



VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index up for seventh straight session

The VN-Index climbed 0.42 percent to 999.94 points Wednesday, its highest point since late November last year.

Contrary to predictions of most securities companies, who said the VN-Index would see strong corrective pressure as it nears the 1000-point resistance level, the index actually shot up over four points within the first 30 minutes of trading, and fluctuated in the green during the whole trading day.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, saw a fairly balanced session with 205 stocks gaining and 221 losing. Total trading volume abated around 10 percent over the previous session, to VND11 trillion (\$476.86 million).

The VN30-Index for the market's 30 largest caps was up 0.11 percent, with 17 stocks rising and 12 falling.

State-owned banks were some of the best performers this session. Of Vietnam's three biggest lenders by assets, BID of BIDV, VCB of Vietcombank and CTG of VietinBank rose 1.5 percent, 1.2 percent, and 0.8 percent respectively. MBB of mid-sized Military Bank added 0.5 percent.

Results were mixed for the private banking sector, with VPB of VPBank topping gains on the VN30 with 4.1 percent, EIB of Eximbank gaining 0.6 percent, while STB of Sacombank, HDB of HDBank, and TCB of Techcombank shed 1 percent, 0.6 percent and 0.2 percent respectively.

VIC of private conglomerate Vingroup, HoSE's biggest cap, climbed 1.5 percent. Of its two subsidiaries, VRE of mall operator Vincom Retail gained 1.1 percent, while VHM of real estate developer Vinhomes was down 0.4 percent.

Other major gainers this session included SAB of major brewer Sabeco, up 1.6 percent, SSI of top brokerage Saigon Securities Inc., with 1.3 percent, and VJC of budget carrier Vietjet Air, with 0.8 percent.

Topping losses this session was HPG of steelmaker Hoa Phat Group, which plunged 5.1 percent. HPG had been one of the best performing tickers on the VN30, either gaining or keeping its opening price for the last 10 consecutive sessions.

Other major losers included ROS of construction firm FLC Faros, down 0.9 percent, KHD of real estate developer Khang Dien House, down 0.8 percent, and FPT of IT service giant FPT, with 0.7 percent.

The HNX-Index for the Hanoi Stock Exchange, home to mid- and small-caps, gained 0.35 percent, and the UPCoM-Index for the Unlisted Companies Market dropped 0.24 percent.

After five consecutive sessions of net buys, foreign investors returned to being net sellers this session, to the tune of VND142 billion on all three bourses. The most net sold stocks were HPG of Hoa Phat Group, and HDB of HDBank.

Macro & Policies

2. Tax, customs policies under scrutiny

Representatives of ministries, agencies, localities, business associations and enterprises gathered at a dialogue in Hanoi on November 24 to review the latest administrative and regulatory changes in taxation and customs.

The annual dialogue was co-organised by the Ministry of Finance and the Vietnam Chamber of Commerce and Industry (VCCI).

Speaking at the event, Deputy Minister of Finance Vu Thi Mai said her ministry has been seeking to facilitate business activities, especially in tax and customs procedures.

Administrative reforms have been implemented in recent years to modernise the country's tax code and management of import/export activities in accordance with international treaties and standards. Regulatory bodies have strived for greater efficiency and transparency to support businesses in coping with the COVID-19 pandemic.

One of the ministry's top priority is to complete the implementation of Vietnam's one-door national portal, which aims to help business significantly reduce the amount of money and time spent on administrative procedures, particularly import/export businesses, according to Mai.

To date, the portal can process nearly 200 administrative procedures and allow businesses to file their tax applications electronically in a network that includes 55 commercial banks. A report by the ministry said 97.6 percent have used the portal to

pay their taxes. The General Department of Taxation has piloted a programme to issue e-invoices in Hanoi and HCM City. The next step is to implement it nationwide from July 2022.

Meanwhile, the General Department of Vietnam Customs has made significant progress in upgrading its automated customs services and streamlining protocols, saving businesses time and money while reducing clearance time.

Hoang Quang Phong, VCCI Vice Chairman, said it's important for the customs and tax departments to work closely with the business community to identify inefficiencies.

At the event, businesses raised concerns over officials' responsibility and accountability for their audits, including those that may later turn out to be wrongful or unlawful. They also voiced concerns over instances in which officials' misconducts may cause businesses to suffer damage to their reputation or finances and what measures could be taken for firms to seek remedies.

The VCCI said it planned to collect feedback and suggestions from businesses for a report, which will be compiled and submitted to the Prime Minister once a month for reviews to address the most pressing issues faced by the business sector.

The finance ministry said it has appointed senior officers from the general departments of taxation and customs to follow up with questions and concerns raised by businesses during the forum.

3. Vietnam's smart cities will need smart energy

Vietnam's profile as an industrial nation and as a possible importing country has been on the rise in recent months. Top it off with the country's smart city development ambitions, and the demands for a cleaner, smart energy becomes more apparent.

And Vietnamese authorities already have plans to develop a greener and more sustainable energy

alternative, according to experts at the ASEAN Smart Cities Network High-Level Forum 2020 held a few weeks ago in the administrative capital of Hanoi.

"Smart city development is the right direction and a closed smart energy development plays a very important role in the [city's] development," said

Nguyen Cao Luc, Vice-Chairman of the Government Office, at the forum.

Vietnam now sees smart urban centers and digital transformation initiatives as key to boosting its economic and societal development. GSMA noted that the Vietnamese government has been pursuing a national Industry 4.0 strategy that includes infrastructure and human resources, along with e-government services and innovation initiatives like an e-commerce transformation plan that is expected to grow online businesses by up to 43% within the next five years.

Digital payments and electric vehicles have also sprouted up in a short period of time in the mostly-landlocked Southeast Asian state, exhibiting a phenomenal growth rate in tech-driven opportunities and potentially export-ready goods.

As the country scales up its industrial and digital capabilities, more and more of its rural population will look for better opportunities in these ‘smarter’ urban zones. “By 2030, half of Vietnam’s population will live in urban areas, which can cause huge problems for urban management economic structure, infrastructure, and environmental protection,” confirmed Vietnam’s Deputy Minister of Industry and Trade, Dang Hoang An.

According to the World Energy Organisation, the ASEAN region exports some of the primary energy

and biofuel sources to the world. But some ASEAN countries like Vietnam will become an importer of energy in a very short time, due to its ballooning population.

“Investing in smart energy development will be expensive at first, but it will bring benefits in the long run. Specifically, industrial zones with a smart energy environment will increase competition and attract more investment to Vietnam,” explained John Rockhold, the head of the Power and Energy Working Group at the Vietnam Business Forum, spotlighting green energy efficiency in urban areas and economic zones especially.

“At the same time, it will help businesses save costs through renewable energy, help raise GDP, improve the business environment, and meet higher needs of the middle classes,” he continued. Rockhold mentioned that renewable energy generation from solar rooftop projects on the roofs of tenants’ factories of industrial zones would be attractive to both foreign and Vietnamese businesses.

As cleaner smart energy is a demand now by major foreign firms to meet their own corporate carbon reduction policies, greener industrial zones will attract more quality investors to Vietnam. “To have enough energy for cities, Vietnam needs smart energy as it could save more and better control energy supply and demand,” noted Vice-Chairman Luc.

4. Rice exports maintain robust growth

According to figures released by the General Department of Vietnam Customs, the nation exported 5.35 million tonnes of rice worth approximately US\$2.64 billion during the opening ten months of the year, representing a decline of 2.8% in volume and an increase of 9.5% in value from the same period last year. Indeed, the average export price of rice witnessed a surge of 12.7% on-year to US\$493.3 per tonne.

The initial 11 months of the year witnessed the country ship over 5.7 million tonnes of rice abroad with a value of roughly US\$2.84 billion, a year-on-year increase of over 12% with the average price of rice exports reaching US\$494 per tonnes.

Most notably, Vietnamese rice has seen a number of positive increases in terms of price with 5% broken white rice being traded from US\$470 per tonne in mid-October to between US\$485 and US\$490 per tonne during the last week of October.

Despite experiencing a decline in relation to export volume, the export value of the products has significantly increased due to various types of high-quality rice being capable of meeting the stringent requirements placed on them by demanding markets, coupled with the global increase in demand for rice amid the novel coronavirus (COVID-19) threat.

According to the latest information released by the Vietnam Food Association, the Asian rice market has

started to heat up again as several potential customers, including China, Bangladesh, and the Philippines are rushing to purchase these items. For example, China is actively purchasing rice from major suppliers such as Pakistan and Thailand, in addition to the nation.

This comes after Bangladesh has recently announced that it will open an international bid from November 26 to December 10 in order to buy 50,000 tonnes of rice, along with plans to purchase an additional 250,000 tonnes, while Malaysia and Indonesia are also keen on promoting the purchase

of rice from India and Thailand, as well as the country.

Moving forward, the Ministry of Agriculture and Rural Development anticipates that rice export volume will reach over 6 million tonnes this year.

According to reports compiled by large corporations and enterprises such as Loc Troi, PAN, and Trung An, the export orders of local high-quality rice to the EU market are projected to increase in the short term due to the enforcement of the EU-Vietnam Free Trade Agreement (EVFTA).

5. Bottlenecks in Vietnam’s renewable energy development

Vice Vietnam has pursued a renewable strategy for the sustainable economic growth but gridlock has slowed the power master planning and affected the market landscape.

The economic impact of Covid-19 and the limitations of Vietnam's national grid will hinder the country's attempts to turn away from coal and embrace renewable energy, David Whitehouse told Petroleum Economist.

Vietnam needs to meet electricity demand growth of about 8% per year, with power consumption forecast to rise from 265-278 terawatt-hours (TWh) in 2020 to 572-632 TWh in 2030.

A draft power development plan showed that the country will move forward with 15 coal-fired power projects with a combined capacity of 18GW by 2026. Vietnam will cancel or postpone until after 2030 nearly half of its previously planned increases in coal power capacity.

In terms of natural resources, the country is well endowed for solar and wind generation, with extensive coastlines, slopes and rivers combined with high annual rainfall. Its wind power potential exceeds that of Thailand. As of June, 12 gigawatts (GW) of wind power projects proposed by private investors had been approved.

Transmission overload

A November report from think-tank Institute for Energy Economics and Financial Analysis said that

renewable energy will make discussion of new coal power “obsolete” by the end of the decade.

However, war and its legacy have delayed the development of Vietnam's national grid, with the first 500kV line connecting three regional grids coming into operation only in 1994. Analytics firm IHS Markit said in June that many southern transmission lines and substations were at full load or overloaded. It warned that developing transmission lines between the north, central and southern parts of the country was “critical.”

According to researchers led by Thi Thu Nga Vu of the Electric Power University in Hanoi, transmission lines between north and central Vietnam are always in high load status, especially in flood season.

The transmission network to the heavily populated urban centers of Hanoi and Ho Chi Minh City is often stretched. In the southern and central regions, where solar projects are concentrated, the grid remains poorly developed. The current grid, the researchers write, may be able to absorb only about 2GW of renewable energy.

Grid capacity “has been and is likely to continue to be a constraint for both onshore and offshore installations,” said Philip Andrews-Speed, principal fellow at the energy studies institute of the National University of Singapore. Solar and wind will grow in importance but are “unlikely to be dominant until the issue of cheap storage is solved.”

He said Vietnam could follow the approach of the Philippines and invite bids for grid investment.

Hydropower accounts for the largest share of Vietnam's renewable energy supply. The country could import hydropower from Laos as a stopgap, Andrews-Speed said, but that assumes transmission lines being in place.

Concerns

Vietnam needs about US\$10 billion of investment per year to meet energy demand, according to professional services firm Dezan Shira & Associates. That has prompted the government to allow 100% foreign ownership of energy companies.

A key to the mix will be how quickly Vietnam's LNG regasification plants and associated gas-fired power plants can be built, Andrews-Speed said.

But according to consultancy Rystad Energy, planned regasification projects globally are at risk due to the Covid-19 economic slump, leaving the use of coal as the only viable option. It highlights Vietnam as a case in point.

Rystad said Vietnam will produce only 7 billion cubic meter (m³) of gas in 2025 versus an earlier projection of 10 billion m³. Increasing LNG imports will be difficult due to terminal constraints. Four planned terminals will make only a marginal impact on LNG import capacity by 2023.

6. Better transport connectivity needed for southeastern region: experts

Weak regional connectivity across land, air and sea has hampered the growth of the southeastern region of Vietnam. Economists believe for the region to develop, it needs to change its mind set and strategy.

Economist Tran Dinh Thien, member of the Economic Advisory Team of Prime Minister Nguyen Xuan Phuc, made the remarks during a conference on transport infrastructure connection in the region.

Comprising Ho Chi Minh City and the six provinces of Ba Ria-Vung Tau, Dong Nai, Binh Duong, Binh Phuoc, Tay Ninh, and Binh Thuan, the region covers 31,300sq.km and has a population of 19.6 million.

Bordering the East Sea, the region is rich in resources and enjoys favourable climate conditions, making it the country's most economically developed region.

Thien said the Party has paid significant attention to the development of the southeastern region, especially HCM City, which has helped to maintain the region's lead in national GDP shares (50.8 percent), State budget contributions, and other economic factors.

However, its 'driver of growth' status is under threat as the GDP growth in 2016-18 reached 6.72 percent against the 9.08 percent growth of the Northern Key Economic Zone, he remarked, attributing to weak connectivity between areas in the region, while ring

roads and highways are insufficient or slow to implement.

If important projects like soon-to-be underway Long Thanh International Airport in Dong Nai or the upgrading of Cai Mep-Thi Vai port suffer setbacks and delays, the impact would be felt on a national scale.

Thien stressed that transport is a "severe bottleneck" of the southeastern region – the Southern Key Economic Zone only has 91km of highway (11 percent of the country's total), Tan Son Nhat International Airport in HCM City is increasingly overloaded, and Cai Mep-Thi Vai sea terminal is currently operating over capacity while a synchronous system of roads and railways leading to and from the terminal is lacking.

He proposed the region receive a prioritised budget as well as "vanguard" development mechanisms to become a "modern locomotive" unleashing its full potential.

The vision of a synchronous development between air, road, rail and sea needing to be a well-oiled cooperation between the State and local administrations are not new ideas, but must be thoroughly implemented, Thien said.

The expert said he has floated the idea of direct monetary rewards for businesses that implement

well infrastructure projects in the region based on the “benefits brought to the country” and its leadership.

In the northern region, the investment to infrastructure is mostly sourced from the State budget, but the benefits the southeastern region can bring are still huge, mechanisms are needed to entice private businesses – especially encouraging Public-Private Partnership (PPP) model, according to Thien.

Nguyen Duc Kien, deputy chair of National Assembly’s Economic Committee, said PM Phuc himself has noted the lack of connectivity in the region which lead to three trips to the area in a year, plus several other meetings and resolutions to boost the development here – especially repeatedly urging the completion of land clearance of the Long Thanh International Airport project so that construction could start on time.

While experts at the conference agreed that localities have been proactive in seeking diverse investment sources for intra-provincial and inter-regional transport systems for development given the constrained State budget.

Binh Duong province, for example, has called for capitals both inside and outside the province to invest in its infrastructure, becoming the first locality in the country to implement the build-operate-transfer (BOT) model in transport and achieve unexpected success.

Similar undertakings have also been done in Dong Nai, resulting in much “brighter picture” of transport in the province.

Kien, however, opined that the action plans of the localities in the region lack cohesion and coordination, and suffer from a clear “commander role.”

Tran Hoang Ngan, Director of the Institute for Development Research of HCM City, also pointed out that the awareness of the benefits of transport infrastructure connectivity seems to be lacking, and are still limited to an individual province or city.

A shared database that the entire region can make use of has not been set up, and regional common infrastructure is not available due to the lack of appropriate mechanisms and consensus, Ngan said, adding that the interests between localities in the whole region have not been “harmonised”.

He urged the Government to authorise local governments – especially HCM City, Binh Duong, Dong Nai, and Ba Ria-Vung Tau – to decide matters related to key projects in their jurisdiction.

Nguyen Danh Huy, Director of the Department of Planning and Investment under the Ministry of Transport, stated the implementation of infrastructure projects in the region is “too slow.”

There are 11 highways planned for the region, with a total length of 970km, Huy said.

According to the plan to 2020, 497km will be operational but currently only 122km have been put into use, while another 278km are still being built.

Airway-wise, by 2030, the southeast region will have three international airports – Tan Son Nhat, Long Thanh, and Con Dao – with total capacity of 103 million passengers a year, with Tan Son Nhat and Long Thanh shouldering about 50 million each.

The Ministry of Transport has submitted to the Government a proposed project on regional transport infrastructure connectivity for the southeastern region worth 54 trillion VND, which will require some deliberations as to the coordination between public and private sources for these estimated capitals, Huy said.

7. Finance ministry proposes extending car registration fee cut by six months

Many sectors in Vietnam, including auto manufacturing, are still being affected by the ongoing global coronavirus pandemic, according to the ministry.

Statistics from the Vietnam Automobile Manufacturers Association indicated that between January and October, automobile sales dipped by 18% year-on-year. Sales of locally-assembled cars

fell by 12%, while the number of imported cars sold dropped by 26% year-on-year.

Over the past few months, auto consumption in the local market has gradually rebounded, but has failed to make up for the decline in car sales in the first half of 2020. Car inventories have been higher than those seen during the same period last year.

If the ministry's proposal as a way to stimulate auto consumption gets the nod from the prime minister

and other ministries, car buyers will enjoy the 50% cut in car registration fees until June 2021, Thanh Nien Online reported.

Earlier in late June, Prime Minister Nguyen Xuan Phuc approved a plan to reduce registration fees for locally assembled or manufactured cars by 50% until the end of the year, aimed at boosting domestic consumption.

Corporate News

8. VJC: Sovico Aviation bids for Vietjet shares

↑ 0.85%

Sovico Aviation Holdings Company (Sovico Aviation) has registered to buy 33 million shares of Vietjet Aviation Joint Stock Company (HoSE: VJC). The deal is being carried out between November 12 and December 11, 2020 via put-through and/or order-matching transactions.

Such move by Sovico Aviation, Vietjet's blockholder, shows its confidence in Vietjet's recovery post COVID-19 due to the airline's effective and flexible business solutions in response to the ups and downs of the aviation market.

Vietnamese airlines' stocks lifted on November 10, 2020 as investors believed in the rebound of aviation businesses, which are deemed the leverage for other economic sectors.

Shares of the two largest Vietnamese airlines – Vietjet (VJC) and Vietnam Airlines (HoSE: HVN) - outstood among other stocks. Vietjet shares hit the ceiling price on November 10, soaring 7 percent to 113,400 VND (approx. 4.8 USD) apiece with asking volume being down to zero and bidding volume increasing up to 238,000 shares.

Vietnam Airlines shares jumped 5.6 percent to 27,500 VND (approx. 1.1 USD) apiece while the Airports Corporation of Vietnam stock (UpCom: ACV) also headed north, up by 5.4 percent to 66,400 VND (approx. 2.8 USD) apiece.

The growth of Vietjet shares contributed 1.12 points for the benchmark VN-Index on November 10, helping the index beat the resistance of 970 points, which was its previous peak in October, and entered a growing trend.

9. KDC: Resolution on the dividend payment

↑ 0.14%

The Board of Directors of KIDO Group Corporation approved to pay for the 2020 dividend in cash:

- Record date: December 18, 2020

- Payment date: January 18, 2021

- Dividend pay-out ratio: 10%/ par value (VND1,000/ share)

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