loss in three months on Wednesday on the landing of a new storm in the central region, raising concerns over the economic growth and business performance in the rest of the year.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange plunged 2.69 per cent or 25.42 points to 921.05 points at the end of the day.

It was the index's worst decline since July 29, when it plummeted 2.77 per cent or 22.52 points.

The benchmark has lost a total of 4.18 per cent in the last three trading days and returned to near its closing level of 918 points made on October 8.

Investors panicked "due to the news about the 9th storm Molave, making the market worry that it will affect the business activities and the stability of the socio-economic condition at the end of the year," BIDV Securities Corp (BSC) said in its daily report.

The worries "caused sell-off activities to increase and lead to the rapid devaluation of most stocks today," the company said.

More than 456 million shares were successfully sold on Wednesday, worth VND9 trillion (US\$387.4 million).

The southern market saw 365 stocks decline while 66 others increased and 46 stocks ended flat.

The large-cap VN30-Index lost 2.67 per cent to 888.88 points. The VN30 futures due on November 19 fell 2.62 per cent to 895.90 points to indicate negative market outlook among investors.

Among the worst large-cap decliners were HDBank (HDB), Vincom Retail (VRE), Vingroup (VIC), VPBank (VPB), retailer Mobile World Investment (MWG), Techcombank (TCB) and petrol company Petrolimex (PLX).

Those stocks declined by 3.8-6.3 per cent. TCB was the most active stock on the market with more than 32 million shares traded.

The large-scale sell-off also hit the mid-cap and small-cap trackers on HoSE, which dropped 1.76 per cent and 1.85 per cent, respectively.

Retail, banking, securities, property, insurance and materials were the worst-performing sectors on Wednesday, according to vietstock.vn.

On the Ha Noi Stock Exchange, the HNX-Index dived 2.25 per cent to 134.04 points.

The northern market index has decreased by total 5.40 per cent after the last three trading days.

Nearly 68 million shares were traded on the northern market, worth VND1.04 trillion.

Macro & Policies

2. Vietnam government prioritizes allocation of state fund for ODA projects in 2021

The Vietnamese government gives priority to allocating sufficient state fund for projects financed with official development assistance (ODA) or preferential loans in 2021, according to the Ministry of Planning and Investment (MPI).

The move would help to speed up the completion of projects under the mid-term public investment plan for the 2016 – 2020 period that can be extended until 2025, stated the MPI's document instructing government agencies and provinces and cities in allocating investment funds in 2021.

Additionally, the MPI expected all projects financed by ODA or preferential loans from foreign donors to have sufficient counterpart funds, especially projects that are set to be completed in 2021.

Only when sufficient funding for these projects is ensured, will new projects be launched, stated the MPI. The projects prioritized to be initiated are those that have completed all investment procedures, or are in line with the national strategy of digital transformation, digital economy, aiming to enhance productivity and efficiency of state management process.

Projects in the next line of priority are those in field of transportation to boost provincial connectivity and eventually socio-economic development, as well as those to serve public health, or against natural disasters, among others.

Amid the limited ODA funds and preferential loans, the MPI urged government agencies to tighten the supervision of investment portfolio using these types of financing.

The MPI requested provinces, cities and government agencies to step up efforts in disbursing state funds in 2021, and refrain from transferring funds between projects that could affect the mid-term investment plan for the 2021 – 2025 period.

Public investment is considered a key solution to boost economic growth amid the Covid-19 pandemic, for which the disbursed amount of public funds as of September 30 stood at VND269.2 trillion (US\$11.64 billion) equivalent to 57.15% of the target set by Prime Minister Nguyen Xuan Phuc at VND471 trillion (US\$20.38 billion).

3. Vietnam Industrial Property Forum 2020: Riding the new wave

The Vietnam Industrial Property Forum is taking place today (October 28, 2020) in Ho Chi Minh City with the participation of around 500 guests, representatives of ministries, agencies, localities, and industrial zones from across the country, as well as experts, and foreign businesses and associations.

At the forum, experts confirmed that Vietnam is one of the most attractive and safest destinations at present, which yields a lot of opportunities for the country to utilise the global investment relocation wave.

"In fact, numerous giants from Asia and the US are setting eyes on Vietnam to find new opportunities and restructure their supply chains which have been disrupted by the COVID-19 pandemic and some

geopolitical factors over the world," VIR's editor-in-chief Le Trong Minh affirmed at the forum.

So although most trade activities were interrupted by the pandemic, still a lot of investors are exploring information and opportunities to develop their projects in Vietnam. "Thereby, industrial property has become the most vibrant segment in the year. Its attraction will improve when the pandemic is under total control, and all trade and investment activities return to normal," Minh added.

According to Deputy Minister of Planning and Investment Vo Thanh Thong, Vietnam is preparing to welcome the up-coming investment wave and become a manufacturing hub for the world. "Infrastructure in industrial zones and economic zones is being upgraded to receive big giants. In the

time coming, some industrial-link clusters will be piloted to establish manufacturing networks and supply chains, as well as join deeper into global value chains," Thong said.

There are 336 industrial zones across the country, covering 97,800 hectares of area, with industrial infrastructure, warehouses, logistics, and other services being developed and improved to match investor demand.

The deputy minister also said that industrial zones are shifting towards sustainable development. "In 2015-2019, a number of industrial zones were piloted to transfer to eco-industrial parks by

improving their quality and infrastructure. So manufacturing activities are getting cleaner, saving natural resources, and strengthening linkages and partnerships in manufacturing. This also matches the requirements of investors to convince them to choose Vietnam as the destination of their relocation," the deputy minister Thong added.

Meanwhile, VIR's editor-in-chief Le Trong Minh said industrial property will get more vibrant thanks to the presence and expansion of domestic and foreign businesses, including suppliers in logistics and warehouses, which can already be seen through the relocation of some giants, along with the arrival of hundreds of vendors to Vietnam.

4. Local firms expect modest growth due to COVID-19

Through the two waves of the COVID-19 pandemic, confidence in the growth prospects in 2020 of enterprises has gradually diminished.

This information was released by Vietnam Report (VNR) at the award ceremony of the Top 500 most profitable companies in Vietnam in 2020, so-called Profit500, held in Hanoi late last week.

VNR's survey results in 2020 show that only 54.1 percent of enterprises were optimistic about the revenue growth prospects and 49.1 percent of enterprises were confident about profit growth prospects, down by 27.9 percent and 29.9 percent, respectively, compared to the assessment of revenue and profit growth prospects surveyed by Vietnam Report in September 2019.

The survey results show how the pandemic has seriously damaged the market sentiment.

Speaking at the ceremony, Pham Anh Tuan, a representative from online newspaper VietNamNet, said that for the first time in economic history, there was an economic crisis on a global scale stemming from a pandemic. This is the first time the concept of a "new normal" has been introduced when talking about efforts to recover the economic, social and production environment of the business community.

"In that context, for businesses, profit is not enough, but it must be sustainable profits based on strong

internal capabilities, flexibility to adapt to the market and a reputable brand, trusted by many customers and investors," Tuan said.

The honoured businesses are those with effective and sustainable production and business activities as well as good profitability in the face of many challenges resulting from the pandemic. In addition, they have kept a firm position in their industry and have the potential to become pillars for the future development of Vietnam's economy.

In this year's Profit500 ranking, some industries continued to record more businesses than the average level, including construction, construction materials and real estate (23.9 percent), finance (11.6 percent), food and beverages (10.9 percent), and electricity (6.3 percent).

Return on assets (ROA) of enterprises in Profit500 reached 11.4 percent, slightly down from 11.9 percent in 2019. However, the average return on equity (ROE) increased by 21.7 percent compared to 20.9 percent in 2019. This showed that the efficiency in using capital of enterprises has been improved.

Notably, the number of businesses in the food - beverage - retail - packaging industry in 2020 also dominated the ranking. In this event, Vietnam Report also announced the Top 10 prestigious enterprises in the food - beverage - retail - packaging industry with the aim of recognising the achievements of reputable companies in the industry.

In a quick survey of enterprises in the industry conducted by the company in August, about half of surveyed firms said that their operations had been affected, of which, the group of alcoholic beverages was facing the most challenges because of Decree 100. Production capacity of the beverage group currently only operates at 80 percent compared to before the pandemic.

Also under the event, Vietnam Report published the Vietnam Earnings Insight 2020 Bilingual Report with the theme “Restructuring - Recovering growth momentum in a new normal period”.

According to the report, Vietnam's economy recorded a growth rate of 2.12 percent in the first nine months of 2020 - the lowest compared to the same period of 2011-20. However, in the current difficult situation, maintaining a positive growth rate is still considered a positive and good sign.

The challenge for Vietnamese businesses is not only to maintain production and business activities and ensure social safety regulations, but also to build a suitable operating system following market trends.

5. Vietnam Association of Fish Sauce established

The association's founding members come from cities and provinces nationwide, representing fish sauce producers, traders, exporters and importers, scientists, managers and testers, of which there are 35 fish sauce processing establishments involved in exporting to more than 20 markets, including the US, EU, Japan and the Republic of Korea.

Nguyen Thi Bich Thuy, a representative of the association, said the sales and production volume of fish sauce of the association's founding members account for about 70 percent of the total sales and output of the Vietnamese fish sauce industry.

Speaking at the congress of the association in the 2020-2025 term, Thuy said this was an important

event marking a new development of the domestic fish sauce industry.

This is a house for all members to cooperate closely to affirm the position of Vietnamese fish sauce on the international market, Thuy said.

The association will focus on solving problems in processing technologies to help fish sauce products meet the standards of importing countries.

At the first congress, Tran Dang, former director of the Department of Food Safety under the Ministry of Health, was elected as the association's chairman.

6. Demand for organic farm produce rising in Viet Nam

Deputy Minister of Agriculture and Rural Development Tran Thanh Nam said the area under organic crops in the country had increased from 53,350ha in 2016 to 237,693ha last year and they are grown in 46 out of 63 provinces and cities.

They had been exported to 180 countries and territories including the US, EU, China, Japan, Germany, UK, Korea, Russia, and Singapore, and annual shipments are worth US\$335 million, he told a seminar in HCM City on Monday.

But Ha Phuc Mich, chairman of the Viet Nam Organic Agriculture Association, said the rapid growth in

organic agriculture was also causing concern about the ability to control quality.

While the country had standards for organic farming TCVN11041: 2017/2018, the list of inputs allowed to be used had not been issued, he said.

"There are many co-operatives and enterprises that want to enter the field but are stymied by this."

Sharing his experience in producing and exporting organic produce, Thai Nhu Hiep, director of Vinh Hiep Co., Ltd, said, “Organic agricultural products are favoured by global consumers and will be an

inevitable requirement for making agriculture sustainable, but organic production in our country faces many difficulties.

“The cost of analysis of samples and evaluation to grant organic certification is high. It usually takes two to three years or even longer to fully meet the requirements, while the validity of the certification is only one year, and producers must routinely apply for reassessment.”

His company has faced difficulties in expanding the scale of organic farming because productivity and yields are not high, farmers do not have the habit of taking notes about their daily farming activities and their knowledge about organic production remains low.

Inputs such as fertilisers that can be used in organic production are still not widely available and are expensive.

“To sustainably develop organic agriculture, it is necessary to apprise farmers, businesses and consulting officials about standards through seminars, workshops and training courses.

“The Government needs to strengthen promotion of organic produce ... domestically and globally.

“Creating domestic organisations for analysing and certifying organic production is imperative to reduce costs.”

Nam said development of organic agriculture was part of plans to restructure the agricultural sector to increase value added and make it sustainable.

So organic agriculture was being actively developed in 2020-30 with targets of having 1.5-2 per cent of all agricultural lands under organic farming by 2025 and 2.5-3 per cent by 2030, he said.

To accomplish these objectives there would be incentives for businesses and co-operatives to participate in organic production and training to improve knowledge about organic farming, he said.

There would be efforts to improve the professional capacity of local certifying organisations, he added.

7. Budgetary spending reviews to ensure radical thrift

The government and the National Assembly (NA) last week asked ministries, agencies, and localities to offer plans on reviewing state funding in order to mobilise funds for economic recovery and development.

“Money for organising conferences and business trips must be saved radically. No money can be spared for unnecessary activities,” stated Prime Minister Nguyen Xuan Phuc. “It is necessary to further strengthen financial and state budgetary discipline, with radical thrift in recurrent spending.”

The government last week officially reported to the NA that in 2020, the ongoing COVID-19 pandemic has been causing a decline in businesses' performance and in state budget revenue because of the application of policies on supporting healthcare, production, and social security. This will lead to a rise in state budget deficit, at about 5 per cent of GDP, which is calculated to be about VND6.3 quadrillion (\$273.9 billion).

It is calculated that the total state budget deficit this year will be VND363 trillion (\$15.78 billion), far higher than the target of VND234.8 trillion (\$10.2 billion) and last year's VND203 trillion (\$8.82 billion).

Total state revenue this year will likely be VND1.323 quadrillion (\$57.5 billion), down 14.7 per cent on-year. Total state spending is forecast to be VND1.69 quadrillion (\$73.3 billion), down 3.54 per cent on-year.

State-run PetroVietnam reported that in the first eight months, its total revenue is estimated to be VND332.64 trillion (\$14.46 billion), down 25 per cent on-year. The figure was down 33 per cent on-year.

The group's total export turnover in the period is estimated to be \$1.27 billion, down 42 per cent compared to the same period last year, with crude oil exports being over 6.56 million tonnes, down 12

per cent on-year, and exports of liquefied petroleum gas hit just over 143,000 tonnes, a 47 per cent on-year slump.

Meanwhile, state-run Electricity of Vietnam earned in the first eight months of the year an estimated sales revenue of over VND257.56 trillion (\$11.2 billion), up only 1.7 per cent on-year, far lower than that in the same period last year.

Meanwhile, since early this year, the government has spent over \$700 million on activities to fight COVID-19, including more than \$180 million for pandemic protection and prevention (testing, quarantine, medical devices, and equipment). Moreover, policies on defer tax payments and directly supporting enterprises and the public have also mounted to tens of billions of US dollars.

According to the World Bank, the negative fiscal impact associated with the COVID-19 crisis should increase in the next few months in Vietnam. The decline in tax collection was generalised to almost all taxes and accelerated in the second quarter, when the government collected only 76 per cent of the amount recorded during the same period a year ago. Such a decline was explained by the slowdown in economic activity and the implementation of tax deferral measures that are expected to continue to the end of the year.

“In its effort to alleviate the financial burden on the private sector, the government has further reduced the corporate income tax for small- and medium-

sized enterprises, which may cost the budget an additional \$1 billion in the remainder of 2020,” said a recent report on Vietnam's economy by the World Bank.

Vu Hong Thanh, Chairman of the NA's Economic Committee, told the NA that one of the most important factors in the effective management and use of the state budget is to “strongly pare down recurrent spending of state agencies.”

According to the General Statistics Office, recurrent spending often occupies nearly 70 per cent of total budget spending. Last year it was VND928 trillion (\$40.35 billion), or 71.4 per cent of total state budget spending of VND1.3 quadrillion (\$56.5 billion).

In the first nine months of 2020, while the total budget expenditure was over VND1 quadrillion (\$43.47 billion), the recurrent spending hit VND716.3 trillion (\$31.14 billion) or 71.6 per cent.

In order to spur on enterprises' performance, accordingly fuelling state budget revenue, the Ministry of Planning and Investment has proposed that the government issues a new support package which is large and effective enough to continue to help enterprises out of difficulties.

Besides this, bigger administrative reforms must be boosted, in addition to the government's expected support for businesses to import materials for production and seek output markets.

Corporate News

8. VCB: Board approves an agreement with a related company

↓ -2.09%

On October 23, 2020, the Board of Directors of Joint Stock Commercial Bank for Foreign Trade of Viet Nam (Vietcombank) issued Resolution No.518 on the approval for contents of the agreement between Vietcombank and FPT Information

System Co., Ltd. (the related person is Mr. Truong Gia Binh, Independent Member of the Board of Directors) for the package of “Purchasing white cards for Vietcombank”.

9. DVP: BOD resolution dated October 26, 2020

↓ -0.66%

Dinh Vu Port Investment & Development Joint Stock Company (DVP) announces the Board resolution dated October 26, 2020 with the following contents:

1) The BOD approved the business result in Quarter 3/2020:

- Output: 151,547 teu, reached 112.26% plan;
- Revenue: 150.569 billion dong, reached 112.26% plan;

- Profit before tax: 65.38 billion dong, reached 100.58% plan.

2) The BOD approved the business plan in Quarter 4/2020:

- Output: 150,150 teu;
- Profit before tax: 50 billion dong.

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