



VIETNAM DAILY NEWS

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Table of content

Table of content

1. Local stocks dip into the red, VN-Index loses steam
2. Vietnamese shrimp exports to the UK maintains market share
3. Vietnam transport ministry to issue licenses for airlines operating international flights
4. Government issues plan to increase renewable energy use
5. Southern industrial land rents surge
6. New website aims to boost supply of Vietnamese goods to Nordic markets
7. Logistics SMEs urged to speed up digital transformation
8. NVL: Announcement of the change of listing
9. VNM: Vinamilk completes charter capital hike plan

Market Analysis

1. Local stocks dip into the red, VN-Index loses steam

Under heavy selling pressure, many large-cap stocks dipped into the red, dragging the VN-Index of the Hochiminh Stock Exchange down today, October 8.

Market breadth turned negative as losing stocks outnumbered advancing ones by 253 to 158. The main index fell 0.88 points, or 0.1%, against the session earlier, at 918.84. Trade volume and value dropped by 10%, from the previous session, at over 470.3 million shares worth VND7.9 trillion. Block deals contributed VND755 billion to the total value.

Consumer goods producer MSN closed up 3.2% to the intraday high and saw over 4.8 million shares change hands, helping save the main index from deep fall.

Trading in positive territory, jewelry firm PNJ, steelmaker HPG, tech giant FPT and mobile phone retailer MWG were among supporters for the southern bourse.

On the negative side, in the VN30 basket, 20 stocks lost ground, with lenders TCB and VPB shedding 2.1% and 1.3%, respectively.

Lender STB led the basket by liquidity with over 21.3 million shares changing hands, but closed down 1.1%.

Industrial zone developer ITA was the most actively traded stock on the southern bourse, with a matching volume of over 29.3 million shares, slightly increasing by 0.2% at the close.

Many other speculative stocks, including construction firm ROS, real estate firms FLC and LDG and property developer DXG, were among key laggards.

The HNX-Index of the Hanoi Stock Exchange extended its losing streak, closing the day down 0.52 points, or 0.38%, from the day earlier, at 135.61.

Lender ACB took the lead on the northern bourse by liquidity with over 13.8 million shares transacted, but lost 0.9% at VND23,200 per share, while industrial firm VCS, gas firm PLC and housing firm NDN dropped by 1.7%-2.7%, contributing to the decline in the index.

Macro & Policies

2. Vietnamese shrimp exports to the UK maintains market share

Recent years has seen the country become the largest shrimp provider to the UK, accounting for 24% of their total shrimp import value.

Since the beginning of the year, shrimp exports to the fastidious market have witnessed a number of positive developments, with June seeing the highest level of export growth at 54% in comparison to June of last year.

At present, the UK is the sixth largest importer of Vietnamese shrimp, making up 6.5% of the country's total shrimp export value.

Throughout the 2015 to 2019 period, domestic shrimp exports to the UK market enjoyed constant growth, rising from approximately US\$130 million in 2015 to US\$202.5 million in 2019, representing an increase of 56%.

Most notably, key shrimp exports to the UK market include frozen white-leg shrimp, boiled white-leg shrimp, in addition to breaded tempura white leg shrimp.

Moving forward, Vietnamese shrimp exports to this market during the remainder of the year are expected to benefit from tax incentives, similar to other export items being shipped to the EU.

Furthermore, processed shrimp products from the nation enjoy greater advantages in the UK market with regard to their selling price and quality when compared to those from India and Bangladesh.

Local businesses have been urged to provide high-quality products that come up to environmental standards set by UK importers, while striving to strengthen their capability to supply stable source of goods in an effort to meet the tastes of consumers in this demanding market.

3. Vietnam transport ministry to issue licenses for airlines operating international flights

Vietnam's Ministry of Transport (MoT) is consulting with authorities of Hanoi and Ho Chi Minh City before issuing licenses for airlines operating regular commercial flights internationally.

Based on suggestions from cities and provinces, the Civil Aviation Authority of Vietnam (CAAV) would permit airlines to resume flight routes to six major markets, including South Korea, China, Japan, Taiwan (China), Laos and Cambodia.

Specifically, flag carrier Vietnam Airlines would operate the Guangzhou (China) – Ho Chi Minh City route every Friday, while both Vietnam Airlines and Vietjet Air are expected to operate two flights per week to Japan, Seoul – Hanoi/Ho Chi Minh City with two flights per week and Taipei – Hanoi/Ho Chi Minh City with two flights per week.

Vietnam Airlines would also fly to Cambodia and Laos with a frequency of one trip per week.

Under the draft plan, there would be four international flights landing on Hanoi on Tuesday, Wednesday, Thursday and Friday, bringing in a total of 1,304 passengers and five to Ho Chi Minh City on Tuesday (two flights), Wednesday, Thursday and Friday with 1,290 passengers, all to be operated by Vietnam Airlines and Vietjet Air.

On September 11, the CAAV notified authorities of China, Japan, South Korea and Taiwan (China) regarding the reopening of flights between Vietnam and each partner. So far, only South Korea has submitted the detail flight plan to its Vietnamese peer.

Korean Air would operate flights from Incheon to/from Ho Chi Minh City on October 9 while Asiana Airlines would fly from Incheon to/from Hanoi on October 7 and 21, and to/from Ho Chi Minh City from October 1 and 15.

Meanwhile, China Southern Airlines has been designated to operate flights from Guangzhou to Ho Chi Minh City with once flight per week.

Japan Airlines and All Nippon Airways are set to conduct flights from Tokyo to Hanoi and Ho Chi

Minh City with one trip per week for each destination.

China Airlines and Eva Air of Taiwan (China) would carry out flights from Taipei to Hanoi and Ho Chi Minh City once per week.

4. Government issues plan to increase renewable energy use

Vietnam aims to raise its renewable energy sources to 15-20 percent of the total energy supply by 2030 and 25-30 percent by 2045.

The targets have been set in the Government's action plan on the implementation of Vietnam's national energy development strategy by 2030.

PM Nguyen Xuan Phuc has issued the action plan to realise the Party Central Committee's Resolution No. 55-NQ/TW dated February 11, 2020 on the orientation of the National Energy Development Strategy to 2030.

Under the action plan, the Government will strive to meet domestic energy demand and satisfy targets of the 10-year socio-economic development strategy for 2021-2030.

Specifically, total primary energy supply will reach 175-195 million tonnes of oil equivalent (TOE) by 2030 and 320-350 million TOE by 2045.

Total installed capacity of power sources will be raised to about 125-130 GW and the power output to 550-600 billion kWh by 2030.

Total final energy consumption will touch 105-115 million TOE by 2030 and 160-190 million TOE by 2045. Primary energy intensity will be 420-460 kgOE/1,000 USD GDP by 2030 and 375-410 kgOE/1,000 USD GDP by 2045.

The ratio of energy saving over total final energy consumption compared to the business-as-usual scenario will be increased to around 7 percent by 2030 and 14 percent by 2045.

The Government targets to reduce greenhouse gas emissions from energy activities against the business-as-usual scenario by 15 percent and 20 percent by 2030 and 2045, respectively.

It also plans to build a smart grid system that can be connected safely with regional grids and meet N-1 criteria for important load centres and N-2 criteria for extremely important load centres.

The reliability of power supply will be among the top four ASEAN countries while the power access indicator among the top three ASEAN countries over the next decade.

By 2045, the Government will synchronously develop factors of a competitive and transparent energy market in accordance with the socialist-oriented market economy; ensure sustainable development of energy sub-sectors as well as efficient utilisation of natural resources.

The Government will also focus on ensuring the quality of human resources, technological and scientific qualification and governance capacity of the energy sector to meet the level of a modern and developed country.

In order to fulfil these targets, the plan sets key tasks, including developing primary energy supply sources towards increasing self-sufficiency, diversification, ensuring efficiency and sustainability; rapidly and sustainably developing the electricity sector to meet the country's modernisation and industrialisation demand; and restructuring sectors and regions consuming power in parallel with implementing policies on using clean energy and using energy economically and effectively.

Other tasks include restructuring, renewing and improving operation efficiency of State-owned enterprises in the field of energy; encouraging the private sector to develop energy; and renewing mechanisms and policies and developing the energy market comprehensively and effectively.

5. Southern industrial land rents surge

They have climbed to \$300 per square meter in Ho Chi Minh City, \$200 in Long An and over \$150 in Dong Nai, Binh Duong and Ba Ria – Vung Tau provinces, according to a report by real estate consultancy CBRE.

Occupancy rates are over 90 percent in HCMC, and over 80 percent in the other places.

Due to difficulties caused by the Covid-19 pandemic, some parks and ready-built factories are offering rental and fee reliefs of 10-30 percent to their tenants.

The southern region added four new industrial parks in the first nine months, one in HCMC, two in Long An and one in Dong Nai, with a total of 906 hectares.

Supply of ready-built factories is set to rise this year by 28 percent to 2.7 million.

The rising rents and supply came amid increasing demand from e-commerce and logistics companies to expand their storage space and distribution networks.

"Expansion of existing factories and construction of new manufacturing facilities in the context of accelerated relocation will be the main source of demand in the coming time," the report said.

Foreign investors' demand for land for developing logistics facilities also increased significantly, and this trend is expected to foster demand in the ready-built warehouse market and for industrial lands for logistics development, it added.

Temperature-controlled storage spaces (cold or cool storage) are a new development in the logistics industry as fresh food distribution and sales expand both on online channels and at physical stores, it said.

6. New website aims to boost supply of Vietnamese goods to Nordic markets

The website provides insights on six markets, including Sweden, Denmark, Finland, Norway, Iceland, and Latvia, with visitors able to gain knowledge about data and information on exports.

It is hoped that the launch of the website will serve as a bridge which connects firms with the Vietnam Trade Office, in addition to forming links between domestic exporting companies and the six Nordic markets.

When viewing the web page visitors can browse three major parts, including commercial news, import and export data, in addition to the import regulations of each market. The website allows domestic enterprises to stay updated on import and export warnings, opportunities for trade exchanges, expos and fairs, useful addresses, references, and a thorough directory of import enterprises.

According to information provided by the Vietnam Trade Office in Sweden, Nordic nations enjoy developed economies, a stable political situation,

and high living standards that are among the top in the world. Indeed, Nordic retail groups operate worldwide across a variety of fields such as food, home appliances, fine arts, and handicrafts.

Most notably, the structure of imports of Nordic countries remains completely consistent with the nation's export capacity. As such, the import items which enjoy the largest turnover in these countries are the goods that Vietnam has exported over the past five years.

Furthermore, it can be viewed that Northern Europe is a potential market for Vietnamese goods as the nation's export staples are compatible with the import demand of Nordic countries. Therefore, the structure of Vietnamese import and export products with this region is generally complementary.

Moreover, the implementation of the European Union-Vietnam Free Trade Agreement (EVFTA) on August 1 is likely to bring about a positive impact to

both sides, along with EU member states in the Nordic region.

As a means of assisting Vietnamese businesses boost their exports to the Nordic market in the near future, the Vietnam Trade Office in Sweden, which is also

working in Finland, Denmark, Norway, Iceland, and Latvia, with support from the Economic Diplomatic Fund, has released the book on basic market regulations of the Nordic countries and Latvia. The publication features the fundamental regulations of the six countries along with the main contents of the EVFTA.

7. Logistics SMEs urged to speed up digital transformation

Vietnamese logistics firms, especially small and medium-sized ones, need to get up to speed on digital transformation to enhance their competitiveness if they want to enter global markets after the pandemic ends, experts have said.

Nguyen Ngoc Dung, Vice Chairman of the Vietnam E-commerce Association, said it is high time that SMEs realised the advantages of and the urgent need for digital transformation, pointing out that most of them have remained slow in embracing it.

“Successful digital transformation will bring many benefits to businesses such as reducing costs and enabling them to access all markets.”

A shipper in Vietnam delivers two parcels a day on average since it takes time to locate addresses and wait for recipients to collect the order, whereas a shipper in a developed market could deliver 200 a day with map data to optimise routes, he said.

“High logistics costs not only affect the competitiveness of goods, but also pose an obstacle for businesses when entering new markets.”

He was speaking at a seminar on “Logistics industry before the turning point of digital transformation” last week.

Nguyen Tuong, Deputy General Secretary of the Vietnam Logistics Business Association, said the COVID-19 pandemic has affected global investment and trade, and supply chains have been disrupted.

Enterprises, especially logistics firms, must apply hi-tech solutions to reduce costs, he added.

Tuong listed three challenges that prevent logistics companies from adopting digital transformation:

financial capacity, human resources and identifying suitable technologies.

There are only a few international standard software offerings in Vietnam, making it difficult for firms to identify optimal ones, he said.

Besides, logistics companies' managements are not confident about data and payment security when implementing digital transformation, he said.

“Both executives and staff remain hesitant about changing their habits for the digital environment. Thus, we need to change the perceptions held by logistics companies.”

According to the Vietnam Logistics Business Association, not many logistics firms adopt integrated solutions in their logistics and supply chains.

Around 40 percent of software applications remain very basic such as international forwarding management, warehouse management, transport management, electronic data exchange, and customs declaration, he added.

Tuong said the Government should prioritise development of infrastructure and logistics service centres, and offer income and other tax breaks.

Policies are needed to ease business conditions, simplify inspection procedures and mobilise resources for investment in logistics, especially regional and international logistics centres, he added.

Ngo Khac Le, a lawyer and arbitrator at the Vietnam International Arbitration Centre and an expert in logistics and transport, said SMEs can learn from the

experience of large logistics enterprises that have applied digital transformation at a rather high level.

Experts said to capitalise on the EU-Vietnam Free Trade Agreement, Vietnamese firms need to meet three main criteria: product origin, quality and digital capability.

EU businesses are 10-15 years ahead of their Vietnamese counterparts in terms of digital capacity, and so the latter must strive to achieve comparable levels to be able do business with them, they said.

Thus, digital transformation is an inevitable process and Vietnam would be left behind if it does not do it, they warned.

Enterprises should start to get acquainted with e-contracts, pay digital taxes and digitise all business activities, they said.

Digital transformation refers to creating a new operating method based on digital technologies like IoT, cloud, big data, AI, and blockchain to create new production and business models.

Vietnam's logistics costs are 6 percent higher than Thailand's, 7 percent higher than China's and 12 percent higher than Malaysia's.

The high costs have hampered the competitiveness of Vietnamese goods, according to experts.

According to a recent report by the World Bank, logistics costs are equivalent to 20 percent of Vietnam's GDP, while in other countries it is 9-14 percent.

Economists said in the context of the prolonged epidemic, the use of digital transformation for market access and penetration is even more vital.

If Vietnam wants to improve the quality of logistics services it needs to have a clear roadmap.

Corporate News

8. NVL: Announcement of the change of listing

↓ -0.16%

On October 07, 2020, HOSE issued Announcement No.1678/TB-SGDHCM regarding the change of listing of No Va Land Investment Group Corporation (stock code: NVL) as follows:

- Additional listing volume: 189,775 shares
- Reason of change: the bond converts.

- Total listing volume after change: 971,021,042 shares

- Total listing value after change (based on par value): VND9,710,210,420,000

- Effective date of the listing license: October 09, 2020

- Official trading date: October 14, 2020.

9. VNM: Vinamilk completes charter capital hike plan

↓ -1.02%

Funding for the share issuance was taken from the company's owner equity capital.

The total amount of outstanding shares is now nearly 2.09 billion, the company said in a filing.

Vinamilk has also decided to make the first dividend payment for 2020 in cash at a 20 per cent ratio.

In the third quarter, the dairy giant reported revenue of VND15.5 trillion (US\$666.86 million),

up 8.8 per cent on-year. Its post-tax profit in the third quarter rose 16 per cent on-year to VND3.1 trillion.

After nine months, the company estimated total revenue has gained 7.4 per cent on-year to VND45.3 trillion and post-tax profit has increased by 7 per cent on-year to nearly VND9 trillion.

With those figures, Vinamilk has fulfilled 84 per cent of its full-year profit projection.

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