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Market Analysis

1. Trade war worries lifted, but market growth flat: analysts

Local markets have already factored these events in, and foreign investors remain cautious about ongoing international disputes, so stocks are not expected to react strongly over the next few weeks.

Viet Nam's benchmark VN-Index on the Ho Chi Minh Stock Exchange finished last week at 991.84 points, up total 0.43 per cent from the previous one.

The minor HNX-Index on the Ha Noi Stock Exchange ended last week at 105.26 points, nearly unchanged from the previous week's end of 105.16 points.

Both indices were weighed down by market caution as investors waited for statements from the two-day US-China trade talks which closed on Friday (local time) in Washington. The two sides reportedly came up with a deal to postpone their dispute, but analysts and businesses remained uncertain about the feasibility of the agreement.

But positive reactions from the US and China last weekend helped boost local market sentiment, easing investor concerns about the potential for a global economic recession.

"The two economies have overcome the most uptight stage of their relationship. They have clearly been willing to sit down and talk to reach an agreement," Nguyen Trung Du, director of investment services at VNDirect Securities Corp, said.

The developments of the US-China trade relations would definitely have some impact on the Vietnamese market, Ngo The Hien, vice director of the market analysis department at Sai Gon-Ha Noi Securities Corp (SHS), said.

"If a deal is struck, both domestic and international markets will be boosted. If not, it wouldn't be a disaster for the markets as long as the tensions don't escalate," Hien said.

In recent months, the Vietnamese stock market had not been affected that much by the developments of the US-China trade row, so the VN-Index may hang between 980 and 1,000 points, he added.

Foreign investors would continue to be net sellers in risky markets and shelter in safe assets such as government bonds and gold, so it's difficult to expect a strong wave of capital flowing into the market like the late 2017-early 2018 period, Du from VNDirect said.

Net foreign selling last week reached VND265 billion (US\$11.4 million) on the Vietnamese stock market. Despite the figure being down 75 per cent on a weekly basis, it still indicated caution among foreign investors.

Investors were still focused on several listed companies whose stocks were highlighted by their earnings such as banks, consumer firms, retailers and tech companies, he said.

"But those firms' stocks have been priced in earlier, so they won't make a big impact on the market when the news is delivered," Du said.

Investors were eyeing companies' fourth-quarter and full-year earnings, and those with good nine-month performances were likely to grow in the last quarter, he added.

The banking, retail and tech sectors had provided the momentum in recent weeks. The VN-Index has gained 3.12 per cent since September 11 when investors began looking at companies' third-quarter profit reports.

During that period, Vietcombank (VCB) has increased 10.5 per cent, tech group FPT Corp (FPT) by 7.4 per cent and dairy producer Vinamilk (VNM) by 6.6 per cent.

The level 1,000-point mark would remain a "mental" challenge for the VN-Index, Du said.

There would be no big difference on how the VN-Index would move in the short term because investors were still doubtful about the strength of the Vietnamese stock market, Nguyen Hoang Viet, senior market analyst at Vietinbank Securities Co, said.

In a bad scenario, the VN-Index may settle at 975 points if it failed to conquer the 1,000-point milestone, he forecast.

Macro & Policies

2. Local firms pour more investments into developed countries

Statistics from the Foreign Investment Department, with the Ministry of Planning and Investment, revealed that a total of 117 outward investment projects whose value reached more than US\$307 million were licensed between January and September this year.

Also, 27 operational offshore projects saw their capital rise by an additional US\$124 million.

Overall, Vietnamese firms poured more than US\$431 million into projects overseas during the nine-month period, compared with the year-ago figure of some US\$330 million.

Vietnamese investors have a long history of making significant investments in neighboring countries, such as Laos and Cambodia, or in other developing countries in Africa. They are mainly involved in agriculture, forestry and mineral mining.

However, the situation has changed over the last two years as their outward investment has now

spread to other nations, particularly to advanced economies.

The data also showed that Vietnamese firms invested in 30 countries and territories over the nine-month period. Australia attracted the lion's share of investments, at more than US\$140 million, accounting for 32.6% of the total.

The United States came next, with US\$59.8 million for 20 projects, or 13.9%. Other destinations for Vietnamese investments were Spain, Cambodia, Singapore and Canada.

Most of the overseas investment was in the wholesale and retail trade at US\$110.6 million, or one-quarter of the total. Following this was the science and technology sector with US\$83.3 million, or 19.3%.

The agriculture, forestry and fisheries sector, which is traditionally preferred by local firms investing in projects abroad, was ranked third, at some US\$64 million, or 14.9%.

3. Compliance risk blocking banks from going digital

Privately-held LienVietPostBank and its South Korean partner last week joined hands to bring Vi Viet, the bank's flagship digital bank model, to South Korea for a test run of QR code payment deployment. Based on the bank's study, the move does not impinge on current relevant regulations on risk management, loan limits, or international settlements.

However, in a recent talk with VIR, Nguyen Dinh Thang, chairman of LienVietPostBank, raised his concerns over the potential compliance risks in the case of wider service deployment, as current regulations on digital banking, e-wallets and Electronic Know Your Customer (eKYC) remain unclear. The eKYC process is one in which approved entities require a digital ID system to authenticate or verify their customers' identities and, in some cases, retrieve basic information about them.

"We expect that the State Bank of Vietnam (SBV) will present more concrete guidance in this field. To banks, besides cyberattacks, one of the largest challenges is the compliance risk," Thang said.

The executives of many local commercial banks believed that Vietnamese lenders are by no means inferior to their foreign peers when it comes to technology. However, banks view compliance risk as the largest challenge for them to incorporate digital innovations into daily products and services.

The Fourth Industrial Revolution has brought about different disruptive technologies that may drastically change the banking sector. Balancing the application of technology to maximise customers' comfort with risk management, however, has so far proven to be tricky.

Pham Tien Dung, head of the payment department at the SBV, said that the recently-enacted Resolution No.52-NQ/TW, which lays out several policies designed to stimulate Vietnam's engagement with Industry 4.0, has notable differences.

For instance, the resolution emphasises the need for changes in mindset and the regulatory system, while lessening the technology aspect.

To drive this change in mentality, in 2017 the central bank set up the Steering Committee on Fintech to resolve banking and fintech issues and develop the technology in the country.

Dung also spoke about how earlier this month the SBV worked on tackling impediments related to eKYC, laying down the first stepping stone to facilitate domestic banks' digital transformation.

The toughest stumbling block for eKYC application in Vietnam is the lack of a standardised and unified database, leaving it open to abuse by criminals who could forge documents to profit illegally.

Moreover, as digital transactions have seen robust development, gradually perfecting regulations on ID authentication and verification has become vital. With this in mind, commercial banks have requested that the SBV allows a test run of eKYC on a limited range of operations to draw assessments.

In addition, to ensure security and promote financial inclusion in the country, commercial banks have also proposed that the government

should consider granting them access to the national database of the population, which is reportedly being compiled by the Ministry of Public Security and is slated to be pressed into operation next year.

According to Nguyen Hong Son, deputy head of the Central Economic Commission, digital transformation is taking place rapidly in the banking sector, not only bringing changes to banks' products and processes, but also enhancing customers' personalised experiences.

“Without openness, the economy might quickly lose its competitiveness, but the consequences could be even worse if we don't have an explicit legal system in place,” he said. “We need to embrace the avant-garde and accept novelties. Taking advantage of opportunities requires thorough preparation, but acting too late may result in losing them.”

SBV Deputy Governor Nguyen Kim Anh stated that Vietnam has many favourable conditions for the development of digital banks. In recent years, the SBV has aided banks in their digital transformation by improving the legal system and providing stimulus for banks to embark on technological innovations.

“The SBV will soon enact a decree to supersede Decree No.101/2012/ND-CP on cashless payments, and will also provide amendments for Decree No.116/2013/ND-CP on anti-laundering with the aim of allowing the use of eKYC,” explained Anh. “We will also accelerate building technology infrastructure, primarily in e-payments, setting forth standards on QR codes and chip cards.”

4. VN moves up on Integrated Index for Postal Development

UNIVERSAL POSTAL UNION, 2019

Table 1 2IPD 2019 ranking

Rank	Country	2IPD 2019	Change	Rank	Country	2IPD 2019	Change
1	Switzerland	100.00	+0.00	44	Turkey	51.79	-3.45
2	Netherlands	93.67	-0.03	45	Viet Nam	51.79	+0.06
3	Germany	90.79	-0.49	46	Georgia	51.13	-2.43
4	Japan	87.19	-4.41	47	Tunisia	50.00	-1.90
5	France	86.86	+3.52	48	North Macedonia	49.72	+2.37
6	Austria	85.34	+0.04	49	Kazakhstan	49.14	-3.72
7	United Kingdom	82.93	+6.15	50	Romania	47.81	-0.20
8	United States of America	77.92	+0.03	51	Colombia	47.22	+3.11
9	Canada	74.55	+5.03	52	Azerbaijan	46.99	-3.51
10	New Zealand	72.88	-1.28	53	Brazil	46.33	-7.66
11	Poland	72.18	-6.10	54	Bosnia and Herzegovina	45.35	-10.45
12	Belgium	72.06	+9.95	55	Latvia	45.23	-9.53
13	Italy	71.35	+8.48	56	Denmark	44.50	+0.31
14	Ireland	69.45	+1.15	57	United Arab Emirates	44.19	-2.17
15	China (People's Rep.)	67.82	-1.65	58	Malta	42.65	-9.52
16	Russian Federation	65.31	+8.28	59	Indonesia	42.12	-4.35

According to the 2IPD ranking recently announced by the Universal Postal Union (UPU), Viet Nam scores 51.79 points, an increase of 0.06 points compared to 2018.

In Southeast Asia, Viet Nam ranks fourth, behind Singapore (18th out of 172 countries), Thailand (29th) and Malaysia (33rd).

Switzerland, the Netherlands, Japan, Germany and France are the top five countries in the UPU's 2IPD 2019 ranking.

2IPD is a composite index providing an overview of postal development around the world. Despite having been announced just three times (2016, 2018 and 2019), 2IPD has been widely recognized as a measure of the competitiveness and efficiency of the postal industry in each country.

The index has been used by policymakers, postal experts and researchers to evaluate and compare postal development./.

5. HCM City collects USD65,217 tax arrears from Youtube channel

According to the department, the person earned a total VND19 billion (USD826,000) during the 2016-2018 period. He, however, did not pay taxes.

Clips on his Youtube channel attract a large number of viewers and advertisements.

Over the recent years, the HCM City Department of Taxation has gathered tax arrears from lots of people who profit from online business activities.

In August last year, the department collected VND4.1 billion (USD164,000) in tax arrears and fines from a local man that earned VND41 billion (USD1.6 million) from Facebook and Google ads. He is a programmer whose game was viewed and

downloaded on Facebook, Google and YouTube. He earned over VND41 billion from ads in 2016 and 2017 but didn't make any declarations or pay taxes.

By the end of 2017, a cosmetic seller in HCM City had to pay tax arrears of VND9.1 billion for her business on Facebook.

Under the Law on Tax Administration, all business people, including those who do business online such as through Facebook, Google or YouTube, have to pay taxes.

For online business activities which earn from VND100 million (USD4,545) per year, owners are required to pay the taxes which account for 7% of this income.

6. Vietnam faces challenges in implementing new generation FTAs

The enforcement of new generation free trade agreements has required Vietnam to overcome several obstacles, especially sub-standard labor force quality, to enable it optimize huge potential of the deals, experts said.

New generation FTAs, including the EU-Vietnam Free Trade Agreement (EVFTA), offer many opportunities for Vietnamese workers and just as many challenges. The EVFTA alone is expected to create between 18,000 to 19,000 jobs each year for the next ten years, with the majority of jobs in textile, footwear and furniture manufacturing as tariffs are set to be lifted for Vietnamese products exported to the EU market. However, the country's labor force must find ways to improve its skills in order to manufacture products that adhere to stricter standards in European markets.

Vu Tien Loc, President of the Vietnam Chamber of Commerce and Industry, admitted that Vietnam's labor force quality still leaves much to be desired. He cited a recent VCCI survey, saying that 85% of businesses in the country are facing difficulties finding skilled workers and managers. A lack of qualified workers has discouraged high-tech companies to make heavy investments in Vietnam.

In addition, companies will have to implement a number of changes to their current labor policies to meet the EVFTA's labor standards, such as making commitments to ensure workers' rights to collective bargaining, eliminate forced and child labor as well as workplace discrimination.

According to Nguyen Hai Minh, Vice Chairman of EuroCham Vietnam, labor force quality is still a main obstacle for Vietnam to overcome. European firms require from employees both technical and

language proficiency and they are hoping to see such demands addressed by the government.

Minh said most European firms rely on technologies and therefore place great emphasis on employing skilled workers instead of cheap labor. Industry 4.0 has already replaced many low-skilled repetitive roles with automation and robotics. Multinational companies now need the cleverest employees to compete and succeed globally.

Therefore, reacting to the huge potential of new generation FTAs, Vietnam needs to work on efficiency and productivity if it wants to attract more foreign investors. Now is the era of a highly-skilled and knowledgeable workforce, not a low-cost workforce as in the past.

Sharing the same view, Simon Matthews, Country Manager of Vietnam, Thailand and the Middle East under US-based staffing firm ManpowerGroup, said that the EVFTA is an opportunity for the Vietnamese labor force to grow but they must be equipped with the right skills to take advantage of such opportunities.

Top priority

Developing a highly-qualified labor force is a top priority for Vietnam in the country's effort to integrate into the global economy, Matthews said, urging firms to start building human resource strategies to train and retain skilled workers.

To improve the country's human resource, the Ministry of Labor, War Invalids and Social Affairs has signed a memorandum of understanding (MoU) with ManpowerGroup in developing a

skilled workforce and effective regulatory frameworks for the digital age.

Under the MoU, between 2018 and 2021, the cooperation will focus on raising awareness of labor trends, employment and workforce development in the 4.0 Industrial Revolution.

Other focuses include sharing the experiences of international markets and enhancing Vietnam's efforts to collaborate with other countries on

labor, employment and human resource development.

Besides, ManpowerGroup will also help Vietnam develop skilled talent by improving the knowledge and professional experience of the local workforce and enabling them to adapt to automation and digitization.

It will also provide information, analyses, and orientations on the labor market, as well as support to improve the market infrastructure.

Corporate News

7. DIG: Report on the use of capital from the offering to existing shareholders

↑ 0.00%

Development Investment Construction Joint Stock Corporation reports the use of capital from the offering of shares to existing shareholders in 2019 as follows:

I. Result of private placement:

1. Stock name: Stock of Development Investment Construction Joint Stock Corporation
2. Stock code: DIG
3. Stock type: common stock
4. Par value: VND10,000/share
5. Offering volume: 47,463,661 shares
6. Total proceeds: VND617,027,593,000
7. Total expenses: VND344,255,000
8. Total net proceeds: VND616,683,338,000

9. Beginning date of the offering of shares: March 08, 2019
10. Ending date of the offering of shares: April 11, 2019

II. Plan for the use of capital from private placement:

1. Plan for the use of capital: to invest in Long Tan Tourist Urban Area Project in Nhon Trach district, Dong Nai province.
2. Progress of capital use:
 - Total disbursed amount until October 10, 2019: VND185,847,101,699.
 - Purpose: to pay expenses to prepare the project, compensation for clearance.
 - Remaining amount until the date of report: VND430,836,236,301.

8. CII: Issuing VND 500 billion bonds in the private placement

↓ -0.41%

Hochiminh City Infrastructure Investment Joint Stock Company announced the first private placement of bonds as follows:

1. Issuer: Hochiminh City Infrastructure Investment Joint Stock Company
2. Issue value: VND 500 billion
3. Purpose of issue: the proceeds from the offering will be used:

- + To raise capital;
- + To invest in the projects.
- Bond term: 24 months
- Bond type: Corporate bond, non-convertible and without warrants
- Bond form: book entry

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