VIETNAM DAILY NEWS

October 03rd, 2019

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Market Analysis

1. Shares lose steam as selling pressure increases

The benchmark VN-Index on the Ho Chi Minh Stock Exchange lost 0.84 per cent to close Wednesday at 991.19 points.

Nearly 179 million shares were traded on the southern bourse, worth VND4.24 trillion (US$183.2 million).

The VN-Index rose 0.3 per cent to close at 999.59 points on Tuesday.

This is the second time in the last three sessions the VN-Index has surpassed 1,000 points but failed to maintain the momentum till the end of trading.

According to Sai Gon-Ha Noi Securities Co (SHS), this movement may affect investors' expectations.

Strong fluctuations on Wednesday were attributed to negative movements of global stocks.

The S&P 500 and Dow suffered the worst crises in more than a month on Tuesday after data showed factory activity in the US dropped to its weakest level in more than a decade, raising concerns that a trade war between the US and China is hampering the world's largest economy.

The Dow Jones decreased by 343.79 points, equivalent to 1.28 per cent, to 26,573.04 points. The S&P 500 lost 36.49 points, equivalent to 1.23 per cent, to 2,940.25 points. This is the sharpest decline for the two indices since August 23, when President Donald Trump asked US companies to find alternatives to doing business with China. Nasdaq fell 90.65 points, or 1.13 per cent, to 7,908.69 points.

Large-caps were strongly hit, including Vingroup (VIC) (-1.6 per cent), Vietcombank (VCB) (-1.7 per cent), PetroVietnam Gas JSC (GAS) (-2.5 per cent), Masan Group (MSN) (- 2.3 per cent), Vinamilk (VNM) (-0.8 per cent), Vincom Retail (VRE) (-2.1 per cent), Vietinbank (CTG) (-1.4 per cent) and Vinhomes (VHM) (-0.2 per cent).

On a sector basis, wholesale, retail, insurance, real estate, energy, banking, information and technology, agriculture, food and beverage, seafood processing, construction materials and logistics were among the losers on Wednesday.

On the Ha Noi Stock Exchange, the HNX-Index was down 0.55 per cent to end at 105.27 points.

More than 22.3 million shares were traded on the northern market, worth VND312 billion.

The northern market index was up 0.76 per cent to end at 105.85 points on Tuesday.

Foreign investors offloaded VND345.74 billion on the HOSE, including Phat Dat Real Estate Development JSC (PDR) (VND89.04 billion), Vinamilk (VNM) (VND61.50 billion) and Vingroup (VIC) (VND41.99 billion). They were also net sellers on the HNX with a value of VND5.5 billion.

Macro & Policies

2. FMCG keeps growth momentum in Vietnam's rural areas

In the short term, the fast moving consumer goods (FMCG) market growth in Vietnam is driven by the increase in both volume consumption and the paid price with a slight slowdown in Urban 4 cities but a good momentum in Rural.

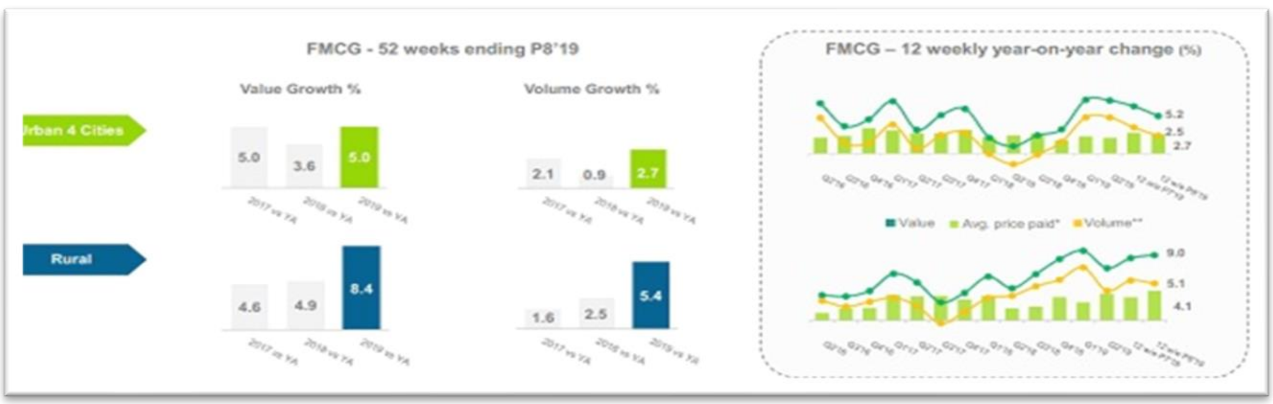
Personal Care keeps riding the growth wave in both Urban 4 cities and Rural. Dairy recovers in Urban market while achieving a strong growth in Rural. Noticeably, Beverages suffers a negative performance in Urban 4 cities.

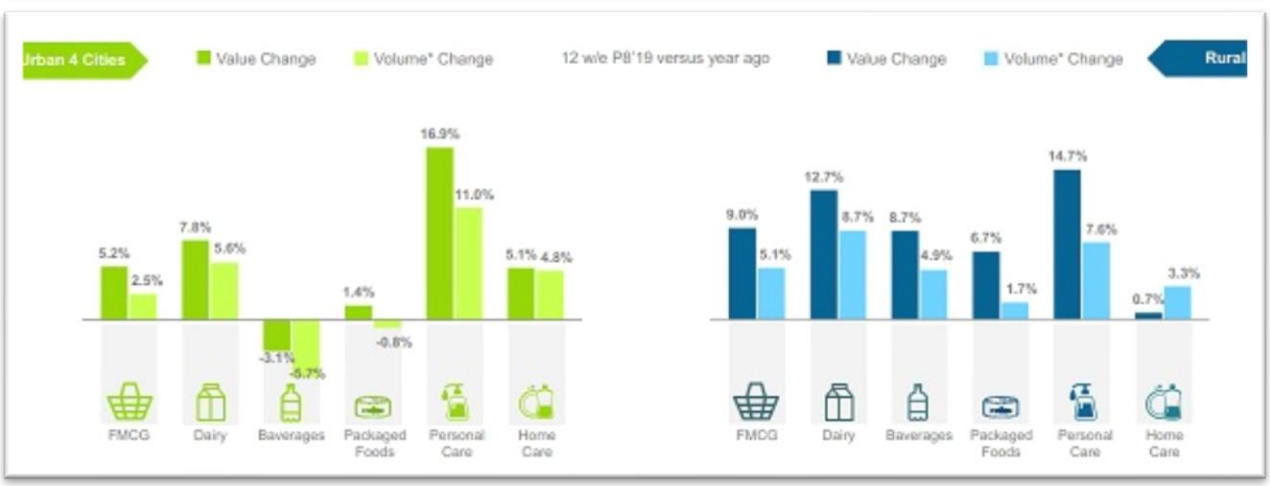
In the long term, the FMCG market speeds up in both Urban 4 cities and Rural areas, Kantar Worldpanel has said in a monthly note for October. Urban 4 cities include Ho Chi Minh, Hanoi, Da Nang and Can Tho.

Instant Coffee remains healthy growth despite the decline of the Beverage segment in Urban 4 key cities. Its growth is driven by the increased volume consumption. Meanwhile, Beer performs well in Rural, enjoying a double digit growth mostly thanks to the up-trading trend.

The note shows that emerging channels such as mini stores, specialty stores, online continue leading the FMCG growth in Urban 4 cities. In Rural, modernized street shops, specialty stores and hyper & supermarkets have expanded and recruited new shoppers while wet market shrinks.

Despite less than one fifth of FMCG spending allocated in emerging channels (online, mini stores, specialty stores), two thirds of total incremental spending come from these channels. It is expected to continue evolving fast and driving the future growth with new formats developing, aided by the advancement of new technology.





3. Hanoi continues to lead Vietnam in FDI attraction with US$6.15 billion in Jan-Sep

Among 59 cities and provinces having received direct foreign investment (FDI) in the first nine months this year, Hanoi has attracted the largest portion of capital commitments with over US$6.23 billion, accounting for 23.5% of total nationwide, according to Nguyen Manh Quyen, director of the municipal Department of Planning and Investment.

The result indicated improvements of Hanoi's business and investment environment, Quyen said at a meeting on October 1.

Ho Chi Minh City came second with US$4.52 billion or 17.3% of the total investment, followed by Binh Duong with over US$2.52 billion, accounting for 9.6% of total investment.

As of present, Hanoi has accumulated a total of US$41.3 billion in registered FDI, of which the actual disbursed amount stood at US$24.9 billion, or 49.7% of the total.

Hanoi has seen a total of nearly 20,562 enterprises set up in the first nine months of 2019 with registered capital of VND263.8 trillion (US$11.36 billion), up 9% in number and 28% in 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, a rise of 26% and 4,450 resumed operation.

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%.

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's gross regional domestic product (GRDP) expanded by an estimated 7.35%, higher than the 7.01% growth recorded in the same period last year,

The consumer price index (CPI) rose 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% against the same period last year.

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

4. Vietnam exports grew 8.2% until September

According to the Ministry of Industry and Trade, about 26 groups of products are confirmed as the mainstays in exports with sales that surpass US$1 billion, but five of them are star products in foreign trade, generating incomes for more than US$10 billion.

Cellphones and parts generated US$38.6 billion, an increase of 5.1%, electronics, computers and spare parts sold US$55.4 billion, and clothes and textile industry nearly US$24.8 billion, for an increase of 10.4%.

Footwear and leather goods also sold US$13.3 billion, an increase of 13.5% and machinery, equipment and spare parts generated US$12.9 billion, 7.5 % more.

Vietnam's foreign trade reached in 2018 a new output of US$483.2 billion and a record superavit of US$6.8 billion.

5. Fitch ups Vietnam growth forecast, but warns of bottlenecks

This figure was raised after Vietnam's real GDP growth (adjusted for inflation) accelerated to 7.3 percent year-on-year in Q3, from 6.6 percent year-on-year in Q2, driven primarily by stronger growth in the manufacturing sector, said the macro-research firm.

The acceleration in growth was underpinned by the ongoing influx in companies from China amid the U.S.-China war, given that manufacturing continued to outperform other sectors in the third quarter, Fitch said.

It noted that the manufacturing sector grew by 12 percent year-on-year in Q3, versus 10 percent in Q2, while corresponding growth for the construction sector was 9.7 percent and 9.1 percent respectively.

However, Fitch also noted that the influx of companies from China as a result of the U.S.-China trade war appeared to be putting increasing stress on infrastructure and labor in Vietnam, challenges that could cap growth in the short term.

According to a report by the Wall Street Journal, which cites Agility Global Integrated, a global logistics company headquartered in Kuwait, trucks are having to wait four to five days for unloading a container at the HCMC Port.

Given these factors, Fitch Solutions did not revise its previous 2020 real GDP growth forecast of 6.8 percent.

According to Vietnam's General Statistics Office, Jan-Sept GDP growth was 6.98 percent, the highest in nine years. The government has targeted a 2019 GDP growth of 6.6-6.8 percent.

6. WB chief economist suggests actions for Vietnam to overcome challenges

Vietnam's achievements since the beginning of its Doi Moi strategy in 1986 are nothing short of exceptional. Vietnam's shift from a centrally planned to a market economy has transformed the country rapidly from one of the poorest in the world into one of the most dynamic economies in the East Asia region.

The World Bank Group has been an important partner for Vietnam since the beginning of this transition. The strong partnership that the World Bank Group has built in Vietnam over the course of the past 25 years was apparent during all my discussions with local stakeholders. The conditionality of World Bank financing has been an important means to pass complex reform programs, to focus on critical actions, and to ensure adequate social and environmental safeguards.

Despite the spectacular progress achieved thus far, however, the current development model presents important challenges, Goldberg said.

Vietnam today specializes in limited manufacturing, i.e. it produces and exports low value-added manufacturing products that require low-skilled work. Going forward, it is important that Vietnam upgrades, increases domestic value added and per capita incomes, and moves to the next stage of development. Upgrading however may present even bigger challenges than succeeding in basic manufacturing.

What is more, a buoyant international environment is normally necessary to support such transitions, but important sources of uncertainty and stressors are emerging in the global landscape.

Goldberg put forward four sets of actions that Vietnam can implement to fend off these domestic and external challenges.

First, future growth requires implementation of an ambitious agenda in key policy areas: deep domestic policy reforms; investment in infrastructure and connectivity; climate change resilience and adaptation; improvement, reskilling and retention of human capital; and establishment of a cooperation framework for regional solutions to the threats to the Mekong Delta survival. Some of these areas are specific to Vietnam, but several are typical of all middle-income countries, and Vietnam can draw on the successes and failures of other countries in informing its policies. Progress in all areas can be made assuming there is political will to take the necessary actions.

Second, beyond the large reforms, there are many concrete small steps that can be taken immediately. For example, domestic supplier programs or international certification initiatives can help increase the connectivity of domestic firms to FDI and facilitate knowledge transfer. Such steps can be easily identified through research and data analysis, provided the country opens access of its microdata to the research community and its development partners.

Third, in the face of a deteriorating international environment, Vietnam should resist the temptation to become protectionist. While the long-run future of Vietnamese exports to the U.S. and Europe may be uncertain, a large integrated regional market in South East Asia is a real possibility. Most countries in the region have been open for decades

Creating a large regional market, similar to what the EU is for Europeans, could have large growth effects for member countries. Vietnam could take the lead in ASEAN to drive this effort, especially in services. While services require a much more ambitious agenda of deep integration than manufacturing, this is an area where Vietnam could think big and provide a counterbalance to the protectionist tendencies in other regions of the world. The window of opportunity is now, as Vietnam assumes the Chairmanship of ASEAN this October.

Finally, Vietnam should embrace the sustainability and shared prosperity agenda. Vietnam aspires to become a modern economy, and in doing so, it faces the same issues that advanced countries are currently confronting. This means that the country needs to go beyond growth: it needs agendas for ethnic minorities; gender equality; urbanization and congestion; air pollution; climate change adaptation. Solving these problems will create growth and higher incomes, and potentially competences and solutions that are exportable.

In each of the above areas, the World Bank Group can contribute analytical expertise and instruments to support the country. Focusing on inclusive growth and sustainable development, rather than exclusively on high short-run growth, will help the country avoid the middle-income trap and transform itself to an advanced, modern economy, the chief economist concluded.

Corporate News

7. CMG: Increasing charter capital

↓ -0.80%

CMC Corporation has raised its charter capital:

- Old charter capital: VND100,000,000,000
- New charter capital:VND130,000,000,000

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