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Table of content

Table of content

1. Shares fall for four consecutive sessions
2. Better water resources management can address water security challenges: WB
3. Hyundai wants to invest in North-South express railway
4. Experts warn of sudden increase in Chinese FDI inflows
5. Insiders appeal for tackling logistics bottlenecks
6. National index of industrial production up 9.4 pct in five months
7. Fruit, vegetable exports top 1.6 billion USD
8. CTD: BOD resolution on signing the audit contract
9. STK: BOD resolution on the record date for 2018 cash dividend

Market Analysis

1. Shares fall for four consecutive sessions

On the Ho Chi Minh Stock Exchange, the VN-Index lost 0.98 per cent to close the day at 959.88 points.

The index lost a total of 0.60 per cent in the previous three trading days.

More than 136.5 million shares were traded on the southern market, worth VND3.2 trillion (US\$139 million).

The HNX-Index on the Ha Noi Stock Exchange decreased 0.92 per cent to end at 104.35 points.

More than 28.2 million shares were traded on the southern market, worth VND376 billion (US\$15.9 million).

According to the BIDV Securities Company (BSC), the market continued to adjust and this was the fourth consecutive correction session as domestic and regional market investors worried about global economic outlook as the Sino-US trade war had yet to show signs of improvement.

Petroleum stocks were the worst-performing in the morning session, following a tumble of oil prices on Thursday night.

Brent crude dipped 0.94 per cent to end Thursday at \$69.45 a barrel.

On the Vietnamese stock market, PetroVietnam Gas (GAS) fell 3.5 per cent, PetroVietnam Technical Services Corporation (PVS) lost 4.6 per cent, PetroVietnam Power Corporation (POW) fell 2.9 per cent, Binh Son Refining and Petrochemical Company Limited (BSR) moved down 2.2 per cent, Viet Nam National Petroleum Group (PLX)

declined by 2.6 per cent and PetroVietnam Drilling and Well Services (PVD) declined by 5 per cent.

The poor performance of the energy sector pulled down other industries like real estate, agriculture, food and beverage, logistics, construction, banking, insurance, securities, healthcare and pharmaceuticals and seafood processing.

Foreign investors today bought a net VND203.71 billion on the HOSE, focusing on Hoa Phat Group (HPG) (VND41.66 billion), Vietcombank (VCB) (VND26.34 billion) and Viet Nam National Petroleum Group (PLX) (VND26.05 billion). However, they sold a net VND1.04 billion on the HNX.

According to Bao Viet Securities Company (BVSC), next week, the VN-Index is forecast to receive support from the 955-960-point zone. The index is expected to recover in this zone to head toward the resistance zone of 968-972 points.

However, if the aforementioned support zone is broken, the market would drop toward the support zones of 935-945 or 910-920 points.

Oil and gas stocks will face correction pressure in several sessions next week before a possible recovery toward the end of the week, as global oil prices encounter correction pressure. Banks and several large-cap stocks will maintain their downtrend next week, the company said.

As the market is currently in a downtrend, stock exposure should be limited at below 20 per cent of the portfolio, the firm advised.

Macro & Policies

2. Better water resources management can address water security challenges: WB

These are the key points of discussion at a workshop that launched the independent study by the World Bank, titled “Towards a safe, clean, and resilient water system.”

The workshop, co-hosted in Hanoi on May 30 by the Ministry of Natural Resources and Environment and the World Bank in Vietnam, saw the participation of many stakeholders as well as international and domestic experts.

The rapid increase in water demand will lead to water stress to 11 out of 16 river basins in Vietnam by 2030 during the dry season. In addition, there is growing competition among and demand from multiple sectors for water, against the backdrop of worsening water quality. Climate change exacerbates water challenges, posing an additional need to manage water effectively.

At the workshop, Minister of Natural Resources and Environment Tran Hong Ha stressed the challenges that Vietnam is facing in water management.

“Pressures from population growth, economic growth and increasing water demand have put water resources at risk of depletion. These pressures will result in unsustainable development unless water resources are managed in a uniform and coordinated way and are shared and used reasonably and effectively,” he said.

The study discusses in-depth how Vietnam can manage its water resources in a sustainable way. The study suggests policy actions and the roles the public and private sectors can play for effective and sustainable water management.

“Unless decisive steps are taken, water, which has been the driving force behind Vietnam's rapid growth, will become a brake for development,” said WB Country Director for Vietnam Ousmane Dione. “Early action will ensure that water remains a key part of Vietnam's growing prosperity.”

The study recommends improvements in governance, management and financing of water resources, including strengthening institutions for the development and enforcement of regulations. It also advocates an integrated approach toward water management at the basin level and creating incentives to pollute less and use water more efficiently.

Further, disaster response and resilience against escalating floods, the acceleration of riverine and coastal erosion, sea level rises and land subsidence need to be improved.

In addition, improving the quality of public spending and encouraging private finance is critical to broaden the funding sources for improvements in water management.

The study identifies water pollution as the greatest threat that could cost Vietnam up to 3.5% of its gross domestic product annually by 2035.

Urban development, the discharge of untreated industrial wastewater and the use of agricultural fertilizers and pesticides are placing unrelenting stress on water bodies.

Data from the Ministry of Construction showed that only 46% of urban households have connections to the drainage system and 12.5% of domestic wastewater is being treated. The data does not consider the untreated wastewater from industrial facilities outside industrial zones. These issues are compromising the water quality and related ecosystems.

“This report sends a clear message that sustained economic growth in Vietnam will not be possible without strong action to safeguard water resources,” said Jennifer Sara, senior director of the World Bank's Water Global Practice.

She added that if good decisions are made now, water systems can be strengthened to withstand shocks, such as climate change, and ensure

current and future generations reap the benefits of a strong water supply.

“The WB's water team stands ready to work with the Government of Vietnam to sustain resources, deliver services and build resilience,” she said.

The study suggests strengthening and enforcing regulations to create incentives to improve water quality alongside the use of cost-effective solutions to control pollution.

It also sheds light on the low productivity of water use, particularly in the agriculture and aquaculture sectors, which account for 92% of Vietnam's water usage.

There are opportunities to use water more productively, such as switching to crops and

irrigation systems that yield “more income per drop” while saving water, reducing water usage through the use of innovative technology and having appropriate tariff systems in place to create incentives for efficient and productive use of water.

The bank stated that it appreciates its partnership with the Government on water management. In the coming period, it will work closely with stakeholders in the country to provide assistance in adopting the recommendations of the study as appropriate to promote effective and sustainable management and use of water resources against the backdrop of climate change.

3. Hyundai wants to invest in North-South express railway

Deputy Minister of Transport Le Dinh Tho and Vice Chairman of Hyundai Group Chung Jin Hae discussed cooperation on local traffic projects at a meeting on May 30.

The vice chairman said Hyundai expected to participate in investing in and operating the express railway as well as the North-South Expressway projects. The group had earlier completed the construction of six high-speed railways in South Korea, three in other countries, and nine underground urban railways.

The Hyundai side also recommended fundraising methods for projects under the public-private

partnership format (PPP). The governments of both countries should get involved in these projects to attract financial investors more easily and play key roles in site clearance works. In addition, investor-friendly policies should be adopted.

In response, Deputy Minister Tho said that the country is mobilizing various sources of capital from local and foreign investors to invest in traffic infrastructure projects, especially PPP projects.

Tho suggested Hyundai take part in tenders to select the railway project's contractor and serve as the primary investor in major PPP projects.

4. Experts warn of sudden increase in Chinese FDI inflows

Vietnam lured a total of US\$16.74 billion in FDI during the first five months of 2019, representing a year on year surge of 70 per cent, according to the Foreign Investment Agency under the Ministry of Planning and Investment.

Most notably, China, with total investment capital of nearly US\$7.1 billion, topped the list of FDI investors in Vietnam. This marks the first time

that the neighboring country topped the list of investors, surpassing those from the Republic of Korea, Japan, and Singapore.

Of the figure, US\$5.08 billion from Hong Kong (China) went into 201 FDI projects, ranging from newly registered capital, additional capital, and equity purchase, while the rest came from mainland China.

Experts noted the sudden surge in Chinese FDI inflows could be attributed to a fallout from ongoing US-China trade tensions.

Dr. Nguyen Xuan Thanh from Fulbright University Vietnam claimed that the trade tensions, coupled with China's economic slowdown, are the main factors causing the shift of Chinese FDI to Vietnam. Last year, China's GDP growth stood at 6.6 per cent, the lowest level seen during the past 28 years.

Moreover, Vietnam has been enjoying the benefits of joining a number of free trade agreements (FTAs), particularly new - generation ones such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This has leveraged overseas investors to seek investment opportunities in the Southeast Asian country with many looking to benefit from lower labour and production costs, zero tax rates, and proper logistics services.

Another facilitating factors in the attraction of FDI include political-social stability and stable exchange rates, Thanh said. "Vietnam has made progress in bettering its business and investment climate in recent years with improved transparency and efficiency."

Filters needed to boost FDI quality

Concerns have been raised regarding the quality of Chinese FDI in the country as many Chinese-invested projects have been previously blamed for their small scale, the use of out-of-date production technology, and pollution.

Prof. Dr. Nguyen Mai, Chairman of the Vietnam Association of Foreign Invested Enterprises, said that the country needs to make bold amendments to its FDI attraction strategy to keep pace with the FTAs which it has joined, particularly new-generation ones.

The country should consider and issue mechanisms and policies that are aimed at improving the quality of foreign investment. More concerted efforts are needed to thoroughly appraise and select FDI projects. Those consuming huge amounts of energy, demanding large-scale land areas, or using out-of-date technologies, must be rejected.

China is a major source of material for Vietnam. Therefore, Chinese investors might view the Vietnamese market as a good place to establish their production facilities in order to attach the made-in-Vietnam origin to their exports to the countries which have signed FTAs with Vietnam, Mai said.

By shifting their investment to Vietnam, Chinese investors are also looking to avoid the negative impacts from tit-for-tat tariffs triggered by the ongoing US-China trade war, he added.

Other experts have urged the country should incline towards the attraction of high quality FDI projects and give priority to projects which could generate high value products and operate using cutting edge technologies.

5. Insiders appeal for tackling logistics bottlenecks

Despite achieving the impressive annual growth rates ranging from 13 - 15 per cent in recent years, the local logistics sector still falls short of expectations and confronts an array of challenges, largely high service costs and a lack of internal links among domestic entities.

According to the Vietnam Logistics Business Association (VLA), some 10 to 15 per cent of

logistics firms operating on a global scale have provided services for the nation, but occupy a 60 per cent share of the local market.

Nguyen Tuong, VLA Deputy General Secretary, cited a logistics performance index (LPI) 2018 report by the World Bank as saying that Vietnam ranked 39th among the 160 surveyed countries,

an increase of 25 places against the 2016 rankings.

The local sector plans to move up the LPI rankings by 5 to 10 places in order to keep pace with those of developed countries and this requires great efforts into modernizing the sector, Tuong said.

Tran Thanh Hai, deputy head of the Import-Export Department under the Ministry of Industry and Trade, said that logistics are one of the key sectors that make significant contributions to the country's overall economic growth.

He noted that Prime Minister Nguyen Xuan Phuc and relevant ministries pay close attention to boosting logistics growth as an action plan has been issued to further increase the competitiveness and development of the logistics sector by 2025.

Nguyen Thanh Phuong, General Director of the Sao Do Group - the investor of Dinh Vu Industrial Park in the northern city of Haiphong, said there is great potential to develop the country's logistics sector as there remains a big gap in both logistics infrastructure and service quality.

Indeed, local logistics firms possess a considerable advantage over their overseas rivals in running storage zones and meeting the requirements of customers in terms of market trends and geographic conditions.

Emerging as a pioneer in applying logistics technologies, Hateco Group has managed to slash its logistics costs thanks to developing a 13 hectare logistics center in Hanoi which operates on Industry 4.0 platforms to categorize goods.

Tran Thanh Hai called for greater efforts to ease bottlenecks facing the logistics sector with the aim of further accelerating its development.

Top priority should be given to upgrading logistics infrastructure, particularly road and aviation items, as well as boosting linkages among transport formats and vehicle providers, he stressed.

Most goods are transported via road, thus leading to increased logistics costs. Extreme difficulties remain over reducing these costs as the development of waterway and railway transportation remains limited.

Meanwhile, the competitiveness of logistics firms remains low, largely due to a lack of capital and experience in providing overseas services.

Hai added that another factor for the high costs is poor linkages among different service segments. In fact, local firms have been providing a range of services in storage, transport, and support, thus putting them at a disadvantage in comparison with foreign rivals.

Nguyen Manh Ha, Director of the Nam Dinh Vu Port JSC, said current levels of high traffic flow pose a threat to the transport progress of logistics firms. Therefore, Ha called upon competent agencies to review the current road planning and seek ways to enhance the development of internal waterways and railway transportation links, in order to cut down logistics costs and improve the overall service quality.

He asserted the average logistic costs will be halved if the development of waterways and railway transport is further boosted. He explained that internal waterways transport could help to reduce logistics costs by 30 per cent in comparison with road transport.

6. National index of industrial production up 9.4 pct in five months

In the first five months of this year, the index rose 9.4 percent year-on-year, lower than the growth of 10.3 percent recorded in the same period last

year but higher than 7.4 percent and 6.6 percent in the corresponding time of 2016 and 2017.

The processing and manufacturing sector, responsible for a large part of domestic industrial production, reported the IIP growth of 10.9 percent while the IIP growth of electricity production and distribution stood at 10.3 percent and that of water supply and waste-sewage treatment sector reached 7.9 percent.

Meanwhile, the mining sector's IIP dropped 0.1 percent year-on-year, according to the GSO.

Some major industrial products achieved high production growth in the first five months, such as coke coal and refined mining products (84 percent), metal (40.5 percent), ore exploitation (14.9 percent), motor vehicles (14.7 percent) and rubber and plastic products (14.1 percent).

However, others experienced slight growth or even declines in the IIP, such as electronics, computers and optical devices (up 3.1 percent); tobacco (up 2.6 percent); medicines, pharmaceutical chemicals and pharmaceutical material production (up 1.4 percent); production of other vehicles (down 2.3 percent); services in support of the mining industry (down 3.5 percent); and exploitation of crude oil and natural fuels (down 4 percent).

The GSO said as of May 1, the number of labourers in industrial firms increased 1.4 percent month-

on-month and 2.2 percent year-on-year. Employees in State-owned businesses contracted 0.9 percent while those in non-State and FDI enterprises rose 1.3 percent and 3.1 percent.

During January-May, the processing and manufacturing sector attracted the largest amount of FDI, with total capital in new projects exceeding 4.7 billion USD, 73.5 percent of accumulated investment in new projects overall.

Additional and new capital injected in the sector in the period was more than 7.01 billion USD, accounting for 77.2 percent of the total.

Experts said the country's industrial growth was driven by increases in the number of enterprises, investment capital and labourers. Meanwhile, productivity remained low and gaps with other countries like China, Malaysia, Indonesia, the Philippines, India, Thailand, Japan and the Republic of Korea continued to widen.

Industrial growth, especially the processing and manufacturing sector, still relied on FDI firms.

Experts, therefore, suggested creating national branded and competitive products, integrating more deeply into global value chains and stepping up industrial structural reform.

7. Fruit, vegetable exports top 1.6 billion USD

China remained Vietnam's top market with a value of more than over 1 billion USD, though the country is bringing in stricter regulations on product origin tracing, issuance of import licenses and quality inspections.

These new regulations could affect Vietnam's fruit and vegetable exports.

Fruit-vegetable exports to some countries such as the US, the Republic of Korea, Japan and the

Netherlands recorded high growth, but the proportion of exports to these markets remains low.

The fruit and vegetable sector aims to gross nearly 4.2 billion USD in export turnover in 2019.

Last year, Vietnam exported 3.8 billion USD worth of fruits and vegetables, 8.9 percent more than the previous year.

Corporate News

8. CTD: BOD resolution on signing the audit contract

↓ -0.89%

On May 30, 2019, the Board of Directors of Cotecons Construction Joint Stock Company

approved to sign an audit services agreement with PwC Vietnam Com Ltd to audit its financial statements in 2019.

9. STK: BOD resolution on the record date for 2018 cash dividend

↓ -4.86%

BOD resolution on the record date for 2018 cash dividend of Century Synthetic Fiber Corporation as follows:

File Attachment

[20190531 STK-190531-BOD-resolution-on-the-record-date-for-2018-cash-dividend.pdf](#)

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