



VIETNAM DAILY NEWS

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Market Analysis

1. 19 State-owned groups to be under financial supervision

The CMSC will review the operating effectiveness of the businesses to help them set targets and improve competitiveness. It also expects to help them follow laws and regulations on management and use of State capital and assets.

In addition, the commission will discover shortcomings and help the businesses resolve the issues. Its work also aims to enhance financial transparency at State-owned enterprises.

The 19 groups include the Việt Nam National Oil and Gas Group (PetroVietnam), Việt Nam Electricity (EVN), Việt Nam National Coal and Minerals Holding Group (Vinacomin), Việt Nam Post and Telecommunication Group (VNPT), MobiFone, Vietnam Airlines, Airport Corporation of Việt Nam (ACV), Việt Nam Railway, Việt Nam Expressway Corporation (VEC), Việt Nam National Shipping Lines (Vinalines), Việt Nam National Petroleum Group (Petrolimex), Việt Nam National Chemical Group (Vinachem), Việt Nam National Tobacco Corporation (Vinataba), Việt Nam Rubber Group (VRG), Việt Nam National Coffee

Corporation (Vinacafe), Việt Nam Forest Corporation (Vinafor), Việt Nam Northern Food Corporation (Vinafood 1), Việt Nam Southern Food Corporation (Vinafood 2) and State Capital Investment Corporation (SCIC).

The commission will also supervise State capital development, management and use of State assets, investment projects, capital mobilisation, issuing bonds, debt management and cash flows.

In addition, it will supervise firms' business plans, product supply, business results (return on equity, return on assets), State budget contributions, profit distribution and use of funds.

The 19 businesses are expected to closely monitor restructuring of State capital, investment at subsidiaries, salaries, bonuses, labourers' benefits, and management.

The supervision plan will review the firms' financial situation after six months and then for the entire year.

2. Shares fall as selling pressure increases

The benchmark VN-Index on the Hồ Chí Minh Stock Exchange decreased 0.23 per cent to close at 969.34 points.

Nearly 160 million shares were traded on the southern exchange, worth VNĐ4 trillion (US\$174 million).

The index inched down 0.05 per cent on Wednesday to close at 971.54 points.

The HNX-Index on the Hà Nội Stock Exchange (HNX) stayed unchanged at 105.32 points.

Over 21 million shares were traded on the northern exchange, worth VNĐ244 billion.

Selling pressure increased significantly at the end of the session, weighing on many large-cap stocks such as real estate company Vinhomes (VHM), Hòa Phát Group (HPG), Masan Group (MSN) and dairy firm Vinamilk (VNM). HPG dropped by 1.5 per cent to VNĐ32,000 per share. MSN dropped 2.1 per cent to VNĐ85,500 per share. VHM decreased by 1.2 per cent to VNĐ82,600 per share and VNM dropped 1.1 per cent to VNĐ131,500.

Other blue-chips managed to maintain their rally, cushioning the indices, including Sài Gòn-Hà Nội Bank (SHB), brewery Sabeco (SAB), real estate company Novaland (NVL), HDBank (HDB), budget carrier Vietjet Air (VJC) and Vietnam Construction And Import-Export Joint Stock Corporation (VCG).

Investor sentiment appears to be weak due to a lack of supportive information and the risk of volatility on world markets.

On Wednesday, the Dow Jones Industrial Average lost 221.36 points, or 0.87 per cent, to close at 25,126.41 points, the lowest level since February 11. The S&P 500 and Nasdaq Composite also fell.

Some oil and gas stocks such as PetroVietnam Drilling and Well Services Corporation (PVD) and Drilling Mud Joint Stock Corporation (PVC) fell slightly.

Sectors that increased included insurance, banking and construction.

Food and beverages, securities, real estate, agriculture, logistics and construction materials were among the sectors that reported losses.

Foreign investors sold a net value of VNĐ689.34 billion on the HoSE, focusing on Vietjet Air (VNĐ690.06 billion), Vinhomes (VNĐ33.83 billion) and Vinamilk (VNĐ28.67 billion). They also sold a net value of VNĐ6.9 billion on the HNX.

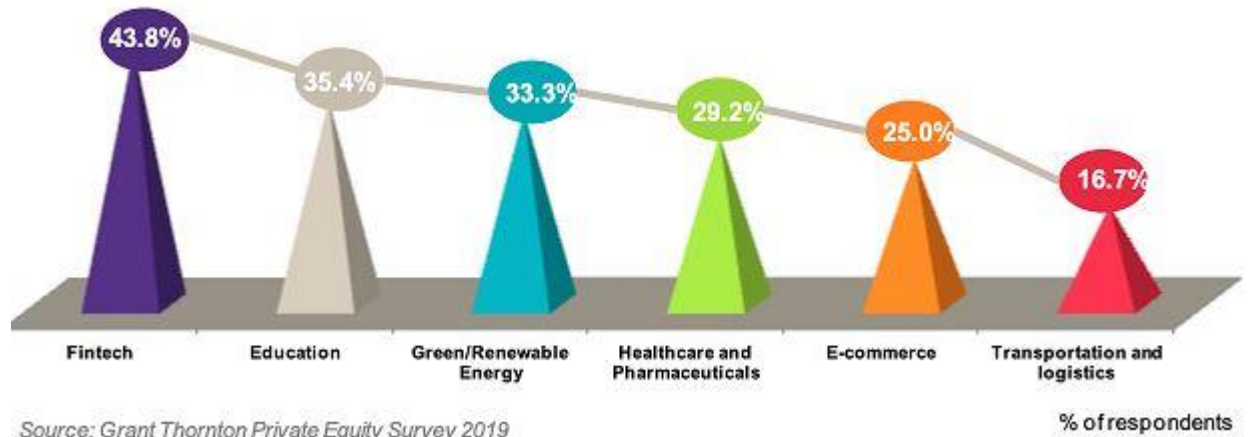
According to Bảo Việt Securities Company (BVSC), the market is likely to decrease toward the support zone of 960-965 points. As the market is moving sideways, stock exposure should be limited at 40-50 per cent of an investor's portfolio.

Macro & Policies

3. Vietnam’s 6 sectors projected for breakthroughs in investment in 2019

Grant Thornton’s “Private Equity in Vietnam” report has revealed six attractive private equity

investment sectors in Vietnam for 2019 and subsequent years.



Top 6 attractive sectors in the next 12 months in Vietnam.

E-commerce

Vietnam's e-commerce growth rate (69%) is the third highest rate globally, while the country's e-commerce market size (GMV - Gross Merchandise Value) has grown swiftly at a compound annual growth rate (CAGR) of 87% during 2015-2018.

By 2025, it is forecast to reach US\$15 billion. Vietnam's ratio of e-commerce economy GMV/GDP is 4%, far surpassing ASEAN's average (2.8%) with very strong competition in the market.

Moreover, internet penetration in Vietnam is currently at 56% at the end of 2018, and should reach 69% by 2021. Vietnam's Social Media Penetration is 44% of the total population, this is expected to reach 53% by 2021.

The report revealed there are currently 35.4 million e-Commerce users in Vietnam, representing 38.5% of the total population, with an additional 6.6 million users to be shopping online by 2021. The average user spends US\$62 online, which could grow to US\$96 by 2021.

Fintech

The Vietnamese government aims to build a cashless society by 2020 by developing digital infrastructure and ecosystems. By 2017, only 10% of payments were made through digital payment systems, however, robust growth of e-commerce boosts the demand for e-payment.

Education

A rapidly emerging middle class is a key driver for investment in education in Vietnam. Young Vietnamese, who are eager to obtain the skills and knowledge to meet the ever-increasing demands of the labor market, make up nearly 60% of the population

Vietnam education expenditure is 5.7% of GDP, ranking 29th among 126 countries in the world, while Vietnam e-learning users growth rate reached 44.3%, being top 10 among Asian countries.

Green energy

Energy demand will surpass supply in 2020, according to Vietnam Electricity (EVN), the sole distributor of electricity in the country. Equatorial location and long coastline provide abundant supply of wind and solar power. Vietnam's average electricity price is US\$0.07/kWh, much lower than that of countries with comparable GDP per capita such as Cambodia (US\$0.19/kWh), the Philippines (US\$0.19/kWh).

Healthcare & pharmaceuticals

Increasing aging population with rising income boosts demand for healthcare products and services. According to BMI, the industry will reach US\$7.7 billion by 2020, equivalent to a CAGR of 10.3% during 2017-2020.

Nevertheless, domestic firms lack capital for R&D and technology transformation, the report suggested.

Transportation & logistics

As reported by the World Bank, Vietnam Logistics Performance Index 2018 ranked 39/160, climbing of 25 levels compared to 2016 and Top 3 in ASEAN (Singapore 7/160, Thailand: 32/160).

In 2018, Vietnamese government issued the Foreign Trade Management Law, Law on Customs and other laws on logistics to adapt to context of international integration. Customs procedures are being reduced and one-stop-shop mechanism are being implemented.

Additionally, the wave of e-commerce and international trade boosted by free trade agreements such as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) or the upcoming EU – Vietnam Free Trade Agreement (EVFTA), among others, will raise demand for goods transportation and logistics.

4. Vietnam records 5-year high of newly established enterprises

Vietnam has seen a total of nearly 54,000 enterprises registered for new establishment in the first five months of 2019, a five-year high record, with registered capital of a combined VND669.7 trillion (US\$28.57 billion), according to the General Statistics Office.

This resulted in an increase of 3.2% in the number of enterprises and 29.6% rise in registered capital year-on-year.

Average registered capital per newly-established enterprise reached VND12.4 billion (US\$537,000), up 25.6% year-on-year. If including VND987.4 trillion (US\$42.12 billion) of additional capital pumped by operational enterprises, the total registered capital added to the economy in the first five months of 2019 was VND1,657.1 trillion (US\$70.69 billion).

In May, the number of newly-established enterprises reached 10,700, with registered capital of VND127.3 trillion (US\$5.43 billion),

down 28% in quantity and 23.8% in registered capital month-on-month, respectively.

Most of the newly-established enterprises in the January – May period are in the fields of services with 38,524 (accounting for 71.3%); industrial and construction sectors with 14,722 (27.3%), agriculture-fishery-forestry with 752 (1.4%).

Besides, 19,600 enterprises resumed operation, a rise of 48.1% against the similar period last year, bringing the total number of newly-registered and revived enterprises in the five-month period to nearly 73,600.

Total number of laborers of newly-established enterprises in the January - May period was 537,200, an increase of 30.2% against the same period last year, according to the government-run agency.

The number of enterprises temporarily ceasing operation in the period was 19,100, up 19.4%

year-on-year. Moreover, the number of enterprises which finished the procedures for bankruptcy in the first five months of this year was 6,371, an increase of 15.1% from the same

period last year, of which there were 5,755 enterprises with capital base of less than VND10 billion (US\$429,380), accounting for 90.3% and growing by 13.7%.

5. Increased Chinese investment in Vietnam: More than a phenomenon?

According to the latest report of the Foreign Investment Agency (FIA) under the Ministry of Planning and Investment, Vietnam courted \$16.74 billion in total foreign direct investment (FDI) in the first five months of this year, with \$2.02 billion coming from China alone, which accounted for 12 per cent of the total FDI volume and turned China into the fourth-largest among the countries and territories investing in Vietnam, behind Hong Kong (China), South Korea, and Singapore.

If only newly-registered FDI was taken into account, China continued in the lead with \$1.56 billion, equal to a 5.5-fold increase compared to one year ago.

FIA observed that a decade ago, Chinese investment in Vietnam came mainly from small businesses which employed outmoded technologies, but now leading Chinese groups are also showing keen interest.

Particularly, two large-scale Chinese projects were registered to invest in Vietnam in the first five months this year, including the \$280 million ACTR full-steel radian tyre manufacturing project in Tay Ninh province, and the \$214 million Advance Vietnam tyre manufacturing project in Tien Giang province of Guizhou Advance Type Investment Co., Ltd.

The trend was affirmed by the fact that recently Xu Lejiang, vice president of the All-China Federation of Industry and Commerce (ACFIC), led a delegation of more than 40 major Chinese companies to Vietnam to survey the market and seek for investment opportunities.

The ACFIC event saw the signing of a memorandum of understanding (MoU) with the Vietnam Chamber of Commerce and Industry, which represents the Vietnamese business

community, to push up co-operative relations between businesses in the two countries.

Commenting on the Chinese investment shift to Vietnam, Nguyen Duc Thanh from the Vietnam Institute for Economic and Policy Research (VEPR) says this affirms VEPR's earlier forecast about the shift of FDI into Vietnam to mitigate the implications of the current US-China trade tensions and in anticipation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), saying that the trend will continue as more and more Chinese investors are paying heeds to the Vietnamese market.

Besides the US-China trade strains, Nguyen Xuan Thanh, a lecturer at Fullbright University Vietnam, in a recent report, said that China's subdued growth is another reason driving Chinese businesses to increase investment in Vietnam.

Accordingly, China's economy expanded by 6.6 per cent in 2018, the lowest level in the past 28 years. Many experts shared the view that China's economic growth might hover at about 6.3 per cent only this year.

In a recent talk with *VIR*, Nguyen Mai, senior economist and chairman of the Vietnam Association of Foreign-Invested Enterprises expressed concerns over increased Chinese investment into Vietnam.

"There are valued lessons in the past. It is important to select suitable investors who meet our strategy of helping Vietnam bolster its competitive advantages, productivity, and technology," he said. "In addition, China exports huge volumes of materials and accessories to Vietnam. Chinese investors, therefore, might bring their production plants to Vietnam to acquire Vietnamese certificates of origin and benefits from

the preferential tariffs that companies based in Vietnam could enjoy from Vietnam's ratified free

trade agreements," Mai noted.

6. US ban on Huawei unlikely to affect Vietnam smartphone market: report

US restrictions on Huawei are unlikely to affect the Vietnamese smartphone market or phone retailers.

According to the latest market strategy report by the VNDirect Securities Co, Huawei's smartphone market share in Vietnam was only 4 per cent and worth VND2.65 trillion (roughly US\$114 million) last year.

Besides, though Huawei was the world's second largest seller last year, the brand is not too strong in Vietnam and there are many substitutes in the mid-range price category such as Oppo, Xiaomi and Nokia, it said.

The market is dominated by Samsung, Oppo and Apple with respective shares of 41.1 per cent, 22.7 per cent and 8.6 per cent. Another Chinese brand, Xiaomi, had a 6 per cent share, it showed.

On May 15, the US Commerce Department placed Huawei and its 70 affiliates on a trade blacklist, making it harder for the Chinese telecom giant to buy parts and components from US companies.

A study by GCS-CIMB predicts this ban would drive down Huawei's smartphone sales in international markets by 40 per cent year-on-year in 2019, while sales of Oppo and Xiaomi would surge 60 per cent and 43 per cent.

In Vietnam, VNDirect expects an insignificant effect on FPT Retail and The Gioi Di Dong (Mobile World), the two retailers distributing Huawei.

For them, sales of Huawei smartphones account for just 4-6 per cent of total sales. But both retailers face inventory risk and have ongoing contracts for installment payment of Huawei products.

VNDirect mentioned two possible scenarios: Huawei and its partners would share costs and liquidate the inventories by reducing prices and promotions or Huawei would buy back the stocks from partners like Samsung did with Galaxy Note 7 after the battery incident.

Both FPT Retail and Mobile World are awaiting discussion with Huawei for optimal solution.

In the unlikely case that Huawei does not support its partners, the latter would have to make provision for its current stocks of Huawei's products.

The provision is expected to be VND110 billion for Mobile World and VND40 billion for FPT Retail, or 3.8 per cent and 11.5 per cent of their net profits in 2018, according to VNDirect's estimates.

Meanwhile, Digiworld is likely to benefit from this incident, since its main products are Nokia and Xiaomi, and any decline in Huawei sales would boost sales of those two brands.

7. Vietnam's dairy market faces supply shortage

According to the country's fresh milk production planning, 1 billion litres of milk is expected to be produced in 2020 and 1.4 billion litres in 2025.

However, such outputs will only meet 38 and 40 percent of domestic demand, respectively. The rest will have to be obtained via imports.

In the first quarter of 2019, Vietnam spent 258.19 million USD importing milk and dairy products, an annual increase of 11.74 percent. Key suppliers included New Zealand, Southeast Asian countries and EU nations, which provided 37, 22.35, and 15.41 percent of total imports, respectively.

Meanwhile, big domestic producers like Vinamilk, TH Group and Nutifood are racing to expand their dairy farms and production yield.

Vietnam Dairy Products Joint Stock Company (Vinamilk) has started working with the Lao – Jagro Development Xiengkhouang Co.,Ltd (Lao – Jagro) to establish an organic milch cow farming resort complex in the Lao province of Xiengkhouang.

Set to cost a cool 500 million USD, the complex will sprawl over 20,000ha with 100,000 milk cows.

In early May, dairy producer TH Group began construction of a dairy farm project in Nong Cong district, the central province of Thanh Hoa.

The project will be built at the total cost of 3.8 trillion VND (162.6 million USD), covering 1,354 ha of land in Yen My and Cong Binh communes. It is designed for a herd of 20,000 cows and a processing plant with capacity of 300 tonnes of milk per day.

8. Jan-May retail sales leap to US\$85 billion

Data from the office indicates that the fifth month of 2019 saw a year-on-year rise of 11.4% in goods sales and service revenue, reaching an estimated VND403.8 trillion, contributing to strong retail growth in the five-month period.

Of the total, goods sales amounted to VND306.9 trillion in May, up 1.7% against last month. Accommodation and food revenue grew by 9.6% year-on-year to VND48.7 trillion, while sales of tourism and other services continued to improve by 10.3% and 5.2% year-on-year, respectively.

Between January and May, the country saw goods sales reach an estimated VND1.51 quadrillion, up 12.7% year-on-year.

Retail revenue from food and foodstuffs grew by 13.3% against the year-ago period, home appliances by 12.8%, textiles and garments by 11.4%, vehicles by 11.2% and cultural and educational products by 10.6%.

Besides this, lodging and catering services generated some VND236 trillion in revenue in the first five months of this year, up 9.2% over the same period in 2018, while tourism revenue stood

at VND18.4 trillion, up 12.4% year-on-year, according to the data.

Service and commercial activities posted positive performance in the five-month period, with an abundant supply on the local market, meeting demand for production and consumption, according to the office.

Vietnam's retail market was considered a potential player by local and international market researchers due to the country's young population and residents' rising income.

The data also shows that Vietnam's retail growth pace has increased recently, from US\$88 billion in 2010 to US\$130 billion in 2017. The figure is expected to hit US\$180 billion in 2020.

Several foreign retailers, however, failed to gain ground in the local market. French supermarket chain Auchan Retail has recently announced its withdrawal from Vietnam after nearly five years of operation, while Malaysia's leading retailer Parkson has shut down many commercial centers after 15 years of operation.

Corporate News

9. Thuong Phu Coffee Joint Stock Company: The listing registration documents suspended

↑ 0.00%

The Hochiminh Stock Exchange (HOSE) would like to announce the suspension of consideration of listing registration documents of Thuong Phu

Coffee Joint Stock Company because until May 28, 2019 HOSE has not received any additional documents from the Company as required by Dispatch No.1947/SGDHCM-NY dated November 23, 2018.

10.DXG: Notification Insider Transaction

↑ 0.00%

Notification Insider Transaction of Dat Xanh Group Joint Stock Company as follows:

File Attachment

[20190530 DXG-190530-Notification-Insider-Transaction.pdf](#)

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