



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Bargain-hunting lifts VN stocks from bottom

Vietnamese shares fell in the early minutes of the afternoon session on increased selling but quickly rebounded on bargain-hunting power.

The local market tumbled after continuing its rally in the morning session as US President Donald Trump announced he had tested positive for the coronavirus, BIDV Securities Corp (BSC) said in its daily report.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange dropped as much as 1.79 per cent to 897.72 points during the day.

“However, the demand at bottom catching appeared right after that and narrowed the drop,” BSC said.

The VN-Index ended down 0.46 per cent to 909.91 points on Friday. It had gained a total of 1.12 per cent in the previous two days.

The large-cap tracker VN30-Index fell 0.7 per cent to 861.51 points and the VN30 futures due on October 15 was down 0.63 per cent to 861.5 points.

The mid-cap and small-cap indices fell by 0.06 per cent and 0.51 per cent, respectively.

On the southern market, the number of declining stocks doubled that of gainers by 294 to 106 while 65 stocks ended flat.

Among large-caps that weighed on the market were dairy firm Vinamilk (VNM), steel producer Hoa Phat (HPG), high-end residential realty firm

Vinhomes (VHM), mall operator Vincom Retail (VRE), VPBank (VPB) and consumer company Masan (MSN).

On the positive side, Vietinbank (CTG), Vingroup (VIC), PetroVietnam Power (POW), sugar producer Thanh Thanh Cong-Bien Hoa JSC (SBT) and Hoang Huy Investment and Financial Services (TCH) were the only five gainers in the large-cap basket.

The retail, food and beverage, seafood processing, materials, technology, and plastics and chemicals were among the worst-performing sectors on Friday.

The northern HNX-Index on the Ha Noi Stock Exchange also had a similar trading pattern as it lost as much as 0.69 per cent before ending up 1.06 per cent.

The HNX-Index has increased by a total of 2.4 per cent in the last three trading days.

More than 616.5 million shares were traded on the two exchanges, worth nearly VND9.9 trillion (US\$426 million).

Market sentiment was expected to settle down in the coming days and the VN-Index may keep increasing to 920-930 points, Thanh Cong Securities Co (TCSC) said in a note.

“However, that means the benchmark will get a lot of challenges with that resistance zone,” TCSC said. “Local stocks will keep dividing on their earnings prospects.”

## Macro & Policies

### 2. Vietnam, United Kingdom Eye Free Trade Agreement

The United Kingdom and Vietnam have announced that their intention to conclude negotiations on a free trade agreement in the near future.

The expected announcement came during British Foreign Secretary Dominic Raab's two-day visit to the Vietnamese capital Hanoi on September 29-30. During the visit, Vietnamese Prime Minister Nguyen Xuan Phuc expressed hopes that his government would conclude a free trade agreement with the U.K. soon.

“Vietnam sees the U.K. as a major trading partner in Europe,” Phuc told Raab at a meeting in Hanoi, according to a Vietnamese government statement. He added that a trade deal with Britain would “help both countries to boost economic recovery in post-COVID-19 pandemic period.”

The announcement follows a phone conversation on July 13 with his Vietnamese counterpart Pham Binh Minh, during which the pair agreed to push toward the signing of a trade deal.

Raab's visit to Vietnam, part of a tour that also took him to South Korea, is the first of what will no doubt be many British diplomatic sallies into the Indo-Pacific in the post-Brexit era. Recently unburdened of its membership in the European Union, London is eager to build new bilateral trading partnerships as part of its “Global Britain” rebranding under Prime Minister Boris Johnson.

Improved relations also make sense in light of the U.K.'s recent souring of views toward China and increasing concerns about its assertive behavior, particularly in the crucial South China Sea. In particular, Raab's visit comes amid recent suggestions that the Royal Navy might deploy its new aircraft carrier, HMS Queen Elizabeth, to the Indo-Pacific.

“Vietnam has a key role to play in regional stability in East Asia,” Raab posted on Twitter on September 30. I met with [Pham Binh Minh] earlier today to re-emphasize the UK's commitment to work together, including on maritime security, Myanmar and

multilateralism through [the Association of Southeast Asian Nations].”

Vietnam, too, has good reasons to push for thicker economic linkages with the U.K., with which it has had a Strategic Partnership since 2010. While the country has been a global coronavirus success story, and is one of the few nations in Asia that are projected to record a positive growth rate for 2020, COVID-19 has weighed heavily on its export-driven economy. Last month, Hanoi was forced to halve this year's growth target to 2.5 percent, down from the more than 5 percent it forecast in May. An FTA with London would provide an additional spur to recovery.

Such an agreement would also dovetail with Hanoi's broader attempt to diversify its trade relationships and reduce its heavy economic reliance on China, with which it has a large trade deficit. In recent years, Vietnam has signed more than a dozen free trade agreements, including one with the EU, which came into force in August.

Hanoi is also one of the most enthusiastic participants in the 11-country CPTPP free trade pact, the successor agreement to the star-crossed Trans-Pacific Partnership. The deal was painstakingly negotiated by U.S. President Barack Obama before his successor Donald Trump wrenched the U.S. out of the agreement during his first days in office.

The U.K. Foreign Secretary also announced that the U.K. had secured Vietnam's public support for it to join the CPTPP, previously known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. In a post on Twitter, Raab described this as “a significant step in taking the U.K.-Vietnam economic relationship to the next level, and demonstrating the U.K.'s commitment and value to the region.”

In addition to Vietnam, the CPTPP's current signatories are Canada, Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, and Singapore.

### 3. Vietnamese manufacturing sector rebounds in September

The Vietnam Manufacturing Purchasing Managers' Index (PMI) rose back above the 50 no-change mark in September, posting 52.2 from 45.7 in August, indicating the first improvement in business conditions for three months and the most marked since July 2019.

“After a rise in Covid-19 cases in late July and early August briefly threw the sector's recovery off track in August, the September PMI results were much more positive. With control over the pandemic regained, firms saw an influx of new orders, ramped up production and were at their most optimistic for over a year,” said Andrew Harker, economics director at IHS Markit.

Evidence suggested that the containment of the pandemic was a key factor that supported improvements in operating conditions. A reduced number of cases contributed to higher demand from clients, leading to a solid increase in new orders. Particularly, new orders from abroad increased for the first time since January.

The rise in output was the sharpest in 14 months, helped by higher new orders.

Business confidence also improved at the end of the year's third quarter, rising sharply from August to the highest since July 2019. The projected growth of new orders is expected to lead to an increase in output over the coming year, but a number of firms mentioned that positive expectations were based on assumptions that the pandemic would remain under control in the country.

The rising number of new orders encouraged manufacturers to expand their purchasing activity for the first time in three months, contributing to a renewed accumulation of pre-production inventories.

While firms increased their purchasing activity in response to a higher number of new orders, they continued to see staffing levels decrease at the end of the third quarter. In some cases, lower workforce numbers reflected staff resignations. Employment had fallen in each of the past eight months, although the latest decline was at the lowest rate.

Supply shortages of raw materials resulted in higher input costs and longer supplier delivery times. In response to higher input costs, firms raised their selling prices for the first time in eight months but only slightly.

### 4. Steel industry expects consumption recovery by year-end

This trend is expected to persist in the medium term, whereby domestic steel mills will directly benefit, VDSC said.

The Hoa Phat Group (HPG), a listed construction steel companies, hopes that its new production lines at the Dung Quat complex can catch up with the recovery of steel bar demand, thereby capturing market share and generate profit growth for the second half of 2020 and 2021.

Meanwhile, the market has shown signs of recovery for steel pipe and galvanised steel products from the beginning of May and this trend has persisted for many months, it said.

In the steel pipe segment, VDSC believes it is the segment with the least dependence on the export market and has successfully recovered on the back of high domestic demand for steel in housing, industrial real estate and manufacturing.

The industry reduced dependence on export markets for galvanised steel sheets. In the first eight months of this year, domestic manufacturers exported 39 per cent of their output of galvanised steel sheets, the same figure in 2019 but lower than 46-47 per cent in the 2016-2018 period.

Trinh Khoi Nguyen, vice chairman of the Viet Nam Steel Association (VSA) also predicted that in the short term, the domestic steel market would see

higher demand for steel after the social distancing period due to the COVID-19 pandemic.

Domestic production and sales of construction steel were expected to improve from September, he said.

The VSA said that construction steel production in the first eight months of this year reached more than 6.6 million tonnes, down 6.9 per cent over the same period in 2019.

Consumption of construction steel products reached more than 6.7 million tonnes, down 5.8 per cent year on year, including 906,962 tonnes for export, down 5.9 per cent.

At present, steel inventories in the domestic market total more than 604,000 tonnes. This is the average level of inventory to support sales in the following months, the association said.

Meanwhile, VDSC reported that the consumption volume for all groups of steel products reduced in the first eight months of the year, excluding galvanised steel sheets, mainly due to COVID-19.

Hot rolled steel products faced a sharp decline, while construction steel sales dropped nearly 6 per cent for the first time since the 2008 financial crisis.

Steel pipe consumption continued to go sideways while galvanised steel output increased slightly year-on-year.

However, VDSC believes that steel demand for industrial production is still relatively strong, while

steel demand for construction is suffering the biggest impact from the pandemic.

The number of new projects in the residential and commercial real estate market is still low due to poor medium-term prospects as the international flight ban continues, affecting tourism and international trade activities.

In August 2020, the domestic steel market showed positive signs, when output increased significantly compared to last year, except for cold-rolled steel, according to VDSC. Sales in August were up 15 per cent month-on-month. The sales growth was relatively steady month-on-month since the end of social distancing.

The association said in the first half of this year, sales of most steel businesses decreased compared to the same period last year. For example, Vietnam Steel Corporation recorded a 13 per cent decrease in revenue, reaching VND15.4 trillion; Nam Kim Steel Joint Stock Company's revenue, down 19.3 per cent to VND4.8 trillion; Pomina Steel Joint Stock Company, down 18.4 per cent to VND5 trillion; and SMC Trading Investment Joint Stock Company, down 17.7 per cent to VND7.1 trillion.

Meanwhile, Hoa Phat gained revenue growth of nearly 30 per cent to VND39.7 trillion and Da Nang Steel Joint Stock Company's revenue increased by 22 per cent to VND605.3 billion, the Dien dan Doanh Nghiep (Business Forum) newspaper reported.

Hoa Phat's revenue growth came from an increase in sales volume in the Southern market after the Hoa Phat Dung Quat Steel Plant came into operation.

## 5. Covid-19 seen as opportunity for Vietnam to accelerate reforms in health sector

While the pandemic remains a challenge, Vietnam sees it as an opportunity to accelerate reforms in the health sector and continues to improve public health in order to provide quality health services to the population amid Covid-19, according to Fitch Solutions, a subsidiary of Fitch Group.

Vietnam is also working towards revising the Law on Health Insurance and the Law on Examination and Treatment with more emphasis on efficiency and digital healthcare, such as promoting

telemedicine with a personal e-medical record system deployed in all medical facilities, as well as applying remote medical examination and treatment to mobilize leading medical experts to assist in the treatment of Covid-19 patients, in addition to distance training on Covid-19 responsiveness.

Over the coming years, Fitch Solutions expects the government to reassess the public funds allocated to innovative health products.

While public healthcare expenditure increased in 2020 as a result of the Covid-19 pandemic, the accompanying economic slowdown will reverse this dynamic in subsequent years.

Fitch Solutions also believes public health and prevention services will be affected by budget cuts. Moreover, there will be new budget restrictions, more reference pricing, greater emphasis on cost-effectiveness studies and additional mechanisms to increase the uptake of cost-effective therapeutics such as generic drugs. As such, Vietnam's generic drug market will post robust growth rates over the coming years, driven by the government's encouragement of the predominant generic-based local industry, as well as the expansion of healthcare services, Fitch Solution noted.

Domestic medicine production remains firmly within the generic drug sector given the lack of scientific expertise for innovative drug development, and also primarily due to the significantly higher demand for generic drugs in the country as a whole.

In addition, while the development of healthcare services in Vietnam will increase the ability for patients to access higher quality medicines, affordability levels remain low and as such

opportunities for patented drug makers will remain restricted.

Since the implementation of a national Social Health Insurance (SHI) program, Vietnam has made strong strides in extending universal healthcare coverage (UHC) in the country. According to a report produced by the Vietnam Social Security agency, by the end of May 2019, there were 84 million people participating in the public health insurance system nationwide, covering 89% of the population. A target set by a resolution of the 6th Plenum of Communist Party of Vietnam, states that by 2025 about 95% of the Vietnamese population will be covered by the national health insurance scheme.

Notably, Fitch Solutions said Covid-19 will have impacts on Vietnam's UHC. Pre-Covid-19, there were already challenges that Vietnam's health program was facing such as financial stability of the healthcare scheme. Budget deficits are prominent in the country due to the rising demand for health services. While the government is focused on improving the delivery of public healthcare services, Fitch Solutions also noted that limited public financing, uneven distribution of health services, inadequate infrastructure and a similar shortage of qualified workers will affect the goals of the UHC program going forward.

## 6. City unveils \$518m aid package for small enterprises

Lê Minh Tấn, director of the city Department of Labour, Invalids and Social Affairs, said that preferential loans would be offered to employers to maintain production, retain workers and ward off bankruptcy with priority given to micro and small-sized enterprises.

“Unlike the previous package under the Government's Resolution 12, the second package will provide SMEs with easier access to preferential credit, and not require a 50 per cent cut in payroll or fall in revenues [to qualify].

“Instead, businesses can borrow to maintain their production and [retain] employees if their revenues declined by just 20-30 per cent from the fourth quarter of 2019.”

The package would involve the active participation of commercial credit institutions, he said.

The city's credit institutions had loans outstanding of VNĐ2.38 quadrillion (\$102.5 billion) as of the end of August, an estimated 3.68 per cent up for the year, the lowest rate in many years. But the State Bank of Vietnam (SBV) said cash is still being pumped into key areas of the economy.

Short-term loans provided to the city's five priority sectors (agriculture and rural development, production of goods for exports, small- and medium-sized enterprises, supporting industries, and high-tech enterprises) were worth VNĐ176.26 trillion as of the end of August.

On the central bank's instructions to offer relief to pandemic-hit companies, credit institutions gave 240,407 firms in the city loans worth VNĐ583.15 trillion.

As stipulated by the SBV, the banks reduced interest rates, rolled over debts and did not classify overdue debts owed by affected businesses as bad.

Nguyễn Hoàng Minh, deputy director of the SBV's HCM City office, said 230,700 borrowers had so far benefited from these policies as of the end of June.

Interest rates had been cut on loans worth over VNĐ49.97 trillion given to nearly 17,420 borrowers, and new soft loans worth more than VNĐ270.42 trillion were offered to over 44,600 pandemic-hit customers.

In addition, around 168,670 borrowers have had their loan payment deadlines extended, he said.

The banking industry would continue to focus on efforts to resolve challenges faced by businesses based on guidelines issued by the Government, the central bank and the city People's Committee, he added.

Speaking at a recent meeting, Nguyễn Thành Phong, chairman of the People's Committee, said the city would announce specific policies to help enterprises and industries heavily affected such as travel, restaurants, hotels, and transport- and tourism-related services.

More than 21,000 city businesses have suspended operations and laid off a large number of employees, he said.

“The top priority is to help businesses maintain production and avoid bankruptcy, and prevent more workers from losing jobs.”

Small and medium-sized enterprises, which account for 98 per cent of all enterprises, have been seriously impacted, he said.

Services, which account for more than 60 per cent of the city's economy, have been hit hardest, especially tourism and accommodation.

### Jobs protected

Tấn said his department would take whatever measures needed to safeguard people's jobs and incomes.

More than 327,000 people were laid off in the first half, he said.

Tourism and other services were the hardest hit with some 4,400 enterprises being affected and 100,000-120,000 jobs being lost.

To protect workers, the department has set up working groups to support businesses and ensure employees are treated in accordance with legal provisions, he said.

In March city authorities approved a support package targeting poor families and 600,000 workers and teachers at private pre-schools who had lost their jobs.

Prime Minister Nguyễn Xuân Phúc earlier approved a relief package worth over VNĐ62 trillion (\$2.7 billion) to benefit around 20 million people nationwide, with a focus on workers who lost jobs or incomes and businesses affected by the pandemic.

According to city authorities, 90 per cent of 8,400 enterprises facing difficulties are eligible for the VNĐ62 trillion package.

## 7. VN enters third wave of business reforms

Mai Tien Dung, Minister and Chairman of the Government Office, recently said that the Government's business regulation reform programme in 2020-25 was the largest and most comprehensive yet, demonstrating the Government's determination to improve the business environment to drive development.

The recently-announced programme to implement Government Resolution No 68/NQ-CP dated May 12 aimed to remove and simplify at least 20 per cent of business regulations and cut at least a fifth of compliance costs.

The programme also focused on preventing the new issuance of unnecessary, unreasonable and illegal

regulations and those causing more difficulties for businesses, while removing inconsistencies and overlaps in business regulations.

Dung said the Government attached special attention to institutional reform and building e-Government to create favourable conditions for businesses and citizens.

In 2007-2010, Viet Nam cut or simplified 4,818 out of 5,421 administrative procedures, which helped save nearly VND30 trillion (US\$1.3 billion) per year, which was an impressive figure, Dung said.

More than 3,890 out of 6,191 business prerequisites and 6,776 out of 9,926 product categories subject to customs checks were removed and simplified in 2016-20, saving 18 million working days per year, equivalent to VND6.3 trillion.

Dung, however, noted that reforms remained slow and some deregulation did not aid firms but brought more difficulties.

He stressed that there was a lot of room for growth by carrying out efficient reforms.

According to the Chairman of the Viet Nam Chamber of Commerce and Industry Vu Tien Loc, the Government's Resolution No 68 was regarded as the third wave of reforms out in the past five years.

The first wave started in 2016 with thousands of sub-licences eliminated. The second wave was removing and simplifying half of business prerequisites and product lines for customs checks.

In the third wave of reforms, inconsistencies and overlaps in business regulations were expected to be wiped out, Loc said.

The VCCI's findings showed that the percentage of firms which must apply for licences for their business operation had reduced from 58 per cent to 48 per cent. Loc said that this was not just a matter of money or time but also the confidence of business.

Resolution 68 would trigger more comprehensive reforms to tackle existing problems in the business legal system and hasten reforms of management agencies at all levels, he said.

Loc stressed that listening to businesses were essential.

President of the Association of Small and Medium-Sized Enterprises Nguyen Van Than also said that drastic measures must be taken to achieve deregulation goals set in Resolution 68.

According to Dung, to implement the reform programme effectively, the focus would be placed on accelerating the electronic handling of administrative procedures, especially with the implementation of a digitalisation plan for handling administrative procedures.

The transition from paper-based management to digital-based would be pushed, aiming to create the best conditions for businesses and to cut costs.

Businesses and citizens would play a role in supervising and evaluating the reform process, Dung said.



## Corporate News

### 8. GAS: Board resolution on divestment from Gas South

↓ -0.69%

On September 28, 2020, the Board of Directors of PetroVietnam Gas Joint Stock Corporation (PVGas) approved the divestment of entire stake in

Southern Gas Trading Joint Stock Company (Gas South JSC).

### 9. DPG: DPG wins a construction contract

↑ 0.00%

Dat Phuong Joint Stock Company (DPG) has won the bidding of Package XL01 for the construction of Km134+000 – Km154+000, the intersection of

Vinh Hao and the route connecting National Highway 1, Vinh Hao – Phan Thiet project.

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