



VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index ends the year at over 1,100 points

Despite a turbulent year of trading due to the Covid-19 pandemic, the local stock market saw significant growth this year, with the benchmark VN-Index surpassing 1,100 points in the final session of 2020, increasing 14.86% from last year's final session.

The VN-Index of the Hochiminh Stock Exchange added 0.58%, or 6.33 points, against the previous session to end at 1,103.87 points today, December 31. Winning stocks far outnumbered losers by 290 to 160.

There were 527.8 million shares worth more than VND10.8 trillion traded on the southern market, dropping 22% in volume and 20% in value from the session earlier.

Many bluechips gained ground, contributing to the rise of the VN-Index. Big gainers included consumer goods stock MSN, bank stock TCB and brokerage stock SSI, which rose 6.5% to VND88,900, 4.9% to VND31,350 and 4.8% to VND33,000, respectively.

Other major contributors were lender VPB, up 2.2% to VND32,500 and tech firm FPT, up 1.72% to VND59,100.

Besides, steel maker HPG, mobile phone retailer MWG, lender BID, electricity firm POW and housing developer KDH inched up over 1%.

In contrast, lender EIB suffered a steep fall, closing the day down 3% to VND19,500, while housing developer VHM and petroleum stock PLX lost less than 1%.

In the group of small and medium stocks, outstanding cash magnets such as FIT, CMX, DRH, ANV, EVG and CTS shot up to the ceiling prices.

Many other stocks such as ITA, FLC, PVD, HSG, ROS, KBC, HQC, HBC, LPB and SCR gained ground. Industrial zone developer ITA led the southern bourse by liquidity with more than 20.2 million shares changing hands.

On the Hanoi Stock Exchange, the HNX-Index increased 3.14%, or 6.17 points, to end at 203.12 points, with gainers outnumbering decliners by 92 to 54. There were some 100 million shares worth nearly VND1.16 trillion changing hands.

Some large-cap stocks such as bank stock NVB and securities stock BVS shot up to the ceiling prices, at VND10,000 and VND18,300, respectively.

Other top gainers were securities company SHS, up 8.23% to VND25,000 and service company THD, up 9.5% to VND115,000.

Property group HUT led the northern bourse by liquidity with 12.93 million shares changing hands although it lost 6.7% to end at VND4,200. Petroleum stock PVS came second with over 11.3 million shares traded.

Macro & Policies

2. Logistics costs see unprecedented rise due to lack of empty containers

The cost of transporting a container to EU countries now is around US\$10,000 as against a normal rate of \$1,500-1,800, he said.

The COVID-19 epidemic means EU countries and the US buy goods from East Asia but cannot return empty containers because of border closures, he explained.

Nguyen Dinh Tung, chairman and general director of fruit exporter Vina T&T Group, said there was a shortage of containers for shipping dry goods while the cost of shipping to the US has increased by nearly three times since last year.

Dang Phuc Nguyen, general secretary of the Viet Nam Fruit and Vegetable Association, said the lack of containers was because exports have been booming and ship crews taking them are quarantined on reaching foreign ports.

The Viet Nam Logistics Business Association said part of the cause is that Viet Nam is a trade surplus country. In the third quarter exports increased by 11 per cent year-on-year, it said.

Besides, due to the weather, the transportation of empty containers back from the US, Japan and China has been difficult, it said.

The container scarcity usually peaks at the end of the year, and the Covid-19 pandemic has worsened the situation, it said.

To overcome the above situation, Viet Nam Logistics Business Association depots should be tasked with repairing empty containers to reduce the waiting time for them, and ships should work closer with depots and accurately notify their empty containers situation, experts said.

Consignors needed to make use of containers efficiently and quickly so that they could be used by others, it added.

3. Vietnam prioritises development of key seaports

Deputy Minister of Transport Nguyen Nhat has emphasised the need to give priority to developing key seaports and seaport clusters in the next ten years.

Speaking at a seminar on the master plan for Vietnam's seaport system development in the 2021-2030, with a vision to 2050 held by the ministry's Vietnam Maritime Administration (VMA) on December 30, Deputy Minister Nhat highlighted the considerable development in both quality and quantity of the national seaport system in recent years, saying this basically meets the development goals set in the approved plan.

The seaport system has contributed to creating a momentum for the development of coastal economic, industrial and urban zones, ensuring import-export activities and transport of commodities through seaports, thus meeting

requirements on socio-economic development and international economic integration, he said.

In the 2000s, the total output of goods through seaports nationwide stood at about 82 million tonnes. The figure rose to 654 million tonnes in 2019 and is expected to reach 670 million tonnes in 2020.

Nhat said that developing marine infrastructure is also needed to promote the national socio-economic development, and meet the increasing demand of import-export, multinational transport activities.

Under the master plan, the volume of cargo handled through ports will be 1.14 – 1.42 billion tonnes a year by 2030. Ports nationwide are set to serve 10.1 – 10.3 million passengers per year. By 2050, the volume of cargo is expected to increase to 2.8 – 3.3 billion tonnes, and the number of passengers to 14.4 to 15.1 million passengers per year.

According to statistics of the VMA, as of 2019, Vietnam had 588 harbours, four times higher than in 2000. The total volume of cargo handled through ports reached 664.6 million tonnes, eight times higher than in 2000.

The total cost for Vietnam's seaport infrastructure development to 2030 is estimated at about 150 trillion VND (6.5 billion USD) to 200 trillion VND (nearly 8.7 billion USD) (excluding investment for specialised ports and wharves).

Vietnam's seaport development remains on track, with several deep-water seaports in operation in the

northern and southern regions and others expected to be built in the central region.

Prime Minister Nguyen Xuan Phuc recently issued a directive requesting the implementation of measures for effectively connecting transport infrastructure and lowering logistic costs, which now account for an average of 21 percent of a product's price.

Logistics now account for 3 to 4 percent of GDP and post a rapid growth rate of 15 to 20 percent each year. The sector is expected to contribute 8 to 10 percent of GDP by 2025 thanks to lessons learned from logistics practices in developed countries.

4. Vietnam's first-ever law concerns public-private partnership

Vietnam's Law on Investment that will take effect on January 1, 2021 becomes the first-ever law in the country published in the form of public-private partnership (PPP).

The law that was ratified by the National Assembly on June 17, 2020 clarifies the scope and scale of power projects eligible for PPP investment, according to Dr. Oliver Massmann, a Financial Accountant and Auditor, who discussed about the Draft Law with key personnel of the parliament.

The revised law incorporates the following recommendations suggested by Duane Morris LLP, a law firm with more than 800 attorneys in offices across the US and internationally.

According to Dr. Oliver Massmann who can be reached under omassmann@duanemorris.com, Article 4 of the Law **envisages that five sectors eligible for PPP investment** include: a/ Transportation; b/ Power grids, power plants, except for hydroelectricity power plants and cases of State monopoly in accordance with Electricity Law; c/ Irrigation: water supply, drainage, and wastewater treatment, waste treatment; d/ Healthcare, education, training; e/ Infrastructure for application of information technology.

The PPP law also stipulates the total investment capital requirement for a PPP project. For instance, excluding Operation & Maintenance Contracts, power projects must have the minimum total

invested capital of VND200 billion (US\$8.7 million). The figure is lower (VND100 billion) for projects in areas with difficult socio-economic conditions.

Importantly, ***the law emphasizes the importance of bankable PPP contracts.***

Duane Morris suggested that the National Assembly should consider providing a bankable PPP contract template in the law itself or in its guiding decree/circular.

In Article 47 of the PPP law, it was supplemented that the government shall regulate the issuance of standard contracts for BOT, BTO, BOO, O&M, BTL, BLT, BT or mixed contracts projects. Regarding lenders' step-in right, PPP Law sets forth that in case of termination of PPP project contract ahead of the deadline and it is required to select a replacement contractor to ensure the progress of the project, the lender must coordinate with the State to select the alternative investor.

Notably, ***the law determines in details investment incentives that investors can enjoy.***

Article 80 specifies that investors are provided with security regarding land access rights, right to use land and other public properties, property mortgage right, right to trade the project and its infrastructure system. PPP project enterprises are also given priority to utilize public services for implementation of the project, and competent agencies must assist

investors in carrying out necessary procedures in order to optimize this priority.

In addition, other notable provisions in the new PPP Law, including

1/ Foreign currency balance-ensuring scheme is applicable to projects subject to the National Assembly or the Prime Minister's issuance of decision on investment policy.

The latter applied for projects with total invested capital of at least VND5 trillion (US\$217 million), suggesting that all power projects eligible for PPP investment are automatically eligible for this foreign currency scheme. In addition, there is a ceiling of 30% to be imposed for all PPP projects.

2/ Revenue risk sharing mechanism: When the actual revenue reaches more than 125% of the revenue in the financial plan of the PPP project contract, investor to share with the State 50% of the increase between actual revenue and committed revenue in the contract.

When the actual revenue reaches less than 75% of the revenue in the financial plan of the PPP project contract, the State to share with investor 50% of the decrease between actual revenue and committed revenue in the contract.

This revenue reduction sharing mechanism is applied when the following conditions are met: 1. Type of contract: BOT, BTO or BOO; 2. The cause of loss is change in laws and policies; 3. Measures to adjust product and public service prices and contract terms have been implemented but the total revenue is still less than 75%; and 4. The State Audit has audited the revenue reduction.

3/ Selection of contractors to execute PPP projects: PPP contracts must contain binding content on the contractor's responsibility if the quality of the project does not meet the agreed requirements. Usage of domestic contractors is encouraged for works that can be carried out by them.

4/ Governing laws: PPP contract, its annexes and related documents are to be construed and interpreted in accordance with Vietnamese laws.

Dr. Oliver Massmann said it is great pleasure that the National Assembly took into consideration Duane Morris' advice and recommendations as these moves are a step in the right direction.

It remains to be seen whether there will be the political will to fully implement PPP projects regularly and on large scale, the expert added.

5. Bac Ninh takes lead in industrial production value

Bac Ninh province, an industrial hub in northern Vietnam, has ranked first nationwide in terms of industrial production value this year, posting a figure of 1,128 trillion VND (48.9 billion USD), up 2.9 percent year-on-year despite COVID-19.

Local industrial production rose 3.7 percent in the first quarter but fell sharply in the following two, when restrictions were imposed, according to the provincial Department of Industry and Trade.

However, it added, the industrial sector has manufactured and exported new products since September. Supporting industries have also shown signs of good growth.

As a result, its index of industrial production surged 22.4 percent in the fourth quarter.

Contributing to the full-year industrial expansion, processing and manufacturing continued playing a key role, with growth of 3 percent, data showed.

The province is the second-largest exporter in Vietnam, with over 38.9 billion USD worth of goods shipped abroad in 2020, up 14.3 percent against 2019.

It ranked sixth in foreign investment attraction, with 1,628 projects and 19.9 billion USD in capital as at the end of the year, and eighth in gross regional domestic product (GRDP), estimated at 122.74 trillion VND, up 1.36 percent.

Deputy Director of the Department of Industry and Trade Pham Khac Nam said that to obtain breakthroughs in industrial and trade development

amid the coronavirus outbreak, Bac Ninh has taken drastic action in disease prevention and control and maintained an optimal investment climate.

Enterprises themselves have also complied with anti-pandemic requirements and made proactive moves to overcome difficulties and promote production, such as stockpiling materials and seeking new supply sources.

He added that as the pandemic is forecast to remain a complex matter in 2021, provincial authorities will order local businesses and people to step up prevention and control efforts while the former will work with the Ministry of Industry and Trade to seek new partners and markets to enhance industrial production.

6. Cai Mep International Terminal receives massive container ship

MSC Oliver, one of the world's largest container ships, has docked at the Cai Mep International Terminal (CMIT) in Ba Ria - Vung Tau province earlier this week.

The MSC Oliver, one of the biggest vessels of Mediterranean Shipping Company (MSC) headquartered in Geneva, Switzerland, was the largest ever ship to dock in Vietnam.

It has a dead weight tonnage (DWT) of 199,273, with a capacity of more than 19,224 twenty-foot equivalent units (TEUs).

The ship docked at CMIT to handle nearly 6,000 freight containers, equivalent to 10,000TEUs of exported, imported and transshipped goods.

Nguyen Xuan Ky, deputy general director of the CMIT, said the docking of the ship would help promote the capacity of Vietnam's seaport system and its position in the global supply chain.

Located in the southern province of Ba Ria - Vung Tau's Phu My Town, CMIT is one of the largest terminals at the Cai Mep-Thi Vai deep-water gateway port complex.

It can serve cargo vessels with a loading capacity up to 214,000DWT.

Many shipping lines around the world are using container ships with large capacity. To serve such large ships, seaports need to be able to efficiently receive and handle the container ships, ensuring that they enter and exit the port safely.

MSC is the world's second largest shipping company with more than 500 vessels sailing 200 different routes between 500 ports in 155 countries worldwide.

To meet rising global freight demand, the company has ordered new mega ships, each with capacity of up to 23,000 TEUs.

7. Developer portfolios in restructure phase

According to Nguyen The Nhien, deputy general director of Hung Thinh Land, the group has had to scale down its business due to the pandemic, and is carrying out more market research into its investment strategy. "We are changing in the three key fields of developing more affordable products, offering reasonable price, and phasing out processes of payment to clients," Nhien said.

According to the Ministry of Construction (MoC), the structure of real estate products in the Vietnamese market now is not sustainable with less proportion

of affordable products, while this is now occupying the highest demand from buyers.

In 2020, 65 per cent of launched products in Ho Chi Minh City consisted of high-end and luxury grade products. In Hanoi, around 70 per cent belongs to the mid-end and upper segments.

Le Hoang Chau, chairman of the Ho Chi Minh City Real Estate Association, told VIR that the product's supply is unbalanced. "The demand of affordable units (those under \$1,000 per square metre) is now

very high; however, the supply is now at around 22 per cent of the total market,” Chau said.

He added that the mid-end unit ranging from VND25-40 million (\$1,000-1,700 per square metre) is occupying around 45 per cent and the high-end segment over \$1,700 is occupying less than 40 per cent. The remainder only belongs to low-end and affordable housing.

“We have many times suggested that developers restructure their project portfolios moving towards affordable products, low-cost housing, and social housing,” Chau said.

Such affordable housing is a key segment for the market, which has the highest liquidation because it can meet the major demand from buyers. The developers however are less interested in the segment due to high costs alongside lower returns of benefit on offer.

“It is hard for us to offer affordable products because we are bogged down in bureaucratic procedures,” said a representative from one developer in the country.

The lack of affordable housing has led to price hikes and fewer opportunities for mid-income earners to own accommodation.

Many developers have now expanded their portfolios to the outskirts and satellite towns of Hanoi and Ho Chi Minh City, where land funds are more readily available.

In Hanoi, with a range of bridges planned to be set up across the Red River, areas such as Vinh Phuc, Bac

Ninh, Bac Giang, and Hung Yen are becoming primed for many affordable projects. In Ho Chi Minh City, Dong Nai, Long An, Binh Duong, and Lam Dong are also becoming magnets for many developers.

According to Kiet Vo, associate director at CBRE Vietnam, satellite cities and provinces are chosen by many developers where the land and demand is available.

“Projects are moving to these locations where developers can have project sites easier and the demand for mid-end to affordable housing is high,” Kiet said.

Meanwhile Nguyen Xuan Thanh, public policy lecturer at Fulbright Vietnam, cited that in the next five years, apart from the land available, an improved infrastructure system will kick off industrial and tourism properties, as well as speed up industrialisation for areas neighbouring the major cities.

“This is a big push for developing real estate market in satellite cities and provinces,” Thanh said.

The MoC is now completing a resolution to encourage lower cost housing development, which will then go on to the government for approval.

“The limited supply of affordable housing is driving up prices in the whole market, especially as new supply continues to be restricted by the review process and demand keeps rising,” said Nguyen Van Dinh, vice chairman of the Vietnam National Real Estate Association.

Corporate News

8. PDR: Decision on investing to implement projects

↑ 0.78%

According to the decision dated December 30, 2020, the BOD of Phat Dat Real Estate Development Corp approved the investment to implement the projects for the Bo Bac Residential Area with urban embellishment of Quang Ngai city in Tinh An Commune, Quang Ngai city, Quang Ngai Province. Details are as follows:

- Project name: Residential Area with urban embellishment of Quang Ngai city

- Investor: Phat Dat Real Estate Development Corp

- Location: Tinh An Commune, Quang Ngai city, Quang Ngai Province

- Land area: 539,510.8 m²

- Total value of investment (estimated): VND 1,742,000,000,000

- Execution time: from 2020 to 2024.

9. GTN: Information on selling the treasury shares

↑ 1.49%

On December 29, 2020, GTNFOODS Joint Stock Company announces the selling of treasury shares as follows:

- Number of treasury stock before trading: 1,000,000 shares

- Number of registered shares to sell: 1,000,000 shares

- Expected trading period: from January 01, 2021 to February 09, 2021.

- Trading method: order matching or put through.



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