



# VIETNAM DAILY NEWS

July 05<sup>th</sup>, 2019



**Table of content**

## **Table of content**

- 1. Blue chips, speculative stocks spur turnover on southern bourse**
- 2. ODA for agricultural development nears \$2 billion in 20 years**
- 3. Industrial, economic zones attract \$8.7 billion in FDI in H1**
- 4. Will Vietnam be a new production base for the world?**
- 5. E-commerce giants incur losses as they spend more on technology, marketing**
- 6. Central Group orders Big C to suspend purchasing soft-line products of Vietnam**
- 7. Vietnam's paper import drops in H1**
- 8. LTG: Change in personnel**
- 9. CII: CII to issue VND200 billion bonds**

## Market Analysis

### 1. Blue chips, speculative stocks spur turnover on southern bourse

United States' stocks rallied on overnight trading with the Dow Jones, Nasdaq and S&P 500 all rising amid expectations that the U.S. Federal Reserve will cut interest rates.

The development stateside had a positive effect on the Vietnamese stock market. With advancers far outnumbering decliners by 191 to 112, the benchmark VN-Index broke its two-day losing streak, soaring 12.65 points, or 1.32% against the previous session to 973.04 points.

Nearly 190 million shares worth more than VND4.3 trillion were traded on the southern bourse, up 39% and 27%, respectively from a day earlier. Of these, block deals totaled around 54.5 million shares valued at some VND1.3 trillion, including over VND316 billion from the lender stock EIB.

Given the strong demand, blue chips were actively traded throughout the trading session. Among the VN30 basket, there were 26 gainers and two losers, and 14 stocks saw a matching volume of more than one million shares each. Their liquidity accounted for a staggering 56% of the bourse's total.

Real estate, construction and banking stocks made the most positive contributions to the index's momentum.

For example, property giant VIC and its housing arm VHM rose by 1% and 3.7%, respectively to

VND116,500 and 85,000 per share. Also, lenders BID, TCB, and VCB made nice gains from 2.2% to 4.2%.

Meanwhile, speculative stocks improved their cash flow in the evening, which bolstered this group in both points and liquidity. Property developer HAG and its agriculture affiliate HNG attracted most attention in the morning, but construction firm ROS stole the limelight from them later into the day.

The strong demand at the end of the session helped ROS, which was moving downwards, move back to the intraday high at VND29,800, marking a rise of 1.4% from a day earlier. It was still the most actively traded stock with more than 13 million shares changing hands.

On the Hanoi Stock Exchange, the HNX-Index increased 0.64% to 104.34 points. Trade volume rose by 26% from a day earlier to nearly 25 million shares, but its value dropped by 6% to VND322 billion.

Unlike its southern bourse, many large-cap stocks, such as apparel firm TNG, realty firm HUT and construction firm VC3, were in negative territory.

Lender ACB rebounded with a 1.4% rise to close the day at VND29,300 per share. The fellow SHB led the market by liquidity with some 3.8 million shares traded, and its value added 1.5% at VND6,800.

## Macro & Policies

### 2. ODA for agricultural development nears \$2 billion in 20 years

The figures were released by Le Van Hien, head of the Ministry of Agriculture and Rural Development's Agricultural Project Management Board (APMB), at a conference held in Hanoi on July 3 to review the two decades of running such projects.

Hien said 17 out of the 23 projects were completed, with the rest being underway, benefiting millions of people across 63 provinces and cities nationwide.

As heard at the conference, these projects cover the areas of crop cultivation, animal husbandry, aquatic farming, rural infrastructure development and natural disaster prevention, among others.

As a result, nearly 5,000km of rural roads, over 700km of canals and ditches, and close to 100km of sea and river dykes, 600 rural markets, and 21 fishery ports have been upgraded.

Vu Duc Con, Vice Director of the Dak Lak Department of Agriculture and Rural Development, said a project on farming

diversification for 1999 – 2006 had provided capital and technical support for small-scale rubber cultivation to 3,000 local families, particularly those from ethnic minorities.

Cao Van Hoa, Vice Director of the Tien Giang Department of Agriculture and Rural Development, said the Mekong Delta province has received assistance from 8 ODA projects to improve animal health services at commune level and animal husbandry following bio-safety standards.

Hien pointed to the shortage of preferential loans from donors and policy changes in the management of ODA sources are challenging the APMB's building of programmes for 2021 – 2026.

The board is currently designing three projects using loans from the World Bank on sustainable fishery development, farm produce safety, and sustainable growth of cashew, peppercorn and fruit sectors. It is also working on a project on increasing rice value chains in the Red River Delta.

### 3. Industrial, economic zones attract \$8.7 billion in FDI in H1

In the period, the zones drew 334 domestic investment projects totaling 83 trillion VND (3.56 billion USD).

At present, Vietnam has a total of 326 industrial zones covering a total area of 95,500ha. Of the total, 251 have been put into operation, and the remaining are on the phases of compensation, ground clearance and construction.

There are also 17 coastal economic zones with a total ground and water surface area of 845,000ha.

As of late June, there were 3.6 million labourers working in industrial and economic zones, around 60 percent of whom are female.

Of the 251 operating industrial zones, 221 built concentrated waste water treatment facilities.

### 4. Will Vietnam be a new production base for the world?

Deep C Dinh Vu industrial park often receives groups of businesspeople who come to learn about industrial zones.

Bruno Jaspaert, CEO of Deep C Vietnam, said the demand for leased land in IZs (industrial zones) in general and Deep C in particular has doubled compared to the same period last year

Jaspaert said most multinational groups follow the China + 1 strategy. When the production potential in China reaches a critical point, they will relocate production to neighboring countries, including Vietnam.

As the US-China trade war escalates, economists believe that the groups will accelerate implementation of the China + 1 strategy. Chinese enterprises will 'evacuate' to avoid the US taxation.

"About 20,000 Japanese enterprises in China are thinking of shifting their investments," Nguyen Duc Thanh from the Vietnam Institute for Economic and Policy Research (VEPR) said after a meeting with former Japanese Ambassador to Vietnam.

Pham The Anh, a respected economist, also commented that the scenario of replacing China as the world production base was possible.

As of May 20, Vietnam had licensed 1,360 new projects with total investment capital of \$6.46 billion, an increase of 38.7 percent compared with the same period last year. If counting the additional capital registered by operating projects in Vietnam, the total FDI (foreign direct investment) capital registered in the first five

months of the year would be \$9.09 billion.

The quality of production

The new FDI will bring jobs and the opportunities to boost the economy. However, Vietnam's capability of receiving FDI is not limitless.

Vietnam now is in the 'golden population' period with a workforce of 55.64 million people as of the end of 2018. However, Vietnam is also among the fastest aging countries in the world, which means that it may face a labor shortage in 5-10 years.

According to the United Nations, it will take Vietnam 20 years to increase the proportion of people aged from 65 from 7 percent to 14 percent of total population. It's expected that by 2038, the elderly would account for 20 percent of population.

Anh expressed his doubts about the benefits Vietnam can get from the investment movement since foreign investors transfer most of the profits they make in Vietnam abroad.

The General Statistics Office (GSO) reported that \$17 billion was transferred abroad and the figure was \$20 billion.

## 5. E-commerce giants incur losses as they spend more on technology, marketing

In 2018, JD.com announced the investment of \$44million in Vietnam's leading B2C platform TIKI.VN by VNG, the biggest investment in an affiliate.

In March 2018, Alibaba bought Lazada and raised its total investment capital there to \$4 billion.

SEA, the holding company of Shopee, keeps injecting money into the marketplace despite losses.

According to the Vietnam E-commerce Association (VECOM), Vietnam's e-commerce grew by 25 percent in 2017. If the growth rate is maintained, the market value may reach \$13billion by 2020.

The 'e-commerce fever' has created a crowded and competitive logistics market with more than 50 suppliers by 2017, from traditional forwarding

service providers such as Viettel Post, EMS and VNPost to startups such as giaohangnhanh, supership and giaohangtietkiem, from domestic to international companies such as DHL, Grab Express and Lazada Express.

However, though Vietnam is an attractive market, it still doesn't bring profits.

There are four factors that determine success and failure.

For marketplaces, technology is considered a prerequisite condition to bring good shopping experiences to customers and help sellers optimize profits. In addition to systematic thinking, a great amount of capital to maintain technology applications is vital.

Marketplaces also need to apply good policies for sellers and buyers to lure them to the trading floors. That is why e-commerce firms recently have poured money into costly marketing campaigns and subsidy programs.

This is the favored method that Vietnamese firms use to conquer consumers' hearts and expand their market share.

The third factor is logistics costs. Logistics activities of marketplace include the transportation of goods from sellers' warehouse to buyers, or from the marketplace's storehouses to buyers' doors.

Some experts estimate that the transportation cost makes up 25 percent of total cost for one order. At present, most e-commerce firms offer partial or 100 percent subsidy for the cost, i.e. buyers don't have to pay shipping costs. The subsidy gobbles up the firms' profits and make their losses more serious.

Delivery time and refusal rates are also a big headache for marketplaces. In many cases, e-commerce firms have to build up transport staff of their own instead of outsourcing to others.

Meanwhile, the investment rate for the development of delivery networks is huge. And because of the expenses, the losses incurred by e-commerce firms is foreseeable.

## 6. Central Group orders Big C to suspend purchasing soft-line products of Vietnam

On July 2, 2019, Central Group Vietnam, the owner of Big C Vietnam, informed "suspending all purchasing activities regarding soft-line products from all Vietnamese soft-line suppliers, effective from July 2019, in order to prepare for our project of restructuring our soft-line department in Vietnam."

The retailer confirmed the temporary suspension of orders of soft-line products in accordance with the Commercial Co-operation Agreement between suppliers and Central Group Vietnam, effective from July 2019 until further notice.

"All outstanding issues that occurred before July 2, 2019 shall be settled in accordance with Commercial Co-operation Agreement," Big C Vietnam messaged the partners.

The supermarket chain explained that the temporary suspension of orders is part of its development strategy following the directions of Central Group in Thailand.

"We hope that our announcement in advance may help you in arranging new plans for your business. We would be happy to address all your concerns during the transition," Big C Vietnam told suppliers.

This announcement was made in the evening of July 2 and all soft-line products have already been returned to the Vietnamese suppliers.

Right after the announcement was made, netizens took to social media to express their anger at the Thai retailer and call for a boycott of the Big C chain and its Thai products. Some said this is a golden opportunity for local retailers like Vinmart to extend the reach.

In the afternoon of July 3, numerous businesses and employees gathered at Central Group's office on Phan Dang Luu Street, Ho Chi Minh City, protesting the retailer's decision with banners.

Some business experts were concerned that if Big C's decision passes without any sort of backlash, a lot of Vietnamese goods in foreign supermarkets would be gradually replaced by foreign ones.

Earlier, Central Group and Big C have received complaints about the shrinking presence of local goods on their shelves, a case caused by the Thai retailer's demands for very high discounts and fees.

## 7. Vietnam's paper import drops in H1

Last month alone, the country imported 160,000 tons of paper worth 150 million U.S. dollars, mainly from China, Indonesia, Japan, South Korea and Thailand, up 1.9 percent in volume but down 0.3 percent in value against June 2018.

Vietnam spent 1.9 billion U.S. dollars importing nearly 2.1 million tons of paper of various kinds, including waste paper last year, witnessing respective year-on-year rises of 14.2 percent and 6.1 percent.

Vietnam's demand for paper of all kinds is estimated to annually grow 8-10 percent in the near future, the association said, adding that country exported nearly 1.1 billion U.S. dollars worth of finished paper products and certain paper materials in 2018, mainly to China, the United States and Japan.

Vietnam's paper consumption per capita is around 51 kilograms per annum, compared to the world average of 58 kilograms, the association said, predicting that the domestic demand for paper will continue to annually rise 8-10 percent.

Vietnam's paper industry has gained average annual growth of 10-12 percent, with packaging paper sales increasing 15-17 percent, the association said, noting that the domestic demand for packaging, tissue, writing and printing paper is likely to expand by around 15 percent in 2019.

The country currently has some 500 paper enterprises, mostly small, medium and household businesses.

## Corporate News

### 8. LTG: Change in personnel

↑ 0.00%

Loc Troi Group Joint Stock Company announces the Board Decision dated 28/06/2019 on change in the Board of Directors as follows:

Mr. Huynh Van Thon has been appointed Chair of the Board term 2019 - 2024.

### 9. CII: CII to issue VND200 billion bonds

↓ -1.79%

Ho Chi Minh City Infrastructure Investment Joint Stock Company (CII) announces the plan for issuing bonds via private placement as follows:

- Issuer: Ho Chi Minh City Infrastructure Investment Joint Stock Company (CII)

- Bond type: non-convertible, unsecured corporate bond

- Issue value: VND200 billion

- Maturity date: in 2022.

**Research Team:** Tsugami Shoji Researcher [jsi@japan-sec.vn](mailto:jsi@japan-sec.vn)

**Disclaimer:**

*Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.*

***Japan Securities Incorporated – JSI***

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: [info@japan-sec.vn](mailto:info@japan-sec.vn)

Website: [www.japan-sec.vn](http://www.japan-sec.vn)