



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Event seeks ways to better financial knowledge for individual investors

An event to raise investors' financial literacy was held by the HOSE and The Ho Chi Minh Stock Exchange (HoSE) and the Institute of Chartered Accountants in England and Wales (ICAEW) in Ho Chi Minh City on September 30.

The “Ring the Bell for Financial Literacy” event aims to respond to the World Investors Week 2019 (WIW) launched by the International Organisation of Securities Commissions (IOSCO) and the World Federation of Stock Exchanges (WFE) from September 30 - October 4.

Firstly launched by the IOSCO in 2017, the WIW is now responded by 87 countries and territories and international organisations around the world.

Nguyen Thi Viet Ha, a member of the Board of Directors of HOSE, said there are about 2 million

accounts registered on the Vietnamese stock market. Most of those are owned by individual investors.

The number of investors or the public who have finance-related knowledge remains limited, she said, stressing the need to improve knowledge and skills for them, thus increasing the number of investors as well as their investment's efficiency in the market.

A seminar on the importance of financial knowledge training for investors was arranged within the framework of the event, during which participants shared their experience in this field and proposed measures for management and market operating agencies to better the work./.

### 2. Vn-Index fail to conquer 1,000 points in afternoon trading

The benchmark VN-Index on the Ho Chi Minh Stock Exchange slid 0.13 per cent to close at 996.56 points.

The index had risen 0.76 per cent last week.

More than 176.2 million shares were traded on the southern bourse, worth VND4.4 trillion (US\$188 million).

In the morning, the VN-Index surpassed 1,000 points but the buying demand seemed to be weak and didn't spread widely. This triggered selling pressure, causing many large stocks reversed to fall in the afternoon, such as Bank for Investment and Development (BID), FPT Corporation (FPT), Hoa Phat Group (HPG), Kido Group (KDC), Masan Group (MSN), Mobile World Group (MWG), Sabeco (SAB), Vietcombank (VCB) and Vinamilk (VNM).

VCB decreased by 1 per cent to VND82,100 per share. BID lost by 2.1 per cent to VND39,400 per share. MWG fell by 1.5 per cent to VND126,100 per share.

These stocks were among the large-caps that pushed the large-cap VN30-Index down 0.21 per cent to end at 922.89 points.

On the Ha Noi Stock Exchange, the HNX-Index rose 0.27 per cent to end at 105.05 points.

More than 22.4 million shares were traded worth VND392 billion.

In the morning, the VN-Index hit 1,000 points after positive news about GDP in Q3.

According to the General Statistics Office (GSO), local gross domestic product (GDP) climbed nearly 7 per cent in the first three quarters of 2019, reaching its highest level for the last nine years.

The GSO also announced that in the first nine months this year, there was a record number of newly-established enterprises, reaching nearly 102,300. They also had the highest level of capital

in recent years, reaching an average of VND12.6 billion each.

According to BIDV Securities Company (BSC), the 1,000 point mark will still be a strong resistance level for VN-Index in the near future.

Investors can see corrections in the price range from 990 to 1,000 points, BSC said.

However, the Q3 corporate earnings season will be factors that affect investors' decisions, making them shift attention towards firms hoping for full-year earnings growth, it said.

Foreign investors net sold VND75.89 billion on HOSE, including Vincom Retail (VRE) (VND34.88

billion), Masan Group (MSN) (VND23.13 billion) and Vinhomes (VHM) (VND22.59 billion).

According to Bao Viet Securities Company (BVSC), the market is forecast to continuously adjust in several sessions.

“VN-Index will possibly drop to 990-995 points, where the index may need to accumulate before expectantly recovering and successfully breaking resistance zone 1000-1005 points,” BVSC said.

The wide divergence would possibly continue in several sessions. Afterward, if the index can break 1000-1005 points, this divergence might decrease, it said.

## Macro & Policies

### 3. Infrastructure constraint discourages foreign investors in Vietnam

Despite having interests in Vietnam thanks to the country's low-cost labor and fast-growing market, many foreign firms have been hesitant to do business in the country due to major concerns about the country's limited infrastructure.

According to Amanda Rasmussen, chief operating officer of Indo Trans Logistics Corporation, the constraint of the infrastructure in Vietnam, including overloaded airports, limited waterway transport and heavy reliance on roads, has negatively affected American investors' decisions on investing in Vietnam.

Vietnam's logistics costs currently account for 21% of gross domestic product, much higher than in developed economies such as the United States and other Southeast Asian countries, Amanda said, noting that high logistics costs push up firms' costs.

If Vietnam isn't able to fast-track progress in closing its infrastructure gap, it risks losing its "mini-China" status that has drawn so many of Bain & Co.'s toy-supplier clients there since 2015, Gerry Mattios, Bain's Singapore-based vice president told the media. Costs could outweigh the benefits, sending producers to the likes of Sri Lanka or Cambodia, he said.

Infrastructure is a big challenge for Vietnam, especially at its ports. China claims six of the top 10 ports by container traffic in the world - including Shanghai at No. 1 - while Vietnam's two biggest ports, Saigon and Cai Mep, rank No. 25 and No. 50, according to data compiled by Bloomberg Intelligence.

The World Economic Forum ranks Vietnam 80th among 139 countries and territories on the quality of port infrastructure, with an average score of 3.80 between 2006 and 2018 on a scale of 1 (lowest) to 7 (highest). This puts it lower than countries such as China, India, Thailand, and Sri Lanka.

The major challenge facing Vietnam's largest ports is the use of small ports and vessels, which account for approximately 80% of container

imports and exports in the country. Some ports also suffer from being over-burdened with shipments, which has led to congestion and significant delays.

According to the Vietnam Port Association (VPA), goods owners sustain losses of some US\$2.4 billion each year due to the lack of deep-water ports.

Road and rail infrastructure have also not been able to keep up with the country's economic growth. The rail and road network around ports remains underdeveloped, leading to increased costs. Due to the lack of a rail network connecting various ports, freight currently must be transported by road, adding to shipping costs.

#### Top priority

As the country's infrastructure development is far below its requirements, the government has so far put the investment in the sector among its top priorities.

According to Vu Dai Thang, deputy minister of Planning and Investment, developing the infrastructure system has been identified one of three breakthroughs in Vietnam's socio-economic development strategy, besides institutional reforms and human resource development.

However, Vietnam still faces several challenges in the process, Thang said, pointing out that because the size of the economy is not large and resource accumulation ability is limited, maintaining a high level of investment from the State budget will put pressure on the macro-balance and overall development.

In addition, Vietnam is a middle-income country, meaning low-cost loans from foreign countries for infrastructure will be scarce and the country must borrow at higher rates.

Therefore, Thang said, private investment will continue to be an important resource for the country's infrastructure development in the

future, given the government budget constraint for public investment.

However, he noted, efforts are needed in institutional reforms to improve the investment climate and raise private resources for infrastructure.

#### 4. Parcel lockers have great potential in Vietnam's delivery industry: JLL

Parcel lockers or store pick-up options have a promising outlook in Vietnam given fast-growing urbanization in the country, according to a report by JLL Vietnam.

The boom in online shopping leads retailers and logistics providers to look for new ways to deliver orders as quickly and efficiently as possible. Parcel lockers or store pick-up options are among the latest delivery options for shoppers. For store pick-up, shoppers can visit the nearest stores for their package after checking out online. For parcel lockers, shoppers will receive a QR or SMS code upon checkout that will open the locker once the parcel is delivered.

The Visa Consumer Payment Attitudes Study 2018 shows that ecommerce saw a growth of 40% in total value of purchase compared to the year before. "The accelerated growth is both good and bad news for retailers, who are in need of better delivery options to tackle the challenges of last mile deliveries from warehouses to homes and offices," Stephen Wyatt, country head of JLL Vietnam comments.

"Trying to deliver packages to customers who aren't home can cause delays on delivery routes, while getting orders to individual addresses often means putting vehicles on the roads before they're full, raising costs and contributing to city center congestion and air pollution."

Although they are a familiar sight in many other countries, lockboxes are currently not widely available in Vietnam. DHL has a network of 340,000 lockers in Germany and major UK fashion brands like ASOS utilizes them to let customer return products anytime they want. Sportswear brand Decathlon also installed 1,500 lockers to support its click-and-collect delivery option. These boxes are even creatively used as self-checkin

device for many AirBnB homes, with house keys stored in a lockbox with a unique code provided only to registered guests.

A good location for lockers depends on retailer customer profiles – how frequently customers order and where they live. This is where big data can provide insight into the most effective locations, Stephen said. What's key is that customers can pick up the parcel along their usual journey, without a detour. Furthermore, lockers need to be in secure locations with good surveillance to minimize the risk of theft or vandalism.

Down the line, new residential and mixed-used developments in Vietnam could include a block of lockers, accessible by all residents as well as retailers. Currently, most big packages delivered to residential buildings are left at the door or reception table. With hundreds of packages arriving each day for the thousands of residents, parcel lockers can minimize the risk of mixing up or losing packages, Stephen said.

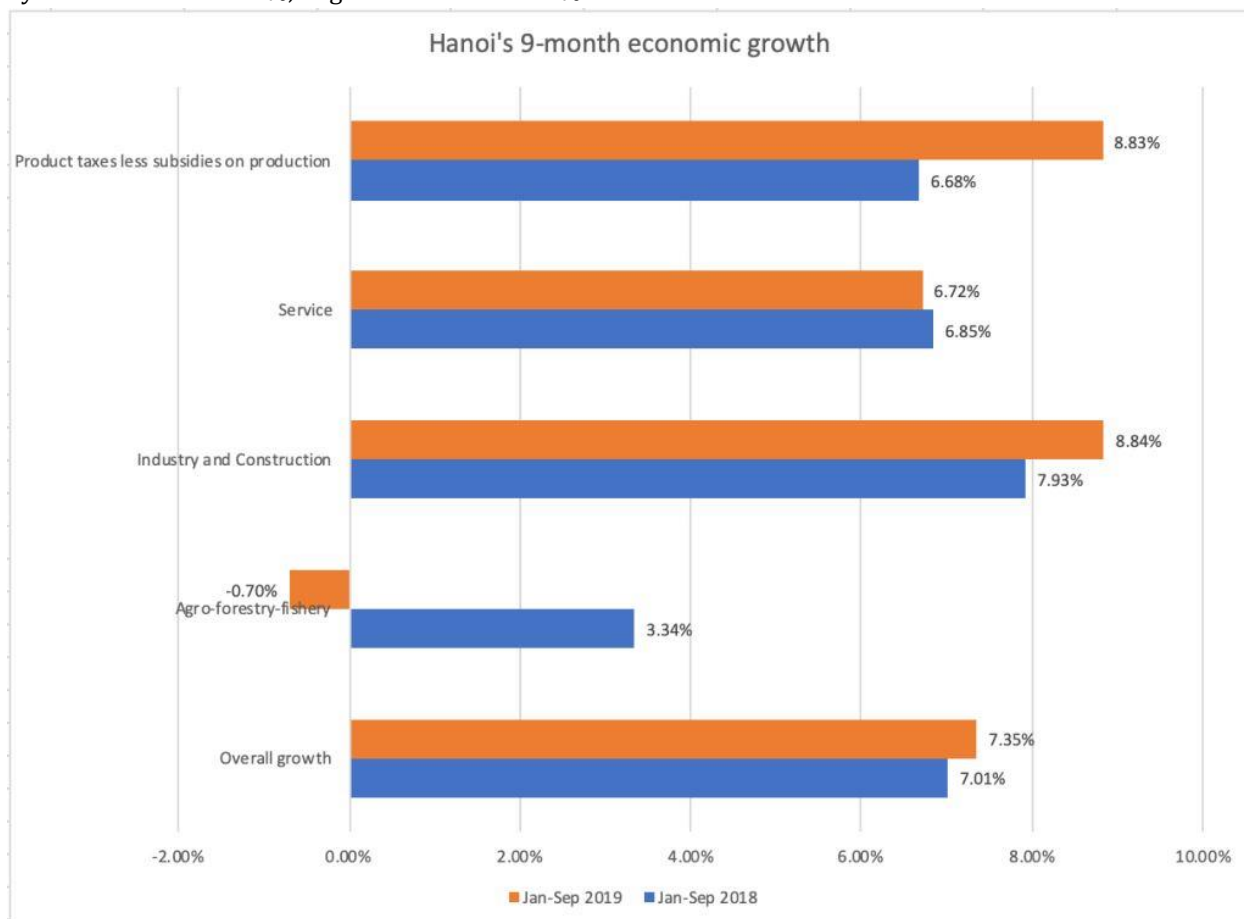
Urbanization is speeding up, and this means more and more people are moving to the city every year. According to JLL's data, the number of apartments in Ho Chi Minh City has increased from 67,200 to 180,000 units in the period of 5 years, an approx. 190% growth from 2014 to Q2 2019. For landlords, providing the convenience of parcel lockers could be an additional perk that attracts commercial and residential tenants – especially as online shopping continues to grow.

In the future, refrigerated lockers for food and grocery orders could also become popular fixtures, JLL concluded.

## 5. Hanoi GRDP grows 7.35% in Jan-Sep

In the first nine months of 2019, Hanoi's gross regional domestic product (GRDP) has expanded by an estimated 7.35%, higher than the 7.01%

growth recorded in the same period last year, according to the municipal Statistics Office.



The high growth rate was thanks to strong economic growth of 7.62% in the third quarter (Q3), higher than growth rates of 7% and 7.41% recorded in Q1 and Q2, respectively.

In the January – September period, the agriculture, forestry and fishery sector declined 0.7% year-on-year, versus an expansion of 3.34% in the same period last year, (mainly due to the impact of African swine fever), which led to a decrease of 0.02 percentage point to the overall growth. The industry and construction sector rose by 8.84%, higher than last year's year-on-year growth of 7.93%, contributing 2.51 percentage points to the overall growth. The service sector climbed by 6.72%, contributing 4.64 percentage points.

In the first nine months of 2019, FDI committed to Hanoi reached US\$5.22 billion, while total registered capital for new and existing projects stood at US\$1.01 billion as of September 20, including 631 new projects with US\$503 million, and US\$509 million in additional funds for 148 ongoing projects.

Hanoi has seen a total of nearly 20,562 enterprises registered for new establishment in the first nine months of 2019 with registered capital of VND263.8 trillion (US\$11.36 billion), up 9% in the number and 28% in the capital year-on-year. Meanwhile, the number of enterprises that completed bankruptcy procedures climbed 30% year-on-year to 1,500. Up to 6,458 enterprises suspended operations temporarily, up 26% and 4,450 resumed operation.



For the first time since the launch of the provincial competitiveness (PCI) index report in 2005, Hanoi has been named among the top 10 ranking nationwide, claiming the 9th rank out of 63 provinces and cities with a score of 65.40.

Total retail sales of consumer goods and services grew by 10.3% in the January – September period to VND412 trillion (US\$17.74 billion), including VND70.5 trillion (US\$3.03 billion) from the state sector, up 5.3% year-on-year, private sector with VND319 trillion (US\$13.47 billion), up 12.1%, and the foreign-invested sector with VND22.5 trillion (US\$969.27 million), up 2.3%.

In the first nine months of 2019, Hanoi posted export revenue at US\$12.4 billion, up 20.4% year-on-year, while importing goods worth US\$23 billion, up 2%, resulting in a trade deficit of US\$10.6 billion.

The consumer price index (CPI) expanded 0.12% month-on-month in September, 2.64% against last December and 2.31% year-on-year. Overall, Hanoi's CPI in the first nine months increased by an average 3.74% year-on-year.

During the period, the city's state budget revenue reached VND171.7 trillion (US\$7.4 billion), equivalent to 69.9% of the year's estimate and up 15% inter-annually. Of the total, revenue from crude oil reached VND2.6 trillion (US\$111.98 million), up 16.8% year-on-year, and domestic revenue of VND169.1 trillion (US\$7.28 billion), up 15%.

Hanoi targets GRDP growth rate of 7.5% in 2019 and 2020, leading to the GRDP growth in the 2016 – 2020 period of 7.33% - 7.41%, which is in line with the city's five-year development plan.

## 6. Savills sees valuation professionalism growing across Asia & in Vietnam

**How do you evaluate the valuation sector in Vietnam? As an emerging economy and a young real estate market, what are the challenges for the valuation practices in our country?**

The property valuation industry in Vietnam is still young but is gradually aligning with international valuation standards. Currently, the biggest challenges are quality control and inconsistent, ineffective and non-transparent market information.

Recently, the Vietnamese government has worked hard to improved land governance and database through a project funded by the World Bank that lasts until 2021 with an aim to improve the efficiency and transparency of land administration services, through the development and implementation of the national Multipurpose Land Information System (MPLIS). The project includes establishment and development of MPLIS and land database will provide technical assistance for the development of MPLIS and land database, finance digitization of existing maps and records on land use rights; updating and integration of cadaster data, land price data, land use plan data, and land statistics and inventory, etc. This system, however, remains ineffective for flexible

transaction structure or unofficial transaction value.

Another interesting factor influencing property value and real estate market is land planning. All projects' land uses should follow the high-level land planning; however, inefficiency in land planning management results in market values fluctuation thus showing inconsistent market information. This is more important since the land uses planning are not publicly approached and nowadays provincial governments have re-enforced all projects master plan to go public.

Last but not least, the valuation market practice was inconsistent for difference purposes then inconsistent information and data introduced. There are different property pricing systems and levels. For example, there is different land price for state compensation purpose, for land financial obligation calculation purpose and different market values following International Valuation Standards Council (IVSC).

For those discussed above, property valuation in Vietnam is now facing difficulties and challenges. However, there will be big potential since the market is growing and the narrowing gap with the

region brings a lot of demand for market valuations.

### **How do you see the valuation sector growing in professionalism in Asia and Vietnam?**

The real estate valuation industry is regulated by professional bodies on both a global basis by the Royal Institution of Chartered Surveyors (RICS) and local bodies - for example, Singapore Institute of Surveyors and Valuers (SISV). All have their own professional standards and guidelines, and both contribute to the betterment of the industry as a whole.

In Vietnam, Savills always ensures all its valuations comply with RICS and International Valuation Standards Council (IVSC) (which have been recognized by financial institutions, developers, and investors) whilst adapting market practices in Vietnam.

Similar development exists within the business valuation industry. The establishment of the Institute of Valuers and Appraisers of Singapore (IVAS) in Singapore is a good example. IVAS was founded in 2013 under the auspices of the Singapore Accountancy Commission (SAC), a statutory body of the Ministry of Finance, Singapore.

IVAS was established to advance the business valuation profession. It seeks to broaden the talent pool, deepen the expertise of business valuers, and to ensure quality in the delivery of work. The objective is to ensure that the business valuers are competent, trained, developed and adhere to the professional standards set by the industry. This initiative resulted in a certification program launched by the institute which led to qualified and experienced business valuers being awarded the designation of Chartered Valuer and Appraiser (CVA).

Both the SISV and IVAS are members of the IVSC, the global organization that sets the International Valuation Standards (IVS) and Professional Membership Obligations.

At Savills, our business valuers are CVAs and our real estate valuers consist of members of SISV and RICS. The RICS has recently included business valuation as a regulated service. We have also implemented a global procedures document which governs our internal policies and reporting standards across both real estate and business valuation. It is important that our team at Savills maintains strict adherence to the professional standards of SISV, RICS and the Professional Membership Obligations of the IVSC when delivering quality valuation in the marketplace.

### **The valuation profession is likely to face a period of significant change in the coming years, in terms of how the process is managed, the role of the valuer and the benefits they can offer to clients. How is the evolution in technology, for example, likely to impact real estate valuation?**

Valuation is seen by many in the real estate industry as a tedious task; but for good reason. There is undoubtedly a number of our processes which could have easily been automated many years ago, albeit at the sacrifice of the detail and professional experience required to conclude a qualified opinion.

The key is to find a balance between automation and trusted advice. Savills is constantly exploring new automation initiatives and will be a leader in this global evolution. We have recently invested in numerous PropTech startup companies in both Singapore and abroad, with this in mind.

### **Real estate tech startups are changing property valuation, what are your thoughts on this?**

The introduction of AI has certainly assisted valuers by eliminating the more mundane aspects of the process. It will more than likely separate the industry by providing valuation solutions for least complex real estate asset classes. Conversely, the more sophisticated assets will still require human interaction and specialized expertise.



## 7. Economists upgrade Vietnam's growth forecasts as Q3 GDP growth accelerates

Economists are upgrading their growth projections for Vietnam after data released last weekend showed the economy surged more than 7% in the third quarter, Bloomberg reported.

Citigroup revised its full-year forecast to 6.9% from 6.7% previously, on the basis of another solid performance in the fourth quarter. Analysts at Maybank Kim Eng Research Ltd. now see 7% growth for the year versus a prior call of 6.8%.

Solid exports and manufacturing growth underpinned the third-quarter gain of 7.31%, flouting a regional slowdown triggered by US-China and Japan-South Korea trade tensions and waning global demand.

The expansion was the fastest pace since the start of last year, and reflects growing foreign investment into Vietnam as businesses shift production from China to bypass higher tariffs.

Rising foreign direct investment and “buoyant domestic demand, as suggested by the recent robust retail sales growth,” will keep the momentum going through year-end and in early 2020, Maybank economists Linda Liu and Chua Hak Bin said in a research note.

The Asian Development Bank (ADB) previously retained its growth forecast for Vietnam's economic growth at a “healthy rate” of 6.8% and 6.7% in 2019 and 2020, after growing robustly by 7.1% last year.

While sharing the same view with other forecasts that Vietnam's economy remains healthy thanks to continued strength in domestic demand and sustained inflows of foreign direct investment, ADB Country Director for Vietnam Eric Sidwick noted further escalation of the US-China trade tension and continuing global economic slowdown could shrink global trade, which will adversely impact the country's trade performance and economic growth.

According to the General Statistics Office (GSO), Vietnam's GDP expanded 7.31% year-on-year in the third quarter (Q3), higher than the growth rate of 6.82% in Q1 and 6.73% in Q2 this year.

Overall, Vietnam posted year-on-year GDP growth of 6.98% in the first nine months of 2019, the highest nine month growth rate of the last nine years.

## Corporate News

### 8. CII: Updated information on Trung Luong My Thuan Project

↑ 2.80%

Hochiminh City Infrastructure Investment Joint Stock Company (CII) updates information on Trung Luong - My Thuan Highway Project as follows:

On September 26, 2019, the Minister of Government Office signed Announcement

No.8716/VPCP-KTTH. Accordingly, Trung Luong - My Thuan Highway Project was approved to invest VND2,186 billion from the 2018 Central Budget. Besides, the People Committee of Tien Giang Province completed the space clearance for the project. The project is expected to be finished basically in late 2020.

### 9. BIDV named strongest brand in Vietnam this year

↓ -2.11%

The Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV) is the strongest Vietnamese brand in 2019 in terms of the Brand Strength Index (BSI), according to the Brand Finance, an independent branded business valuation and strategy consultancy firm.

Last year, the bank held the 5th place.

Its brand was valued at 450 million USD this year, which doubled the 2016 figure of 218 million USD, making it among the 10 most valuable brands in Vietnam for two consecutive years, the consultancy firm said.

The BIDV's brand strength rating has improved from A in 2016 to AAA- in 2019. It is the only firm in Vietnam to earn the rating this year.

The lender scored 80 out of the 100 in BSI in 2019. The firm also climbed 44 places to secure the 307th position in the world's 500 most valuable banking brands.

By the end of the year's first half, the BIDV had had a total asset of more than 1.4 quadrillion VND (60.2 billion USD), up 6.6 percent from the last year's end. It earned over 4.77 trillion VND in pre-tax profit in the first six months.

Brand Finance is the world's leading brand valuation firm headquartered in the UK. Its brand evaluation results are annually published in international media such as The Banker, BBC, CNN, CNBC, Bloomberg, The Economist, and The Wall Street Journal.

It is also one of the few agencies to meet the ISO 10668 brand valuation standards./.

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