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JAPAN SECURITIES INC.

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Market Analysis

1. Bank stocks behind market rebound

The VN-Index of the Hochiminh Stock Exchange added over 12 points on the afternoon of December 4 to close at the intraday high, backed by the sharp rise of bank stocks.

After two straight falling sessions, the market regained traction in morning trading as many bluechips bounced back.

The demand started to inch up in afternoon trading, especially for stocks in the banking sector, on news that the State Bank of Vietnam had net injected VND62.2 trillion into the system via open market operations between November 18 to 29, the first such move after eight straight months of net withdrawals.

The central bank's move has helped ease liquidity pressure on banks in the country.

At the close, the VN-Index added 12.47 points, or 1.31%, from the session earlier to 965.9, with 209 winners and 112 decliners. Trading volume on the HCMC bourse inched down over 20% against Tuesday to 210 million shares, and value fell nearly 40% at over VND4.7 trillion.

Among the blue-chip stocks, only consumer goods firm MSN and lender EIB dropped. Steelmaker HPG and housing developer VHM closed unchanged, while the remaining stocks gained.

In particular, lenders VCB, TCB, CTG, VPB and MBB all rose over 3%. Notably, their peer HDB

surged to its ceiling price of VND27,300 with over two million shares transacted.

CTG led the banking group on the HCMC market by liquidity with matching volume exceeding 3.7 million shares, followed by its peers MBB, STB and VPB.

Other bluechips such as VNM and GAS staged good performances. Dairy firm VNM eased off its five-session losing streak, adding 2.06% to the intraday high of VND118,800. Gas company GAS picked up 2.16%.

In the Vingroup family, retailer VRE edged up slightly and had good liquidity as it saw matching volume reaching 5.9 million shares. Property firm VIC made slight gain.

Meanwhile, after having hit its floor price on Tuesday, consumer goods firm MSN continued to trade in negative territory as foreign investors net sold nearly four million MSN shares. However, active bottom-fishing saved MSN from a steep decline. It ended down 2.65%.

Construction firm ROS encountered losses after ROS chairman Trinh Van Quyet registered to sell 21 million ROS shares to lower his ownership.

On the Hanoi Stock Exchange, bank stocks were also the main contributors to the rise of the HNX-Index. It gained 1.4 points to close at 102.47, with winners outnumbering losers by 68 to 46.

Macro & Policies

2. Vietnam's wood exports likely to reach 11 bln USD in 2019

Vietnam's export turnover of wood and forestry products is forecast to hit 11 billion USD in 2019, according to an official from the Vietnam Administration of Forestry (VAF).

Deputy General Director of the VAF Cao Chi Cong said foreign investment and cooperation have significantly contributed to the forestry sector's growth in recent years.

Vietnamese wood and forestry products are exported to over 120 countries and territories worldwide.

Vietnam ranks first in ASEAN, second in Asia and fifth in the world for wood exports. It is one of the key exports for the country's agriculture and rural development sector.

Cong said the forestry industry is Vietnam's sixth most important export sector with annual average growth of over 13 percent from 2010-2018.

According to Dien Quang Hiep, Chairman of the Binh Duong Furniture Association (BIFA), Vietnam's forestry industry has enjoyed tax reduction from the ASEAN Free Trade Agreement (AFTA), creating conditions for wood exporters to reach out to the world market.

However, challenges related to the high price of materials, strict quality requirements, design and origin of products require Vietnamese enterprises to build specific plans and development strategies, Hiep said.

They should focus on maintaining export growth in big markets such as the US, Japan, China, the EU and the Republic of Korea; and expand market share in new markets such as South America, Russia, Australia, Canada and India, he added.

Vietnam's forestry sector aims to lift its export turnover of wooden products to 12-13 billion USD in 2020, and between 18-20 billion USD by 2025.

According to the Ministry of Agriculture and Rural Development, the export value of wood and forestry products in the first eight months of 2019 reached 7.08 billion USD, up 18.6 percent year on year.

The US is the largest market for Vietnam's timber industry, accounting for 45 percent of the industry's total export value. Export growth to the market hits 15-17 percent each year./.

3. Japan enterprises want to take part in Vietnam's privatization process

Japanese enterprises are willing to take part in the restructuring and privatization processes of Vietnam's state-owned enterprises (SOEs), according to Yoshiki Onoi, chairman of Japan's International Friendship Exchange Council (FEC) and vice executive of Electric Power Development company (J-POWER).

Members of the FEC are interested in the privatization process in Vietnam, said Onoi in a meeting with Minister of Finance Dinh Tien Dung on December 2.

Onoi expected the Ministry of Finance (MoF) to provide information on Vietnam's legal procedures related to build-operate-transfer (BOT), public-private partnership (PPP) models, as well as other regulations and laws, so that Japanese enterprises could play an active role during the privatization of local SOEs.

At the meeting, Minister Dung said Japan is Vietnam's largest official development assistance (ODA) donor, and the second largest investor out of 106 countries and territories.

Dung said in 2019, Vietnam's GDP growth rate is set to reach 6.8%, inflation at 2.5 – 2.6%, meaning stable macro-economic conditions.

According to Dung, Vietnam aims to enhance efficiency of SOEs during the 2020 – 2021 period. The MoF is revising regulations regarding SOE privatization, while encouraging foreign investors to take part in the process.

In the coming time, the Vietnamese government would focus on perfecting legal framework and

foreign investment policies, aiming to improve the business environment.

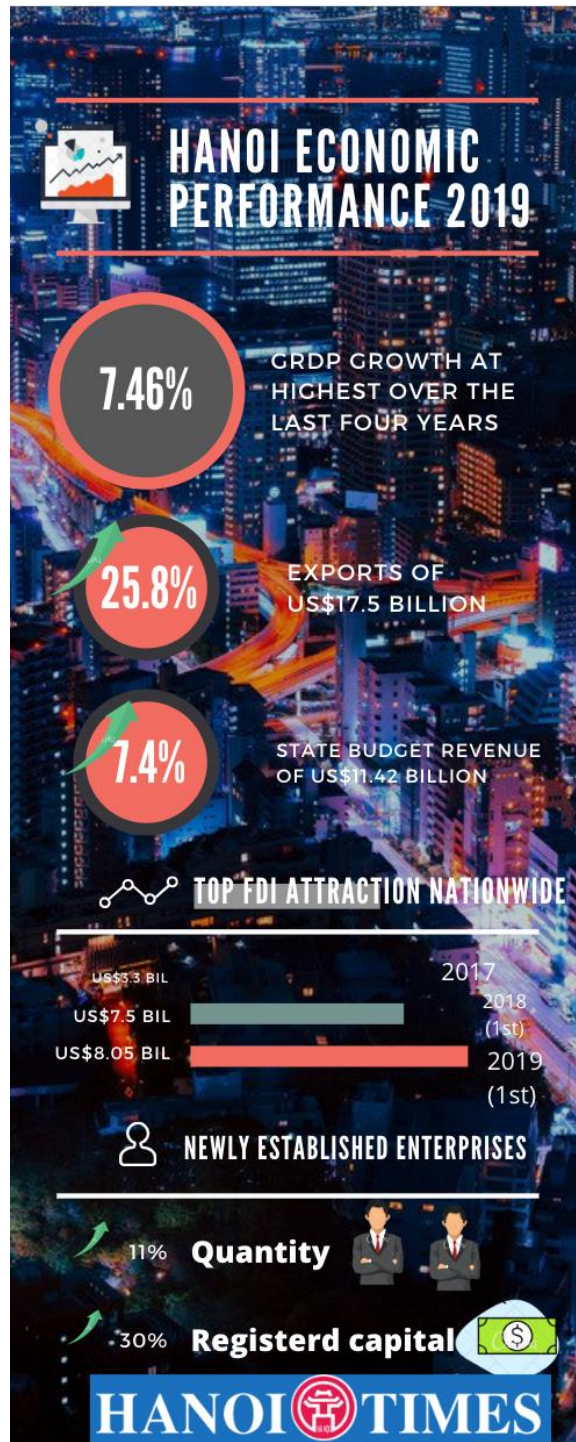
Regarding the SOE privatization, Dung stressed the process would be carried out in a transparent and fair manner.

“The MoF is committed to creating favorable conditions for Japanese investors doing businesses in Vietnam,” Dung stated.

4. Hanoi aims 2020 GRDP growth of at least 7.5%

On the back of the estimated GRDP growth rate of 7.46% in 2019, a four-year high, Hanoi targets the GRDP in 2020 to grow at least 7.5% onwards,

according to Nguyen The Hung, vice chairman of the Hanoi People's Committee.



This would result in income per capita of VND136 million (US\$5,871), significantly higher than Vietnam's GDP per capita of US\$3,000 in the 2016 – 2020 period and an estimated US\$4,688 in 2021 – 2025.

In 2019, Hanoi is on track to achieve strong results in all aspects of socio-economic development, Hung said at a meeting today [December 4].

In addition to high GRDP growth rate, Hanoi is projected to have export growth rate of 25.8% year-on-year in 2019 to US\$17.5 billion, higher than the growth rate of 18.83% recorded in 2018.

Notably, the city's business environment is improving consistently, with the city's provincial competitiveness index (CPI) ranking in 2018 reaching the all-time high of 9th out of 63 provinces and cities. The result exceeded the original target of entering the top 10 PCI index

5. Growing appetite for quality snacks

Hemant Rupani, managing director of Mondelez Kinh Do Vietnam, said that the nation is a very attractive snack food market with a rising income level, growing purchasing power, and changing lifestyle. In particular, around 73 per cent of women are working so they have less and less free time. "Therefore, they often choose convenient products like snacks when they don't have time for a sit-down meal," he said.

Rupani added that Vietnam is a youth-centric country and youngsters are demanding better quality and better choices in snacks. A recent study by research firm Nielsen on consumer behaviour pointed out emerging trends in Vietnam, including health and wellness, premiumisation, convenience, and indulgence. As a result, snacking is maturing from being a treat or something sweet to a nutritious alternative to cater to the demand for quick and healthy food.

In fact, Vietnam is among the most developed snack markets in Southeast Asia, joining Thailand, Indonesia, and Malaysia in the \$3.5-billion club, according to a recent report from Japanese consultant Corporate Directions. It is predicted that by next year the Vietnamese snack market will reach around \$1 billion.

ranking by 2020 set by the municipal People's Council.

Hanoi is projected to maintain its top spot in terms of foreign direct investment (FDI) attraction nationwide for the second consecutive year in 2019, recording a 30-year high of US\$8.05 billion.

In 2019, Hanoi expects to have seven out of 22 socio-economic development indicators exceed the targets, including the GRDP growth rate, total investment, exports, voluntary social insurance coverage, poverty reduction, unemployment rate in urban areas, and clean water coverage in rural areas

Such high growth rates in 2019 and 2020 would help Hanoi achieve an average annual GRDP growth rate of 7.33% - 7.41% in the 2016 – 2020 period, which is in line with the city's five-year socio-economic development plan.

In light of this bright outlook, snack producers have stepped up their game to capitalise on the potential. Nguyen Huy Hoang, commercial director at market researcher Kantar Worldpanel Vietnam, said that Vietnam's snack market is becoming fiercer as both local and international players are making efforts to attract consumers by launching new products that reflect changing trends.

"In addition, the emergence of mergers and acquisitions in recent years, particularly in retail, creates opportunities for foreign manufacturers to enter the Vietnamese market, mostly through their retailing partners in modern trade," said Hoang. "Family Mart and 7-Eleven will support their Japanese suppliers to distribute its products in their store chains, for example."

Japanese snack producer Koike-ya officially made its debut in Vietnam by establishing a factory in the southern province of Dong Nai to make its Karamucho spicy snacks. This is the company's first overseas factory, and with the investment capital of around \$8.7 million, the factory has an annual output of 4,200 product tonnes.

Meanwhile, Mondelez acquired Kinh Do in 2015. The company has made efforts to build on the heritage and legacy of local brands and enrich that with global know-how and high-quality products. Almost every year around 70 per cent of the firm's investment goes to improving its goods and factories. Mondelez Kinh Do Vietnam is not only a market leader in the biscuit and mooncake sectors, but is also prominent when it comes to packaged bread, cakes, and pies.

Other foreign snack brands such as Oishi (Liwayway), Poca (PepsiCo), and Choco Pies (Orion) have benefited from the snack boom in Vietnam. In 2018, South Korea's Orion Confectionery earned ₩92 billion (\$80.9 million) from selling 600 million Choco Pies in Vietnam. This was reportedly the highest sales Orion has ever attained in the country, even surpassing domestic sales in South Korea. Vietnam is the second country to accomplish the feat, after China.



Source: Kantar Worldpanel | Households Panel | Urban 4 Cities & Rural Vietnam | FMCG including Gift

Local producers are also striving to maintain market share. According to London-based market researcher Euromonitor International, Vietnam One One Food JSC maintained its dominance in the popular rice snacks category, which saw the fastest value growth over the year. Meanwhile, Tan Tan Food & Foodstuff Co., Ltd. saw strong value growth in nuts, seeds, and trail mixes for the fourth consecutive year in 2019.

Laurent Levan, president of the Philippines' URC Vietnam, said, "In Vietnam, the love for snacks is strong, leading to fiercer competition among businesses. There is an uplift in consumer spending on snacks from consumers in both urban and rural areas."

"Target customers for this product are young people who often change their tastes and habits

and easily adopt new trends. This helps to create more growth for the industry,” he said.

Levan further noted that, “Vietnam now is a home ground for many international and local brands. We strongly believe that our portfolio which includes both local and imported merchandise can help us supply good products to the Vietnamese people.”

A quarter of URC Vietnam's business is comprised of its food segment, including snacks and confectionery. In 2018, its biscuit products experienced a growth rate of 21.9 per cent. URC Vietnam is investing in Vietnam's snack industry for the long term, with parent company Universal Robina Corporation (URC) and its other regional offices already either market leaders or influential players in the ASEAN and Oceania region.

Mondelez Kinh Do Vietnam's Rupani stated that Vietnam is a vibrant market of the ASEAN. In Vietnam, there are a large number of contenders in every industry, ensuring a great deal of competition. “In most sectors there are no

dominant players, and even those with a large market share are only operating at around the 20-30 per cent level.”

In addition, the Vietnamese snack market will become more competitive with the implementation of the EU-Vietnam Free Trade Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. More foreign producers and imported fast-moving consumer goods will flood the market.

Rupani added, “Competition is healthy as it keeps us grounded. We have a strong portfolio of local and international brands, and we are constantly striving to better serve our customers. These agreements will also provide an opportunity for Mondelez Kinh Do Vietnam to export to overseas markets. There are slight disadvantages as many ingredients in our products have to be imported with duties, but as the trade agreements develop, the government will be progressive in recognising and correcting this issue.

6. Textile, garment exports to reach US\$39 billion

As a result, the country's export revenue from textiles and garments will be US\$1 billion lower than the year's target, Vu Duc Giang, chairman of the Vietnam Textile and Apparel Association (VITAS), told a press briefing on December 3 while delivering an update on the sector's performance this year and announcing the 20th anniversary celebration of VITAS.

The sector's import revenue for the whole year is projected to reach US\$22.38 billion, up 2.21% versus the year-ago figure. The sector is enjoying a trade surplus of US\$16.62 billion, picking up by US\$2.25 billion.

According to the VITAS chairman, the United States remains Vietnam's largest customer, importing US\$15.2 billion worth of textiles and garments, accounting for nearly 39% of the country's total apparel exports.

The European Union came second, spending US\$4.4 billion, equivalent to 11.28%, followed by China with US\$4.25 billion, or almost 11%.

Commenting on the local textiles and garments sector, the chairman said that it has recorded impressive achievements. Vietnam has thrived to become the world's third-largest textiles and garments exporter, preceded by China and Bangladesh.

Also, Vietnam leads the ASEAN market and Comprehensive and Progressive Agreement for Trans-Pacific Partnership bloc in terms of textiles and garments export turnover, he added.

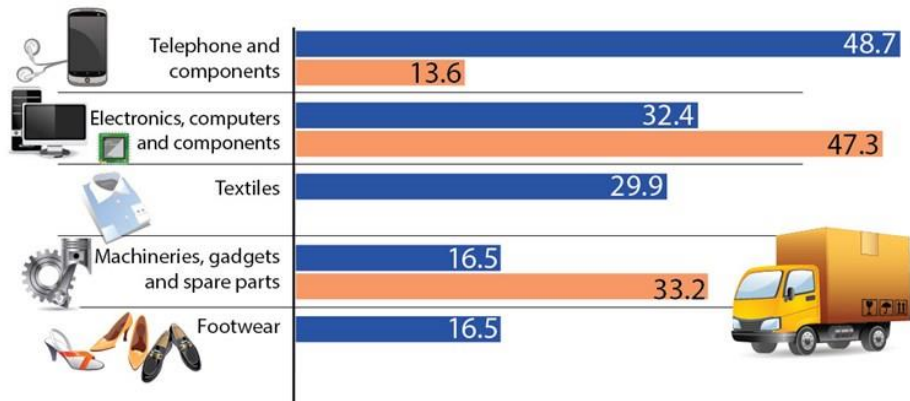
The local textiles and garments market over the past 20 years has surged from a value of US\$300 million to some US\$4.5 billion. Its trade surplus in 2019 reached US\$17.7 billion versus the 1999 figure of US\$185 million.

A ceremony to celebrate the VISTA's 20th anniversary and review the sector's operations during the year will take place on December 13-14 in the capital city of Hanoi. The celebration ceremony marks an important milestone for VISTA

7. Textile, garment exports to reach US\$39 billion



MAIN COMMODITIES (billion USD)



Source: General Statistics Office

<https://infographics.vn>

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Corporate News

8. KBC: KBC receives capital from Vinatexin Corp

↑1.03%

On December 03, 2019, the Board of Directors of Kinh Bac City Development Holding Corporation

(KBC) approved to receive the capital support with the value of VND100 billion from Vinatex - Tan Tao Investment Corporation (VINATEXIN Corp) in order to raise KBC's working capital.

9. HDG: Resolution on listing non-convertible bonds

↑ 0.00%

On December 02, 2019, the Board of Directors of Ha Do Group Joint Stock Company approved to register to deposit with the Vietnam Securities Depository and to list non-convertible, unsecured

bonds (without warrants) of the 2019 private placement on a stock exchange. These bonds have the par value of VND1,000,000,000 per bond and the total value of VND500 billion.

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