VIETNAM DAILY NEWS

December 1st, 2020

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Market Analysis

1. Shares extend losses on profit taking

Shares declined further on Monday amid rising local investors' profit-taking, but foreign investors took the chance to increase their holdings.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) failed to reach the landmark of 1,010 points, closing afternoon trade at 1,003.08 points, down 0.71 per cent.

The southern market index had gained 2.04 per cent last week.

More than 532.9 million shares were traded on the southern exchange on Monday, worth VND11.3 trillion (US$490.5 million).

Market breadth was negative with 247 decliners and 182 gainers.

Foreign investors net bought VND138.47 billion on HOSE, including FUEVFVND with VND308.7 billion, Dong Hai Joint Stock Company of Bentre (DHC) with VND49.6 billion and Vincom Retail (VRE) with VND36.6 billion.

"The VN-Index had a correction session after a series of consecutive gains and has now moved back to around 1,003 points," said BIDV Securities Co.

"Market breadth turned negative and liquidity increased compared to the previous session, showing that profit-taking pressure is getting stronger.

"According to our assessment, VN-Index will challenge the threshold of 1,000 points again in the next sessions," the company said.

The VN30 Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, declined 0.54 per cent to end Monday at 965.89 points.

In the VN-30 basket, 20 stocks dropped while nine increased.

The market could not sustain the morning rise as many heavyweight stocks declined toward the end of the session, such as The Vietnam Rubber Group - Joint Stock Company (GVR), decreasing 2.4 per cent, Hoa Phat Group (HPG), declining 2.1 per cent, Masan Group (MSN), dropping 2 per cent, Bank for Investment and Development (BID), losing 1.8 per cent, Vietcombank (VCB), decreasing 1.6 per cent and Vinamilk (VNM), losing 1.5 per cent.

As many as 20 out of 25 sectors on the stock market lost ground, including energy, banking, seafood processing, construction materials, plastics and chemical production, wholesale, insurance, securities, healthcare, information and technology, food and beverage, and real estate.

Their indices declined between 0.4 per cent and 1.8 per cent, according to data of vietstock.vn.

Meanwhile, retail and construction were among the gainers, rising 0.39 and 0.33 per cent, respectively.

On the Ha Noi Stock Exchange, the HNX-Index lost 0.31 per cent to close Monday at 147.70 points.

The northern market index had gained 0.65 per cent last week.

More than 70 million shares were traded on the exchange, worth VND1.2 trillion.

Macro & Policies

2. Vietnam frozen goods suffer as China tightens Covid-19 inspection regime

Despite China's rising demand for frozen seafood, the tightened policies for pandemic control might delay delivery since the time needed for inspection could triple, Truong Dinh Hoe, general secretary of the Vietnam Association of Seafood Exporters and Producers (VASEP), told local media.

Vietnam exported $991 million worth of seafood to China in the first 10 months, up 1.16 percent year-on-year, according to Vietnam Customs.

Worried the pandemic could reenter through imported foods, authorities in Shanghai recently stipulated that all high-risk imported frozen foods must be taken to transit warehouses for Covid-19 testing except those sterilized at ports.

Exporters of goods to China have to provide full information about vehicle owners, vehicles, customs declaration, and goods channel.

Ngo Tuong Vy, deputy director of Chanh Thu Import-Export Limited Company, which exports fruit, said China's measures would add to the difficulties that businesses are facing.

"Costs of frozen seafood will rise, but these goods will not be spoiled as they can be preserved at ports. Fruits meanwhile can only be preserved cold for a maximum of 20 days."

Vietnamese businesses that export dragon fruit to China are also worried since Shanghai is the main importer.

In March, China had applied similar Covid-19 inspection measures for frozen goods imported from Vietnam. In September it announced a one-week suspension of all frozen food imports from suppliers whose products test positive for the coronavirus and permanent suspension if their products test positive three times in a month.

Hoe said the Chinese government could reduce seafood import since local businesses have large inventories of whitefish and tilapia, whose exports were hit by the pandemic.

VASEP has proposed that the Ministries of Agriculture and Rural Development, Industry and Trade and Foreign Affairs should work with Chinese authorities to remove this barrier for Vietnamese businesses.

"Businesses should remain calm and not lower their prices, which will affect the overall industry. Businesses from the two nations can still negotiate, discuss and reach agreements that bring mutual benefit."

China was Vietnam's biggest import market, accounting for 29.8 percent of its shipments, in 2019. Vietnam had exported $41.3 billion worth of agriculture and aquaculture products to China last year, a 3.2 percent increase from the previous year.

3. November CPI edges down 0.01 percent from previous month

The Consumer Price Index (CPI) edged down 0.01 percent month-on-month in November on the back of weakening global fuel prices and declining electricity and water prices in the country, according to the General Statistics Office (GSO).

The November CPI was 0.08 percent higher than the figure in December 2019 and 1.48 percent higher than that in the same month last year. The CPI in the first 11 months of 2020 was up 2.43 percent year on year.

Among 11 groups of products and services in the CPI basket, decreases were seen in three groups, namely transport; post and telecommunications services; and cultural, entertainment and tourism services.

The biggest contraction was recorded in the price of transport, 0.47 percent, largely owing to the fact that the average fuel price in November dropped 1.32 percent from the previous month.

The price of post and telecom services fell 0.17 percent month-on-month because of a variety of deals offered by mobile service suppliers to attract more customers while similarly, tour operators were offering various discounts to stimulate domestic travel demand, weakening the price of cultural, entertainment and tourism services by 0.06 percent.

Meanwhile, seven groups of products and services experienced rises with the largest increase of 0.14 percent reported in the price of garments, hats and footwear. The price of construction materials inched up 0.07 percent month-on-month.

The gold price picked up 0.87 percent month-on-month in November, while the price of the US dollar decreased 0.05 percent.

4. EuroCham announces higher BCI in Q3 as business confidence rebounds

European business leaders in Viet Nam were more positive about their own enterprises in the third quarter with 40 per cent describing their performance as either "Excellent" or "Good" – more than double the 18 per cent recorded in the previous three-month period, according to a report on this index released on November 26.

The fourth quarter looks to be even more promising, with 44 per cent predicting a strong end to 2020. Meanwhile, most companies are anticipating stabilisation in their headcount (65 per cent) and investment plans (57 per cent), with just under half (44 per cent) expecting to see an increase in their revenue and orders.

With businesses able to operate with far fewer restrictions and the EU-Vietnam Free Trade Agreement (EVFTA) entering into force in the third quarter, the confidence of European business leaders has seen a strong resurgence.

The BCI also asked EuroCham members about the impact of the EVFTA on their business and investment plans. One-third said that the agreement was an important part of their decision to invest in Viet Nam, with the top two factors predicted to drive growth being tariff reductions (33 per cent) and greater market access for investors (13 per cent).

"Despite a difficult 2020 for international trade, our data shows that Viet Nam's swift and effective response to the global pandemic has paid dividends. European business leaders feel more positive both about their own enterprises and Viet Nam's trade and investment environment, and report a sense of cautious optimism going into quarter four," said Nicolas Audier, Chairman of EuroCham in Viet Nam.

"The implementation of the EVFTA in August has, no doubt, helped boost this growing confidence. Our data shows that falling tariffs and growing market access are important to our members, and will help to spur new foreign-direct investment from the EU in the future."

In addition, Thue Quist Thomasen, CEO of YouGov Vietnam that conducted the BCI report, said: "Drilling down into the data, we can see some of the trends that underlie the jump in positive sentiment in more detail. In short, business leaders are reporting a sense of cautious optimism in their own companies, and this is driving confidence in Viet Nam's macroeconomic prospects next quarter."

"In particular, the proportion of business leaders predicting an increase in their orders or revenue in the next three months has risen by 20 per cent – from 24 per cent in the second quarter to 44 per cent in the third quarter," Thomasen said.

Meanwhile, 23 per cent of business leaders expect to hire more staff in the next three months, compared to 14 per cent in the last BCI. Together, these signals point to a positive end to 2020, he said.

The BCI is a regular barometer of EuroCham members and their perceptions of the trade and investment environment. Each quarter, it tracks the performance of EuroCham's member companies and their perceptions of the economic outlook in Viet Nam.

In the first quarter of 2020, when COVID-19 first hit international trade and investment, the BCI fell to 26 points. It saw a slight increase in the second quarter as Viet Nam became one of the global success stories of the pandemic.

5. Business formations in Vietnam rise 7.3% m/m in November

Vietnam's successful realization of the dual target in containing the Covid-19 pandemic and boosting economic recovery has led to further increase in new business formation by 7.3% month-on-month in November and 6.7% year-on-year to 13,100, according to the General Statistics Office.

Notably, this month has witnessed a surge of 72% month-on-month in combined registered capital to VND284.8 trillion (US$12.34 billion) and 65.3% in the number of workers hired by new enterprises to 119,700.

The number of newly-established enterprises in Vietnam in the first eleven months of 2020 was 124,300 with registered capital of a combined VND1,878.9 trillion (US$81.46 billion), down 1.9% in number but up 19.3% in registered capital year-on-year. Average registered capital per newborn enterprise was VND15.1 billion (US$654,695) during this period, up 21.7% year-on-year.

Taking into account VND3,086.9 trillion (US$133.83 billion) of additional capital pumped by active enterprises, total registered capital injected into the economy in the January-November period was VND4,965.8 trillion (US$215.28 billion), up 35.1% year-on-year.

The government-run office informed that 40,800 enterprises resumed operations in the period, an increase of 10.7% inter-annually, bringing the total number of newly-registered and reinstated enterprises in the eleven-month period to 165,100, up 0.9%.

The GSO added that the number of laborers of newly-established enterprises between January and November was 970,000, down 14.7% against the same period last year.

During this period, the number of enterprises temporarily ceasing operations surged 59.7% year-on-year to 44,400.

Moreover, the number of enterprises which completed procedures for bankruptcy rose 3.1% to 15,400.

This year, Vietnam targets to create 138,000 new enterprises, around the same number in 2019, which is considered a major achievement, given the severe impacts of the Covid-19 pandemic to both the global and domestic economies.

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).

6. Hanoi retail market: Landlords reshuffle tenant mixes

The Covid-19 pandemic has delivered a strong hit to shopping malls as consumers were cautious not only about going to malls where many people gathered but also spent.

Landlords, therefore, needed to reshuffle tenant mixes by replacing underperformed brands with more resilient ones like F&B and entertainment categories, leading professional real estate services and investment management firm JLL has said.

With many tenants moving out and malls changing tenant mix, Hanoi's retail market saw significant increase in vacancy in the third quarter this year.

Main supply from suburban

Total stock remained unchanged as no new supply entered the market in the third quarter of 2020 (3Q20).

Hanoi's retail space was largely contributed by those in suburban districts where there remained more land bank available than CBD (districts of Hoan Kiem, Dong Da, Ba Dinh and Hai Ba Trung). These retail centers tended to be one-stop destinations, providing multiple types of goods and services that catered toward a diverse group of consumers.

Rents hold firm in CBD but dip in suburban areas

Despite the challenging period, the average rents in CBD appeared to hold firm in 3Q20, given the high occupancy rate and lack of future supply in the area. Meanwhile, rents in suburban areas softened as many landlords were under pressure to maintain occupancy.

Although those supports from landlords in the beginning of the pandemic were lifted in most of the malls, some landlords were seen to extend certain aids on case-by-case basis.

According to JLL, supply will remain unchanged in CBD, while non-CBD will continue to see more shopping malls. In the fourth quarter this year, Vincom Ocean Park with approximately 33,600 square meters (sqm) will enter the non-CBD market.

This will be the first mall in Gia Lam district and is expected to become a new destination for residents in the area. The mall has achieved an impressive pre-commitment rate thus far.

As a notable trend, most developers are focusing on generating superlative experiences and value-added services to attract shoppers. Therefore, more shopping malls are expected to get rejuvenated with better tenant mix, infrastructure and added services in upcoming time.

7. Vietnam's renewables: Advantages and considerations

Renewable energy has been designated one of major sources in Vietnam's power mix by 2030 and beyond.

Statistics by the Ministry of Industry and Trade show that in 2019, the country's total primary energy supply (including energy production and energy import) was estimated at 92.3 million tons of oil equivalent (TOE), of which the percentage of renewable energy accounted for 14.82%.

Vietnam's total renewable energy capacity reached more than 6,000 megawatts (MW) as of September 2020, including more than 5,300MW of solar power, nearly 500MW wind energy, and more than 300MW biomass energy.

Vietnam Electricity (EVN) said total wind and solar capacity that has been approved to the revised National Power Development Plan for 2011-2020 (Power Master Plan VII) reached 23 gigawatts (GW), including 11.2GW of solar.

Local experts forecast the development of renewable energy would help Vietnam save up to 60% of imported fuel.

McKinsey & Company said the input costs for solar and wind power in Vietnam fell 75% and 30%, respectively, in 2012-2017 and the reduction will continue in the years to come.

In the government's scenarios for the energy sector in 2021-2030, the annual energy demand will grow 6% and the ratio of renewable energy will be around 21% by 2030.

Investor challenges

Although foreign and domestic investment is on the rise in the renewable energy sector, much more needs to be done to ease investor concerns.

In spite of the liberalization of the policies in the last few years, investors are facing numerous obstacles such as: Lack of capital/funding; Low tariffs coupled with high investment costs in newer technologies; Lack of qualified human resources; Underdeveloped supporting industries; Weak grid capacity; Unbankable power purchasing agreements (PPA) terms; Delays in larger projects due to the complex regulatory framework; and Lack of clarity in future energy prices.

Feed-in-tariffs

Feed-in-tariffs (FiT) in Vietnam is one of the lowest in the world. Tariffs are currently set for biomass, wind, waste-to-energy, and solar projects.

State-owned Vietnam Electricity (EVN) purchases all power from renewable projects.

Wind

VND1,928/ kWh (8.5 US cents per kWh) for onshore;

VND2,223/kWh (9.8 US cents per kWh) for offshore;

Solid waste-to-energy

7.28 US cents/kWh (burning of gases from landfills);

10.05 US cents/kWh (direct burning);

Solar

Floating solar energy projects: 7.69 US cents/kWh.

Ground-mounted solar energy projects: 7.09 US cents/kWh.

Rooftop energy solar projects: 8.38 US cents/kWh.

Biomass

7.03 US cents per kWh (Combined Heat Power Technology)

8.47 US cents/kWh (avoided cost tariff for other technologies)

Small hydropower (below 30 MW)

Subject to avoided costs regime (5 US cents/kWh)

Investment considerations

Vietnam would require around US$10 billion annually between now and 2030 to keep pace with the growing demand. With such high capital requirements, the government has allowed 100% foreign ownership of Vietnamese companies in the energy sector.

Foreign investors can choose among permitted investment forms; 100% foreign-invested company, joint venture or public-private partnership (PPP) in the form of a BOT contract.

With low feed-in-tariffs and high production costs, PPP is the most effective means of entering the market to minimize risks. PPP term is 20 years from the commercial operation date.

Renewable energy projects benefit from import duty exemption for imported goods to establish fixed assets, materials, and semi-finished products. Tax incentives include preferential corporate income tax (CIT) rate of 10% for 15 years; CIT exemption for four years and a reduction of 50% for the following nine years.

In addition, other incentives include preferential credit loans, land use tax exemption, and land rental exemption.

To ensure consistent returns for investors, the government has also approved electricity prices (avoided-cost tariffs, Feed-in Tariff) for on-grid renewable energy, including standardized power purchase contracts (20 years) for each renewable power type.

EVN, the sole buyer of electricity in Vietnam, has also been mandated to prioritize renewable energy in grid connection, dispatch, and purchasing electricity at approved tariffs.

Bright future and limitations

Vietnam has immense potential for wind and solar-based projects and is sufficient enough to address the growing power demands. However, low feed-in-tariffs (FiT) have deterred foreign investors due to large investment costs.

The government needs to gradually increase FiT or at least adopt a price plan so that investors would be aware of the expected price hikes in the future. In addition, if Vietnam can introduce a bankable power purchase agreement (PPA), it could lead to an increase in international financing, which would help the country meet its renewable energy goals.

Apart from FiT, negotiating standard PPAs with EVN, the sole buyer of power is time-consuming, which leads to an increase in the total project costs. PPA negotiations have to be more efficient to reduce overall costs to investors due to delays.

Relevant government authorities should also reduce the timeline regarding the formulation of guidelines and regulatory approvals, which in some cases has been years. Lack of clarity and delays in approvals often leads to execution delays or complete abandonment of projects.

Additionally, quality and sourcing of data for renewable energy sub-sectors have to improve to ensure clarity for investors about available locations, infrastructure capabilities, and government's targets.

As the renewable energy sector picks up the pace in the coming decade, the government also needs to focus on developing the human resource capability. In the last few years, EVN has been conducting various training programs for technical experts, mostly for power plants and similar training should be introduced for the renewable energy sub-sectors as well, in order to meet up with new requirements.

The government should promote domestic small- and medium-sized enterprises (SMEs) through capital subsidies and incentives such as tax breaks and preferential loans. A competitive supporting industry will help in reducing investment costs for renewable projects, Dezan Shira & Associates recommended.

Corporate News

8. HDG: Report on selling treasury shares

↑ 0.34%

Ha Do Group Joint Stock Company reports the result of the selling of treasury shares as follows:

- Stock symbol: HDG
- Number of treasury shares before trading: 32,627 shares
- Number of registered shares to sell: 32,627 shares
- Sold volume: 32,627 shares
- Trading period: November 20, 2020
- Current treasury shares volume: 0 share
- Trading price: VND 27,150/share
- Trading method: put through.

9. PAN: Result of public tender offer for VFG shares

↓ -2.37%

The PAN Group Joint Stock Company announces the result of public tender offer for the shares of Viet Nam Fumigation Joint Stock Company as follows:

1) Trader: The PAN Group Joint Stock Company

2) Trading result:

- Target company: Viet Nam Fumigation Joint Stock Company
- Stock code: VFG
- Number of shares owned by PAN before trading: 13,239,061 shares (41.26% total outstanding volume of VFG)
- Estimated buying volume: 4,813,780 shares (15% total outstanding volume of VFG)
- Bought volume: 2,151,871 shares
- Number of shares owned by PAN after trading: 15,390,932 shares (47.97% total outstanding volume of VFG).

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