



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. VN stocks rebound, focus switches to banking, securities firms

Vietnamese shares advanced on Wednesday as the large-cap sector kept rising on positive market sentiment.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained nearly 1 per cent to 1,039.13 points.

The index inched down 0.07 per cent on Tuesday.

The main driver of the market – the large-cap sector – continued increasing as the market sentiment remained upbeat.

The large-cap tracker VN30-Index was up 1.05 per cent to 1,004.03 points.

The VN30 futures due on December 17 rose 1.51 per cent to 1,008.00 points.

The positive movement of the VN30 futures indicates investors are still optimistic about the market's short-term prospects, according to Sai Gon-Ha Noi Securities (SHS).

The VN30 futures due on January 21, March 18 and June 17 of 2021 also advanced.

Mid-cap and small-cap stocks also remained positive as the two trackers were up 0.42 per cent and 0.53 per cent, respectively.

Leading companies in the financial-banking sectors posted good gains to support the market.

The insurance, banking and brokerage sectors increased by 1.0-3.4 per cent, according to vietstock.vn.

Among insurers, Bao Minh Insurance (BMI) jumped 4.7 per cent and Bao Viet Holdings (BVH) was up 0.5 per cent.

The banking sector was boosted by Vietcombank (VCB), Bank for Investment and Development of Viet Nam (BID), and Techcombank (TCB) – which gained 2.6-3.6 per cent.

Securities shares were still impressive with strong gains seen in SSI Securities (SSI), HCM City Securities (HCM), Vietinbank Securities (CTS), Agribank Securities (AGR) and BIDV Securities (BSI).

CTS, BSI and AGR soared between 6.6 per cent and 6.9 per cent.

Other blue chips such as Vingroup (VIC), Vinhomes (VHM), Novaland (NVL), dairy producer Vinamilk (VNM), aviation company Vietjet (VJC) and tech group FPT Corp (FPT) also ended in positive territory.

“Positive cash inflow proves investors are still optimistic and expecting the market to keep moving up at the moment,” Thanh Cong Securities (TCSC) said in its daily report.

“The focus is switching to the sectors with good earnings outlooks such as banking and securities,” the brokerage said.

On the Ha Noi Stock Exchange, the HNX-Index rose 1.36 per cent to 158.74 points.

The HNX-Index has totalled a seven-day rally of 7.47 per cent since November 30.

Nearly 671 million shares were traded on the two exchanges, worth VND12.73 trillion (US\$549.4 million).

## Macro & Policies

### 2. Struggling to balance State budget

The Vietnam's January-September budget revenue was estimated at 64.5% of the yearly target, making a year-on-year decrease of 11.5% to touch VND975.3 trillion.

The projected number for the whole year is more than VND1.3 quadrillion, deficiency of VND189.2 trillion (down 12.5%) against the yearly estimate.

The Covid-19 pandemic has derailed Vietnam's economic growth this year. Other factors such as declining oil prices and slow progress of equitisation and divestment of state-owned enterprises also affected revenues from taxes, fees and crude oil export which make collection fail to meet the National Assembly's projection.

Revenue from crude oil in the past nine months was estimated at VND27.5 trillion, equal to 78.2% of the estimate and down 36.9% from the same period of last year.

“Meanwhile, the budget deficit is forecast to rise sharply due to the adjustment of revenue policy to tackle difficulties for businesses. At the same time, expenditure for disease prevention and control, ensuring social securities and boosting consumption demand... is great, making budget deficit inevitable,” said Minister of Finance Dinh Tien Dung.

The State budget deficit in 2020 is projected at 4.99% of GDP, up 1.55% over the estimate.

The Ministry of Finance (MoF) said balancing the central budget and local budgets at all levels is difficult in the context of shrinking revenue.

As of September 25, the ministry issued VND223.34 trillion worth of government bonds as planned for 2020, in which spending for paying due bond debts and receiving debts with Vietnam Social Securities was nearly VND9.9 trillion.

#### Worry about repayment

Forecasts show by year-end 2020, debt-to-GDP ratios will basically remain within the safety thresholds set by the National Assembly (NA). However, NA has warned the Government's direct debt obligation has reached the ceiling of 25% of the total budget revenue in 2020 and is expected to exceed this rate in 2021 which can put it at risks next year.

Under this circumstance, MoF has directed to tackle revenue problems such as strengthening revenue management, reducing revenue loss, fighting against smuggling, trade fraud and price transfer, and reducing tax arrears. At the same time, it will review the state of tax debts of its sub-departments; classify debt groups that can be collected and irrecoverable.

MoF estimates revenues from equitisation and divestment may reach more than VND45 trillion if authorities at all levels drastically put things on the right track along with recovery of the financial and stock markets.

Dr. Vu Dinh Anh said besides restructuring revenue we must also control spending towards more rationally and efficiently such as streaming payrolls, reforming recurrent expenditure and management and use of public asset.

### 3. Banks spur lending for wind and solar power

Solar power projects are offering a new investment option for small and medium investors in 2020 in addition to real estate or savings whose returns are shrinking due to the Covid-19 pandemic.

Catching this trend, a number of banks have arranged capital for many large-scale solar and wind

power projects while offering preferential loans for individual customers and small and medium enterprises wishing to install and trade in solar power.

Since 2017, the Government has issued many policies to promote and attract investors to

renewable energy projects. In February 2020, the Politburo issued Resolution No. 55-NQ/TW on the strategic orientation of the national energy development until 2045 with a focus on developing renewable energy.

One of its highlights is building breakthrough mechanisms and policies to encourage and strongly promote the use of renewable energy sources, replacing fossil fuels. Wind and solar energy are of priorities for electricity generation. Regions and provinces which have renewable energy advantage are encouraged to develop renewable energy centers.

Grasping opportunity in this industry, banks have studied and identified renewable energy as a prioritized sector for lending in 2020 and the coming years.

Since 2015, Military Bank (MB) has organized many seminars with participation of the top industry experts to learn about the industry. They also sent staff abroad to have deeper understanding about the renewable energy sector.

Since 2017, MB has conducted loan appraisals for many renewable projects and is the pioneer bank to provide credit for solar and wind power projects. Their funded projects are estimated to account for 15% of the total solar power generation capacity and about 12% of the total wind power generation capacity in the country.

MB has also arranged foreign capital for two solar power projects and five wind power projects under an export credit agency (ECA) financing program. The bank plans to continue investing in the renewable energy sector, arranging capital for 1,000 MW of wind power and 1,000 MW of solar power by year-end 2020 and 2021.

#### Targeting individual borrowers

In another direction, a number of banks selected a “niche” segment of this industry, targeting individual customers who wish to install energy power systems in their residence and small and medium enterprises who want to trade.

According to VPBank's research, while the investment in hydro and wind power requires huge money which is suitable for big businesses, solar energy is more easily deployed from household scale to small and medium sized enterprises. This both saves money on electric bills each month for investors and generates long-term profits through selling electricity to the State.

Therefore, investment in solar power systems is forecast to attract many investors in the near future.

VPBank has cooperated with Viettel Construction to offers preferential loans for individual customers wishing to install solar power systems at homes. It also has a financial solution for corporate customers with the purpose of selling electricity with a limit of up to VND12 billion (US\$521,000) (or 80% of total investment value).

## 4. VCCI launches website to support businesses amid pandemic

It provides information on current government support packages for businesses affected by Covid-19 by industry and location.

Businesses can report difficulties related to accessing the packages to both central and local authorities.

"We expect businesses, especially small and micro enterprises and households -- the most vulnerable group affected by Covid-19 -- to benefit from the website," a VCCI spokesperson said.

A VCCI survey on the impact of Covid-19 on businesses found that small and micro enterprises, businesses in agriculture and those situated in disadvantaged areas are most severely affected.

They make up around 90 percent of the country's 800,000 active enterprises.

Due to resource constraints, this group often struggles to access government support policies, and is prevented from making use of opportunities to maintain production and run the business and report problems to authorities.

According to the Business Registration Department, in the first 11 months more than 44,440 enterprises suspended operations, 91.1 percent of them with capital of up to VND10 billion.

The number of enterprises seeking to close permanently is 30,213, 89.9 percent of them having capital of up to VND10 billion.

## 5. Key export goods rumble on despite pandemic strains

The impact of the ongoing pandemic has been noted as particularly acute for Vietnam's export-reliant economy. Aside from computers and machinery, most of Vietnam's top products registered lower exports compared to the same period last year. However, figures indicate that Vietnamese goods are still in demand.

As a hub for manufacturing, Vietnam has reached \$254.6 billion of export turnover, up 5.3 per cent on-year in the first 11 months of 2020 thanks in part to Samsung's new products and other key export staples like phones and their spare parts, according to the latest report from the Ministry of Industry and Trade (MoIT).

In terms of commodity structure, Vietnam recorded an increase in the exports of heavy industrial goods and mineral goods or light industry and handicraft products over the same period. In this, electronic products, computers, and components fetched an estimated \$40.2 billion, up 24.3 per cent on-year. Meanwhile, other key traditional export products saw a decline including garments, footwear, and seafood, which were down 10.5, 9.8, and nearly 1 per cent, respectively.

For instance, Doosan Heavy Industry Vietnam based in the central province of Quang Ngai has exported over 2,000 tonnes of desalination equipment to Bahrain despite pandemic restrictions. The completion of such orders in this context has been considered a great success for Doosan Vina, which is also contributing to increasing the export turnover of Quang Ngai this year.

"At present, we have both stepped up to battle the pandemic and implemented solutions to boost our production and export – these are our two urgent missions," said Kim Kibum, director of Doosan Vina's Strategy Division. "We have to increase manpower to fulfil 29 domestic and overseas projects with a total of nearly 50,000 tonnes this year. In addition to the existing shop floors, we have

expanded our workshop areas and packing to meet the company's production needs."

The success is also demonstrating the high competence and technical skills in the group's Vietnamese employees. To date, made-in-Vietnam products by Doosan Vina have been present in 35 countries around the world, according to the group.

In the first 11 months of 2020, the export turnover of the textile and garment industry is estimated to reach more than \$26.7 billion, down 10.5 per cent on-year. Vu Duc Giang, chairman of the Vietnam Textile and Apparel Association, explained that in light of the pandemic and the world economy declining, the result is remarkable for the textile and garment industry, when the total global textile demand is down 25 per cent.

Deputy Minister of Industry and Trade Do Thang Hai said, "With the pandemic still causing complications, world trade and investment activities have declined, importing countries are increasingly tightening non-tariff barriers, and there has been an increase in domestic protectionism. Vietnam continues to maintain record positive export growth and record trade surplus, showing its effectiveness in directing, operating, and exploiting, making good use of opportunities to boost exports."

So far in 2020, Vietnam boasted 31 export items earning more than \$1 billion each, accounting for 92 per cent of total exports, and six with over \$10 billion. Particularly, rice has been a bright spot after maintaining remarkable growth in value over the past 11 months thanks to quality improvements, with an export turnover of nearly \$2.64 billion, up 13 per cent on-year.

The MoIT has assessed that, with market advantages and rising global rice demand since the outbreak of COVID-19, domestic enterprises are having an opportunity to highlight Vietnamese rice brands to the global rice supply.

Vietnamese rice production and export enterprises are increasingly professional, making key investments to improve quality for export to the world. For example, Vietnam Rice Co., Ltd. under Vinaseed has had its food safety management system and processing, packaging, and shipping operations certified by Bureau Veritas – the United Kingdom's leading independent certification organisation.

In general, the United States was the biggest importer of Vietnam goods, purchasing goods worth \$69.9 billion, followed by China, the EU, ASEAN, South Korea, and Japan.

In the first 11 months of this year, the country's imports posted \$234.5 billion, increased by 1.5 per cent on-year.

## 6. Apparel, handbag associations petition Gov't over potential tax imposition from U.S.

The U.S. Trade Representative (USTR) announced that it would launch an investigation related to "Section 301" of the U.S. Trade Act, which will negatively affect Vietnamese exports to the country.

As such, the associations promptly proposed that the Government direct the relevant ministries and agencies to adopt appropriate measures to protect the rights and interests of the apparel and footwear sectors over the risk of tax imposition.

The two associations are the second largest suppliers of apparel and footwear to the United States, Tuoi Tre Online reported.

After being informed of the investigation from the United States side, VITAS and LEFASO quickly worked with the American Apparel and Footwear Association (AAFA) and the Footwear Distributors and Retailers of America (FDRA), according to the associations.

Due to the importance of Vietnam's supply of apparel and footwear, AAFA and FDRA had proposed that the USTR should consider not interrupting the supply chain, said the two Vietnamese associations.

AAFA said that Vietnam has been the key trade partner of the United States in the apparel and footwear industries. Slapping punitive taxes on goods imported from Vietnam is expected to interrupt the supply chain and push prices up, affecting customers from the United States.

Besides, FDRA said that U.S. firms that intend to shift their operations to Vietnam would also face tax imposition. If USTR launches the "Section 301" investigation, U.S. apparel and footwear firms will face tough times ahead.

A hearing is set to take place in the United States on December 29.

## 7. Việt Nam to have 12 ecosystems with revenue of US\$100 billion: McKinsey

The information was released in a recently published economic research paper by McKinsey and Company. It points out how an ecosystem economy will transform Việt Nam's economy in the years to come.

Ecosystem growth will be essentially driven by a significant decrease in the cost of customer acquisitions (CAC). Ecosystems enable automation on a large scale and integrate purchasing pathways, giving customers access to a variety of products and services within a single platform. This consolidation

of channels has the potential to reduce CAC. For example, in the banking industry, ecosystems can generate (CAC) savings of 10 to 20 per cent.

Ecosystems enable companies to generate insights from a wide range of data and make the most out of it. Leading companies from multiple sectors to add new services to existing offerings, develop new business models, and even directly sell data-based products or utilities. For instance, companies with access to data will have greater visibility into customer preferences.

The report said one of the selling points of an ecosystem is that it fundamentally changes the way companies engage with customers and maintain competitiveness.

The trend is already happening. In 2019, three of the seven largest Vietnamese companies, Massan Group, Techcombank and VinGroup, established One Mount Group to create the country's greatest ecosystem. Instead of competing in the already-crowded e-commerce space, One Mount Group's newly formed venture, VinShop, captures value in the Business to Business to Consumer (B2B2C) market by addressing inefficiencies in the supply chain. VinShop offers thousands of traditional store owners a digital platform where they can order fast-moving consumer goods from suppliers and vendors. The ecosystem then benefits from its founding companies' pre-existing assets and diverse industry presence, potentially enabling it to scale faster than digital natives.

Telecommunications player, Viettel, meanwhile, has started to develop institutional ecosystems, serving public and private enterprises. With access to large-enterprise customers and in-house engineering talent, the company is seeking to acquire new customers with its core products: IT software and business solutions. At the same time, Viettel seeks to cross-sell new, currently noncore products such as security suites, cloud networks, and the Internet of Things. Various ventures into consumer-facing applications in payments, loyalty, and logistics could give Viettel an additional way to leverage its large consumer base to broaden the scope of its Business to Consumer (B2C) offerings.

According to McKinsey's research, today, the combined size of Vietnamese ecosystems is about a hundredth of Chinese ecosystems (\$50 billion in Việt Nam versus \$4.9 trillion in China). Importantly, the landscape in Việt Nam remains fragmented, illustrated by more than 30 e-wallets already in the market, and yet it is still unclear who will emerge as the leading aggregator in the country.

Embracing ecosystems will require companies to adjust their business strategy. Six principles can aid executives in this transition.

First, companies need to widen their perspective of competitors and opportunities, adopting a truly multisectoral lens and defining the ecosystems and industries where change will be fastest. They should also identify critical new sources that bring the most meaningful value for an expanding consumer base.

In a borderless world, data serves as valuable currency. Competing effectively as an ecosystem means aggregating massive volumes of data and building capabilities to store, process, and analyse that data to generate actionable business insights. Companies can gain deeper data insights from ideas that sound good on the surface but often fall short of their potential to become winning models.

Today, winning customers' loyalty through an emotional connection is the ultimate prize. Businesses are investing in tools to do so, such as data to customise their product and service offerings, content to engage customers, and digital models to support seamless customer journeys and address pain points. By building emotional connections with customers, companies can also occupy an attractive space in critical ecosystems.

In Việt Nam specifically, where top digital talent is in high demand, this means companies across industries will increasingly need to spend resources to recruit, onboard, and train these talents, while also ensuring they are placed in an environment where they can perform and deliver.

An ecosystem economy offers new opportunities for specialisation. To take advantage of them, companies need more and diverse partners. In a dozen markets across the globe - including Brazil, Russia, Turkey, and Việt Nam, where data sets are currently less robust compared with those of other regions - a new wave of partnerships is aiming to make the whole greater than the sum of its parts.

Any business leader in Việt Nam will soon need to define their ecosystem strategy, understand how their industry is getting disrupted, and make a choice. They can defend the business as is, modernise and digitise it, partner with others to develop the same competitive advantage as an ecosystem, or join (or even build) an ecosystem.

## Corporate News

### 8. CTG: Board resolution on dividend payment

↑ 0.00%

On December 04, 2020, the Board of Directors of Viet Nam Joint Stock Commercial Bank For Industry And Trade (stock code: CTG) approved the 2019 cash dividend payment as follows:

- Stock code: CTG
- Stock type: common stock
- Par value: VND10,000
- Payment method: in cash
- Exercise ratio: 5%/par value (500 dongs/share)
- Record date: December 18, 2020
- Estimated payment date: January 21, 2021.

### 9. VCB: BOD approved to pay cash dividend for 2019

↑ 3.65%

On December 08, 2020, the BOD of Joint Stock Commercial Bank For Foreign Trade Of Viet Nam issued the Board resolution No.595 to approve the cash dividend payment for 2019 as follows:

- Exercise ratio: 8%/share (800 dongs/share)
- Record date: December 22, 2020
- Payment date: January 08, 2021.

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