

July 03, 2020

Head of Macro & Strategy
Tran Duc Anh
anh.td@kbsec.com.vn

Public investment progress

Vietnam will accelerate disbursement in 2H 2020

Public investment lags behind the plan in the first 6 months

- Disbursement of public investment capital was VND122,241 billion, accounting for 19.8% of the assigned estimate. Slow progress is largely due to 4 issues: 1) The Covid-19 epidemic affected the construction and disbursement progress of many projects in Q1 2020; 2) ineffective implementing administrative systems including slow completion of investment procedures, allocation of capital plans, contractor selection and construction; 3) delays in site clearance, especially in key projects including North-South Expressway project and Long Thanh airport; 4) High disbursement plan in 2020 at VND700,000 billion, doubling from last year due to the fact that the Public Investment Law allowed the un-disbursed capital plan in 2019 to accumulate in the following year.

We expect public investment can accelerate in the second half of 2020

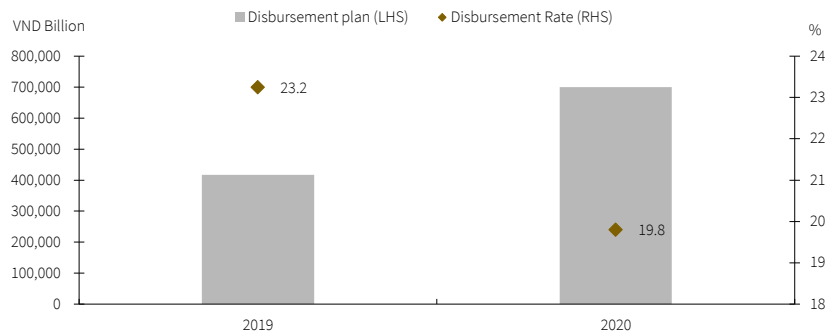
- The National Assembly has just approved the conversion of 3 projects based on the North-South expressway component (Vinh Hao – Phan Thiet, Mai Son – QL45 and Phan Thiet – Dau Giay) from the form of PPP investment to the form of public investment. These projects expected to start construction in August 2020.
- The Government issued a new decree detailing the implementation of a number of recent Public Investment (amended) articles that could help accelerate disbursement; In addition, most procedure of main projects is ready due to the fact this is the final year of 2016-2020 plan.
- Other strong actions from the government include: 1) requiring localities to hand over the clean ground of the North – South Expressway project by June 2020; 2) issuing a document urging Dong Nai province to disburse VND 23,000 billion of ground clearance expenses (only VND1,242 billion has been disbursed currently) for Long Thanh airport this year; 3) Issuing document No. 623 / TTg-KTTH to permit the transfer of capital plans of agencies and localities with disbursement rate of 2020 under 60% of the plan by September 30, 2020 to important projects; 4) requiring head responsibility if failure to reach disbursement plan.

Construction stocks and material stocks are the biggest beneficiaries

- Within 5 North – South expressway projects in the form of PPP, government will select the winning partnerships of prequalified contractors including notable names such as Cienco4 Group (CG4), Hoa Binh Construction Group (HBC), Licogi 16 (LCG), FECON (FCN) or Vinaconex Corporation (VCG). In particular, CG4 is likely to be a favored name because the construction of some North-South Expressway projects will cause distraction and affect the return of expansion route 1 BOT projects of this contractor.
- Higher demand for construction materials will benefit steel, stone and cement industries. Hoa Phat Group (HPG), Binh Duong Mineral and Construction (KSB), Hoa An Joint Stock Company (DHA), Ha Tien 1 Cement JSC (HT1) are notable beneficiaries.

Fig 1. Public investment capital plan and disbursement progress (Billion VND – %)

The Public Investment Law has allowed the unspent 2019 capital plan to be accumulated next year, leaving the 2020 budget to be quite abundant, at nearly VND 700,000 billion. Therefore, the disbursement progress of the first 6 months of 2020 seems slow but basically increases by 26% compared to the first 6 months of 2019.



Source: Ministry of Finance, KB Securities Vietnam

Table 1. List of 11 projects on North – South expressway

No	Projects	Investment Amount (Billion VND)	Type of Investment	Commencement Date
1	Cao Bo – Mai Son	1,600	Government investment	2019
2	Mai Son – Route 45	12,920	Government investment	2020–2022
3	Route 45 – Nghi Son	6,330	PPP	2021–2023
4	Nghi Son – Dien Chau	8,380	PPP	2021–2023
5	Dien Chau – Bai Vot	13,340	PPP	2021–2023
6	Cam Lo – La Son	7,670	Government investment	2019
7	Nha Trang – Cam Lam	7,615	PPP	2021–2023
8	Cam Lam – Vinh Hao	13,690	PPP	2021–2023
9	Vinh Hao – Phan Thiet	11,600	Government investment	2020–2022
10	Phan Thiet – Dau Giay	14,360	Government investment	2020–2022
11	My Thuan 2 Bridge	5,000	Government investment	2020

Source: Ministry of Transport of Vietnam, KB Securities Vietnam

Table 2. List of pre-winning partnerships of the North – South expressway in the PPP form

No	Projects	Investment Amount (Billion VND)	The list of prequalified investors
1	Quoc lo 45 – Nghi Son	6,330	(1) Joint venture Cienco4 – Hoa Binh – Thuan An – Tan Thanh Do – Engineering Construction JSC No.18 (2) Joint venture Licogilo JSC – FECON – 468 JSC – Phuoc Tien construction company – FECON infrastructure and Urban development JSC
2	Nghi Son – Dien Chau	8,380	(1) Joint venture Tan Nam – Vinaconex – Thai Son (2) Joint venture Hoa Hiep – Vinaconex 2 – Cienco4 – Nui Hong
3	Dien Chau – Bai Vot	13,340	(1) Joint venture Hoa Hiep – Vinaconex 2 – Cienco4 – Nui Hong (2) Joint venture Deo Ca – Hai Thach – Ha Thanh – Hoang Long – Tien Dai Phat (3) Joint venture Vinaconex – Tan Nam – HCJ
4	Nha Trang – Cam Lam	7,615	(1) Joint venture Vinaconex – Duy Tan – Truong Long (2) Joint venture Cienco4 – Thuan An – Tan Thanh Do (3) Son Hai company (4) Joint venture Mien Trung – Cuong Thinh Thi – Ciencol – 873 – 168 (5) Joint venture Phuong Thanh – Nguyen Minh – Nhac Son – Tu Lap
5	Cam Lam – Vinh Hao	13,690	(1) Joint venture Trung Nam – Horizon – Hai Dang – Son Hai (2) Joint venture Vinaconex – VN.ETDEI – FECON (3) Joint venture Deo Ca – Hai thach – 194 (4) Joint venture Cienco4 – Hoa Binh – Engineering Construction JSC No.18 – Phuong Thanh – Thuan An

Source: Ministry of Transport of Vietnam, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Head of Research – Nguyen Xuan Binh

binhnx@kbsec.com.vn

Macro/Strategy

Head of Macro & Strategy – Tran Duc Anh

anhthd@kbsec.com.vn

Macro Analyst – Thai Thi Viet Trinh

trinhhtt@kbsec.com.vn

Market Strategist – Le Anh Tung

tungla@kbsec.com.vn

Equity (Hanoi)

Head of Equity Research (Hanoi) – Duong Duc Hieu

hieudd@kbsec.com.vn

Information Technology & Logistics Analyst – Nguyen Anh Tung

tungna@kbsec.com.vn

Property Analyst – Pham Hoang Bao Nga

ngaphb@kbsec.com.vn

Power & Construction Material Analyst – Le Thanh Cong

conglth@kbsec.com.vn

Financials Analyst – Nguyen Thi Thu Huyen

huyenntt@kbsec.com.vn

Equity (Ho Chi Minh)

Head of Equity Research (Ho Chi Minh) – Harrison Kim

harrison.kim@kbfq.com

Consumer & Retailing Analyst – Dao Phuc Phuong Dung

dungdpp@kbsec.com.vn

Fisheries & Pharmaceuticals Analyst – Nguyen Thanh Danh

danhnt@kbsec.com.vn

Oil & Gas & Chemicals Analyst – Nguyen Vinh

vinhn@kbsec.com.vn

Research Marketing

Korea Marketing Analyst – Seon Yeong Shin

shin.sy@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276
Email: ccc@kbsec.com.vn
Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.