



VIETNAM DAILY NEWS

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Market Analysis

1. Shares advance as blue-chips gain ground

The VN-Index on the Ho Chi Minh Stock Exchange rose 0.37 per cent to end the trading session at 984.67 points.

The southern market index inched up 0.11 per cent to end Monday at 981.03 points.

On the Ha Noi Stock Exchange, the HNX-Index increased 0.38 per cent to 102.98 points.

The index edged up 0.23 per cent to end Monday at 102.58 points.

More than 310.3 million shares worth nearly VND6 trillion (US\$257 million) were traded on the two markets.

The Vietnamese stock market was driven by the energy, banking, information and technology, logistics, rubber production, retail, wholesale, agriculture and seafood processing sectors.

Their sector indices rose between 0.27 per cent and 2.74 per cent, data on vietstock.vn showed.

Large-cap stocks advanced on Tuesday with the VN30-Index increasing by 0.30 per cent to end at 894.45 points.

The pillars that have supported the market included Vinhomes (VHM) (+3 per cent), PetroVietnam Gas JSC (GAS) (+1.2 per cent), Mobile World Group (MWG) (+1.8 per cent), Novaland (NVL) (+1.4 per cent), Vincom Retail (VRE) (+0.8 per cent), Vietcombank (VCB) (+0.1 per cent), Vietinbank (CTG) (+0.5 per cent), Bank for Investment and Development (BID) (+0.3 per cent) and Military Bank (MBB) (+0.5 per cent).

On the opposite side, there were a few pillars ending down such as Vingroup (VIC) (-0.7 per cent), Masan Group (MSN) (-1.2 per cent),

Vinamilk (VNM) (-0.4 per cent), Bao Viet Holdings (BVH) (-0.9 per cent), and Hoa Phat Group (HPG) (-0.7 per cent).

Industrial real estate developers were darlings of the market with many good gainers like the Development Investment Construction Joint Stock Corporation (DIG) (+6.7 per cent), Ba Ria-Vung Tau House Development Co (HDC) (+1.7 per cent), Ha Do Group Joint Stock Company (HDG) (+1.4 per cent), Tu Liem Urban Development Joint Stock Company (NTL) (+0.4 per cent), Danang Housing Investment Development JSC (NDN) (+2.7 per cent), Nam Tan Uyen Joint Stock Company (NTC) (+1.3 per cent), Tin Nghia Industrial Park Development Joint Stock Company (TIP) (+6.8 per cent), Sonadezi Long Thanh (SZL) (+4.9 per cent) and SONADEZI Chau Duc Shareholding Company (SZC) (+5.5 per cent).

With the increase of world oil prices, local oil and gas stocks like PetroVietnam Technical Services Corporation (PVS), PetroVietnam Drilling and Well Services Corporation (PVD), Drilling Mud Joint Stock Corporation (PVC) and PetroVietnam Gas JSC (GAS) also advanced. Future Brent oil price increased by \$1.1, equivalent to 1.88 per cent, to \$59.74 per barrel. Future WTI oil prices rose \$1.34, equivalent to 2.44 per cent, to \$56.21 per barrel.

According to BIDV Securities Company (BSC), foreign investors net sold VND73.63 billion on the HOSE, including Vietjet Air (VJC) (VND97.2 billion), Hoa Phat Group (HPG) (VND41.33 billion) and Vietcombank (VCB) (VND16.65 billion). They were net sellers on the HNX with a value of VND14 billion.

If maintaining the uptrend in the next sessions, VN-Index will move to retest the resistance level of 985 points before determining a clear trend, BSC said.

Macro & Policies

2. Vietnam's disbursement of public investment sluggish in recent years

Vietnam's disbursement of public investment in the first seven months of 2019 reached VND134.49 trillion (US\$5.78 billion), or 31.32% of the target set by the National Assembly, the lowest year-on-year figure in recent years, according to Tran Van Hieu, vice minister of finance.

Upon breaking down, the disbursement of domestic capital reached 35% of the plan, while that of foreign capital was much lower, at 8.6%, Hieu said at a government's meeting on August 19.

Hieu attributed such low rates to the lack of readiness from local authorities and government agencies in supervising projects implementation as well cumbersome the administrative procedures for new projects.

Vice Chairman of the Ho Chi Minh City People's Committee Tran Vinh Tuyen said the city has disbursed 26% out of the total VND33.17 trillion (US\$1.42 billion) for 2019, while that of the ODA source was at 50% of the total VND800 billion (US\$34.41 billion).

Ngo Van Quy, vice chairman of the Hanoi People's Committee, said Hanoi has disbursed 24.7% of the total estimate so far.

At the meeting, Deputy Prime Minister Vuong Dinh Hue criticized the Ministry of Planning and Investment (MPI) for delay in reporting the situation to the government, saying slow disbursement of public funds is putting pressure on the government.

As a matter of urgency, Hue stressed weaknesses in investment management of government agencies must be properly addressed to deal with the issue.

Hue requested the MPI to complete allocating the remaining VND35 trillion (US\$1.5 billion) in August, while moving funds from delay projects to ones with faster disbursement.

The disbursement rate of provinces/cities in 2019 would serve as basis for calculation of public investment plan for each province/city and government agency in 2020, Hue stated.

3. Vietnam remains attractive to Japanese investors

At the Mergers & Acquisitions Forum 2019 that took place in Ho Chi Minh City in early August, Tamotsu Majima, senior director of Recof Japan, said that transactions of Japanese firms with Vietnam reached a record figure, with 21 transactions in the first seven months of 2019.

A report issued by the Japan External Trade Organisation (JETRO) in early 2019 showed that 65.3 percent of 787 Japanese enterprises in Vietnam enjoyed high profits in 2018.

The localisation ratio of the firms rose from 23.7 percent in 2008 to 36.3 percent in 2018, showing their commitments for long-term operations in Vietnam, according to the report.

Takimoto Koji, JETRO Chief Representative in HCM City, noted that in 2018, Japan was the

biggest foreign investors in Vietnam with combined registered capital of 7.98 billion USD in 630 projects.

As many as 70 percent of Japanese companies in Vietnam said that they will expand their operations in Vietnam in 2019, mostly in the manufacturing, trade, service, retail and real estate sectors, he said.

Koji revealed that on September 11, a delegation of 47 Japanese businesses in fisheries, manufacturing, wine, functional food, breeding, and confectionary will visit Vietnam to seek partners.

Japanese companies are focusing on mergers and acquisitions. According to the Ministry of Industry and Trade, of 755 million USD of Japanese

investment in the first seven months of this year, 374 million USD was poured into M&A deals.

Masahiro Kotaka, CEO of KPMG Japan, said that the Vietnamese and Japanese economy are getting closer, giving more chances for businesses of both sides to foster their partnerships.

At the M&A Forum 2019, Japanese firms also expressed their belief that the flow of Japanese investment in Vietnam will continue to rise in the coming time.

Due to the fierce competition from investors from other Asian countries in Vietnam, they should work harder to gain successes in the Vietnamese market, Kotaka stressed.

4. Viet Nam sees more investment opportunities from China's BRI

A recent report conducted by PricewaterhouseCoopers and the Singapore Business Federation, which represents more than 25,000 companies' interests in the city-state, named Viet Nam, Singapore and Indonesia as the top countries where organisations see BRI opportunities, according to Nikkei Asian Review.

The report cites a survey of about 50 public- and private-sector leaders in the region – from industries like financial services, energy and construction – which found that 66 per cent of respondents identified Viet Nam as a place with BRI opportunities, followed by Singapore and Indonesia at 57 per cent.

Another report from Maybank Kim Eng's research arm also showed in the first half of 2019, Viet Nam

drew US\$1.6 billion from investments related to BRI, ranking fourth among Southeast Asian countries behind Indonesia with \$3 billion, Cambodia with \$2.5 billion and Singapore with \$1.9 billion.

Chinese BRI investment and construction contracts in the Southeast Asian region almost doubled to \$11 billion in the first half of 2019, from \$5.6 billion in the last six months of the previous year.

The China-led Asian Infrastructure Investment Bank has lauded the role that the Association of Southeast Asian Nations has played in realising development opportunities.

5. Vietnam considers safeguard measures for apparel sector under CPTPP

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is the first “new-generation” free trade agreement (FTA) that Viet Nam has signed. It officially took effect on January 14 this year.

With 11 member countries and high tariff reduction commitments, the use of legal tools to protect the domestic industry is likely to occur. Therefore, the ministry said it was essential to issue guidelines for measures to safeguard against the risk of increasing imports. They include transitional and emergency action measures.

The transition period for Viet Nam's textile and apparel products is up to five years. During this period, Viet Nam can employ transitional and emergency measures when the investigating authority concludes there is an absolute increase

in imports or an increase relative to domestic production from one or more member countries as the result of tax cuts under CPTPP. The measures can also be applied if the domestic manufacturing industry suffers serious damage or threat of such damage.

Transitional measures can include the suspension of tax cuts for textile and garment products under the agreement or increasing the tax rate but not exceeding the most favoured nation (MFN) rate effective at the time of applying the measure or the MFN rate effective on the day prior to the valid agreement, whichever is lower.

Transitional measures can be applied for two years and can be extended for one more year if the investigating agency concludes it is necessary to prevent or remedy serious damage and facilitate

the adjustment of the domestic manufacturing industry.

If the measures are applied for more than one year, the ministry must gradually loosen the safeguards over time.

For emergency measures, investigative work must finish within six months of beginning. In special cases, investigations may last up to nine months.

Emergency measures include increasing tax rates on imported apparel but not exceeding the MFN rate effective at the time of applying this measure

or applying the MFN rate effective on the day prior to the valid agreement, whichever is lower. Emergency action cannot exceed two years and may be extended another two years.

The draft circular is open for public comment on the ministry's website.

Building regulations for trade remedy measures is one of the MoIT's key tasks for the rest of this year in order to strengthen investigative industries and protect the Vietnamese manufacturing industry as new-generation FTAs come into force and protectionism rises around the world.

6. China tightens veggie and fruit import requirements for Vietnam

Fruit and vegetables have been one of the key export staples which has enjoyed consistent growth in recent years. Despite a number of difficulties, veggie and fruit export turnover aim to gross US\$4.2 billion this year.

In July alone, fruit and vegetable exports raked in US\$244.30 million, bringing the total seven-month export turnover to US\$2.3 billion, up 0.13 per cent compared to the same period last year.

Currently, Vietnam's fruit and vegetable products have established a strong presence in nearly 55 countries, whilst a number of major markets have seen strong growth, including China, Japan, the United States, Russia, Taiwan (China), the Republic of Korea, the Netherlands, Singapore, and Thailand.

Fruit and vegetable exports see plenty of room for growth

According to statistics released by the General Department of Vietnam Customs, China remains the leading consumption market for the country's fruit and vegetables during the first half of this year, making up 71.5 per cent of the country's total export turnover and earning a revenue of US\$1.46 billion. This figure shows a slight fall of 1 per cent against last year's corresponding period.

The EU represents the second largest consumer market for the Southeast Asia country's fruit and vegetables, accounting for 3.6 per cent, a sharp increase of 33.9 per cent, followed by the ASEAN

market at US\$70.16 million, down 12.2 per cent, the US market at US\$70.15 million, up 13.3 per cent and the Republic of Korea at US\$65.14 million, an increase of 12.2 per cent.

During the reviewed period, veggie and fruit exports to foreign markets saw a rise in export turnover in comparison to last year's corresponding period, mainly in markets such as Indonesia (up 339 per cent), Italy (up 208 per cent), Laos (up 161.8 per cent), and Hong Kong (up 133.3 per cent).

According to economists, although the EU is a potential market for the nation's fruit and vegetable exports, there needs to be a number of certificates necessary in order to gain entry into this demanding market. While each EU market asks for different certificates, all of the markets require food safety certificates.

The Import-Export department under the Ministry of Industry and Trade (MOIT), said that the country's average output of vegetables has reached 14.6 million tons per year, while fruit output stands at 7 million tons per year.

The average growth rate of the fruit and vegetable sector during the 2011-2018 period hit 32.2 per cent, while last year's exports enjoyed a surge of 8.8 per cent to US\$3.8 billion over the previous year's figure.

To fully tap into the potential of each market, the MOIT, in collaboration with the Ministry of

Agriculture and Rural Development, have been actively conducting negotiations in order to help products such as longan, rambutan, and lychee make inroads into the Republic of Korea, Japan, New Zealand, Brazil, and Argentina. This is in addition to star apples to the US market, and pomelo and custard apple to Chinese market.

China tightens export requirements through official channels

At present, China remains the leading consumption market for Vietnam's fruits and vegetables. However, the Asian giant looks set to apply stricter requirements on fruit imports in the future, according to the Plant Protection Department.

Vietnam currently exports nine types of fresh fruits to China including dragon fruit, watermelon, lychee, longan, banana, mango, jackfruit, rambutan, and mangosteen.

On April 26, the two countries signed a protocol to boost the export of mangosteen and dairy products from Vietnam to China.

In May 2018, China revealed that it will be tightening regulations for Vietnamese fruit exports through both unofficial and official channels.

Accordingly, in order to trace the origin of products, China has requested that local fruits be given codes indicating both growing areas and their packaging facilities. These are the two requirements for imported fruits through official channels.

With nine types of fresh fruits being exported to China through official channels, Vietnam has 1,300 codes for growing areas and more than 1,435 codes for packaging facilities.

Under the current regulations, China accepts the codes for growing areas and packaging facilities granted by Vietnam. It does not inspect the process by which the codes are granted.

In the future, China is to apply stricter requirements and standards to stand alongside specific conditions and inspections. If the Vietnamese side fails to comply with this standard, China will say no to all certificates and codes granted by Vietnam.

The Plant Protection Department has recently warned that all provinces and packaging facilities must strictly follow the standards set forth by China.

7. HCMC absorbs US\$ 3.63 billion FDI in first seven months

The HCM People's Committee attributed trade promotion and investment activities to transformation of economic structures, higher proportion of processing and high added products, better investment attraction and business confidence in the business and investment environment.

In the first seven months, the city absorbed US\$ 3.63 billion of FDI, up 15.2% against the same period last year.

Up to 678 FDI projects got new investment registration certificates worth US\$ 688.79 million, up 18.3% in number and 26.9% in value.

About 168 projects got additional capital of US\$ 435 million. The city allowed 2,668 foreign investors to buy US\$ 2.6 billion of shares, up 28.3% in number and 16.7% in value.

In the January-July period, 24,529 enterprises were founded with a total registered capital of VND 396 trillion, up 0.9% in number and 25.7% in value.

Meanwhile, 71,874 enterprises registered to alter business registration and supplemented capital of VND 160 trillion, up 2.2% in number and 63% in value.

In the coming time, the HCMC People's Committee will continue improving the investment

environment including streamlining administrative procedures and allocating land fund for enterprises.

A working group led by the Chairman of HCMC People's Council will meet weekly to resolve emerging problems for enterprises./.

CORPORATE NEWS

8. AAA: Change of personnel

↓ -0.59%

An Phat Bioplastics Joint Stock Company announced personnel change as follows:

- Mr. Ngo Van Thu was appointed as Deputy CEO as from August 15, 2019.

9. CII: Information on the payment of BT contracts

↑ 0.00%

On August 15, 2019, the Government granted Decree No.69/2019/ND-CP regarding the use of public assets for the payment to investors in Build

- Transfer projects (BT projects). Therefore, with the decree and regulations, the payment of BT contracts of Hochiminh City Infrastructure Investment Joint Stock Company (CII) will be sufficient legal basis for implementation.

10. Biwase, Vietinbank form comprehensive partnership for water supply

↑ 0.55%

The partnership will enable Biwase to implement a series of large-scale projects on water supply and wastewater treatment for 2020 – 2025. These projects are worth 4 trillion VND (172 million USD) in total, of which 3 trillion VND is loans.

The two sides have a history of collaboration in terms of credit services, trade finance, and international payment.

Currently, the bank is providing Biwase with credit packages worth over 600 billion VND.

Biwase's water supply capacity exceeds 450,000 cubic metres per days, serving demand across Binh Duong and a number of localities in the neighbouring Binh Phuoc province.

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