



VIETNAM DAILY NEWS

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Market Analysis

1. VN stocks head down with global markets on worries about trade war

The benchmark VN-Index on the Ho Chi Minh Stock Exchange rolled down 1.66 per cent to close at 957.97 points on Monday.

A similar scenario also occurred on the Ha Noi Stock Exchange as the HNX-Index lost 1.36 per cent to end at 105.42 points.

The VN-Index and the HNX-Index respectively lost total 0.56 per cent and 0.55 per cent in the only two trading days of the previous week.

Worries about the escalation of the US-China trade war arose after Trump on Sunday signalled an increase of tariffs on US\$200 billion worth of Chinese goods this week, from 10 per cent to 25 per cent.

In return, the Chinese government said they would consider cancelling any trade talks with the US following the US president's statement.

The market breadth was strongly negative with declining numbers dominating gainers by 339 to 130 on both local exchanges.

Nearly 200 million shares were traded on the two exchanges, worth VND3.76 trillion (US\$161.8 million).

Heat-ups in bad trade relation between the two largest economies of the world sent Asian stocks deep down on Monday and signalled a bad trading day ahead for European and US markets.

If the US-China trade talks collapse, the global economy may enter a serious growth recession, pulling energy demand down and dragging crude prices along, according to MB Securities JSC (MBS).

In Viet Nam, 21 of the 25 sector indices displayed on the economic and business news site vietstock.vn ended Monday in the negativity.

Among the worst-performing indices were insurance, petroleum, banking, securities, food and drinks, retail and agriculture with losses ranging from 1.5 per cent to 4.4 per cent.

The worst-performing sector was insurance, led by Bao Viet Holdings (BVH) with a 5 per cent loss. The company shares have erased more than a fifth of market value since April 24.

The market sentiment turned to “panic” from “caution” after investors received the statements from both US and China about their trade relations, Thanh Cong Securities JSC (TCSC) said in its daily report.

The market condition has worsened as investors are likely to decide to stay completely out of the market at the moment, TCSC said.

Further developments of the US-China trade relations would be the decisive factor in coming days, TCSC said.

But due to lack of supportive information, the Vietnamese stock market would extend its loss from last week even without the US-China trade tension, MBS said.

If the market trading condition remains negative in the next few days and no good news appear, short-term bottom lines for both indices will be broken, MBS added.

Macro & Policies

2. Rice logo restricted for use

Do Ha Nam, vice chairman of the Vietnam Food Administration, told the *Saigon Times* that the logo had yet to be used due to the absence of official guidelines.

It might take a few years for the National Office of Intellectual Property of Vietnam to issue legal guiding documents for the use of the logo, Nam said.

Meanwhile, Lam Anh Tuan, director of Think Phat Food Company, said that he did not learn about the logo as he was not interested in it, adding that his customers did not require the logo on the company's rice products.

Also, Director of Trung An Hi-tech Agricultural JSC Pham Thai Binh told the paper that his firm has exported rice without using Vietnamese rice brand labels.

Similar to Tuan, the head of the Trung An firm, confirmed that he did not study the use of the logo and added that local rice firms were not in need of it.

Earlier, nearly VND130 billion was proposed to adopt a draft law on managing and developing Vietnamese rice, including developing the national rice brand, adopting brand protection solutions

for local rice brands, supporting local rice operators with brand protection registration on the global market and promoting Vietnamese rice brands among companies and consumers at home and abroad.

As part of the draft law, the Agro Processing and Market Development Authority, under the Ministry of Agriculture and Rural Development, in late 2018 organized a contest where contestants were encouraged to create a logo symbolizing the nation's rice brand at a rice festival held in Long An Province.

The official logo was announced to the public, marking the first appearance of a Vietnamese rice brand, though the country has ranked among the top rice exporters in the world for decades.

The ministry then issued Decision No.1499 in the same year, stipulating regulations on how to use the national certified rice brand.

According to the ministry's decision, individuals and organizations are allowed to use the national certified rice brand if they have been granted business licenses or investment registration certificates for rice production, processing and operating activities.

3. Foreign airlines seek niche market in Vietnam

Malaysian budget carrier AirAsia has launched a few direct air routes from Thailand and Malaysia to the cities of Can Tho and Nha Trang.

The Can Tho-Kuala Lumpur air service was put into operation at the start of April, while two other air routes from Nha Trang and Can Tho to Bangkok, Thailand, were launched on May 1 and 2, respectively.

The Malaysian carrier operates these air services at a frequency of three or four weekly flights. The opening of these air routes was expected as the

country's major airports, such as Hanoi-based Noi Bai International Airport and Tan Son Nhat International Airport in HCMC, are overburdened.

Meanwhile, local airports, such as Can Tho International Airport, Nha Trang-based Cam Ranh Airport, Van Don Airport in the northern province of Quang Ninh and Cat Bi International Airport in the northern port city of Haiphong, boast great potential for growth.

Of these localities, Nha Trang City is the most attractive tourist destination, with international

arrivals rising consistently over the past few years.

Statistics from the Civil Aviation Authority of Vietnam show that Cam Ranh International Airport welcomed three million tourists in 2018.

The direct air routes from Thailand and Malaysia to Nha Trang City are aimed at helping tourists fly directly to the city instead of transiting through Hanoi City or HCMC.

Besides this, Vietnam has issued a number of price and fee reduction policies at some airports to encourage airlines to launch more direct air routes to secondary airports to ease the overload being faced by airports in Hanoi and HCMC.

Given the high potential for tourism, the authorities of Can Tho City and the Mekong Delta provinces are ramping up tourism promotion activities to develop the sector.

Apart from this, foreign direct investment (FDI) in the Mekong Delta region from airlines launching routes to Can Tho City is on the rise.

Statistics from the Can Tho branch of the Vietnam Chamber of Commerce and Industry indicate that the FDI capital injected into the region totaled US\$1.5 billion in 2018, accounting for 10.6% of the country's total FDI capital, while the number made up 5% or 6% in previous years.

AirAsia's decision to launch routes to Can Tho City was made following the success of routes to other secondary airports in Vietnam, including the Nha Trang and Phu Quoc airports.

In addition to AirAsia, other airlines in South Asia such as Bangkok Airways have launched direct routes to multiple secondary airports in the country.

In the wake of opening the Bangkok-Cam Ranh air route at the beginning of 2019, Bangkok Airways planned to launch more air services from Thailand to Van Don Airport in Quanh Ninh Province and Can Tho Airport.

Choosing the niche market in Vietnam is seen as a wise decision since it is less competitive but creates great opportunities for success.

4. African swine fever holds back foodstuff segment and CPI

The General Statistics Office (GSO) reported that the average consumer price index (CPI) in the first four months of this year increased 2.71 per cent on-year. This is the lowest average four-month CPI ascension as compared to the same period last year (2.8 per cent), and in 2017 (4.8 per cent).

“The increase in the prices of petrol and electricity was the key driver in the climb of the CPI in the first four months of 2019,” said GSO's head Nguyen Bich Lam.

Specifically, in April the retail price of bio-fuel E5 RON 92 jumped VND1,115 to VND19,703 (\$0.85) per litre, and that of RON95 increased to VND21,235 (\$0.923), up VND1,484.

The prices of diesel and kerosene went up by VND297 and VND291 to VND17,384 (0.755) and

VND16,262 (\$0.7) per litre, respectively. Meanwhile, the price of mazut was capped at VND15,617 (\$0.68) per kilogramme, up VND1,127.

In April alone, petrol retail prices rose by VND3,000 (\$0.13) per litre after two continuous hikes.

Lam said that in March the average price of electricity went up 8.36 per cent under the Ministry of Industry and Trade's Decision No.648/QD-BCT, leading to an on-month 1.85 per cent hike in household-oriented electricity, a 1.42 per cent increase in the petrol price, and a 0.98 per cent rise in the materials for repairing houses.

However according to the GSO, the four-month CPI has been prevented from a bigger rise due to the appearance of African swine fever since

March, affecting the consumption of pork, which occupies about 60 per cent of Vietnamese households' foodstuff consumption.

"In April, the price of pork dropped 3.07 per cent on-month due to consumer worries regarding African swine fever, and shifting to using other types of foodstuffs," Lam said.

Just like all other companies operating in the pork value chain in Vietnam, the US-backed Cargill Vietnam is now dealing with the fever, which is said will last long and has had a negative impact on all players' performance not only in Vietnam, but also in other nations hit by the disease.

Production and sales volume of feed and pork companies in Vietnam have decreased since March because the swine population in impacted areas is shrinking while farmers are reluctant or even not allowed to repopulate their farms amidst the disease, according to a Cargill Vietnam source.

The success of the four-month CPI was cited by the GSO to also derive from the State Bank of Vietnam's (SBV) flexible monetary policy, which

since the start of the year has helped stabilise the value of the dong and the VND/USD exchange rate.

Deputy Prime Minister Vuong Dinh Hue has ordered the SBV to continue the policy in close combination with the fiscal policy in order to keep an inflation rate of between 3.3 and 3.9 per cent this year. The SBV has also been asked to control all monetary supplies and credit both in structure and quality, and to take all necessary solutions to continue stabilising the VND/USD exchange rate and lending rates at banks.

After recently working with the Vietnamese government, Alex Mourmouras, division chief in the International Monetary Fund's Asia and Pacific Department, said, "Vietnam's plans to modernise the monetary policy framework, including greater exchange rate flexibility to make the currency a better absorber of external shocks, are welcome. Gradual reserve accumulation should continue. To safeguard monetary and financial stability, the system of macroprudential regulations should be strengthened."

5. Positive signs in Viet Nam's socio-economic situation: PM

PM Phuc noted with pleasure that a large number of new businesses were established while the country saw a record in attracting foreign direct investment (FDI) with many large-scale projects. The agriculture sector yielded bumper crops and the epidemic of African swine fever was controlled to minimise damage, he said.

According to the government leader, the country's exports increased significantly and continuously recorded a trade surplus. Inflation was curbed at a low level although prices of some services and petrol were adjusted upwards and the country's Purchasing Managers' Index (PMI) climbed up, ranking second among ASEAN countries.

Regarding the recent hikes in electricity, oil and petrol prices, the PM explained that the increase of power price was in line with rules of a socialist-oriented market economy and had been

deliberated carefully by the Government. However, the calculation of electricity price remains unclear and unconvincing, causing public concern in recent days.

In that context, Phuc said he had ordered inspections on the adjustment of electricity selling prices and the calculation method, and then make them public. The Ministry of Industry and Trade and Vietnam Electricity (EVN) must have the responsibility to report this issue to the Government and people, he said.

Through the Private Sector Economic Forum 2019, the PM requested ministries, sectors and localities to push ahead with administrative reforms and improvement of the business environment.

Regarding public investment, the PM said the disbursement remained slow and asked cabinet

members to take stronger measures and strictly handle ministries, sectors, localities and investors involved in the disbursement of public investment.

A report delivered by the Ministry of Planning and Investment showed that the consumer price index (CPI) in April 2019 went up 0.31 per cent against the previous month. The four-month CPI rose 2.71 per cent year-on-year, the lowest level in the past three years.

The industrial production index (IPI) expanded 9.2 per cent driven by the high growth of 10.9 per cent in the processing and manufacturing industry.

Total retail sales of goods and services recorded a growth rate of 11.9 per cent, the highest since 2015.

More than 43,000 new businesses were established in the first four months of 2019 with total registered capital of over VND540 trillion (US\$23.22 billion). Over 17,000 enterprises

resumed their operations, up 53.6 per cent year on year.

The flow of foreign direct investment (FDI) capital reached US\$5.7 billion, a year-on-year rise of 7.5 per cent. The total amount of newly registered and added capital increased 28.6 per cent to US\$7.5 billion.

The country grossed US\$78.76 billion from exports, up 5.8 per cent, including over US\$23 billion from the domestic economic sector, up 10.5 per cent, and enjoyed a trade surplus of US\$711 million.

During the meeting, cabinet members focused discussions on the implementation of the Government's resolution on implementing the socio-economic development plan and the State budget in 2019 as well as the socio-economic situation in the first four months of this year.

They also prepared contents for the government's submission to the seventh meeting of the 14th National Assembly, which is scheduled to take place in late May.

6. PM chats with 1,000 high-tech workers in Ho Chi Minh City

Participants to the dialogue includes include representatives of ministries and agencies and localities.

This is the first time the Government chief holds dialogue with high-tech workers and the fourth time with workers in general since he took office in 2016.

The event is an opportunity for the Prime Minister to directly learn about the aspirations and proposals of high-tech workers who are considered a driving force for national development.

Particularly, the dialogue focuses on five topics: (i) corporate policies for high-tech workers, (ii) local level policies for the development of high-tech workers; (iii) high-tech workers' policy proposals; (iv) solutions to become high-tech workers, (v) aspirations of high-tech workers.

In his opening remarks, Prime Minister Phuc asked the workers to frankly present their ideas so the Government could directly hear their true voices./.

Corporate News

7. ACB becomes seventh bank to meet Basel II standards

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According to the SBV's decision, all of ACB's activities have started to follow Circular 41/2016-TT/NNNN regulating the application of Basel II standards since this month.

Basel II is the second edition of the Basel Accords, which are recommendations on banking laws and regulations issued by the Basel Committee on banking supervision. Basel II, which comprises minimum capital requirements, supervisory review and market discipline, aims to enhance competition and transparency in the banking system and make banks more resistant to market changes.

The SBV has so far approved only seven local banks to apply Basel II standards earlier than its deadline of 2020. They are Vietcombank, VIB, OCB, MBBank, TPBank, VPBank and ACB.

With the application of Basel II ahead of the SBV's deadline, the banks will be prioritised by the SBV in getting higher credit growth limits this year. According to current regulations, the SBV sets a credit growth limit for the entire year for each

bank to ensure the credit growth target of the entire banking system during the year and all local banks expect to have high credit growth limit as their income still mainly depends on lending.

At last month's 2019 annual general meeting of shareholders, Chairman of VIB Dang Khac Vy said VIB expected the SBV to approve its credit growth limit proposal of 35 per cent in 2019 as it was one of the banks to meet the central bank's Basel II standards.

MB and TPBank also set high credit growth targets of 20 per cent for this year and are waiting for approval from the central bank. As for MBBank, industry insiders forecast the bank could then ask for another extension to increase its credit growth limit to 30 per cent this year.

Meanwhile, credit growth targets set at other banks, which haven't met Basel II standards, are lower. Techcombank, for example, wants credit growth of 13 per cent while the figure for Kien Long Bank is 15 per cent.

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