



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Shares open week on negative note, foreign net sells continue

The VN-Index on the Ho Chi Minh Stock Exchange inched down 0.46 per cent to end the session at 983.09 points.

On the Ha Noi Stock Exchange, the HNX-Index decreased 1.36 per cent to close at 103.73 points.

The benchmark VN-Index lost total 1.03 per cent last week while the minor HNX-Index gained total 0.37 per cent.

A total of nearly 209 million shares worth VND5.55 trillion (US\$238 million) were traded on the two markets.

Large caps were the main drag when 21 of the top 30 shares by market value and liquidity on the HCM City's bourse lost value, only six gained and three closed flat.

Despite the securities companies' forecasts of strong earnings in the third quarter (Q3), financial stocks were the biggest losers on Monday. Big names such as Vietcombank (VBC), Vietinbank (CTG), BIDV (BID), Techcombank (TCB), VPBank (VPB), Military Bank (MBB), Phu Nhuan Jewelry (PNJ), Bao Viet Holdings (BVH) and SSI Securities (SSI) all fell.

BVH, VPB and SSI lost more than 2 per cent while the others dropped between 0.3 per cent and 1.9 per cent each.

Some bucked the trend such as Vinamilk (VNM), brewer Sabeco (SAB), PV Gas (GAS), sugar manufacturer Thanh Thanh Cong-Bien Hoa JSC (SBT) and Sacombank (STB) but their growth was modest of less than 1 per cent and failed to rescue the market.

Foreign traders continued their sells. They were net sellers on the Ho Chi Minh Stock Exchange for VND45.8 billion on Monday, down 83 per cent compared to the last session, but this was the 10th consecutive net selling session here with total value of VND1.3 trillion (\$55.8 million).

They were net buyers on the Ha Noi Stock Exchange for a small value of just VND127 million.

“Foreign investors have not shown signs of stopping their net selling activities. If this net selling trend continues with high volume while the global market experiences negative movements, the market will face significant pressure in the short run,” said Tran Xuan Bach, a stock analyst at Bao Viet Securities Co.

Key international event this week is the US-China trade talks, which will take place in Washington on Thursday and Friday.

In the daily report on Monday, Bach forecast the VN-Index would move around 978-982 points in the short term to accumulate a better price before sending clearer signals of future directions. Sectors with expected positive profit in Q3 included banks, retail sales, real estate, electricity and natural rubber.

According to MB Securities Co, a positive factor is that more money was channelling into the market which helped absorb the net selling amount from foreign investors. The average trading value increased from VND2.3 trillion to VND3.3 trillion in the last five weeks.

## Macro & Policies

### 2. Value chains help Vietnamese tuna become more competitive

Value chains, which involve fishing, processing and consumption of tuna, have helped Vietnamese tuna products gain competitive edge in more than 200 markets worldwide, according to insiders.

#### Close linkage between fishermen and businesses

According to the Ministry of Agriculture and Rural Development's Directorate of Fisheries, thanks to a project to develop tuna value chain implemented by the ministry in the past five years, the tuna fishing and processing industry has enjoyed impressive achievements.

During 2014-2018, annual tuna output grew by an average 6 percent while tuna export increased by an average 7 percent each year. In the first nine months of 2019, Vietnam shipped over 550 million USD worth of tuna to foreign markets, a year-on-year increase of 16 percent.

Deputy Director General of the Directorate of Fisheries Nguyen Quang Hung said that the country has 25 ports serving tuna fishing vessels and 60 firms processing tuna for exports.

The tuna fishing fleet numbers nearly 48,000 offshore vessels, catching around 170,000 tonnes of tuna each year, or four times higher than the amount recorded in 2014, he added.

Besides making heavy investment in storage facilities, processors and exporters have paid due attention to increasing added value of the fish and promote export of processed tunas like tuna canned in oil, pouched tuna, and tuna fillet.

Vice Director of Binh Dinh province's Department of Agriculture and Rural Development Tran Van Phuc laid stress on the significance of the close coordination among fishermen, purchasers, processors and exporters, saying it contributes greatly to the success of tuna sector.

Currently, the country has nine tuna value chains, four of which are in Binh Dinh province, two in Phu Yen and three in Khanh Hoa, he said, adding tuna fishermen are equipped with Japanese fishing tools.

#### Huge potential for tuna export

The Vietnam Association of Seafood Exporters and Producers (VASEP) said the US and Europe have the largest demands for tuna. A survey by US-based firm Tri Marine, which is now owned by Italy's Bolton Group showed that canned tuna, which is a key export item of Vietnam, is favoured over other tuna products in the US market.

This trend in the taste of foreign consumers is favourable for Vietnamese exporters.

However, as the world market is certain to fluctuate, Hung suggested the Government and competent ministries, sectors and branches to arrange resources to upgrade specialised fishing ports and developed tuna logistics services so that the tuna industry can maintain its momentum.

In addition, he said research institutes and universities should enhance scientific research and transfer fishing, processing and preserving technologies to fishermen and firms to improve tuna quality./.

### 3. Jan-Sept period sees record number of new firms

Nearly 102,300 new enterprises were established in nine months of this year, a new record so far, with a total registered capital of over 1.29 trillion VND (56.08 million USD), reported the General Statistics Office.

The figures showed increases of 5.9 percent in the number of enterprises and 34 percent in registered capital year-on-year.

The average registered capital of each new firm is 12.6 billion VND, the highest seen so far, demonstrating better health of the newcomers.

Meanwhile, 27,600 firms resumed their operations in the period, up 20 percent year-on-year.

Newly-established firms employed 929,800 workers, up 13.4 percent from the same period last year.

Among the new firms, about 1,500 operated in agro-forestry-fisheries, accounting for 1.5 percent. There were 27,500 in industry and construction and 73,300 in services, accounting for 26.9 percent and 71.6 percent, respectively.

All economic zones saw increases in the number of new businesses, including the Red River Delta up 8 percent, the northern and midland mountainous region 0.1 percent, the north central and coastal central region 5.7 percent, the Central Highlands 13.4 percent, the southeast 5.2 percent and the Mekong River Delta 1.6 percent.

Enterprises that suspended their operations numbered 21,200, down 7.9 percent annually while 28,200 others stopped operation to wait for dissolution.

In order to improve corporate competitiveness, Nguyen Minh Thao, head of the Central Institute for Economic Management's Business Environment and Competitiveness Department suggested stepping up reform and start-ups, thus contributing to economic growth./.

#### 4. Bac Giang event to foster tourism, business activities

A culture, tourism and trade week opened in the northern province of Bac Giang on October 5, attracting the participation of more than 500 businesses.

Vice Chairman of the provincial People's Committee Duong Van Thai, who is also Chairman of the Business Association of Bac Giang, said the first-ever event aims to mark the 15th Vietnamese Entrepreneurs' Day (October 13) and promote cultural, tourism and trading activities in the locality.

It is also an occasion for local firms and craft villages to popularise their brands, introduce products and seek business and investment partnerships, he noted.

The week, taking place in Bac Giang city until October 12, features a wide range of activities

such as trade and investment promotion workshops, contract signing between domestic and foreign businesses, and dissemination of the Law on Support of Small- and Medium-sized Enterprises.

An automobile, motorcycle and bicycle exhibition, a fair with 250 booths, along with activities to introduce the Tay Yen Tu spiritual and ecological tourism complex also form part of the event.

Local authorities reported that nearly 900 businesses have been set up in Bac Giang province since the beginning of 2019, up 6.5 percent year on year, raising the number of companies here to over 9,100. The local nine-month industrial production value approximated 153.6 trillion VND (6.6 billion USD), up 31.3 percent./.

#### 5. Why Vietnam ranks eighth among top 20 countries to invest in

##### The country's corruption

Transparency International, the global civil society organisation leading the fight against corruption, ranked Vietnam the 117th amongst 180 countries and territories in its latest 2018

Corruption Perceptions Index (CPI), dropping 10 places compared to 2017. It scored 33 points out of 100 in the 2018 CPI, down two points compared to 2017.

The CPI index ranks 180 countries and territories and countries by their perceived levels of public sector corruption, according to experts and businesspeople. The index scores include a scale of zero to 100, where zero is highly corrupt and 100 is very clean.

Among ASEAN nations, Singapore led the rankings at third, followed by Brunei and Malaysia at the 31st and 61st positions. Indonesia ranked 89th, while the Philippines and Thailand tied at the 99th position.

Myanmar and Laos were tied at 132nd, while Cambodia ranked the lowest at 161st.

### **A dynamic country**

Vietnam's shift from central planning to market economy transformed it from one of the poorest in the world into a lower middle-income country. Vietnam is now one of the most dynamic emerging countries in the East Asia region, according to the World Bank in Vietnam.

Over the past 30 years, Vietnam has had a remarkable development record. Economic and political reforms under *doi moi*, launched in 1986, have spurred rapid economic growth and development and transformed Vietnam from one of the world's poorest nations to a lower-middle-income country.

### **Economic stability**

The Asian Development Bank expects Vietnam to grow by 6.8 per cent in 2019 and 6.7 per cent in 2020.

"Economic growth will likely hold up well in the near term, supported by export-oriented manufacturing, foreign direct investment, and sustained domestic demand," Eric Sidgwick, ADB country director for Vietnam, said Wednesday at the release of the bank's Asian Development Outlook (ADO) 2019 report.

Growth will continue to be broad-based, underpinned by robust private consumption, the continued expansion of manufacturing, services, and agriculture, and greater market access for Vietnam's exports through various free trade agreements, including the recently ratified

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the report says.

Inflation is expected to average 3.5 per cent in 2019 and 3.8 per cent in 2020.

### **Entrepreneurial Vietnam**

A survey says 25.7 per cent of young Vietnamese want to work for themselves, with tech growth fuelling entrepreneurship.

The survey of young people in six ASEAN countries released Friday by the World Economic Forum ranks Vietnam third in entrepreneurial ambition.

It was behind Indonesia (35.5 per cent) and Thailand (31.9 per cent), said the survey, which polled 56,000 people aged 15-35 from Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam in July.

Vietnam is seeing an increasing interest from young people in establishing their own businesses. Local startups received a combined \$889 million through 92 investment deals last year, according to Topica Founder Institute, a startup accelerator programme in Vietnam and Thailand.

This was three times the amount the community received in 2017 with the same number of deals, and six times that in 2016, it said.

### **Favourable tax environment**

The country is creating favourable conditions for the investor to invest via a transparent tax environment.

Foreign investors considering the Vietnamese market are often drawn by its competitive costs. Vietnam's low wages have traditionally provided cost savings, however, the country has also quietly developed one of the most competitive tax regimes in Southeast Asia. Vietnam's tax incentives are a standout feature of the tax regime and are applied to a variety of industries and projects throughout the country.



The Vietnamese government continues to improve business conditions through reform and have included tax incentives in recent legislative updates – most notably Vietnam's Law on Investment – to lower the cost of doing business within the country. Foreign investors, particularly those involved in slightly higher value-added production, should be able to use incentives to offset their temporary costs until regulatory reforms take hold, and to position themselves ahead of their competitors in the years ahead.

### **Becoming an innovation hub**

Vietnam has jumped three ranks on the 2019 Global Innovation Index (GII) to place 42nd out of 129 economies around the world.

The latest ranking was announced by the World Intellectual Property Organisation (WIPO) in New Delhi, India on Wednesday.

With this jump, Vietnam has leapt 17 spots since 2016. This year's result is also the highest-ranking Vietnam has ever achieved.

Switzerland, Sweden, the US, the Netherlands, and the UK remain at the top.

GII 2019 ranks economies based on 80 indicators, from traditional measurements like research and development investments and international patent and trademark applications to newer indicators including mobile phone app creation and high-tech exports.

## **6. World's largest zipper JKK starts second plant in Vietnam**

YKK Vietnam Co., YKK's local arm, established the plant in Dong Van III Industrial Zone in the northern province of Ha Nam, some 40km south of Hanoi, with the total investment of \$59.9 million.

Adding to the existing plant in the southern province of Dong Nai, the new 51,000-square-metre plant will shorten delivery time to garment makers in northern Vietnam, YKK said in the statement. It said earlier that the floor space of the new factory was planned to be 38,000sq.m.

### **Skilled labour force**

Vietnam's labour productivity has improved but is still low in comparison to other ASEAN members, according to a report by the Ministry of Planning and Investment.

The report shows that Vietnam's labour productivity index reached VND102.2 million (\$4,450) per labourer in 2018, nearly double that of 2011. In 2011-2018, the country's labour productivity increased by an average of 4.88 per cent annually, with 2016-2018 witnessing an average increase of 5.77 per cent annually.

However, in comparison with other countries in the ASEAN, Vietnam's labour productivity is still low. This means that Vietnam's economy is facing a huge challenge to catch up with other countries. Adjusted to 2018 purchasing power parity (PPP), Vietnam's labour productivity reached \$11,142, only 7.3 per cent of Singapore, 19 per cent of Malaysia, 37 per cent of Thailand, 44.8 per cent of Indonesia, and 55.9 per cent of the Philippines.

### **Technological expertise**

Vietnam has great potential for the development of information and communications technology, which is considered a key pillar in the development of a digital economy.

With all of these attractive facts, Vietnam attracted \$26.16 billion in foreign direct investment in the first nine months of this year, up 3.1 per cent compared to the same period last year.

It is also expected to respond to the increasing trend for garment production to be shifted from China to Vietnam.

YKK Vietnam was established in 1998, as the 10th fastening company in the ASAO (Asean South Asia & Oceania) Region.

In order to respond to customers' needs speedily and accurately, JKK has been focusing on these four areas in the past years. First is to strengthen marketing to meet the global needs of our customers. Besides, it has made an effort to

increase production capacity and to renew production lines to increase productivity. It also focuses on improving information systems to quickly respond to the market changes and for analyzing business strategies. JKK also strives towards world-class standards.

The global zipper market is estimated to be valued at \$16.95 billion by 2024 and is expected to register a compound annual growth rate (CAGR) of 7.64 per cent during the Forecast Period. Zippers are fastening components available in

different material types such as metal, nylon, and plastic. Zippers find widespread application in the apparel industry in denim, casual trousers, and jackets, among others.

Moreover, zippers are used in backpacks and luggage for their durability. Additionally, there have been innovations in product design and key manufacturers are introducing premium metal zippers to meet the rising demand for luxury jackets and jeans.

## 7. Shrimp exports likely to fall 4 per cent this year

According to the Vietnam Association of Seafood Exporters and Producers (VASEP), due to an increase in the supply source of shrimp coupled with low export prices, shrimp export turnover during the first nine months of the year has suffered a 7 per cent decrease against the same period last year.

During the first half of the year, the price of imported shrimp at markets saw a downward trend compared to last year. This can be attributed to an increase in overall shrimp output, a fall in the price of raw shrimp, high inventories, and growing supply of the product from other countries.

This has resulted in shrimp exports declining since 2018, with the export volume of the product falling in the first half of the year. Despite the drop, shrimp exports have bounced back since July this year.

Exports to major markets such as the EU, Japan, the Republic of Korea, and ASEAN have seen a downward trajectory, although exports to some markets like China, the United States, and Australia have increased slightly.

Exports to the EU endured negative growth of 19 per cent, while exports to major consumers such as the UK, Germany, and the Netherlands plunged. Indeed, the average export price to these markets fell dramatically to US\$1 per kilo over last year.

In the Japanese market, although the export volume has remained stable, market demand has not increased. The average export price has fallen by US\$1 USD per kilo from US\$12 to US\$11, causing the overall export value to the market to shrink.

Shrimp prices from Thailand and Indonesia stayed stable at US\$11 per kilo, while India's shrimp prices suffered a slight decline to US\$9.3 per kilo.

According to VASEP, due to a sharp increase in exports starting from July, shrimp exports to the US market during the nine-month period rose by 3 per cent on-year after experiencing a downward trend during the first half of the year owing to high inventories.

VASEP forecasts that shrimp exports to the US, Chinese, and Japanese markets will witness an upturn during the remaining months of the year as a result of a decrease in the inventory volume coupled with rising demand.

Shrimp output in India is predicted to fall by 20 to 30 per cent due to the impact of weather conditions and low prices. Furthermore, domestic firms may make adjustments in anticipation of this situation and alter their export plans to match events in the Chinese market.

## Corporate News

### 8. CII: Information on Trung Luong My Thuan Project

↑ 0.00%

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

According to the information posted on <http://vanban.chinhphu.vn> on October 03, 2019, the Minister of Government Office issued a conclusion notice of the Prime Minister Nguyen

Xuan Phuc regarding Trung Luong - My Thuan Highway Project. Accordingly, there are two important contents as below:

- The Prime Minister agreed to support the Project from the State budget (Announcement No.8716/VP-CP-KTTH).
- The Prime Minister requested the State Bank of Vietnam to urgently direct commercial banks to negotiate to sign credit agreements for the project and disbursement.

### 9. BIDV sells 27 apartments of The Era Town building to recover bad debt

↓ -0.25%

The BIDV Gia Dinh branch in Ho Chi Minh City's Binh Thanh district has just announced selling 27 apartments of The Era Town (15B Nguyen Luong Bang, Phu My Ward, District 7) at the price of more than VND15 million (\$652.1) per square metre, equalling VND2.2-5.5 billion (\$96,000-240,000) per apartment of 136-368sq.m.

The deadline to receive dossiers for buying houses is October 30, and the apartments can be checked on the two days of October 19 and 26. Accordingly, purchasers have to open accounts at the bank and leave a deposit of at least 10 per cent of the apartment's price. In addition, the bank also commits to support buyers with up to 60 per cent of the price in loans.

BIDV is one of three banks holding the largest volume of bad debts in the first half of 2019, and this may be the reason behind the urgent sale of The Era Town's apartments.

As of the end of June, the three banks' total bad debts reached VND41.265 trillion (\$1.79 billion), up 6.5 per cent against early 2019 and 22 per cent on-year. In addition, irrecoverable debts occupied more than half of their bad debts.

BIDV ran the highest debt with VND21.121 trillion (\$918.3 million), up 12.3 per cent against the beginning of this year. Especially, its irrecoverable debts accounted for 46 per cent of the total bad debts, equaling VND10.492 trillion (\$456.17 million), substandard loans rose by 12 per cent to VND6.105 trillion (\$265.43 million), while doubtful debts fell by 27 per cent to VND4.524 trillion (\$196.7 million).

The rapidly expanding irrecoverable debts also raised the portion of BIDV's bad debts to the total outstanding loan balance from 1.9 per cent in early 2019 to 1.98 per cent in late June.

*The Era Town became widely-known for the prolonged disputes between residents and the developer Duc Khai JSC. One of the disputes was over the developer's reluctance to organise a meeting with residents, prompting residents to file lawsuits at the People's Committee of Phu My ward. According to the regulations, the developer is obligated to organise the first meeting with residents as soon as more than half of the apartments in the building are in use for more than 12 months. In case the developer does not organise the meeting, the ward People's Committee has to organise the meeting as soon as*



*receiving a proposal from the representative of apartment owners.*

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