VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index slips to three-week low

On its fourth consecutive losing session, the VN-Index dropped 0.21 percent to 919.08 points Thursday, its lowest since October 8.

The index had actually risen to the green in the late-morning and early-afternoon trading periods, but fell back into the red in the final hour of trading. Analysts attribute the fall to bottom-fishing pressure.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, saw a fairly balanced session with 208 losers and 202 gainers. Total trading volume went down by 10 percent over the previous session to VND8 trillion ($345.5 million).

The VN30-Index for the stock market's 30 largest caps shed 0.25 percent, with 14 stocks losing and 14 gaining.

Leading losses were Vietnam's three biggest lenders by assets, with CTG of VietinBank falling 2.7 percent, BID of BIDV, 1.7 percent, and VCB of Vietcombank, 0.7 percent.

Results in the private banking sector were mixed, with TCB of Techcombank down 1.6 percent and EIB of Eximbank down 0.3 percent, while STB of Sacombank and HDB of HDBank were some of the best gainers, up 3.1 percent and 2.6 percent, respectively.

In the oil and gas sector, GAS of energy giant PetroVietnam Gas shed 1.3 percent and POW of electricity generator PetroVietnam Power was down 0.9 percent, while PLX of petroleum distributor Petrolimex added 1.5 percent.

VJC of budget carrier Vietjet Air, a business heavily affected by the oil and gas sector, fell 1.6 percent.

Other major losers this session included MWG of electronics retailer Mobile World, down 2.6 percent, MSN of food conglomerate Masan Group, also down 2.6 percent, and TCH of truck dealer Hoang Huy Group, down 1.6 percent.

In the opposite direction, VIC of private conglomerate Vingroup, HoSE's biggest cap, gained 0.5 percent. Its subsidiaries, VHM of real estate developer Vinhomes and VRE of mall operator Vincom Retail, added 0.8 percent and 0.4 percent, respectively.

Other major gainers included SSI of top brokerage Saigon Securities Inc., up 2.4 percent, ROS of construction firm FLC Faros, up 1.8 percent, and MBB of mid-sized state-owned lender Military Bank, up 1.4 percent.

Meanwhile, the HNX-Index for the Hanoi Stock Exchange, home to mid- and small-caps, was up 0.25 percent, and the UPCoM-Index for the Unlisted Companies Market edged up 0.02 percent.

Foreign investors continued to be net sellers this session to the tune of over VND340 billion on all three bourses. The most net sold stocks were again MSN of food conglomerate Masan Group, and VRE of Vincom Retail.

Macro & Policies

2. Business formations in Vietnam surge 18% m/m in October

New business formations in Vietnam in October rose by a sharp 18.4% month-on-month to 12,200, according to the General Statistics Office.

This month has also witnessed a decline of 18.5% month-on-month in combined registered capital to VND165.6 trillion (US$7.14 billion) and a fall of 12.7% in the number of workers hired by new enterprises to 72,400.

The number of newly-established enterprises in Vietnam in the first ten months of 2020 was 111,200 with registered capital of a combined VND1,594.1 trillion (US$68.8 billion), down 2.9% in number but up 11.1% in registered capital year-on-year. Average registered capital per newborn enterprise was VND14.3 billion (US$617,122) during this period, up 14.4% year-on-year.

Taking into account VND2,298 trillion (US$99.17 billion) of additional capital pumped by active enterprises, total registered capital injected into the economy in the January-October period was VND3,892.1 trillion (US$168 billion), up 17% year-on-year.

The government-run office informed that 37,700 enterprises resumed operations in the period, an increase of 8.2% inter-annually, bringing the total number of newly-registered and reinstated enterprises in the ten-month period to 148,900, down 0.3%.

The GSO added that the number of laborers of newly-established enterprises between January and October was 850,300, down 2.9% against the same period last year.

During this period, the number of enterprises temporarily ceasing operations surged 58.7% year-on-year to 41,800.

Moreover, the number of enterprises which completed procedures for bankruptcy was up 0.1% to 13,500.

Since the outbreak of the Covid-19 pandemic, the Vietnamese government has been implementing a wide range of support for the business community, with the latest move being a cut of 30% in the corporate income tax for enterprises having their revenue of less than VND200 billion (US$8.61 million) in 2020.

Additionally, other supporting programs consist of a credit aid package worth VND300 trillion (US$12.87 billion), including a VND180-trillion (US$7.63 billion) fiscal stimulus package in forms of delay of payment of value-added tax, corporate income tax, and a financial support package for vulnerable people worth VND62 trillion (US$2.7 billion).

3. Vietnam's 10-month FDI tumbles 20%

Of the figure, the newly registered capital reached US$11.6 billion, down 9.1% year-on-year, while the additional capital rose 4.4% at US$5.7 billion.

According to the Foreign Investment Agency under the ministry, the rise of additional capital came from the nearly US$1.4 billion poured into a petrochemical complex in Ba Ria-Vung Tau Province by a Thai investor and US$774 million into the West Lake urban center project by a South Korean firm.

During the period, 2,100 new foreign enterprises were licensed, down 32.1% from the previous year.

The total registered capital reached US$11.66 billion, down 9.1% over the same period in 2019.

Regarding the additional capital, 907 FDI firms registered to inject more investment capital, down 20.8%.

For share purchases, over 5,400 enterprises reported funds contributed by foreign investors, down 27.4% year-on-year. The total value of capital contribution was US$6.11 billion, down 43.5%.

The processing and manufacturing sector was the biggest FDI earner with US$10.7 billion, accounting for 45.7% of the total investment capital.

Electricity production and distribution was second with US$4.8 billion, making up 20.5% of the total registered investment capital. Real estate, wholesale and retail got a total registered capital of nearly US$3.5 billion and US$1.4 billion, respectively, said the agency.

Singapore was Vietnam's biggest investor with US$7.51 billion, accounting for 31.9% of the country's total investment.

South Korea came second with a total investment of US$3.42 billion, accounting for 14.6%, followed by China with US$2.17 billion.

According to the agency, many foreign-invested firms are recovering or maintaining good business, indicating better growth in the last months of 2020.

The pandemic has greatly obstructed foreign investors' travel and new investment decisions. However, amid the strong decline in global investments, the results implied Vietnam's attractiveness in the eyes of foreign investors, it added.

4. Vietnam property luring foreign manufacturers

Le Trong Hieu, director of Advisory and Transaction Services at CBRE, said that in some northern provinces like Haiphong, Bac Ninh, Hanoi, Hai Duong, and Hung Yen the supply of industrial real estate is around 9,600 hectares with an average occupancy rate of 79 per cent. Meanwhile, in the southern provinces like Binh Duong, Dong Nai, Ba Ria-Vung Tau, Ho Chi Minh City, and Long An, the supply of industrial real estate is around 24,000ha with an occupancy rate of 76.7 per cent. Meanwhile, the supply of ready-built factories and warehouses in the third quarter of 2020 is on an uptrend.

The total supply of ready-built factories and warehouses in the north reached 2.1 million square metres, up 25.3 per cent on-year. For the south, the figure is 2.7 million sq.m, up 28.2 per cent on-year. Meanwhile, there are 2.9 million sq.m of ready-built warehouse space, up 11 per cent against 2019.

“There is a strong increase in new supply in industrial areas. The rental rates of land went up 20-30 per cent on-year and warehouses have increased as well," Hieu said.

Specifically, in some industrial zones in Ho Chi Minh City, the rental rates have increased from $150 to $300 per sq.m for the remaining lease terms. In Dong Nai, the rental rates have increased from $110 to $155 per sq.m. Meanwhile, Long An saw rates go from $110 to $200 sq.m.

Some northern localities also witnessed an increase in rental rates, but the trend was not as pronounced as in the south. In Hanoi, the rental rates have increased from $155 to $260 per sq.m while in Bac Giang they went from $55 to $110 sq.m.

CBRE observed that tenants' demand mainly centred around Vietnam's key industries such as electronics, e-commerce, food, livestock, and FMCG. These industries are more developed in Vietnam and investors are looking to use the country as a hub to access new markets. There is also a clear trend of relocation among investors in automobile assembly, with the northern and central regions benefiting. In addition, many investors are looking to develop ready-built warehouses.

C.K Tong, CEO of BW Industrial Development JSC, stated that Vietnam is the first destination for foreign capital, prompting high-tech manufacturers to set up and expand their production bases in the country.

“This is good news for both domestic and foreign investors,” C.K Tong claimed, adding that over the last nine months, many enterprises moved out of China and selected Vietnam as their destination.

Besides, there have been several other investors choosing Vietnam as a manufacturing hub. For example, the transformation of Samsung has brought many foreign suppliers to Vietnam.

Therefore, it is essential to transform the whole supply chain. However, enterprises are coping with hurdles regarding capital, finding suitable locations, licenses, and labour force.

Therefore, factories and warehouses are heavily sought after, opening up opportunities for BW Industrial. When choosing factories for renting, enterprises usually focus on flexible rental areas (at least 500sq.m), flexible payment terms, proper cash flow management, construction certificates, simplified licensing process, as well as professional teams to manage the facilities.

"Most recently, we have received a lot of queries from European companies, which have manufacturing facilities in China," he said.

It is worth noting that there is a strong demand for industrial land among furniture producers, which are not traditional manufacturers. In addition, local firms are also interested in expanding their operations and are expected to be a key drivers of industrial real estate development.

Tran Quoc Trung, deputy director general of the Department for Economic Zones Management under the Ministry of Planning and Investment, stated that foreign investors have high demand and pay avid attention to supply chain development.

Fortunately, the country has made some adjustments in the revised Law on Investment to facilitate investors to expand and develop supply chain and supporting industries.

"I hope that with the government's efforts, more local and foreign investors will join the industrial real estate market," he added.

Pham Ngoc Tung, vice general director of Sales and Marketing of IMG, said that it is possible for Vietnam to expect 6per cent GDP growth in 2021 due to the many positive factors supporting the industry.

The impact of COVID-19 is a lasting one, but Vietnam remains a reliable destination. Highlighting Vietnam's stature in the international economic arena, immediately after his appointment, the Prime Minister of Japan selected Vietnam as his first foreign call.

"Location development will be our primary strategy. Currently, technology has given a great tool of communication for businesses, and we also make the most of this platform. This has helped us make our operations more efficient and attract investors from abroad," he said.

5. Hanoi expo held to lure foreign investment in supporting industries

The FBC Hanoi 2020 held on October 28-29 is expected to create an opportunity for Vietnamese businesses to promote products, seek customers, connect businesses, expand markets and lure foreign investment in the supporting industries, Mr. Dam Tien Thang, deputy director of the Hanoi Department of Industry and Trade said.

Speaking at the opening ceremony on October 28, Mr. Thang emphasized the role of supporting industries in creating product efficiency, quality and cost. An efficient support industry in globalization will help create competitive products, form production networks with multiple layers of supply, connect with multinational corporations, foreign-invested companies as well as assembly businesses in Hanoi and across the country.

Nearly 190 manufacturers and 20 large buyers have joined online and on-site business meetings at the FBC Hanoi 2020. Visitors can book appointments and make on-site and online business matching sessions for free. It is an opportunity for small and medium enterprises to directly approach giants in the manufacturing industry. Vietnamese businesses can also meet face to face with Japanese and Thai buyers without traveling abroad.

The expo is organized to help Hanoi's enterprises in particular and those of Vietnam in general improve their capacity and participate in the supply chain of components and spare parts, including the industries of electrical and electronic components, auto parts, motorcycles and mechanical components; supporting industries for the textile and garment, footwear and the high-tech industries.

In addition, international seminars on supporting industry development will be held on the sidelines of the event with the participation of representatives from relevant ministries, departments, and sectors from Vietnam and abroad.

FBC Hanoi 2020 is organized by the Department of Industry and Trade of Hanoi in coordination with Factory Network Asia Group and NC Network Vietnam JSC.

Held since 2017, FBC Hanoi has created positive results to support industry companies. Concretely, it facilitated more than 3,000 transactions with an estimated transaction value of almost US$4.5 million in 2017, almost 4,000 transactions with an estimated transaction value of almost US$5 million in 2018.

6. Sugar imports from Thailand see upswing following ATIGA enforcement

By the end of the 2019 to 2020 crop the export of Thai sugar to the nation had reached more than 862,000 tonnes, 12.1% higher than the volume of domestically produced sugar.

In line with the nation's commitments in ASEAN under the ASEAN Trade in Goods Agreement (ATIGA) related to the application of tariff quotas under the WTO, the country first abolished sugar import tariff quotas for ASEAN member states on January 1 of this year.

This resulted in the nation becoming Thailand's second largest sugar export market during the first half of the year, accounting for 16% of their overall national export volume, behind only Indonesia with 42%. This is in contrast to previous years when the Vietnamese market did not represent an important export market for the Thai sugar industry.

Recent years has seen Thai sugar become one of the main rivals of the local sugar industry, with the neighbouring nation ranking fourth in the world in terms of sugar production and second in relation to exports. Annually, the output of cheap smuggled sugar from Thailand to the country is estimated to make up more than 30% of domestic sugar demand, therefore negatively affecting domestic sugar prices.

According to VSSA, approximately one third of sugar factories based in the nation were forced to close during the 2019-2020 crop. The accumulated output in the this crop reached 7.39 million tonnes of sugarcane, representing a drop of 39.4%, along with over 769,160 tonnes of all kinds of cane sugar, a fall of 34.3%, marking the lowest level over the past 19 years due to unfavourable weather changes and competitive pressure from imported sugar and sweeteners.

Domestic sugar prices are heavily dependent on imported sugar from the Thai market. After the ATIGA Agreement comes into effect, domestic sugar enterprises must compete alongside Thai sugar, primarily through the consumer-retail segment, such as business-to-consumer trade, and small and medium sized food beverage processing enterprises. This is largely due to sugar imported from Thailand failing to meet the strict requirements of large-scale food and beverage producers such as Pepsi and Coca-Cola.

Furthermore, liquid sugar products extracted from corn, also known as chemical sugar, originating from the Republic of Korea and China with a 0% tax rate and no quota have consistently flooded the nation, therefore creating pressure competition for the domestic sugar industry. This type of sugar has a lower selling price of 10% to 15% compared to cane sugar, with its sweetness far higher than that of cane sugar.

Statistics of the General Department of Customs indicate that the volume of liquid sugar imported into the country in 2019 reached more than 190,000 tonnes, representing a positive growth rate of 26.7% compared to 2018, and up 31.7% over 2017.

At present, the export price of Thailand's white sugar FOB for the 2019-2020 crop year is at an average of 11 baht / kg.

Currently, Thailand's export prices are as low as production costs in order to compete in the global export market. This is the primary reason that makes it challenging for the local sugar industry to compete with Thai sugar, resulting in the shutdown of several domestic factories.

7. VN, U.S. sign seven deals signed at the Indo-Pacific Business Forum

A Master Teaming Agreement was signed between Delta Offshore Energy, Bechtel Corporation, General Electric, and McDermott for the development of the Bac Lieu LNG-to-power project for more than US$3 billion of U.S. equipment and services.

The Delta Offshore Energy Bac Lieu LNG-to-power project will bring 3,200 MW of power to Bac Lieu Province, and Viet Nam, to help address the growing clean, reliable and competitive energy needs of the country and its rapidly growing economy.

The project's 3200MW of power capacity can generate over 20 TWh of electricity annually and will have regasification capacity of up to 6MTPA.

A Joint venture agreement between the AES Corporation and Petro Viet Nam Gas Joint Stock Company for the development of the Son My LNG Import Terminal Project is valued at US$1.4 billion.

This signing comes near the one-year anniversary of the historic agreement AES signed with the Vietnamese government to build the US$1.8-billion Son My 2 combined cycle gas turbine (CCGT) power plant.

The Son My LNG Import Terminal Project will be located in Binh Thuan Province with the total capacity of up to 450 TBtu, to supply gas to newly built gas-fired power plants of about 4,500 MW, other existing gas-fired power plants, and industrial customers.

Together, the 2.2 gigawatts power plant and terminal will play a major role in shaping Viet Nam's energy future by diversifying the energy mix with imported LNG as well as meeting the country's increasing demand for sustainable and affordable electricity.

A Grant Signing between the U.S. Trade and Development Agency (USTDA) and the Viet Nam National Power Transmission Corporation (EVNNPT) is worth US$935,000.

USTDA approved funding for a roadmap that would allow Viet Nam's National Power Transmission Corporation to modernize its information technology, communications, and power transmission systems and enable future smart grid technology investments.

USTDA's first roadmap with NPT led to exports of American grid modernization technologies.

ExxonMobil Hai Phong Energy Pte Ltd, Hai Phong People's Committee and Japan power generation company JERA have signed a Memorandum of Understanding (MOU) to work together on a potential integrated LNG to Power project in Hai Phong.

The recently-inked U.S. Grains Council (USGC)-Ministry of Industry and Trade (MOIT) Memorandum of Understanding (MOU) will further a strong partnership between the United States and Viet Nam to expand the use and availability of ethanol in Viet Nam.

This MOU will help Viet Nam meet its fuel needs in an environmentally and economically sustainable manner.

A MOU was signed between General Electric and VinaCapital for the development of the Long An LNG-to-power project.

VinaCapital, in partnership with the Long An local authority, will cooperate to develop the Long An LNG-to-power project, providing 3,000 MW of power to Viet Nam.

The U.S.- Viet Nam Pork Consortium Memorandum of Understanding was inked between Viet Nam Trade Alliance and the U.S. sellers' group.

This agreement, worth US$100 million for year one with a three-year total deal value of up to US$500 million, will establish a commitment for a major Vietnamese processor and retailer to purchase U.S. chilled and frozen pork.

Corporate News

8. VHM: Vinhomes revenues more than double

↑ 0.79%

But pre-tax profits were 1.6 percent lower at VND7.5 trillion after sales costs tripled.

During the quarter, the Vingroup subsidiary handed over nearly 10,400 apartments and other housing units to buyers at Vinhomes Grand Park in Ho Chi Minh City and Vinhomes Smart City and Vinhomes Ocean Park in Hanoi.

For the first nine months, pre-tax profits rose 5.6 percent year-on-year to VND22.2 trillion, while revenue rose 19 percent to VND62.6 trillion.

9. GAS: AES, PetroVietnam set up joint venture for US$1.4 billion LNG terminal

↓ -1.25%

US energy firm AES Corporation and Petrovietnam Gas JSC (PV Gas) on Wednesday signed a term sheet of the joint venture agreement for a liquefied natural gas (LNG) terminal with a US$1.4 billion investment in central Vietnam.

With the agreement signed during the 3rd Indo-Pacific Business Forum (IPBF) held in Hanoi on October 28-29, the joint venture is expected to speed up Son My LNG Terminal's financial completion which is scheduled in 2022 and commercial operations in 2025.

The Son My LNG terminal complements AES' investment in gas infrastructure around the country, with its previously announced US$1.8 billion 2,200 megawatts (MW) combined cycle gas turbine (CCGT) power plant.

Together, the plant and terminal will play a major role in shaping Vietnam's energy future by diversifying the energy mix with imported LNG as well as meeting the country's increasing demand for sustainable and affordable electricity.

"This is an important milestone for the development of the Son My LNG terminal and our CCGT power plant. With these two projects, AES is fully committed to the country's growth in cleaner energy sources and offering the most reliable and affordable electricity to support the continued economic growth of Vietnam," said President of AES Vietnam David Stone.

As part of the signing ceremony, AES also received a Letter of Interest from the US' Eximbank and International Development Finance Corporation (DFC) to support the Son My LNG Terminal and Son My 2 CCGT projects with a loan amount of US$3.2 billion.

Making comments in pre-recorded remarks to a business conference hosted both online and in person in Hanoi, US State Secretary Mike Pompeo said Vietnam has approved the project and that it would "open the door to billions of dollars per year in US LNG exports to Vietnam. That's a real win-win situation."

Virginia-based AES Corp. and its Vietnamese partners have been gradually ramping up efforts to develop a hub for importing LNG from the US over the past several years.

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