



VIETNAM DAILY NEWS

July 09th, 2019



Table of content

Table of content

1. Global slumping stocks dampen local shares
2. June's pepper exports up 58.8 percent
3. India investigates alleged steel dumping by Vietnam
4. VCCI, EuroCham to help SMEs extract EVFTA gains
5. Vietnam's automobile industry faces growing pressures from FTAs
6. Agriculture sector will boost seafood, forestry production in H2
7. DXG: Decision on tax penalties
8. CDN: Selection of auditor for fiscal year 2019

Market Analysis

1. Global slumping stocks dampen local shares

On the Ho Chi Minh Stock Exchange (HOSE), the VN-Index fell 0.92 per cent to 966.35 points. The southern market index gained nearly 2.7 per cent last week.

On the Ha Noi Stock Exchange (HNX), the HNX-Index was down 0.54 per cent to end at 103.81 points. The northern market index increased 1 per cent the previous week.

Data showed more than 182 million shares were traded on the two local bourses, worth VND3.8 trillion (US\$161 million).

Indices around the world slumped, such as Japan's Nikkei 225, China's Shanghai Composite Index and South Korea's Kospi, which had a negative impact on local investors' confidence.

Most sectors lost today. Bank stocks dropped 1.25 per cent, due to Techcombank (TCB) (2.1 per cent), Vietcombank (VCB) (1.8 per cent) and Sai Gon-Ha Noi Bank (SHB) (1.5 per cent).

Oil and gas fell 0.68 per cent, triggered by the decline of PetroVietnam Gas JSC (GAS), Viet Nam National Petroleum Group (PLX), PetroVietnam Drilling and Well Services (PVD) and PetroVietnam Technical Services Corporation (PVS).

Real estate, securities and insurance stocks all decreased today, respectively by 1.55 per cent, 0.52 per cent and 0.11 per cent.

The large-cap stock index VN30 declined sharply, weighing on the market, losing 1.06 per cent to end at 870.92 points.

In the VN30 basket, 22 of the 30 largest stocks by market capitalisation and trading liquidity slumped while only five increased.

According to Bao Viet Securities Companies (BVSC), the VN-Index will approach 960-965 points in the next session.

Second quarter business result will soon be published, triggering foreign investors' net buying activities. This will support the market in the short term, BVSC said.

"The market has seen positive movements in the short run, therefore, despite a low capital inflow, we expect that the market will change direction to sideways-up shortly," it said.

Bank stocks are expected to improve, led by Vietcombank (VCB). Oil and gas stocks, including PVS and GAS are also expected to rebound.

Large-cap stocks and other sectors such as industrial zone real estate and information technology can still attract cash flow.

Investors can take advantage of the market's correction to raise stock exposure to 55-60 per cent, prioritising stock sectors with expectantly positive Q2 business results, the company said.

Macro & Policies

2. June's pepper exports up 58.8 percent

The information was released by the Ministry of Industry and Trade's Import and Export Department. It said the price of pepper in the Vietnamese market is increasing following the world price, up from 1.1 per cent to 4.5 per cent compared with that of the previous month.

The lowest price is VND44,000 (\$1.9) per kilo in the southern province of Dong Nai, while the highest price is VND47,000 in the southern province of Ba Ria-Vung Tau.

It is estimated that Viet Nam's June pepper export reached 35,000 tonnes, worth US\$85 million, down 7.9 per cent in volume and 9 per cent in value compared to the previous month. Its average price was \$2,429 per tonne.

In the first half of this year, Viet Nam exported 181,000 tonnes of black pepper, recording

revenue of \$461 million, down by 25.7 per cent year on year.

The department forecasts that in the coming months, pepper exports may face difficulties due to Brazil and Indonesia preparing for their main harvest.

In the world market, the June pepper prices increased despite abundant supply. The upward trend is expected not to last long due to oversupply pressure.

According to the Vietnam Pepper Association, the pepper supply worldwide has currently surpassed demand. In the coming years, pepper production will continue to increase rapidly, and many pepper producing countries, including Viet Nam, will have significant inventory volume.

3. India investigates alleged steel dumping by Vietnam

India's Directorate General of Trade Remedies said in a statement that the investigation is being conducted on flat rolled stainless steel products from Vietnam and 14 other economies.

The investigation was initiated on July 3 after Indian steelmakers claimed that the imports of these steel products hurt their business.

The Indian Stainless Steel Development Association (ISSDA) and other Indian steelmakers therefore requested for imposition of anti-dumping duties on the imports of these products from Vietnam.

In response, the Trade Remedies Authority of Vietnam has urged Vietnamese steelmakers to cooperate and submit relevant information to the Indian authorities within 40 days starting July 3.

"If the investigating authority doesn't receive the information required, it could conclude the investigation with negative results for steel exporters," the Vietnam agency said in a statement.

The 14 other economies being investigated are mainland China, South Korea, the European Union, Japan, Taiwan, Indonesia, the U.S., Thailand, South Africa, United Arab Emirates, Hong Kong, Singapore, Mexico and Malaysia.

This is the third time so far this year that Vietnamese steel products have attracted dumping allegations – two cases in India and one in Thailand.

4. VCCI, EuroCham to help SMEs extract EVFTA gains

Small and medium-sized enterprises (SMEs) are a priority target under the EVFTA, said Vu Tien Loc, president of Vietnam Chamber of Commerce and Industry (VCCI).

He was speaking at a conference titled "The EVFTA: What happens next", which was organized by VCCI and the European Chamber of Commerce (EuroCham). The conference gathered enterprises from textile, coffee, communication, pharmacy and other industries to discuss EVFTA regulations and ways to benefit from tax and investment incentives.

Loc said EVFTA carried the highest-level of freedom and fairness in which EU and Vietnam businesses shared the vision of sustainable development.

However, in discussions, experts pointed out limitations like the lack of information access among Vietnamese SMEs. Many enterprises in key manufacturing sectors did not know when the tax rate of products exported to the EU will return to zero percent or what that rate is for upcoming years, they said.

"After the signing of EVFTA, Vietnamese enterprises, especially SMEs, need to be fully-equipped to benefit from tax and investment incentives, which would enhance their competitiveness in the domestic market and enable exports to the EU," Loc said.

He said that the VCCI, in association with EuroCham, will carry out counseling and support programs for Vietnamese enterprises, including training courses and establishment of business associations with emphasis on governance capacity.

Activities and seminars regarding EVFTA will be organized, aiming at introducing opportunities

and guidelines for Vietnamese businesses, especially in the most affected areas, he said.

"Enterprises themselves need to improve the quality of human resources and corporate governance. The most important thing is that enterprises must study the agreement, then restructure products, technology, partners and markets."

Nicolas Audier, EuroCham chairman, said Vietnamese businesses need to learn European standards and find ways to apply these, and look for EU partners to easily access markets.

EuroCham suggested that guidelines are provided for companies to come and invest in Vietnam. It also suggested that specific industry committees are formed, for paper, medicine, automotive, food, etc., so the most appropriate support can be provided.

VCCI and EuroCham will jointly establish the EU-Vietnam Business Council, and hold an annual event called the "Vietnam-EU Economic Summit" to promote economic, trade and investment cooperation between the two sides.

The EVFTA was signed in Hanoi on June 30 after nine years of negotiations.

The EU will eliminate 99.7 percent of tariff lines for Vietnam's exports in seven years after the deal comes into force. Up to 70.3 percent of Vietnamese products exported to the EU will be free of tariffs immediately, said Minister of Industry and Trade Tran Tuan Anh. Only 42 percent now enjoys zero tariffs.

In response, Vietnam will eliminate tariffs on 64.5 percent of imports from the EU, rising to 97.1 percent in seven years.

5. Vietnam's automobile industry faces growing pressures from FTAs

Local companies, which mainly focus on assembling, could only maintain its shares on Vietnam's automobile market until 2025 before

losing grounds to foreign companies, according to auto expert Nguyen Minh Dong.

At present, Vietnam's automobile import tariffs for ASEAN members have been removed under the effect of the ASEAN trade in Goods Agreement (ATIGA), which came into effect in the beginning of 2018.

In the same year, Vietnam signed the Comprehensive and Progressive Trans – Pacific Partnership (CPTPP), committing to reduce duties for import cars to 0% in the next 7 – 9 years, while a similar commitment has also been made in the EU – Vietnam Free Trade Agreement (EVFTA) in 9 – 10 years.

Under this circumstance, Vietnam's auto market would be fully opened to foreign car companies by 2030, including those from ASEAN, Japan, Mexico and the EU.

Vietnam's market is projected to reach the production capacity of 1 million cars per year by 2030, according to official data. With growing disposable income and the acceleration of the motorization from 2020 upwards, car sales are on track to increase from the current 300,000 units per year to one million by 2030.

The huge potential of Vietnam's auto market is unquestionable, however, the key point would be whether local companies could compete with high quality import cars with affordable prices.

In the domestic automobile industry, private conglomerate Vingroup is investing in a production plant with capacity of 500,000 cars per year in two phases. The first phase of the construction has been completed with capacity of 250,000 cars per year.

Meanwhile, Truong Hai Auto Corporation (THACO) launched the first phase of the 50,000-unit-per year Thaco-Mazda factory, with capacity of 120,000 until full completion. Hyundai Thanh Cong and Toyota Vietnam are also considering projects of 240,000 and 100,000 cars per year, not to mention others such as Honda Vietnam and Mitsubishi Vietnam.

In case these projects are on track for completion, Vietnam could have a combined production

capacity at 1 million cars per year, meeting domestic demands and for exports.

Low localization rate

Comparing to regional peers, cars assembled in Vietnam have an additional cost of 20%, due to low sale number and localization rate at 7 – 10% in average.

Additionally, most auto parts being localized have low technological contents, including tires, seat, mirror, plastic frame, among others.

To put things in perspective, the average localization rate of countries in region is 65 – 70%, while that of Thailand is 80%.

Statistics from the Vietnam Automobile Manufacturers Association (VAMA) showed only 11 car models assembled in Vietnam have production capacity of over 6,000 cars per year.

Among them, Vios cars from Toyota Vietnam claimed the top spot with 27,000 cars per year, followed by Grand i10 of Hyundai Thanh Cong with 22,000 units. The remaining are in range from 6,000 – 15,000 cars.

Based on calculation, a model should have a production capacity of at least 50,000 cars per year, twice the sale number of the Vios, Vietnam's best seller model, to be sustainable for car manufacturer.

Auto expert Nguyen Minh Dong told *Vietnamnet* it requires strong incentives from the government for local companies to be able to compete with their foreign competitors.

Dong noted with the growing trend of electric vehicles in the world, there should be a focus on EV development.

Recently, Toyota decided to invest US\$1.9 billion for manufacturing electric vehicles in Indonesia, putting more pressure on Vietnam's automobile industry, Dong said.

6. Agriculture sector will boost seafood, forestry production in H2

Especially, fishery and forestry industries have many opportunities to support the sector in achieving its growth targets in gross domestic product (GDP) and exports for the whole year, he said. The global prices of seafood products are not high, but the fishery industry still has a chance to increase its revenue.

Therefore, the sector will focus on developing these two products in the second half of this year, Cường said.

Nguyễn Quang Hưng, Deputy Head of the Directorate of Fisheries, said the fishery industry can gain strong development in shrimp and tra fish in the last six months with output growth of 7.5 per cent each in production and exploitation of aquaculture.

Particularly, the shrimp export value will contribute a large part to the agriculture sector's total export value in the second half of the year.

Other commodities like tuna, crustaceans and molluscs also have many opportunities to develop in the second half of the year, Hưng said.

The forestry industry will focus on increasing timber production by over 8 per cent, meeting the demand for processing and exporting.

Meanwhile, the effectiveness of the Voluntary Partnership Agreement (VPA) on Forest Law Enforcement, Governance, and Trade (FLEGT) between the European Union (EU) and Việt Nam from June 2019 is a great opportunity to increase Việt Nam's wood product exports to the EU.

The signing of the Việt Nam-EU Free Trade Agreement on June 30, 2019 will also create many opportunities on trading agricultural products between the two sides.

However, it is certain that there will be non-tariff barriers and the agricultural sector must overcome those. Therefore, Cường said the sectors must reorganise production to have products with high quality, good design and more reasonable prices.

Besides that, the cultivation and livestock industry also needs to accelerate restructuring. Especially, livestock must have solutions to stop the spread of African swine fever, reducing damage and ensuring growth of the farming sector. Along with that is accelerating poultry and large livestock, but attention must be paid to sustainability factors.

The agricultural development targets of 2019 include 3 per cent in GDP growth rate; export value at \$43 billion; rice output at a similar volume to 2018 and strong growth in production of vegetables, fruit and some industrial trees with high consumption.

Livestock industry will increase output of poultry products by about 13-14 per cent; eggs by about 12 per cent and beef by about 7 per cent.

At present, the Ministry of Agriculture and Rural Development (MARD) is also preparing profiles to get permission on exporting some kinds of fruits to the US such as grapefruits, avocado, durian and others, and to Japan like lychees, longans, grapefruits, rambutans and star apples.

In addition, the sector also has to pay attention to the domestic market, avoiding losses in the home market.

According to the ministry, in the first six months, the export value of the whole industry is estimated at \$19.77 billion, a year on year increase of 2.2 per cent while its trade surplus reached \$4.2 billion, up 4.6 per cent compared to the first six months of 2018.

Nguyễn Văn Việt, Director of the Planning Department, said in the first half of this year, many kinds of fruits were exported to new export markets such as mango to the US, the UK and Australia, and mangosteen to China.

During the first half of the year, Việt Nam and China signed a protocol to export milk and milk products from Việt Nam to China.

Việt said the sector could not gain high growth in export value due to the strong decline in export prices of many key agricultural products compared to the same period in 2018, including

pepper, rubber, coffee, rice, cashew nuts, cassava and products from cassava, shrimp and tra fish, while Việt Nam's export value to China also decreased.

Meanwhile, many export markets of Việt Nam have had more strict technical barriers, policies on import quota, new requirements for traceability and export certificates, and quality inspections, especially China which is one of the largest export markets for Vietnamese farming products.

Corporate News

7. DXG: Decision on tax penalties

↓ -0.55%

regarding the tax penalty in 2017 with total amount of VND3,008,578,754.

Dat Xanh Group Joint Stock Company received the decision of tax inspection by the General Department of Taxation dated June 25, 2019

8. CDN: Selection of auditor for fiscal year 2019

↓ -3.14%

Auditor for the company for fiscal year 2019: AAC Auditing and Accounting Company Limited.

On 08/7/2019, Danang port Joint Stock Company announced the Auditor for Fiscal year 2019 as follows:

Research Team: Tsugami Shoji Researcher 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

Website: www.japan-sec.vn