



VIETNAM DAILY NEWS

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Market Analysis

1. Shares slide, money flows into industrial sector

On the Ho Chi Minh Stock Exchange, the VN-Index decreased 0.88 per cent to close Tuesday at 964.61 points.

On the Ha Noi Stock Exchange, the HNX-Index closed down 0.99 per cent at 101.89 points.

Both stock indices also fell on Monday.

Nearly 254 million shares worth total VND9.1 trillion (US\$390.6 million) were traded on the two markets.

Overall market condition was negative with 296 shares tumbling, 160 rising and 310 closing unchanged.

The market narrowed morning losses with growth of Vingroup (VIC) which gained 1.5 per cent; Phu Nhuan Jewellery (PNJ), up 3.8 per cent; logistics firm Gemadept (GMD), up 2.2 per cent; and FLC Faros Construction (ROS), up 1.4 per cent.

However, the market was dampened when 22 of the 30 leading stocks by market value and liquidity on the Ho Chi Minh Stock Exchange lost value, including big names such as Vinhomes (VHM), Bao Viet Holdings (BVH), Masan Group (MSN), Masan Group (MSN) and Saigon Securities Inc (SSI) with each declining more than 2 per cent.

The cash flow continued to flow into the industrial sector.

Industrial real estate developers including Sonadezi (SNZ), Vietnam Rubber Industrial Zone

and Urban Development (VRG) and Tan Tao Investment and Industry Corp (ITA) hit the daily upper limit of their listing exchanges of between 7 per cent and 15 per cent.

Other gainers included Kinh Bac City Development (KBC), Idico (IDC) and Investment and Industrial Development (BCM) rose by more than 6 per cent each.

“The market continued to have a correction session similar to other countries in the region when US-China trade tensions showed signs of escalation and would likely spark a monetary war between the two powers,” analysts at BIDV Securities Co commented in a daily report.

The VN-Index was likely to adjust to the old support zone of 940-950 points and accumulate around this area in the coming sessions, they said.

According to Tran Xuan Bach, a stock analyst at Bao Viet Securities Co, the market faced disadvantages with foreign investors becoming net sellers.

The foreign investors extended their net selling value on Tuesday to VND243 billion (\$10.4 million) on the HCM City exchange, down 16 per cent compared to Monday's value, but this was also their fourth net selling session with total value of VND834 billion.

On Ha Noi's bourse, their net selling value increased 74 per cent over the previous session to VND26.7 billion.

Macro & Policies

2. Vietnam M&A Forum 2019 opens 11th edition

This afternoon, the 11th Vietnam M&A Forum, organised by *Vietnam Investment Review* and AVM Vietnam, was opened in Ho Chi Minh City.

The event was joined by Deputy Minister of Planning and Investment Vu Dai Thang, as well as distinguished guests and delegates from government agencies, speakers, industry experts, and representatives from Vietnamese and overseas organisations or businesses.

Vietnam M&A Forum 2019, under the theme "Going for Breakthrough", takes place as a forum to discuss and share insights on achieving a breakthrough as well as to highlight the winners at the Awards Ceremony for the Most Notable M&A Deals and Advisors in 2018 and 2019.

This year's event took place amidst tumultuous socio-political developments, including the revised laws on Investment, Enterprises, the Securities Law, as well as new free trade agreements such as the CPTPP, EVFTA, and EVIPA.

He added that as part of today's event, investors, regulators and businesses can discuss and share their views on regulatory updates, as well as opportunities and challenges in each sector – with the aim of helping Vietnam achieve a breakthrough in M&A in the coming years. "The Ministry of Planning and Investment highly appreciates the theme of this year's Vietnam M&A Forum, as we believe that the forum would continue to be a helpful platform of information to

explore the vast potential of the Vietnamese M&A market," said Deputy Minister Thang.

As he opened the Forum, Le Trong Minh, editor-in-chief of *VIR*, talked about the difficulties from both outside and inside Vietnam. This includes major economies changing their policies on international trade. From within Vietnam, some regulatory roadblocks have not been resolved yet either while the quality of many domestic businesses remains low, said Minh.

"We sincerely hope that Vietnam M&A Forum will continue to be a helpful platform of information for investors, regulators, and businesses to explore the vast potential of the Vietnamese M&A market," he stressed.

This afternoon's event consists of guest speeches and three panel discussions, focusing on the most urgent issues of M&A activities. The forum will also honour the top M&A deals and advisory firms of 2018 and 2019.

Later in the day, event participants will also have an opportunity to network and join the Gala Dinner.

Together with the forum, *VIR* has published the Vietnam M&A Outlook 2019 Special Publication in order to provide a comprehensive and systematic look at the M&A market in Vietnam, including statistics, data, and insights, as well as market forecasts for the coming years.

3. Agro-forestry-aquatic products post one-billion-USD export value

7 MONTHS OF 2019

8 groups of agro-forestry-aquatic products post export turnover of over 1 billion USD

During the first seven months of 2019, eight groups of agro-forestry-aquatic products posted export turnover of over one billion USD, making up 75% of total export turnover of the sector.



4. 8 reasons behind gap in Vietnam's productivity level and regional peers

Vietnam's modest size of economy, slow progress in economic and labor force restructuring, obsolete technologies, and limited quality of human resources are factors leading to a gap between the country's productivity level and regional peers, according to Nguyen Bich Lam, head of the government-run General Statistics Office (GSO).

1. Modest economic size

With a low starting point and modest economic size, Vietnam has achieved significant results in narrowing the gap in GDP per capita and productivity level with other countries, but the efforts remain insufficient to narrow the absolute gap in terms of productivity value compared to regional peers.

2. Slow progress in economic restructuring

Sectors serving as driving forces for the economy such as the industry, service, finance-banking or tourism still contribute modest level to the GDP growth.

Additionally, changes in productivity level are based on three factors, including a shift in the structure of the labor force, productivity changes in each sector, and simultaneous impact from the two mentioned above.

For developing countries like Vietnam, shift in the structure of the labor force proves essential for higher productivity of the economy. In reality, such factor makes sizable contribution to the economy, but is on a declining trend, reaching 39% in the 2011 – 2017 period, lower than the rate of 54% in the 2000 - 2010.

GSO's Head Nguyen Bich Lam said the trend is normal based on the growth cycle of economies in times of transition, as an increase in overall productivity has become more dependent on growth in sector productivity.

However, there have not been significant changes in productivity in sectors, while growth in productivity mainly based on production

expansion in labor-intensive sectors with low technological level.

Meanwhile, the manufacturing and processing – key for higher productivity – are relying on low to medium technological levels, Lam added.

High technologies application are brought about by FDI companies, concentrating on assembling and importing parts with low added-value generated for domestic peers.

As of 2018, Vietnam still has 20.5 million people working in the agriculture – forestry – fishery sector, accounting for 37.7% total labor force and contributing 14.7% of the GDP, while productivity in this sector is worth VND39.8 million (US\$1,700) per person, equivalent to 38.9% of the overall productivity level, 30.4% of that of the industrial and construction sector, and 33.7% of the service sector.

This is considered one of major factors leading to Vietnam's low productivity, said Lam.

3. Obsolete technologies

Most companies in Vietnam, particularly business households, have low level of technology application and innovation, staying two to three generations behind the global average level.

Vietnam was ranked 77th out of 140 countries in the Global Competitiveness Report of the World Economic Forum in 2018, down three places from the 74th a year earlier. Of the 12 pillars that made up its final score, Vietnam stood at 94th in terms of institutions and 101st in business dynamism.

According to Lam, Vietnam should continue to focus on creating favorable business condition along with new legal framework supporting innovation efforts of the business community.

4. Limited quality of human resources

There remains a big gap between quality in vocational training and demand in labor market. In Vietnam, a total of 42.4 million in the working

force have not been trained to reach certain level of technical expertise, while an aging population could have a negative impact on Vietnam's productivity in the future.

5. Inefficient utilization of resources

The total factor productivity (TFP), which is determined by how efficiently and intensely the inputs are utilized in production, remains low at 4.3% in the 2001 – 2010.

In the 2011 – 2018 period, the contribution of TFP has been improved but stayed modest at 37.7%, while the contribution of capital and labors were 62.3%, indicating the lack of development in science and technologies.

Vietnam's economic growth in the 2011 – 2018 period are mainly based on the contribution of capital and labors. The mobilization of large capital has been instrumental for the country's growth, but the efficiency is still questionable, due to the high incremental capital-output ratio (ICOR) - used as a measure of the inefficiency with which capital is used. The higher the ICOR, the lower the productivity of capital or the marginal efficiency of capital.

The ICOR increased from 3.5 in the 1991 – 1995 period to 6.15 in 2007 – 2008. The ratio once soared to 8 in 2009 and declined to 6.21 in 2018, however, is still higher than the World Bank's recommendable level.

6. Slow industrial accumulation and urbanization.

5. Missed opportunities for Vietnam due to slow privatization pace

The slow progress in the process of divestment and privatization of state owned enterprises (SOEs) has resulted in missed opportunities of potential investments and damaged credibility, according to Ministry of Finance's official.

As of the second quarter of 2019, 35 out of 127 enterprises subject to privatization per instruction by the Prime Minister has completed the process, said Dang Quyet Tien, director of the Corporate Finance Department under the Ministry of Finance

The rate of urban residents in 2018 accounted for 35.7% of the total in the 2011 – 2018 period, up 3.1% in average, leading to the lack of supply in labor forces for the industrial and services sector.

7. Inefficient legal frameworks.

There remain bottlenecks in legal frameworks during the process of economic transformation towards market-based economy, particularly in the labor, technological market and property markets.

Vietnam currently ranks 68th out of 190 countries and territories in terms of business environment, according to the World Bank's Doing Business report.

8. Private sector has not been key driving force for greater productivity

Most enterprises in Vietnam, or 98% of the total, are of small and medium size, with limited financial capability, low level of competitiveness and corporate governance.

Moreover, expenditure for research and development (R&D) among those enterprises are still low, with only 15.7% of the total spending for R&D, according to World Bank's report in 2015.

Lam also added Vietnamese enterprises have not been able to integrate into the global supply chain, which could have been a major benefit in taking advantage of the knowhow, technologies and high productivity from multinationals operating in Vietnam.

(MoF), leaving other 92 enterprises without being privatized or 72% of the plan unfulfilled.

A report at a conference discussing the result of privatization process of SOEs in the first six months of 2019 on August 5 showed that regarding the divestment process, 62 SOEs are planned to conduct divestment of state stakes in 2019. However, as of the end of second quarter, only 9 have realized this task for returns of VND1.65 trillion (US\$71.12 million) with book value of 759 billion (US\$32.72 million).

From 2017 to the end of the second quarter in 2019, a total of 88 SOEs have completed the divestment process under the PM's request, raising VND8.76 trillion (US\$377.57 million) with book value of VND4.55 trillion (US\$196.11 million). Meanwhile, divestment activities outside the PM's request have resulted in proceeds of VND110.39 trillion (US\$4.75 billion) from book value of VND3.78 trillion (US\$163 million), including the Sabeco deal from ThaiBev.

According to Tien, on August 15, 2017, the MoF disclosed the list of 747 privatized SOEs which have not listed shares on the stock market.

As of the end of the second quarter, there remain 622 companies subject to the listing, while further review made by the MoF revealed other 158 companies, resulting in a total of 780 not having gone public as required.

Nevertheless, Tien said the quality of the privatization process has been improved as transparent privatization schemes are based on market mechanism and the process has gone through public auction, resulting in profits for the state budget.

Tien attributed the lack of commitments from ministries, provinces and executives at SOEs to the slow privatization progress of SOEs.

Meanwhile, problems in finance, land and laborers from periods prior to the privatization also hindered the process at targeted SOEs, added Tien.

A high proportion of state capital in the privatization schemes has made SOEs less attractive to investors, causing negative impact on the success of the process.

For the remaining months of the year, the MoF recommended government agencies to review a number of laws, including the Law on Enterprises, Law on Management and Utilization of State Capital invested in the Enterprise's Manufacturing and Business activities, Law on Cadres and Civil Servants, and Law on Bankruptcy, among others, with the aim of facilitating the privatization and divestment processes.

The SOEs subject to divestment and privatization in the 2018 - 2020 period are urged to speed up the process and to seek the PM's endorsement if necessary.

6. Vietnam's T&T Group to import record large amount of raw cashews from Tanzania

Vietnam's T&T Group has signed a contract to purchase a world record number of 176,000 tons of raw cashew nuts with the Cereals and Other Produce Board of Tanzania (CPB).

The first shipment of cashew nuts from Tanzania is scheduled to deliver to Vietnam in September. The purchasing contract is part of a long-term cashew production project of T&T Group in Tanzania, following two other traditional markets of the Vietnamese company in Ivory Coasts and Guinea Bissau in West Africa.

Vietnam currently is one of the largest importer of raw cashew nuts and also exporter of cashew globally, serving as a bridge to establish a global supply chain for the world cashew market between raw cashew nuts exporters such as Ivory Coasts, Nigeria, Mozambique, Benin, and

processing countries (Vietnam, India) and final markets.

Every year, Vietnam imports 1.6 million tons of raw cashew nuts, mainly from African countries, as local supply only meets 25% of the actual processing capacity.

In this regard, T&T Group's deal has provided much needed amount of cashew nuts for Vietnam's cashew sector and cement the country's status as one of the largest cashew vendors in the world, accounting for 60% of global production, according to statistics from Vietnam Cashew Association (Vinacas).

On March 20, in Abidjan, T&T Group signed the first agreement to purchase 50,000 cashew nuts

with group of exporters from Ivory Coasts and Ivory Coast's Cotton and Cashew Council (CCA).

Last August, T&T Group also signed a memorandum of understanding (MoU) with Guinea Bissau to import raw cashew nuts with an annual volume of 150,000-200,000 tons per year.

As of August 2018, T&T Group had imported 20,000 tons of raw cashew nuts from Ivory Coasts and 24,000 tons from Guinea Bissau to the Vietnamese market.

Taking into account 176,000 tons from this contract, total supply of cashew nuts by T&T would reach 220,000 tons, or 15% of total cashew nuts imported to Vietnam.

Corporate News

7. Stock market briefs on August 6, 2019

↓ -5.31%

HCMC – Orient Commercial Bank (OCB) booked over VND1.1 trillion in pretax profit in the first half of 2019 on revenue of VND1.7 trillion, up 106% year-on-year. The bank attributed its good performance to proper management and digital banking services.

HCMC – Platinum Victory Pte Ltd, a major shareholder of Vietnam Dairy Products Company (VNM), has registered to buy over 17.41 million VNM shares from August 8 to September 6 to raise its ownership from 10.6% to 11.6%. Earlier, the investor failed to acquire the shares during the registered period from July 4 to August 2.

HCMC – FLC Group has announced the establishment of its real estate brand FLCHomes with four main products including Beach & Golf Resort, Residences, Retail & Office and Green Eco. It established FLCHomes Real Estate Investment

and Development Company in March with staff from the group's marketing department, aiming to create an ecosystem of property products.

HCMC – Property developer Vinhomes (VHM) has announced August 8 as the ex-dividend date for shareholders to receive a cash dividend of VND1,000 per share for 2018. The payment date is expected to be September 9.

HANOI – Cho Lon Real Estate Company (RCL) has chosen August 13 as the ex-dividend date to offer a 2018 second round cash dividend for shareholders at 5% and issue more than five million shares at a 2-for-3 ratio. The selling price is VND12,000 per share.

HANOI – National coal and mineral group Vinacomin will be buying over 1.12 million shares of Vinacomin-Thanh Mong Duong Company from now to September 4 via matching. Vinacomin is holding over 12.8 million shares in the enterprise, or a 59.76% stake.

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