



VIETNAM DAILY NEWS



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Market Analysis

1. U.S. dollar firmer against Vietnam dong

The State Bank of Vietnam revised upward the central reference rate between the Vietnamese dong and the greenback by VND8 to VND23,004.

On the informal market, the dollar dropped a slight VND5 to VND23,235 for buying and VND23,250 for selling, some VND10 lower than the quotations by local banks.

Vietcombank in the afternoon quoted the dollar at VND23,165 for buying and VND23,265 for selling.

Saigon Jewelry Company (SJC) lowered the gold buying price by VND10,000 to VND36.13 million per tael and the selling price by the same amount to VND36.3-36.32 million. One tael is equal to 1.2 troy ounces.

Meanwhile, Doji Group quoted the yellow metal at VND36.18-36.2 million per tael for buying and VND36.28 million per tael for selling. Domestic gold prices were higher than the global level by some VND700,000 per tael.

On the world market, gold slipped from US\$1,274 to US\$1,265.9 an ounce overnight, the lowest level recorded since October 2018, before recovering to US\$1,270 this morning. The precious metal has lost over US\$42.8 in the past 30 days, or 3.26%.

The decline was ascribed to the rallies of the U.S. stock market, with the Dow Jones Industrial adding 0.55% at 26,656.39, and the Nasdaq Composite reaching 8,120.82, up 1.32% against the previous session.

The dollar also appreciated against other currencies. The U.S. Dollar Index, which is used to measure the value of the dollar against a basket of six major currencies---the euro, Swiss franc, Japanese yen, Canadian dollar, British pound and Swedish krona---advanced 0.3 points to 97.6, even 97.71, the highest since June 2017.

2. Moody's supports credit tightening in Vietnam

Earlier this month, the State Bank of Vietnam held a public consultation on proposed amendments to its regulations on asset and liability management, mortgages and unsecured consumer loans.

The proposed changes include tightening the maximum ratio of short-term funds used for medium- and long-term loans, as well as increasing risk weights on mortgage loans and unsecured retail loans.

The new asset and liability management rule will reduce banks' maturity mismatches by requiring them to lower the maximum ratio of short-term funding used for medium- and long-term loans.

As a result, according to Moody's, banks with a larger proportion of medium- and long-term loans will either have to rebalance their loan portfolios

toward short-term loans or raise more expensive longer-term funding to meet the proposed new rule.

Among its rated Vietnamese banks, the ratings agency expects the new rules to have the greatest effect on the Vietnam International Bank (VIB) and the Vietnam Prosperity Joint Stock Commercial Bank, given their larger proportions of medium- and long-term loans as of late 2018.

However, the effect will be manageable for the banks given the gradual phase-in of the new rules.

The central bank has also suggested increasing the risk weights for certain categories of mortgages and unsecured consumer loans. Moody's sees the demand for retail loans in recent years as moving in tandem with the greater urbanization rate and

higher income per capita in Vietnam; retail loans have been the key driver of banks' loan growth since 2015.

The higher risk weights will compel banks to be more selective in their lending to the retail segment and in building up their loss-absorption buffers. Moody's predicts that the profitability of local banks will fall in 2019 as they adjust to the new rules.

It also expects VIB, the Tien Phong Commercial Joint Stock Bank and the Bank for Foreign Trade of Vietnam to be most affected by the higher risk weights because of their sizable mortgage loan portfolios and moderate capitalization relative to their peers.

Macro & Policies

3. High logistics costs threaten product competitiveness

Workshop participants raised their concerns regarding the poor quality of logistics services, the challenges faced with the supply chain of agro-aquatic products, and fragmented linkages in the logistics infrastructure and product delivery.

Domestically logistics costs remain high, at an estimated 20 per cent of the country's annual GDP value. Of the figure, transportation costs occupy more than 60 per cent, 2-10 per cent higher than the average regional and worldwide ratio. Such costs do considerable harm to the competitiveness of Vietnamese exports.

According to Le Duy Hiep, Chairman of the Vietnam Logistics Business Association, logistics costs for fruit and aquatic products, two key exports of the Mekong Delta region, represent between 20 and 25 percent of total costs, much higher than the 10-15 percent ratio faced among regional peers.

In order to leverage the production and consumption of farm produce, other participants called for the building of an integrated system which comprises of three elements such as logistics, transport, and agriculture.

Greater attempts must be made to perfect logistics management mechanisms as well as to enhance mutual co-operation and regional linkages for the

sake of higher competitiveness. Delegates emphasized regional linkages as a strategic measure which could help to lure additional foreign direct investment in the logistics sector.

Mekong Delta localities must stimulate the use of supply chain and logistics administration systems among local firms, as well as increase the application of technologies in both managing transport services and developing transport infrastructure.

Truong Quang Hoai Nam, Vice Chairman of the Can Tho Municipal People's Committee, said that Mekong Delta localities need to mobilize land sources to serve the development of transport infrastructure and to improve the quality of logistics workforce.

Nam urged logistics centers located in transshipment hubs to operate under multimodal transport to better improve their linkages and the value chain of agro-aquatic products.

Can Tho city looks to intensify its linkages with other Mekong Delta provinces in order to cut down logistics costs with the aim of increasing the competitiveness of regional products, he said.

4. Third solar power plant in Dak Lak inaugurated

According to BMT Energy Renewable JSC, the investor of the farm, the facility, built at a cost of 617 billion VND (around 26.44 million USD) has a capacity of 30 MWp. It is expected to supply more than 44 MWh of electricity to the national grid each year.

The farm, which is at the foot of Krong Buk Ha dam, also serves as a tourist destination.

The company said it is conducting surveys for a wind power farm in Cu M'gar district, with an estimated investment of more than 200 million USD.

Pham Thai, Director of the provincial Department of Industry and Trade, said investors have proposed a total of 32 solar power projects in Dak Lak.

Besides the BMT farm in Krong Pak, several other solar power plants with total capacity of nearly 700 MWp will be put into operation at between 50 to 100 percent of capacity this year.

In March this year, the Srepok 1 – Quang Minh solar power complex with a combined capacity of 100 MWp was commissioned in Buon Don district. The complex had total investment of 2.2 trillion VND (94.27 million USD).

5. LG Electronics to move smartphone production to Viet Nam

The firm is scheduled to shut the Pyeongtaek plant in the south of Seoul and shift its production line to the northern port city of Hai Phong.

The company currently manufactures smartphones in the RoK, Viet Nam, Brazil and China while its domestic plants mostly produce premium devices.

LG Electronics has struggled in the smartphone market for years amid intense competition with Samsung and Apple in the hi-end segment and with Chinese manufacturers in the lower segment.

Last year, its sales of mobile devices hit US\$1.5 billion but losses amounted to \$280 million due to weak revenue and rising marketing costs.

Meanwhile, LG Display Co said Wednesday its net loss hit \$55 million in the first quarter this year, higher than the \$42.5 million in the same period last year due to low selling prices of liquid crystal displays.

6. Foreign automobile manufacturers intensify presence in Vietnam

Vietnam's rapidly growing automobile market is luring more foreign automobile parts manufacturers to the country to explore business opportunities.

Being aware of the promising market, a Malaysian delegation with 15 enterprises operating in the automobile industry last week came to Vietnam to seek for business opportunities.

According to Malaysian Ambassador to Vietnam Dato' Mohd Zamruni Khalid, Vietnam is an attractive market for the automobile manufacturing industry because of its young markets and attractive investment and business policies.

Besides the Malaysian investors, foreign automobile part makers from other countries, such as South Korea's PHA, have so far also set up their production bases in Vietnam with an aim to seize huge opportunities of the market.

According to Lee Jae Seung, CEO of PHA Vietnam, which is led by a group of Pyeong Hwa Automotive, YMP Plus, Dong Yang Vina Industry Co., Ltd., and MiChang Vietnam, once PHA automotive parts manufacturing project in the northern port city of Hai Phong become operational in September this year, its products will be supplied to big car manufacturers like Volkswagen, BMW, Audi, Ford, and Hyundai.

PHA Vietnam started construction of four automotive parts manufacturing plants with the total investment capital of US\$32.3 million in Hai Phong's DEEP C Industrial Zones late last year. The move aligns with the Vietnamese government's policies on promoting investment in the local support industries.

Time for investments

According to Ringier Trade Media, the organizer of the ASEAN Automotive and Motorcycle Parts Manufacturing Summit 2019 held in Hanoi

recently, Vietnam is a growing car market, which reflects the enormous commercial potential in components and parts.

Vietnam already has factories of the most recognizable international brands. With favorable government policies, easy investment procedures, and access to the ASEAN, EU, and the APEC, the Vietnamese automotive industry is projected to enjoy the fastest growth in Southeast Asia in the next 20 years, which makes it the best place to invest right now, Ringier Trade Media said.

Earlier, Chening Fan, director of the Taiwan External Trade Development Council, also said many Taiwanese auto parts enterprises have invested in manufacturing in Vietnam, but mainly produce for exports. Currently, the enterprises are paying attention to Vietnam as well as the ASEAN's more than 600 million potential consumers.

By investing in Vietnam, automotive parts can go for local consumption and for tax-free export to the region, Fan said, referring to Vietnam's competitive wages and attractive foreign investment environment.

Meanwhile, Luong Duc Toan from the Department of Legal Affairs under the Ministry of Industry and Trade, said that every year Vietnam still imports

over US\$3 billion worth of components and spare parts for automobile assembly and car repair.

In the last two years, Vietnam's auto industry has developed quite rapidly. The country last year produced and assembled over 250,000 vehicles, meeting about 70 percent of domestic demand.

Currently, there are over 40 enterprises involved in automobile assembly and production in Vietnam and most of them are of small and medium size, with design capacity of producing and assembling about 800,000 vehicles a year, but they are producing below the designed capacity.

Toan said that Vietnam has huge potential to develop the automobile industry, but it must attach itself to the regional and global value chains.

Therefore, the immediate priority for the industry is to deeply participate in this value chain, Toan suggested, pointing to three main focuses, including the healthy development of the automobile market, maintaining and promoting the domestic production and assembly of cars, and developing support industries to supply to the automobile sector. Policy solutions also need to be formulated in support of the above three groups of solutions.

7. Mekong Delta needs to develop logistics to cut export costs: conference

Of Nguyen Minh Toai, director of the city's Department of Industry and Trade, told the conference that the delta, as a paddy and aquaculture hub of the country, accounted for 40 per cent of the country's agriculture.

Over 50 per cent of the rice supply and 90 per cent of exports are from there as are 65 per cent and 70 per cent of the aquaculture and fruit production, he said.

The demand for transporting these products, some 17-18 million tonnes of them a year, is huge.

But 70 per cent of it is transported to ports in places like HCM City and Ba Ria-Vung Tau for

export, increasing costs by 10-40 per cent, the conference heard.

There is thus enormous potential to develop logistic centres in the area and attract investors to the sector, experts said.

Toai said: "Developing logistics in Can Tho is an urgent requirement to develop the regional economy."

Ho Thi Thu Hoa, head of the Viet Nam Logistics Research and Development Institute, said Can Tho City and provinces in the delta should make strong efforts to develop the logistics sector.

A national plan for logistics development by 2015 included two logistic centres in the region but they remain on paper, she said.

No logistics, higher costs

Companies blamed the logistic inadequacy in the region for pushing up costs.

Chu Van An, permanent deputy general director of Minh Phu Seafood Corporation, said every year his company exports 7,000 containers of shrimp worth US\$850 million.

It takes 30 hours to reach HCM City by river and so his company uses road transport for it, he said.

“It costs VND11 million (\$520) to transport a container from Ca Mau to HCM City and VND7 million (\$300) from Hau Giang to HCM City. For

7,000 containers a year, we have to pay VND60 billion.”

If the infrastructure sector is developed, companies can directly export from the delta and cut 30-40 per cent of their costs and become more competitive, he said.

Le Duy Hiep, chairman of the Viet Nam Logistics Business Association, told the conference that the delta is the country's agricultural export hub but logistics cost them 20-25 per cent compared to 10-15 per cent in neighbouring countries.

But he warned that setting up a logistics system in the region would be highly challenging.

Corporate News

8. CEE: Resolution on the 2019 AGM

↓ -0.63%

On April 22, 2019, CII Engineering and Construction JSC announces Resolution of Annual General Meeting 2019 as follows:

File Attachment

[20190425_CEE-190425-Resolution-on-the-2019-AGM--QN.pdf](#)

9. CTG: Change of personnel

↓ -1.64%

Viet Nam Joint Stock Commercial Bank For Industry And Trade announced personnel change as follows:

- Mr. Tran Binh Minh was appointed as CEO as from April 23, 2019.

- Ms. Le Anh Ha was appointed as Head of the Supervisory Board as from April 23, 2019.

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