VIETNAM DAILY NEWS

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Market Analysis

1. Vietnam stocks tumble

The local market lost steam today, December 5, with the VN-Index falling nearly 0.3% from the session earlier.

The benchmark index reversed course after bouncing back in the previous session. That rattled investors as they turned clueless about the upcoming market movements.

According to Bao Viet Securities Company, the market is expected to move in the range of 950 and 970 points before clearer clues of direction emerge. In addition, it is forecast to make headway in the second half of December, particularly after the restructuring of exchange-traded funds (ETFs). In a recovery scenario, it will likely retest the resistance range of 990-995 points in the coming time.

At the close, the VN-Index lost 2.63 points, or 0.27%, to 963.27 points, with 142 winners and 183 losers.

In the VN30 basket, ten stocks gained while 18 others dropped. Gas firm GAS lost 1.31% and was the major drag on the main index.

Mobile phone retailer MWG made the biggest losses and left a big impact on the VN30 basket, ending the session down 2.12%.

Among four rising stocks, consumer goods firm MSN staged an impressive performance. In early trading, it fell 0.8% to VND62,000, but in the afternoon, it rose 1.81%. Strong demand drove up MSN in spite of being heavily net sold by foreign investors. They net sold over VND63 billion of MSN shares.

Masan MeatLife, the fourth business of Masan Group (MSN), will be listed on the UpCom bourse next week. This news supported the recovery of MSN in the afternoon. It was among the most three actively traded stocks on the HCMC bourse.

Meanwhile, stocks in the civil property sector bucked the market downtrend, but were unable to prop up the main index.

Foreign investors were on the selling side for four consecutive sessions. They net sold nearly VND42 billion of shares on the HCMC market.

On the Hanoi bourse, the HNX-Index inched down 0.1% from the session earlier at 102.37 points.

Macro & Policies

2. Measures for improving coffee sector discussed

Speaking at the seminar, jointly organized by the Department of Crop Production and the Vietnam Coffee Coordination Board in HCMC on December 3, Luong Van Tu, chairman of the Vietnam Coffee and Cocoa Association, noted that firms should enhance their capacity for processing a variety of roasted, ground and instant coffee products.

The move is aimed at raising the value of domestic coffee products to serve the local and global markets as a way to help farmers overcome the hardship caused by low prices, *Nguoi Lao Dong* newspaper reported.

Tu stated that declining coffee prices over the past two years and the negative impact of climate change have dragged down the Vietnamese coffee sector, resulting in coffee farmers suffering heavy losses.

Gerardo Patacconi, a representative of the International Coffee Organization, attributed the price fall to coffee exporters' large increase in export volume.

Vietnam, the world's second largest coffee exporter, has ramped up its coffee exports to 31 million bags of coffee per year, he said.

Patacconi advised local firms to diversify their products and not only export to foreign countries but also serve the local market to ensure long-term growth.

He pointed out that in Brazil, some 40% of the coffee output serves the domestic market. This is a trend followed by most coffee producing countries.

Other representatives at the seminar noted that coffee manufacturers and processors should focus on adopting effective measures to develop the Vietnamese coffee sector and deeply integrate with the global market.

These measures include regrowing coffee, offering financial support to farmers, linking the value chains for coffee and switching to high-quality coffee varieties.

A report by the Ministry of Agriculture and Rural Development showed that as of 2018, Vietnam's coffee growing area amounted to over 645,200 hectares, with 2.7 tons of coffee produced per hectare.

The country has five main coffee growing regions, including the Central Highlands, the southeastern region, the South Central, North Central and northern mountainous midland provinces.

3. Vietnam startups receive US$750 million in funding in Jan – Oct

In the first 10 months of 2019, Vietnamese startups received US$750 million in funding in 29 deals while the country's startup ecosystem is among top three largest in ASEAN, according to Chu Ngoc Anh, minister of Science and Technology.

These include an investment of US$300 million into fintech firm VNPay, the largest deal for a fintech firm in ASEAN in 2019, said Anh at the Techfest Vietnam 2019, the biggest annual event for the innovative startup community in Vietnam, on December 4.

The growing in investment size for Vietnamese startups over the past few years makes the target of having tech unicorn, startups with valuation of over US$1 billion, right in Vietnam a real probability, Anh stressed.

In 2019, Techfest was first held abroad in countries with advanced startup ecosystems, such as the US, South Korea, Singapore, presenting opportunities for Vietnamese startups to access the world's major venture capitals.

The events also create a platform for stakeholders in the innovative startup ecosystem to share knowledge, experiences and network, at local, national and regional levels.

This year, Techfest focused on providing consultation for policymakers to mobilize both domestic and international resources efficiently, aiming to advance the development of Vietnam's innovative startup ecosystem.

A joint research by ESP Capital and Cento Ventures suggested Vietnam "certainly has the potential to establish itself as Southeast Asia`s next leading startup ecosystem."

Investment is expected to top US$800 million by the end of the year, which would represent a rise of at least 80% over last year's US$444 million, stated the report.

"Vietnam is in an important period when key components of a strong digital economy are beginning to shape up," the report noted. It added that Vietnam's digital economy will benefit from its young population, of which 60% are aged under 35, and a still-growing mobile and internet penetration rate. The research said that over 10 million more consumers will go online by 2023.

Vietnam also has a highly educated workforce -- the country's pupils ranked eighth globally in the PISA international science test, higher than Hong Kong's and South Korea's. Coupled with a relatively low labor cost, Vietnam has long been a software outsourcing hub in Asia, producing large homegrown IT companies such as FPT.

Notably, aggressive market entry by big regional startups such as Singapore's ride-hailing operator Grab has also created more opportunities by offering higher salaries to tech professionals.

Grab entered the Vietnamese market in 2014, while Indonesian rival Go-Jek joined last year. Grab has a research and development center in Ho Chi Minh City with over 100 engineers. The company said it would commit US$500 million for investment in Vietnam over the next five years.

4. Boosting strengths of manufacturing and processing sector

Driver for economic growth

According to the Ministry of Industry and Trade (MoIT), the 10-month Index of Industrial Production (IIP) was estimated to rise by 9.5% compared with the same period in 2018, of which, the manufacturing and processing industry increased by 10.8%, contributing 8.3 percentage points to the IIP growth. The manufacturing and processing sector continues to be the driver of Vietnam's industry and always accounts for the highest proportion of the entire growth of the industry sector.

In the 10-month period, the production of leather footwear incresed by 8.6% and the sector is estimated to grow by over 10% in 2019. The domestic automobile sector has also expanded rapidly as the Vietnamese VinFast automobile plant has turned out its first products while Truong Hai Auto Corporation (THACO) and Thanh Cong Auto Company have consolidated their leading roles with a series of domestically assembled automobile products at reasonable prices.

The production and assembly of automobile products reported a total of 284,200 units in the first 10 months of 2019, up 8.6% compared to the same period last year.

The production of electronic products, computers and optical products began to recover from the middle of the second quarter of 2019. The sector went up by 20.1% and 14.6% in August and September, respectively, and expanded by 7.5% over the 10-month period.

The manufacturing and processing sector also attracted the largest amount of Foreign Direct Investment (FDI) capital, having attracted over US$9.1 billion worth of newly registered capital in the past 10 months, accounting for 71.2% of the total newly registered FDI in the country. The sector also attracted nearly US$13.8 billion worth of newly registered and supplemented capital during the 10-month period, comprising 75.8% of Vietnam's total newly registered and supplemented FDI capital.

The wave of investment from Japanese, Chinese and the Republic of Korean businesses has continuously poured into Vietnam, particularly in manufacturing and processing sector, demonstrating the improvements to Vietnam's business and production environment.

The steady growth of the manufacturing and processing is also conformable to Party and State's policy on the restructuring of the industry sector towards reducing the proportion of raw goods and increasing the proportion of high-tech manufacturing and processing.

Making efforts to overcome challenges

The manufacturing and processing sector is facing challenges, with its 10-month growth rate of 10.8% being lower than that of the same period last year, at 12.5%. The inventory index of the sector also increased by 17.2% by September 30 of this year while the index of the same period last year was 13.8%.

According to the MoIT, the slowdown was due to effects of the global economic and political tensions. The garment and textile sector, one of Vietnam's key export sectors, is encountering many difficulties, including unstable input, shortage of orders, stricter demand from the market with lowered prices, fiercer competition and a number of trade barriers.

China – US trade tensions have also created impacts on the exchange rates between currencies, causing the price of processed goods from Vietnam to be higher than some countries in the region, affecting export orders, especially the garment and textile sector.

The production of steel is also affected by the quiet domestic construction steel market. Unfavourable weather conditions such as tides and heavy rains in several areas have impacted the consumption of civil construction steel and the launch of new construction projects. The domestic steel industry also has to compete fiercely with imported steel products and is faced with many cases of anti-dumping investigations from importing countries.

The automobile market is also in a cruel competition, with price falls in all market segments due to plentiful supply from imported as well as domestic automobile production. The removal of import tariff on cars will not only come from ASEAN countries, as currently, but also from members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Vietnam - EU Free Trade Agreement (EVFTA) in the next seven to ten years. The fierce competition from imported cars is increasing and will certainly affect the domestic automobile industry.

In 2020 and following years, the MoIT will concentrate on developing manufacturing and processing sectors with export advantages such as garment and textile, footwear, and wood and wood products. The ministry will also boost intensive processing of agricultural, forestry and fishery products to increase the added value of products, promote consumption and increase export value.

In addition, the ministry will foster the development of mechanical products while giving priority to the development of automobile sector, agricultural machinery, construction equipment, shipbuilding, and others.

It is also necessary to enhance the competitiveness of the private sector and encourage them to pour long-term investment into building strong brands in the manufacturing and processing sector.

5. Bac Lieu LNG-fired thermal power plant's electricity price raises controversy

The Ministry of Industry and Trade has proposed the Government add the project to the National Power Development Plan VII.

According to the ministry, with a price of seven U.S. cents per kilowatt hour being proposed by the project investor, Singapore's Delta Offshore Energy Company, the project's scale and phases should be reviewed carefully to avoid affecting similar projects in the future.

It is necessary to develop 355 kilometers of 500-kV transmission lines, requiring a total estimated investment of US$285 million, for the Bac Lieu LNG-fired thermal power plant.

The transmission line's development will raise the cost of the project, thus increasing the electricity selling price.

In addition, the seaport handling LNG for the plant is 35 kilometers from the mainland, which will also raise the price.

Under the prevailing regulations, the price of LNG sold to the plant will be US$8.37 per British thermal unit. With an operation time of 6,000 hours per year, the price of electricity generated at the plant must be 8.39 U.S. cents per kilowatt hour, without accounting for the cost of the transmission lines.

The investor has contributed only 15% of the investment of more than US$4 billion. The remaining 85% has yet to be guaranteed by banks, affecting the feasibility of the project.

The Ministry of Planning and Investment has also urged the Bac Lieu government to ask the investor to clarify its capital mobilization capacity and plan for providing sufficient capital.

The Bac Lieu government signed a memorandum of understanding on the project with Delta Offshore Energy Company in December last year. Work on the project was expected to start late next year and finish in late 2024.

6. Meat Deli chilled meat to be sold at VinMart, VinMart+

A representative of Masan MEATLife (MML), a subsidiary of Masan Group, noted that MML's Meat Deli chilled meat had been launched in December last year. In January this year, Meat Deli had 44 outlets in Hanoi, and the number has increased to 410 in both Hanoi and HCMC.

The firm expected its meat products to make up 50%-70% of the company's revenue by 2020. In the next five years, MML aims to become the leading packed chilled meat supplier in Vietnam, with 10% of the pork market share and more than 5,000 outlets nationwide.

MML currently owns a 200-hectare hi-tech pig farm in Nghe An Province, which can annually provide 250,000 pigs to the market. Its chilled meat processing complex in Ha Nam Province has a capacity of 1.4 million pigs, or 140,000 tons of pork per year.

The company also plans to put into operation its second chilled meat processing complex in Long An Province in the last quarter of next year.

According to the World Bank, Vietnam is the second largest consumer of pork in the world. The market will continue growing at a rate of 20% until 2025.

Corporate News

7. CII: Information on projects

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Ho Chi Minh City Infrastructure Investment Joint Stock Company (CII) has updated information on its projects as follows:

1. Thu Thiem Riverpark Project

On December 04, 2019, CII signed an agreement with City Garden Joint Stock Company in order to develop Thu Thiem Riverpark Project (Phase 1).

2. Trung Luong – My Thuan BOT Project

On December 03, 2019, CII started receiving the capital from the State budget to finance Trung Luong – My Thuan BOT Project as CII reported to its shareholders.

3. CII will complete the profit target for 2019 to be VND932 billion as planned.

8. VGC: Report on the use of capital from public offering

↑ 0.00%

Viglacera Corporation - JSC (VGC) has announced the use of capital from the public offering as follows:

File Attachment

20191205_VGC-191205-Report-on-the-use-of-capital-from-public-offering--PV.pdf

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