



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. VN stocks up slightly as CPI moves forward

The benchmark VN-Index on the Ho Chi Minh Stock Exchange inched up 0.14 per cent to close at 978.59 points.

The VN-Index dropped as much as 0.40 per cent during the day.

According to the General Statistics Office, CPI in August is up 0.28 per cent from July – boosted by the increased consumption of pork.

CPI growth indicates purchasing power is good and people buy more products for consumption.

Therefore, the rise of CPI often indicates earnings of retailers and producers grow.

Though August CPI growth is the weakest in three years, it is enough to lift retail and food and beverage sector indices by 0.9 per cent and 2 per cent, data on vietstock.vn showed.

Leading the two sectors up were dairy producer Vinamilk (VNM), brewer Sabeco (SAB), food and drink firm Masan (MSN), retailer Mobile World Investment (MWG), and Phu Nhuan Jewellery JSC (PNJ).

Those firm shares advanced between 0.3 per cent and 3 per cent.

The benchmark index was also supported by the gains of tech group FPT (FPT), property firm Vingroup (VIC), Bank for Investment and Development of Vietnam (BID), and PetroVietnam Gas (GAS).

Those large-cap stocks helped raise the VN30-Index up 0.34 per cent to 889.13 points at the end of the day.

On the Ha Noi Stock Exchange, the HNX-Index was down 0.38 per cent to end at 101.94 points.

The northern market index fell 0.52 per cent in the previous session.

More than 156 million shares were traded on the two exchanges, worth VND3.6 trillion (US\$155.3 million).

Foreign investors were net buyers for a second straight day and though purchases remained modest, it clearly had a positive impact on market sentiment.

Foreign investors net-bought total VND14 billion worth of Vietnamese shares. They recorded VND40 billion worth of net-purchase on Wednesday.

The market's short-term prospects are quite positive, according to securities firms.

Most of investors were still cautious and the overall market condition was almost unchanged, VNDirect Securities Corp (VNDS) said in its daily report.

The decline of trading liquidity in the last few days proved it had been difficult for both sellers and buyers to make decisions, VNDS said.

The market would need better stories to lure the capital back such as the State's divestment of large-cap firms and the increase of foreign ownership limits in local banks, the company said.

There were still some bright spots at the moment among local stocks such as industrial park developers and logistics firms, Thanh Cong Securities Co (TCSC) said.

However, the market would still be outweighed by low market confidence, which is caused by the uncertainty of the international markets, the company said.

## Macro & Policies

### 2. Vietnam benefits from new global supply chain order

The prolonged US – China trade war is reordering the global supply chain and Vietnam could stand to be a winner for investors, CNBC reported.

As US companies plan to move their manufacturing bases outside China, countries in Southeast Asia could be the biggest beneficiaries, Sandeep Naik, head of India and Southeast Asia at General Atlantic, told CNBC's "Street Signs " on Tuesday.

"If you look at certain sectors like auto and chemicals, you see a large outflow of those manufacturing opportunities moving to Vietnam," Naik was quoted by CNBC as saying, adding that the investor community is closely watching for new investment destinations in the region.

General Atlantic has about US\$35 billion assets under management. The company invests in start-ups with high growth potential in four main areas: consumers, financial services, health care and technology.

"We're looking at Vietnam as a very interesting destination at this point," Naik said. "With manufacturing moving to Vietnam, with more employment getting created there, people having higher disposable income, that starts a trend of consumption story."

Analysts previously said Vietnam, which exports phone parts, furniture, automatic data process machines, emerged as the largest beneficiary as trade flows were diverted.

There are new opportunities for financial services too, he added, explaining that the manufacturing firms shifting to Vietnam need credit.

"So credit to the (small and medium enterprise) sector, credit to the mid-sized manufacturing unit, then creates another fillip or a boost to the financial services industry," Naik said.

He did not mention any specific companies in Vietnam that General Atlantic is currently looking at.

But Naik noted that investors will need to grapple with a lot of local issues and nuances as they learn to operate in the local landscape.

"We need to have people on the ground that will really help us navigate those issues, but if you look at the foreign direct investment that's happening in Vietnam at this point, you can see that the gates are opening," he said.

Still, other analysts have cautioned that Vietnam may have other challenges.

Recently, the president and CEO of the US-ASEAN Business Council told CNBC that the labor market in Vietnam is tightening, and investors are now looking to move manufacturing into other Asian countries, like Thailand.

### 3. VN has potential to become South-east Asian innovation hub

*How does Viet Nam's information technology sector compare with other countries?*

In the assessment of the world's leading research and advisory company Gartner and other prestigious organisations that rank software outsourcing services, Viet Nam has been one of the most attractive destinations for information technology in the world in the last five years.

We have a relatively good position. In the field of business process outsourcing (BPO) and IT outsourcing (ITO), we are among the leading outsourcing destinations in the world.

We are also one of the leading countries in providing IT services to the world. These are objective assessments by foreign organisations.

*From being an Asian software development hub, Viet Nam now seeks to become a centre for software development and innovation in Southeast Asia. What do you think about this? Can Viet Nam become a regional 'innovation hub'?*

We can absolutely make it because some start-ups and other companies have implemented projects with high levels of new technology.

However, to become an innovation hub and increase the rate and number of companies that can participate in new technology projects depends on the way we train our human resources.

*Viet Nam's exports of IT services have increased significantly in recent years. Looking ahead, how do you see the export potential?*

The export potential is huge. Currently, we export to a few dozen countries, but Japan, North America and Europe are still the biggest markets.

Key markets such as North America, the EU and Japan have a very high demand for IT services that we do not have sufficient resources and personnel to accept and implement projects from these countries.

How to have capable human resources to enable us to grab this valuable opportunity is among the challenges faced by Viet Nam currently.

The fourth industrial revolution has had a significant impact on Vietnamese businesses in many sectors. What difficulties do IT firms face from the rapid growth of technology during the industry 4.0 era?

Fortunately, Vietnamese are very receptive to and capable in new technological fields. In fact, Vietnamese enterprises are now able to implement projects using the latest technologies

such as big data, artificial intelligence, and the internet of things.

Vietnamese engineers can now carry out onsite projects for customers all over the world. This means we are really strong in the new technology field.

*What should the IT sector do to add value?*

I think there are many issues we need to focus on. But there are two main things we need to prioritise. Firstly, we need to focus on improving human resource so that we can execute international projects.

Secondly, we must continue to enhance innovation in the services we provide and raise the level of our services to add more value to our products and services.

Viet Nam has strength in it because as I said above, in the field of new technologies our engineers are fully receptive and can undertake new technology projects.

*How do you assess the human resources in the sector?*

Enterprises in the sector face a shortage of human resources in terms of both quality and quantity.

There is still a gap between training and practice. Therefore, enterprises are working with universities to narrow this gap.

Do you think the escalation in the US-China trade war will bring opportunities to the IT sector?

There are many points of views. Opportunities for this innovation industry are already plenty, even without the US-China trade war. The most important thing is if we are ready to grab the opportunities.

#### 4. Seafood exports pick up but challenges continue

Exports in the first seven months were worth US\$4.7 billion, down 0.2 per cent from a year earlier, but 9 per cent up month-on-month in July.

While exports of tuna and crustaceans such as crab and sentinel crab remained strong, rising by 20.3 per cent and 22.7 per cent year-on-year, main export items such as shrimp and shark catfish,

which account for 60 per cent of total exports, were down from last year.

Shrimp, which accounts for nearly 38 per cent of exports, recovered in July after a weak performance since the beginning of the year.

Exports to Japan increased by 11.3 per cent year-on-year, and other markets apart from the EU and Korea too saw increases.

Shipments to China were up dramatically in July.

Truong Dinh Hoe, general secretary of VASEP, said while one of Viet Nam's strengths is aquaculture, it still has to import large volumes of raw seafood for processing and exporting, leading to higher prices and lower competitiveness.

It imported \$1.7 billion worth of seafood last year.

Hoe said this is due to many reasons like diseases and climate change affecting supply, inconsistent quality and unstable markets.

## 5. VN to boost use of organic fertiliser

It aims for the country to export half a million tonnes of the natural alternative and for the domestic market to consume three million tonnes by the end of 2020.

The target was announced at a conference yesterday in Ha Noi about producing, using and improving organic fertiliser.

Minister of Agriculture and Rural Development Nguyen Xuan Cuong said the target was attainable because Viet Nam was on track to export about 100,000 tonnes of organic fertiliser this year.

Viet Nam has exported organic fertiliser to 35 countries so far, with the amount increasing year by year.

Last year, as many as 24 enterprises exported 86,000 tonnes, seven times more than in 2015.

Cuong said Viet Nam had great potential due to its raw materials resources.

He also warned that other countries are becoming more and more successful in farming shark catfish and shrimp, and Viet Nam is thus set to face tougher competition.

With shrimp and shark catfish exports forecast to fall by 3 - 4 per cent this year, VASEP plans to offer more assistance to businesses by pushing for more favourable policies, helping them overcome technical barriers, trade facilitation, and promotion of Vietnamese seafood.

It urged businesses to adopt modern technologies in aquaculture and focus on traceability of products and sustainable development.

Last year's seafood exports were worth nearly \$9 billion, a 6 percent increase from 2017 as against a target of 10 per cent.

The target for this year is \$10 billion.

Each year, the agricultural sector produces about 40 million tonnes of straw, sugarcane and maize dregs, more than 25 million tonnes of livestock and poultry droppings and 4.6 million tonnes of rice husks. The country has about 36,000 tonnes of brown coal in mines.

If the country could make use of these raw materials, pollution in rural areas would be reduced, said Cuong.

"Viet Nam should change to a smart, clean and organic agriculture model and consider it an indispensable trend," said Cuong.

Nguyen Dinh Hac Thuy, chairman of the Fertiliser Association of Vietnam, agreed, saying that with efforts from the central to grassroots level, the country has set up a foundation for organic production.

More than 2,400 organic fertiliser products are in circulation in Viet Nam, 3.5 times more than in 2017.



Many organic fertiliser plants were equipped with modern production lines to make high-quality products, said Thuy.

Minister Cuong proposed completing policies related to organic fertiliser by finalising the Law on Cultivation and preferential policies for enterprises investing in agriculture and rural areas.

Hoang Trung, director of the Plant Protection Department, said that over recent years, fertiliser management has been tightened with a system of laws and policies.

Quality standards were being compiled including laboratory supervision and fertiliser tests.

Trung said to promote quality organic products, experts should conduct studies on environmentally friendly fertiliser, improve the soil and give more training to improve farmers awareness of the long-term effect of organic solutions.

Nguyen Hong Lam, chairman of the Que Lam Groups board of directors, said that to foster fertiliser production, it is most important to build customers trust.

If farmers avoid chemical fertilisers, they will have better health and clean agricultural products for consumers, said Lam.

## 6. Fresh FDI pledges plunge

According to the Foreign Investment Agency, under the Ministry of Planning and Investment, US\$9.13 billion was pledged for new projects and nearly US\$4 billion for operational foreign-invested projects in the eight-month period.

The results went against the predictions of experts, who had said that Vietnam would become an attractive destination for foreign investors amid the escalating U.S.-China trade war.

Vietnam has integrated deeply with the global market by participating in free trade agreements, besides offering low-cost labor and seeing high economic growth.

Despite a plunge in FDI pledges, the number of foreign-invested projects increased in the period.

Accordingly, more than 2,400 new projects obtained investment certificates in the January-August period, up 25.4% year-on-year. In addition, the number of operational foreign-invested projects receiving additional capital increased by 23.4% to 908 projects.

Thus, the average amount of capital poured into each FDI project was low. A survey of the Foreign Investment Agency showed that no fresh projects

had registered capital of more than US\$300 million in the eight-month period.

Meanwhile, in the same period last year, some projects had registered capital amounting to billions of U.S. dollars each, such as the smart city project in Hanoi at US\$4.14 billion and the polypropylene plant and a liquefied petroleum gas warehouse project in Ba Ria-Vung Tau Province at US\$1.2 billion.

Operational projects also received a small amount of additional capital. Meanwhile, in August last year, Singaporean investors injected an additional US\$1.12 billion into the Laguna resort project in Thua Thien Hue Province.

From January to August, foreign investors seemed keen on investments through capital contributions and share acquisitions. In the period, they conducted more than 5,200 transactions to contribute capital and acquire shares in local firms at a total value of US\$9.51 billion, surging 80% over the same period last year and accounting for 42% of the total foreign investment.

In general, Vietnam attracted US\$22.63 billion in foreign investment in the eight-month period, down 7.1% over the year-ago period, which was modest compared to the country's advantage.

## CORPORATE NEWS

### 7. CMX: CMX released from the warning status

↑ 0.00%

On August 28, 2019, the Hochiminh Stock Exchange issued Decision No.349/QD-SGDHCM to release the stock of Ca Mau Group Joint Stock Company (stock code: CMX) from the warning status as from August 30, 2019.

Reason: Profit after tax of parent company in first six months of 2019 is 47,371,051,936 dong. The undistributed profit after tax until 06/30/2019 is 33,479,828,987. This is the case of securities released from the warning status according to Point 4.1 and Point 4.2, Item 4, Article 22 of the Listing Regulations on the Hochiminh Stock Exchange.

### 8. BIDV to issue US\$129 million bonds

↑ 0.80%

The bonds are non-convertible, unsecured and eligible to be included in its tier 2 capital.

The issuance includes VND2.5 trillion seven-year bonds and VND500 billion 10-year bonds with face value of VND10 million each. The interest rate will be determined by the referenced interest rate plus 1.2 per cent for the seven-year bonds and 1.3 per cent for the 10-year bonds.

The reference rate is the average of the deposit rates of 12-month term of four banks including Vietcombank, BIDV, Vietinbank and Agribank.

The bond issuance aims to raise working capital for its mid- and long-term loan demand.

BIDV plans to disburse VND2 trillion in the industry and industrial commerce sectors, VND500 billion in the gas, electricity production and distribution, VND100 billion in the construction and VND400 billion in other areas.

The time to register to buy bonds is from August 27 to September 25

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