



VIETNAM DAILY NEWS

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Market Analysis

1. Securities shares boost VN-Index

The VN-Index on the Ho Chi Minh Stock Exchange gained 0.35 per cent to close at 990.75 points, recovering from a 0.08 per cent dip on Wednesday.

More than 152.5 million shares were traded on the southern bourse, worth VND3.5 trillion (US\$151.2 million).

The market was driven by strong growth in securities firms, which jumped to boost the brokerage index up 4.1 per cent, data on vietstock.vn showed.

Among those were SSI Securities Corporation (SSI) which soared 4.6 per cent to end at VND22,650 per share.

Shares in the country's largest securities firm by market capitalisation advanced after the company on Wednesday announced investors would receive a 10 per cent cash dividend on October 24.

It means every shareholder will receive VND1,000 per share.

The growth of SSI shares had a positive impact on other brokerage firms such as HCM City Securities Corp (HCM), VNDirect Securities Corp (VND) and FPT Securities Corp (FTS).

The three companies were up between 2.2 per cent and 4.9 per cent.

According to VNDirect Securities Corp's director of investment consultancy, Nguyen Trung Du, shares in brokerage firms were in the lowest range of the year.

Investor concerns about the global economic recession and its impact on the securities market were the major cause that had dragged securities shares down, he said.

Analysts said securities shares were good targets in the short term, especially when the market was quite vulnerable to external factors.

Shares in the four securities companies have fallen 20-30 per cent since mid March.

The food and beverage sector also made good gains with its index rising 1.6 per cent.

Dairy producer Vinamilk (VNM) and brewer Sabeco (SAB) were the drivers in the consumer staple sector.

Other industries that also advanced included banking, retail, technology, food processing and building materials.

According to Thanh Cong Securities Co (TCSC), investors were still cautious on Thursday despite their interest in securities stocks, so trading liquidity did not increase strongly.

Technically, the VN-Index would be supported by the 980-985 point range and would encounter strong resistance around the 990-1,000 point range, TCSC said in its daily report.

The benchmark would likely continue swinging in the current range while stocks would differentiate based on their third-quarter earnings prospects, the company added.

On the Ha Noi Stock Exchange, the HNX-Index rose 0.92 per cent to finish at 104.77 points.

The northern market dropped 0.19 per cent on Wednesday.

More than 34 million shares were traded on the bourse, worth VND480 billion.

Macro & Policies

2. Vietnam starts to catch up with Chinese manufacturing

Outside a former Nokia phone factory in the north Vietnamese province of Bac Ninh, a freshly posted sign advertises jobs for “hardworking, dynamic” workers over the age of 16. The plant, which was bought by Taiwan's Foxconn in 2016, may soon start making Google's Pixel phones, according to local officials and to a report by the Nikkei index, as the Silicon Valley company looks for an alternative to manufacturing in China.

If the investment materializes, it will be a huge windfall both for Bac Ninh, to the east of Hanoi, where Samsung also has a major smartphone manufacturing base, and for Vietnam, which is emerging as one of the main safe havens from the trade war between the United States and China.

“Under our policy of welcoming foreign investment, we welcome Google to come to Vietnam,” says Nguyen Huu Quat, the province's deputy general secretary. He says the company has “decided to choose Bac Ninh” but has not yet finished planning the finer details of the operation, including its exact location. Google declined to comment.

The magnitude of the shift from China to Vietnam is hard to measure, in part because multinationals are keeping their moves discreet to avoid upsetting delicate government and supplier relationships in China. But Vietnam's trade numbers, not least its record \$39.5 billion surplus with the U.S. last year, suggest a significant realignment is underway, as do anecdotes from companies, consultants and suppliers in Hanoi and Ho Chi Minh City.

NOBODY HAS WHAT CHINA HAS.... BUT VIETNAM CAN GET SOME OF IT.

ADAM SITKOFF, EXECUTIVE DIRECTOR,
AMERICAN CHAMBER OF COMMERCE

Apple recently began trial production of its AirPods in Vietnam, according to Nikkei. Amazon and Home Depot are among the retailers that have stepped up sourcing in Vietnam recently, according to Vu Ngoc Khiem, country director for Global Sources, a consultancy that links global

suppliers to buyers. But trade experts say Vietnam is limited in how quickly it can lure manufacturing orders from China.

“Global supply chains are complicated,” says Adam Sitkoff, executive director of the American Chamber of Commerce in Hanoi. “There are a lot of players and a lot of workers involved, and you can't just pick up and move from one day to the next because of tariffs.”

Bac Ninh, a densely settled region of factories, malls, chain restaurants, housing for migrant workers and other ex-urban sprawl, is the country's smallest province but has attracted \$18.2 billion of foreign investment in recent years from Samsung, Canon and Nokia, according to Quat.

It is all about location, officials say. Bac Ninh is a 40-minute drive from Hanoi, 30 minutes from Noi Bai International Airport — where Samsung exports its phones from — two hours from the port of Quang Ninh, and an hour and a half from the Chinese border. Provincial officials offered Samsung land in the Yen Phong Industrial Park and successfully lobbied the central government for generous tax breaks for both Samsung's initial factory, built in 2009, and a subsequent expansion from 2015 that helped make the South Korean company Vietnam's biggest exporter.

Vietnam Singapore Industrial Park, where the Nokia factory sits, is served by a six-lane roadway and is replete with working factories and available office space, suggesting a region and a country open for business. Samsung buses in some of its workers from several other provinces and has hostels for them on-site.

Hanoi has pulled out so many stops for foreign investors in recent years that the government speaks of leveling the playing field so that Vietnamese companies can compete. But Vietnam's manufacturing workforce is only about the same size as that of China's Guangdong province, and cannot draw on migrant workers from a bigger hinterland. The smaller scale means

that manufacturers must dig deep, and work hard, to find local suppliers, workers and managers.

Vietnam ranks 55th on the World Bank's Global Competitiveness Index, which assesses infrastructure, labor market efficiency and education, among other factors, compared to 27 for China. While roads are good in the north around Hanoi, they are less so around Ho Chi Minh City, Vietnam's business capital. The city's Tan Son Nhat International Airport, in the midst of an upgrade, can be congested and unpleasant.

And while Vietnam's wages are lower on average, China's factories sometimes have higher productivity, and often the support of local or even national government. "Chinese manufacturers get tax support from their government," says Khiem. "They can even sell for zero profit to their buyers to compete directly with Vietnam, and claim their tax back."

Stelvio Guglielmi, general manager of Arda, a furniture-making company outside Ho Chi Minh City, says the skills of factory workers are often lower, and that good staff can be hard to attract. "Middle management is the biggest problem, particularly for us [since] we are farther out," he said. "Young people want to live in the city."

Vietnamese workers also have a reputation for being more restive than their Chinese counterparts. While the country's trade unions are Communist Party-controlled, Vietnam saw a spike of wildcat strikes in recent years, which reached nearly 1,000 in 2011.

Since then, the number has gone down to about 300 a year, according to government statistics. Vietnam's recent accession to the trans-Pacific CPTPP trading group and signing of a free trade agreement with the European Union will require the country to begin allowing independent trade unions, although their potential impact is unclear.

"I am sure new workers' organizations will emerge," says Chang-Hee Lee, country director for the International Labour Organization in Vietnam. "But I can't imagine they will disturb companies' operations, because their number will be small and there is overall political stability."

Business leaders say that while the notion of Vietnam replacing China is unrealistic, it is among the main countries manufacturers are choosing as part of a "China plus-one" strategy — trade war or not. "Nobody has what China has, no country in Southeast Asia," says Sitkoff. "But Vietnam can get some of it."

3. Vietnam Industry 4.0 Summit 2019 to run in early October

The Industry 4.0 Summit 2019 is scheduled for October 2 and 3 in Hanoi, announced the Party Central Committee's Economic Commission on September 25.

The summit will be chaired by leaders of the Party, National Assembly and Government with the participation of about 1,500 domestic and international delegates.

On the sidelines, five symposiums, an exhibition on modern technologies, and a business matching event will take place.

The summit aims to explain key policies of the Party and State on Vietnam's participation in the 4th Industrial Revolution, pool domestic and foreign experts' recommendations for such

engagement, and connect international investors in the field with the Vietnamese business community.

Some 85 percent of industrial enterprises in Vietnam still lag behind the Fourth Industrial Revolution (Industry 4.0), and only 13 percent are at the beginner level, according to Nguyen Duc Thanh, director of the Vietnam Institute for Economic and Policy Research (VEPR).

In a draft national digital transformation plan, Vietnam targets emerging as one of the top four countries in ASEAN in terms of digitalisation by 2025 with 80,000 digital technology companies./.

4. Computer, electronics imports higher than phone export revenue

Preliminary statistics from the General Department of Vietnam Customs indicated that during the first half of September, the country spent US\$2.35 billion importing computers, electronic products and accessories, pushing the total to US\$35.9 billion in the year to mid-September, up US\$6.3 billion year-on-year.

Meanwhile, in the same period, Vietnam earned US\$35.89 billion from exporting phones and phone parts, up a mere US\$1.6 billion year-on-year. As a result, the revenue from phone and phone part exports was lower than the import turnover of computers, electronics and their components.

Vietnam's imports of computers and electronics from many markets have grown strongly over the past few months.

Statistics show that in the January-August period, the country purchased computers and electronic products worth US\$11.8 billion from South Korea, up 3.1% against the year-ago period.

China and Taiwan shipped US\$7.95 billion and US\$3.53 billion worth of computers and electronic products, respectively, to Vietnam, sending

Vietnam's imports of the products from the two countries up 60.1% and 42.1% year-on-year, respectively.

In addition, imports of the item group from the United States into Vietnam jumped 52.2% to US\$3.12 billion against the same period last year.

Vietnam's computer and electronics import bill is expected to continue rising its in the coming months, far exceeding the export revenue of phones and their parts.

In recent years, Vietnam has seen the strong growth of the product group of computers, electronics and accessories due to rising foreign investment in the manufacturing and assembly sectors.

In the year to mid-September, the country's export revenue from the group had amounted to US\$23.58 billion, up US\$3.24 billion year-on-year.

The country had earned US\$181.7 billion from goods exports in the year to mid-September, up 7.7% year-on-year, whereas the total import value amounted to US\$176.2 billion, up 8% against the year-ago period, according to statistics.

5. Vietnam, Belarus tighten economic cooperation

Leaders of Vietnam and Belarus have agreed on proposals for economic and trade cooperation between the two countries, the governmental portal reported.

The shared view was announced during the meeting between Prime Minister Nguyen Xuan Phuc and Belarus's Deputy Prime Minister Igor Lashenko on September 25 in Hanoi.

According to Lashenko, Vietnam and Belarus would jointly kick start truck plant MAZ financed by the two countries on September 26 in Hung Yen province, saying he is committed to promoting more joint ventures between the two countries.

Lashenko expected the two countries to move from purely trading relation to establishment of joint ventures of industrial production.

Lashenko added Vietnam's development strategy is similar to that of Belarus, which focuses on innovation and raising people's income.

Belarus currently has a large-scale tire manufacturing plant using raw rubber from Vietnam, Lashenko said, and proposed the establishment of a joint venture for tire manufacturing in Belarus using Vietnamese raw materials and later export to Eurasian economies.

Lashenko also proposed creating a joint venture in producing potassium fertilizer in Vietnam, and

export more dairy and meat products to Vietnamese market.

With expertise on biotechnology and IT, Lashenko hoped the two countries would continue to cooperate in these fields.

PM Phuc said Lashenko's presence at the inauguration ceremony of the joint-venture truck manufacturing plant indicates special attention of the Belarusian government to bilateral economic projects.

Vietnam is willing to create favorable conditions for the plant to operate efficiently with target markets being ASEAN countries, Phuc added.

Phuc said the automotive manufacturing sector is a priority field in Vietnam, for which the government is expected to issue resolutions guiding the development of the sector.

At the meeting, both leaders expressed belief the bilateral trade turnover would soon reach US\$500 million.

6. Data sharing important in successful use of AI: experts

At an international conference on the use of AI in the city on September 25, technology experts and representatives of State agencies highlighted the vital role of data sharing among businesses and State agencies.

Data sharing is expected to pave the way for AI applications to be used effectively in various fields.

Addressing the event, Bui The Duy, Deputy Minister of Science and Technology, said the city has to intensify investment in resources, especially manpower, to develop AI applications.

More importantly, the city should place an emphasis on data sharing if it wants to successfully use the technology in multiple fields, he said.

Storing data each day is currently not a common practice. Meanwhile, data serves as an important input for AI to function and help AI-powered systems work smarter, according to the deputy minister.

Besides this, the connection and interaction among the State, enterprises, scientists and financial investors are essential in the Fourth Industrial Revolution era, to which the city is advised to pay close attention, said municipal chairman Nguyen Thanh Phong.

Ousmane Dione, World Bank Country Director for Vietnam, said that AI will enable HCMC to develop

into a smart urban city to cope with future changes.

Also, the city is seeking to address existing challenges, such as traffic congestion, flooding, improving the quality of public services, as well as creating favorable conditions for enterprises to develop innovative activities. AI can offer solutions to some of these challenges, given the right enabling environment, said the World Bank representative.

Besides this, representatives from universities underscored the resource factor for AI.

Vu Hai Quan, deputy director of the Vietnam National University-HCMC, said that in the process of developing AI, it is necessary to attach great importance to human resources, as well as training activities.

The university and the HCMC Department of Science and Technology should jointly build an AI program, Quan said.

Quan also placed great emphasis on collaboration between the authorities and universities to optimize resources, preferential policies and mechanisms for the hi-tech sector.

The research on AI in the city is working towards training manpower for AI based on the coordination between schools, employers and the State.

Quan said that to fulfill the target of building a smart city and developing information technology and AI, it is crucial to work out a detailed plan for the short and long terms. The plan should focus on research and training activities, technology applications and innovation.

Further, the city should call upon State agencies, institutions, companies and many others to join in sharing data to leverage AI in an effective manner, said the experts.

Corporate News

7. Samsung arm increases ownership in Vietnam IT firm to 30 pct

↓ -0.27%

Its combined 30 percent stake now, after buying a 25 percent stake comprising newly issued shares last month, is reportedly worth over \$40 million.

CMC said it would use most of the proceeds for developing Internet of things (IOT) and artificial intelligence (AI) technologies with Samsung SDS, the systems development subsidiary of Samsung Electronics.

CMC Chairman and CEO Nguyen Trung Chinh told Nikkei Asian Review this commitment from Samsung would propel CMC into the global league in the next five years and double its overseas sales to more than 30 percent of total sales by 2023.

CMC also aims to integrate its IT systems with Samsung SDS's and use IOT and AI to automate production lines, a model that would be implemented first in Vietnam before being exported to other markets, he said.

Samsung SDS had announced in late July it would buy a 25 percent stake in CMC through a private placement, which it hoped would accelerate its

foray into Vietnam's fledgling cloud market and other markets in Southeast Asia.

Samsung Electronics has two smartphone factories in the northern provinces of Bac Ninh and Thai Nguyen, which produce more than 150 million units a year, or half of Samsung's all global sales.

It also has a home appliances factory in Ho Chi Minh City. Last year Samsung products accounted for over \$60 billion of Vietnam's exports, or around 25 percent of its total.

Founded in 1993, CMC is one of Vietnam's largest IT services companies with revenues of VND5.23 trillion (\$224 million) in 2018.

The Hanoi company has eight subsidiaries and 3,000 employees, and it works mainly in system integration, software development, cloud computing, and IT infrastructure management.

The strategic partnership would also help CMC's goal of reaching \$1 billion in sales by 2023, Chinh said.

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