VIETNAM DAILY NEWS

December 17th, 2020

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Market Analysis

1. Shares reach one-year peak on banking stocks

Vietnamese shares set a new one-year high on Wednesday, propelled by buoyant banking stocks.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 1.11 per cent to end the trading session at 1,066.99 points.

The index lost 0.83 per cent to end Tuesday's trading session at 1,055.27 points.

Nearly 592 million shares were traded on the southern bourse, worth VND11.9 trillion (US$516.3 million).

Market breadth was positive with 296 gainers and 134 decliners.

"The VN-Index increased gradually from the beginning of the morning session to the end of the afternoon session and has now surpassed the threshold of 1,065 points," said BIDV Securities Co.

"Foreign investors were net sellers on both HoSE and HNX. Besides, market breadth turned positive and liquidity declined compared to the previous session. According to our assessment, the VN-Index may reach 1,070 in the next session," it said.

Foreigners net sold VND219.1 billion on HOSE, including PAN Group (PAN) with VND91 billion, Hoa Phat Group (HPG) with VND83.9 billion and SSI Securities Co (SSI) with VND39.2 billion. They were net sellers on the HNX with a value of VND640 million.

The large-cap tracker VN30-Index was up 1.65 per cent to 1,029.72 points.

Twenty-three of the 30 large-cap stocks in the VN30 basket increased while three decreased.

Banking stocks maintained their gains until the end of Wednesday's session, strongly supporting the indices. The best performers in the group included Bank for Investment and Development (BID), Vietinbank (CTG), Military Bank (MBB), Techcombank (TCB), HDBank (HDB), VPBank (VPB) and Vietcombank (VCB).

Nineteen out of 25 sectors indices on the stock market gained ground, including seafood processing, construction, logistics, wholesale, real estate, retail, insurance, IT, energy, banking, food and beverage and construction materials.

They gained between 0.1 and 2.1 per cent.

On the opposite side, losers were rubber production, securities and healthcare.

On the Ha Noi Stock Exchange, the HNX-Index rose 2.23 per cent to end Wednesday at 171.62 points.

The index had gained 1.28 per cent to close Tuesday at 167.87 points.

More than 93 million shares were traded on the northern market, worth VND1.3 trillion.

Macro & Policies

2. Why imported sugar cheaper than domestically-produced one?

According to the Vietnam Sugarcane and Sugar Association (VSSA), the area of sugarcane harvested in the 2018-2019 crop reached 192,000 hectares, the production of commercial sugarcane was more than 12 million tons, the average yield of sugarcane on the harvested area reached 63 tons per hectare, and sugar production exceeded 1.1 million tons.

However, in the 2019-2020 crop, which ends in May, the productivity was lower, with the harvested sugarcane area of more than 150,000 hectares, the output of commercial sugarcane at above 7 million tons, the average yield of sugarcane on the harvested area reaching 53 tons per hectare, and sugar production of more than 700,000 tons.

Mr. Cao Anh Duong, Acting Chairman of the VSSA, explained because the income is too low, farmers are no longer interested in sugarcane and have switched to other crops, so sugarcane output has decreased sharply. Thus, this is the sugarcane crop with the lowest sugarcane consumption and processing in the last 19 crops, leading to the lowest number of active sugar refineries, which is only 29 plants now from 44 previously.

The ATIGA is applied by Vietnam to the sugar industry from January 1 this year, in which import tariffs reduce from 80 percent to 5 percent. In the past, the sugar industry faced difficulties because of smuggled sugar. Now, after the ATIGA becomes effective, these difficulties are caused by imported sugar.

Mr. Duong analyzed that entering 2020, Vietnam started to implement the ATIGA commitments for the sugar industry, so the sugar imports have exploded with a large amount of sugar. According to the General Department of Vietnam Customs, in the first eight months of this year, Vietnam had imported 740,931 tons of sugar from Thailand, more than 46,000 tons from Malaysia, and more than 13,000 tons from Myanmar. The amount of sugarcane imported into Vietnam increased six times over the same period last year.

According to the VSSA, the prices of domestic sugar dropped due to the competitive effect of imported sugar. Moreover, sugar smuggling is still happening. Besides, the Covid-19 pandemic has caused sugar consumption to decline, so the prices of sugar have begun to plunge. From there, sugar refineries have only two choices. The first one is to continue to stockpile sugar to deal with the exhaustion of operating cash flows, which means that they will not pay wages for their workers, or they even cannot pay money to farmers in the previous sugarcane crop. The other option is to accept to sell some amount of sugar at a loss to maintain the operating cash flow. Although the sugar refineries tried their best to curb decreases in sugarcane prices to keep raw material growing areas, many of them also have had to shut down.

Explaining the reason why imported sugar is cheaper than domestically-produced one, the VSSA said that there are four main sugar manufacturing countries in the ASEAN, namely Thailand, Philippines, Indonesia, and Vietnam. However, the remaining countries did not actually open their sugar markets under the ATIGA agreement. They have a mechanism to protect their farmers and domestic sugar industries from the destructive effects of cheap sugar from international markets.

For example, Thailand exported raw sugar at US$350 per ton, while the price of sugar in Thailand was at $450 per ton. The Filipino sugar industry used to be severely harmed by corn sugar imported from China, so it has doubled consumption tax on soft drinks containing corn sugar.

According to the forecast of VSSA, in the 2020-2021 sugarcane crop, there will be four more sugar refineries closed. Mr. Cao Anh Duong suggested that enterprises need to monitor and collect information on the situation of domestic sugar production and trading to propose to the association and the Ministry of Industry and Trade to consider investigating and applying safeguards measures for sugar products following the provisions of Vietnamese laws and international practice.

Moreover, they need to participate in establishing a synchronous and accurate database on import, export, and production based on information provided by competent authorities to prepare trade remedy dossiers, as well as put sugarcane into the support group soon, and make sugar reserves transparent.

3. Government needs to be more drastic to save businesses

Analyzing the production situation of the garment and textile industry, Mr. Vu Duc Giang, Chairman of the Vietnam Textile and Apparel Association (VITAS), said that by the end of November this year, the export turnover of the garment and textile industry reached nearly US$30 billion. It is estimated that garment and textile exports can only touch $35 billion this year.

Although domestic garment and textile enterprises still maintain fairly good export turnover, many of them have started to weaken. Enterprises have had orders again, but the quantity is not much, and the added-value is low. As for suit makers, most of them have had no production orders from the second quarter of this year to now. Some enterprises have to operate perfunctorily and switch to make face masks and protective gear. However, recently, orders for these items are also gradually fewer because countries have timely changed production, adding up the source supply that was short locally due to a sudden increase in demand in the second and third quarters.

Sharing the same mood, Mr. Nguyen Phuong Dong, Deputy Director of Department of Industry and Trade of Ho Chi Minh City, said that the year 2020 is a tough year for enterprises. Only in HCMC, since the beginning of this year, nearly 30,000 enterprises have left the market. The city's index of industrial production (IIP), which always maintains a higher growth rate than the previous year, has moved inversely this year. In the first 11 months of this year, the IIP fell by 4.4 percent over the same period last year. Of which, the processing and manufacturing industry saw the steepest drop with 5.1 percent. The power generation and distribution industry decreased by 1.5 percent, and water supply and waste treatment slid by 0.4 percent. Some industries had IIP sharply fallen over the same period. For example, wood processing and wooden product manufacturing, except beds, wardrobes, tables, and chairs, went down 22.9 percent.

Noticeably, economic difficulties have not shown signs of slowing down. Currently, HCMC-based enterprises, in particular and domestic ones, in general, are still facing the risk of a shortage of imported raw materials and a narrowing commodity consumption market. Because some countries, which are important partners of Vietnam, namely the EU, Japan, South Korea, and the US, have to deal with a new outbreak of Covid-19.

In another perspective, Mr. Vu Duc Giang cannot help worrying when the ratio of export turnover of foreign-invested enterprises (FDI) to domestic ones is widened larger and larger in many sectors. For instance, in the garment and textile sector, the export turnover of FDI enterprises accounts for 65 percent. The remaining 35 percent belongs to domestic ones. As for the footwear and handbag sector, the ratio of export turnover between FDI and domestic enterprises is more than 73 percent and 27 percent, respectively. Especially for electrical and electronic products, the export turnover of FDI enterprises has exceeded 90 percent of the total export turnover.

Moreover, Vietnamese enterprises are facing the risk of being applied trade defense measures in many export markets, although the export turnover is not much.

Ms. Pham Chau Giang, Deputy Director of the Trade Remedies Authority of Vietnam under the Ministry of Industry and Trade, said that the total export turnover of Vietnam subject to the application of trade remedies is estimated at $12 billion. Enterprises are facing more than 200 trade remedy lawsuits in all export markets. Particularly, from the beginning of this year, domestic enterprises have dealt with nearly 40 trade remedy lawsuits, more than two times higher than that in 2019. Lately, enterprises exporting foam cushions, draw texturized yarn, and textiles to the US market are investigated for trade remedies. If they lose the lawsuits, these industries will face the risk of being imposed with tariffs increasing by 100-400 percent. It also means a closure of the US market for these products.

To reduce the pressure for enterprises in the context of the market with many unusual developments, according to economic analysts, on one hand, the Government must select industries to attract investment to reduce competitive pressure in the export market for domestic enterprises, and should not give priority to investment attraction in industries that are already available in the country.

At the same time, it is necessary to synchronously and quickly deploy support packages for enterprises because although it has been more than half a year of implementation, many enterprises have not reached the support package yet.

4. Local exporters allowed to use S.Korean fabric for exports to EU

The agreement on the combined textile origin was signed at the 10th meeting of the Vietnam-Korea Joint Committee on Energy, Industry and Trade Cooperation and the fourth meeting of the Joint Committee on the implementation of the Vietnam-Korea Free Trade Agreement, which were co-chaired by Vietnamese Minister of Industry and Trade Tran Tuan Anh and South Korean Minister of Trade, Industry and Energy Sung Yunmo last Friday, December 11.

The deal is significant to help local businesses easily access high-quality textile materials from South Korea to make and ship products to the EU.

The EU needs to import garment and textile products worth over US$250 billion each year. In 2019, Vietnam exported textiles and garments worth US$4.3 billion to the EU, accounting for only 2% of the share in this potential market.

With the EVFTA taking effect from this August, economic experts forecast that the local textile and garment industry would increase its shipments to the bloc by some 67% by 2025 as compared to the scenario without the trade deal.

However, according to the commitments of the pact, aside from meeting strict quality criteria, local firms must implement strict origin requirements to enjoy preferential tariffs. Specifically, exports to the EU must use fabric produced in Vietnam or in EU member countries. The agreement, however, also allows exporters to use fabric from countries that have FTAs with both Vietnam and the EU.

This remains a weakness for the local industry as the majority of raw materials are imported from countries that have not signed FTAs with the EU.

To cope with this weakness, Vietnam negotiated with the EU countries on rules of origin, allowing local exporters to use fabric made by a third-party country that has an FTA with the EU such as South Korea.

Before the EVFTA came into effect, the Vietnamese Ministry of Industry and Trade and the South Korean Ministry of Trade, Industry and Energy had started negotiations to implement the combined origin rules under the EVFTA.

5. Vietnam finance ministry releases state budget estimate for 2021

The Ministry of Finance has made public detailed figures in the state budget estimate for 2021, indicating a fiscal deficit of VND343.67 trillion (US$14.82 billion) for the year, equivalent to 4% of GDP, down from an estimated deficit of 4.99. – 5.59% in 2020 (equivalent to VND319.5 – 328 trillion (US$13.78 – 14.15 billion).

Under the budget plan, Vietnam's state budget revenue next year is estimated at VND1,343 trillion (US$58 billion) and expenditure VND1,687 trillion (US$72.78 billion). The government is set to borrow VND608.56 trillion (US$26.3 billion).

The release of these figures came following the National Assembly's decision to approve the state budget estimate in 2021 last month, but also a key step in promoting transparency and publicity of Vietnam's state budget.

A major point of the budget plan it that fund allocation will be prioritized for the Covid-19 fight, recovery efforts after natural disasters, social welfare, national security and foreign affairs, while basic wage, pension and other social beneficiaries stay unchanged in 2021.

Over the years, the Vietnamese government has made improvements to ensure greater transparency of national and ministerial budget management. Specifically, Vietnam's budget transparency score in the Open Budget Survey 2019 (OBS), the world's only independent and fact-based research instrument, significantly increased to 38 out of the maximum 100 points, 23 points higher than the previous assessment in 2017.

The score pushed Vietnam's ranking to 77 out of 117 countries and territories, up 14 places against 2017.

Vietnam's budget deficit this year is estimated at VND319.5–328 trillion (US$13.78-14.15 billion), equivalent to 4.99-5.59% of GDP, significantly higher than the target set in early 2020 which is 3.44%-of-GDP.

"Such a high fiscal deficit is due to lower-than-expected state budget revenue and an increase in regular spending caused by severe Covid-19 impacts," said Minister of Finance Dinh Tien Dung in a National Assembly session in October.

This year, Vietnam's budget revenue is estimated at VND1,320 trillion (US$57 billion), down VND189.2 trillion (US$8.16 billion) or 12.5% compared to the year's estimate and 14% against the figure recorded in 2019.

Meanwhile, state budget spending could reach VND1,680 trillion (US$72.47 billion) this year, down VND60.89 trillion (US$2.62 billion) or 3.5% against the estimate.

6. German wind power developer eyes offshore project in Binh Dinh

Representatives of PNE Group of Germany and the People's Committee of central Binh Dinh province sat down in a working session on December 15 to discuss an offshore wind power project in the locality.

Accordingly, PNE hopes to soon start construction of the project offshore Phu Cat and Phu My districts, which is scheduled to be deployed in three phases with an estimated investment of 4.8 billion USD.

PNE plans to develop between 154 – 166 wind-turbines with a combined capacity of 2,000 MW.

The first phase will be carried out in the 60-100m-deep zone with a capacity of 700 MW and a budget totaling 1.6 billion USD.

PNE pledged to carry out technical survey related to the project in 2021 and started construction and installation of the pilot phase in 2024.

The firm suggested the local authorities facilitate the project's investment and propose to the Government and the Ministry of Industry and Trade to add this offshore wind power project to the national power development plan (Power Plan VIII).

Chairman of the provincial People's Committee Nguyen Phi Long committed maximum support for the project, saying that it is in line with Binh Dinh's policy to develop clean and renewable energy to exploit its natural potential.

Previously, in September, PNE hired a consultant to conduct survey, make a pre-feasibility project and decide to invest in this project.

PNE Group is a German wind power pioneer operating on an international level and it is one of the most experienced project developers of onshore and offshore wind farms.

Binh Dinh is now home to three German-invested projects with a total capital of over 15 million USD.

7. Public investment projects rush to promote disbursement

In the context that the country has struggled to fight against the Covid-19 pandemic from the beginning of the year to now, the above results are very positive. Contributing significantly to this success is the strategy to promote public investment as high as possible. Specifically, in the past 11 months, realized investment capital from the state budget reached VND406.8 trillion, equaling to 79.3 percent of the annual plan and increasing 34 percent over the same period last year.

The Government has been very drastic in directing and operating through several conferences and briefings on promoting the disbursement of public investment capital. The Government also sent many delegations to each province to directly resolve difficulties and problems in the process of implementing projects.

However, the immediate workload is not small when about VND200 trillion, one-third of the allocated public investment capital, has not been disbursed yet. This rate in official development assistance (ODA) is even lower as after ten months, just above VND18 trillion has been put into implementation, less than one-third of the total allocated capital.

Therefore, recently, the Ministry of Finance (MoF) continued to hold conferences with ministries, provinces, and foreign donors on the disbursement of public investment capital from the foreign loans of the Government in the first 11 months of this year.

At the conference, the MoF said that it would continue to review and work with provinces and projects with particularly-large account balances. For projects disbursing following output results, the ministry recommended provinces to work closely with management agencies of programs and projects to complete disbursement procedures as soon as the results are available.

As for capital advances that have been transferred to the project account at the State Treasury, the project owners need to urgently disburse, pay for the project activities, and send information back to the MoF.

For projects that do not use up their allocated capital, the MoF requested ministries and agencies to specify which projects to be cut. At the same time, in the coming time, they need to clarify which projects are completely undisbursable in 2020 and which ones can only partially disburse, and coordinate with the Ministry of Planning and Investment in determining the amount of capital that has been allocated in the period from 2016 to 2020 and the actual disbursed capital. If there is a shortage of capital and projects continue to be disbursed in the following years, they will have to be included in the medium-term plan for the period from 2021 to 2025 and the investment capital plan for next year.

Normally, the disbursement progress increases sharply during the last month of the year. However, the problem is not only to disburse all the capital planned for the year but also to ensure efficiency, avoid loss and waste of both resources and investment opportunities, thereby creating growth momentum for the year 2021.

Corporate News

8. IMP: ADB, Imexpharm sign US$8-million loan to support generic medicine production in Vietnam

↑ 0.36%

The Asian Development Bank (ADB) signed an US$8 million loan with Imexpharm Corporation to help the company sustain its production of generic medicines despite global supply disruptions caused by the Covid-19 pandemic.

The financing will support the company's working capital needs to ensure ample supply of active pharmaceutical ingredients for essential generic medicine production. Imexpharm's operations and continued production of generic pharmaceuticals and their ensured availability in the market is integral in safeguarding the country's health care during the pandemic.

Head of Health and Education Investments at ADB's Private Sector Operations Department Aniruddha Patil said Asia has witnessed disruptions across the pharmaceutical supply chain in 2020, including a shortage of active pharmaceutical ingredients.

"This project demonstrates ADB's continued efforts to enhance health outcomes in Vietnam by encouraging the development and use of local generic medicines," Mr. Aniruddha Patil.

"We are pleased to be working with ADB," said Imexpharm's Chairman Nguyen Quoc Dinh. "The financing will improve our liquidity situation and ensure a consistent supply of affordable generic drugs to hospitals and pharmacies across Vietnam."

This debt financing is part of ADB's US$20 billion assistance announced on April 13 to help its developing members manage the pandemic.

Imexpharm was established in 1977 and initially incorporated in 1983 as the Dong Thap Pharmaceutical Union. The firm was transformed from a state-owned enterprise into a joint-stock company and renamed Imexpharm Corporation, and its shares were listed on the Ho Chi Minh Stock Exchange on December 4, 2006. As of September 30, 2020, Imexpharm had 1,252 employees, total assets of VND2.07 trillion (US$89.33 million) and 6 pharmaceutical manufacturing facilities.

9. POM: Pomina Steel seeks to clear debt with development fund

↑ 3.66%

The cash, accounting for 88 percent of its development fund, would be transferred to its post-tax profit account and used to wipe off the VND202 billion in post-tax losses the company had accumulated as of the end of September this year.

The Ho Chi Minh City Stock Exchange had in April issued a warning to investors about Pomina's POM shares as the company was yet to address its losses.

The HCMC-based company had recorded six consecutive quarter losses in a row before posting a post-tax profit of VND16.18 billion in the third quarter.

Pomina's board said that the construction of a blast furnace last year had financially burdened the company.

The furnace, located in the Pomina 3 steel factory in southern Ba Ria-Vung Tau Province, began operations last month and is set to produce high quality products for the construction of airports and roads.

The products will be exported to ASEAN countries and Canada, the company said.

Pomina is the fourth largest steelmaker in Vietnam last year in terms of revenue, according to online solutions company VietnamBiz.

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