



VIETNAM DAILY NEWS

January 14th, 2020



Table of content

Table of content

- 1. VN stocks decline as holidays approach**
- 2. Vietnam 2019 Rice Exports Up 4.2% Year-On-Year: Customs**
- 3. New players reshape Vietnamese aviation market**
- 4. Auto sales in 2019 picks up 12 percent**
- 5. Infrastructure, manpower hurdles to slow down Vietnam's economy: Fitch Solutions**
- 6. PM orders faster disbursement of public funds**
- 7. KDH: Resolutions on the money transfer with subsidiaries**
- 8. HCM: Periodic report on bond interest & principal payment**

Market Analysis

1. VN stocks decline as holidays approach

Vietnamese shares ended on Monday on a negative note as investors sought ways to exit the market ahead of the Tet (Lunar New Year) holiday.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange dropped 0.28 per cent to close at 965.84 points.

The VN-Index gained a total of 0.35 per cent last week.

More than 147 million shares were traded on the southern bourse, worth VND2.76 trillion (US\$119.3 million).

Market trading conditions were negative as declining stocks outnumbered gainers by 205 to 123, while 57 stocks ended flat.

All three sub-indices that monitor stocks by market capitalisation and trading liquidity on the HoSE declined between 0.25 per cent and 0.66 per cent.

The large-cap VN30-Index, which tracks the performance of the 30 largest stocks by market value and trading liquidity, lost 0.42 per cent to close at 881.79 points.

Among the decliners in the VN30 basket were lenders BIDV (BID), VPBank (VPB) and Vietinbank (CTG), logistics firm Gemadept (GMD), property developer Novaland (NVL) and dairy producer Vinamilk (VNM).

Among those stocks, BIDV shares lost 2.3 per cent after it had soared 12 per cent last week.

Vietinbank shares fell 1.5 per cent after having gained 10.5 per cent last week.

VPBank shares was down 2.1 per cent following weekly growth of 5.5 per cent.

The banking sector also had the most negative impact on the stock market as it dropped 0.84 per cent, data on vietstock.vn showed.

“It seems investors wanted take a break as Tet is coming,” Sai Gon-Ha Noi Securities Co (SHS) said in its daily report.

“That’s why they tried to take profits in stocks that had made gains before, making the market underperform,” SHS said.

Low market trading liquidity indicated investors were still pessimistic about the market’s short-term outlook, the company added.

The VN-Index may continue swinging between 950 points and 970 points in the next few days as it did in the past six weeks, SHS forecast.

On the Ha Noi Stock Exchange, the HNX-Index was up only 0.08 per cent to end at 102.30 points on Monday.

The northern market index inched down 0.17 per cent last week.

Nearly 26.7 million shares were traded on the northern market, worth VND277.4 billion.

Macro & Policies

2. Vietnam 2019 Rice Exports Up 4.2% Year-On-Year: Customs

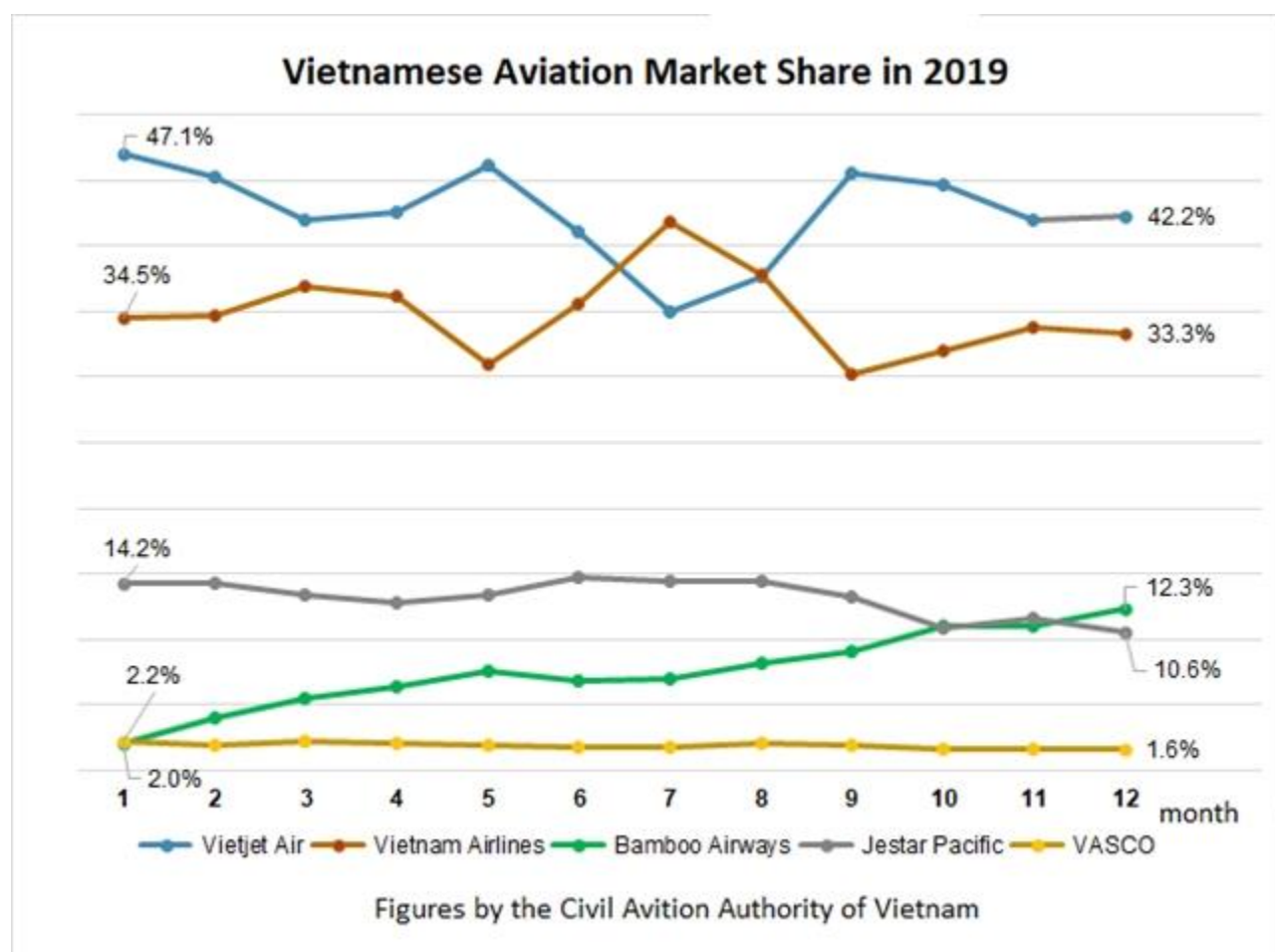
However, revenue from rice exports last year dropped 8.3% to \$2.8 billion (€2.52 billion), the customs department said in a statement.

West Africa, the Philippines and Malaysia were among the largest buyers by volume of Vietnamese rice, it added.

In December, Vietnam's exports increased 36.7% from the previous month to around 500,000 tonnes, worth \$228 million (€205.04 million).

The government's General Statistics Office late last month forecast 2019 rice exports at 6.259 million tonnes, and December exports at 390,000 tonnes.

3. New players reshape Vietnamese aviation market



HÀ NỘI — The latest figures published by the Civil Aviation Authority of Việt Nam revealed that the Vietnamese aviation market saw noticeable changes in 2019, driven by the participation of private carriers.

Vietnam Airlines saw a drop to 33.3 per cent in market share in December 2019, from approximately 34.5 per cent at the beginning of the year.

Jetstar Pacific and VASCO respectively held market shares of 10.6 per cent (down from 14.2 per cent at the beginning of the year) and 1.6 per cent (down from 2 per cent).

While three carriers under Vietnam Airlines Group saw slight decreases in market share, private carriers saw expansion.

Vietjet held 42.2 per cent market share in December 2019, compared to 41.2 per cent in January 2019.

Bamboo Airways, after its official launch in January 2019, saw massive growth.

In December 2019, the carrier owned more than 12.3 per cent market share, six times higher than its share of 2 per cent in January.

Bamboo Airways announced before its establishment that it would find new sources of customers, instead of competing with other airlines.

The aviation industry saw growth of 13 per cent in 2019, indicating an expansion in market capacity.

However, the changes in aviation market over the past 12 months showed a significant shift in customers' selection of service providers.

Entering 2020, the Vietnamese aviation market is expected to see even more changes after Bamboo Airways announced its goal of 30 per cent domestic market share.

4. Auto sales in 2019 picks up 12 percent

Members of the Vietnam Auto Manufacturers' Association (VAMA) reported a year-on-year sales surge of 12 percent in 2019, riding on hefty festive discounts and promotional programmes.

VAMA said a total 320,322 vehicles were sold by its members in the year, with sales of passenger cars surging 20 percent.

However, the sales did not reflect the consumption power of the country's entire automobile market, as the figure did not include sales of other manufacturers that are not VAMA members such as Audi, Jaguar, Land Rover, Mercedes-Benz, Subaru, and TC Motor (Hyundai Thanh Cong), among others.

TC Motor alone said it sold 79,568 units in 2019, up 25 percent from the previous year.

According to Managing Director of Ford Vietnam Pham Van Dung, the auto market will maintain a growth of 10-20 percent in 2020 thanks to abundant supply, hefty discounts to boost car sales, and the launch of various new car brands to meet demand of the consumers.

Besides, some conditions for automobile manufacturing, assembly, import, and warranty offering in the Government's Decree No.116/2017/ND-CP are expected to be abolished or revised, thus cutting costs and procedures for domestic car dealers, helping the auto market have a banner year, he said./.

5. Infrastructure, manpower hurdles to slow down Vietnam's economy: Fitch Solutions

The General Statistics Office of Vietnam reported that real GDP growth came in at 7% year-on-year in the fourth quarter of 2019, easing from 7.5% year-on-year in the third quarter and 7.3% previously. This took the 2019 real GDP growth to 7%.

"Transport and logistical infrastructure and human capital bottlenecks will continue to weigh on the growth of the manufacturing sector, which accounts for around 16.5% of the Vietnamese economy," noted Fitch Solutions in a statement.

The U.S.-based research firm explained that the U.S.-China trade war had accelerated the structural shift of low-end electronics and textile manufacturing out of China and into Southeast Asian nations, with Vietnam being a major beneficiary.

However, the rush to step up exports has put considerable stress on the existing road and port infrastructure, resulting in severe traffic congestion in and around major cities, such as Hanoi and HCMC, as well as week-long delays at the ports.

The lack of adequate highway connections to the ports has further exacerbated delays. A shortage of qualified labor, as suggested by high year-on-year wage growth of between 12% and 18% across occupational skill levels, will weigh on manufacturing growth.

The lack of skilled labor will also weigh on production efficiency by inhibiting the integration of better technology with work processes.

“Vietnam's manufacturing production growth slowed sharply to 6.5% year-on-year in November 2019, its lowest level since 2017, from 10.8% year-on-year in October 2019,” pointed out the experts.

Separately, growth of the agriculture sector (14% of GDP) will also be under pressure in 2020, due to hydroelectric dam projects upstream of the Mekong River in Laos, as well as diseases, such as African swine fever.

Fitch Solutions cited a study by the Mekong River Commission in early 2018 as indicating that the dam projects could reduce Mekong fish stocks by up to 40% and cause a 97% reduction in sediment flowing downstream, adversely affecting soil fertility and agriculture.

African swine fever has affected all 63 provinces and cities in Vietnam and reduced the country's hog herd by 25.5% year-on-year in December 2019.

“The spread of the disease across the rest of Asia will further inhibit Vietnamese farmers' ability to rebuild their hog herds, and thus informs our view that agriculture growth will remain subdued,” remarked the economists.

Therefore, they expected stronger growth in construction and services, which make up 5.9% and 41.6% of the GDP, respectively, to partially offset the slowdown.

The Vietnamese authorities aim to build another 900 kilometers of highway roads by 2021, almost doubling the 1,000 kilometers presently in use, and Fitch Solutions expected the pursuit of this goal to support construction activity.

In particular, the construction of the North-South Highway, which began in September 2019 and is expected to be completed by 2021, will be a key project supporting the construction sector.

They also saw upside risks to construction growth if construction on the proposed US\$55.8-billion North-South Express Rail begins in 2020 as planned.

Tourist arrival growth going strong

Fitch Solutions expected service growth to be underpinned by four key subsectors. A strong increase in real wages, in part driven by the skills shortage, would support the continued rise of Vietnam's middle class.

This wage increase, together with the ongoing trend of robust tourist arrival growth, bodes well for further growth in retail as well as hospitality services, according to the firm.

They explained that the country's retail sales growth has been relatively stable above 10% over the past three years, growing by an average of 11.7% year-on-year over the period.

The influx of companies to Vietnam to circumvent the United States' tariffs on China will also support the growth of transport and warehousing services, especially with the shortage of these services being likely to push up prices and drive profitability in this subsector.

The firm noted that despite the probable slight softening of economic growth in 2020, still-robust economic activity will continue to support the growth of financial services.

Risks to the growth forecast are on the upside. Completion or possibly even partial completion of

infrastructure construction projects could help ease existing bottlenecks that are restricting growth in the manufacturing sector.

“Combined with a chance of Vietnam ratifying the EU-Vietnam Free Trade Agreement early in 2020,

6. PM orders faster disbursement of public funds

During a teleconference in Hà Nội to review the finance-budget work carried out last year and launch tasks for 2020, PM Phúc praised the finance sector's achievements adding that all localities met targets on State budget collection for the first time and made important contributions to macro-economic stability.

The MoF had effectively worked with relevant ministries, agencies and localities to direct prices, especially those of electricity, he said, adding that it cut more than 2,100 procedures, improving the business environment regarding taxation and customs.

However, public investment disbursement remained slow, meeting 81.8 per cent, 75.8 per cent and 73.5 per cent of the respective for 2017, 2018, 2019 plans set by the National Assembly.

He requested removing difficulties in the restructuring, equitisation and divestment in State-owned enterprises, as well as cracking down on violations in land, natural resources and procurement.

In order to achieve the goal of being among the top ASEAN countries in terms of the business environment, he asked for continued reform to move up this year.

Amid complicated developments globally, the leader suggested the MoF pool resources for the nation and achieve the goal of earning US\$300 billion from exports this year.

The sector was also asked to tackle barriers to production and trade.

MoF set a budget revenue target for 2020, 3 per cent higher than the target set by the National

Assembly, said Minister of Finance Đinh Tiến Dũng during the teleconference.

the deceleration in manufacturing sector growth could be less than we expect,” said the economists, adding that the many tailwinds could also see service sector growth come in stronger than expected, pushing headline growth higher.

The ministry will strive to maintain the State budget overspending at around 3.44 per cent of GDP, public debts no more than 54.3 per cent of GDP, government debts less than 48.5 per cent of GDP and external debts no more than 45.5 per cent of GDP by the end of this year, Dũng said.

According to MoF, State budget revenue last year was nearly VNĐ1.55 quadrillion (US\$66.9 billion), 9.79 per cent higher than the yearly plan and 8.7 per cent higher than a year earlier.

Of the amount, domestic revenue grew 8.5 per cent to VNĐ100.2 trillion while revenue from oil production and exports hit VNĐ11.7 trillion, a surge of 26.1 per cent year-on-year. Collection from imports and exports exceeded VNĐ25.3 trillion, up 13.4 per cent.

Central budget collection reached over VNĐ32 trillion, 4 per cent higher than estimated, while local budget collection totalled more than VNĐ106.2 trillion, 17.7 per cent higher.

Dũng said the State budget revenue's structure had changed as the domestic collection accounted for 82 per cent of the total in 2019, compared to the average of 68 per cent from 2011 – 2015, while collection from imports and exports fell to 3.6 per cent this year from the average of 13 per cent during the five-year period.

This year's overspending was about 3.4 per cent of GDP, lower than the estimate of 3.7 per cent. Public, Government and external debts were 55 per cent, 48.5 per cent and 45.8 per cent of GDP, respectively, which were all under the limits set by the NA and Government, the minister said.

Corporate News

7. KDH: Resolutions on the money transfer with subsidiaries

↑ 0.00%

Khang Dien House Trading and Investment Joint Stock Company announces Board resolution No.01/2020/NQ_HDQT dated January 09, 2020 as follows:

The Board of Directors approved the money transfer between Khang Dien House Trading and Investment Joint Stock Company and its subsidiaries and among subsidiaries in 2019. Of which, Khang Dien House Trading and Investment

Joint Stock Company owns directly or indirectly from 51% of charter capital of subsidiaries. The limit of each money transfer will be no more than VND100 billion.

The Board of Directors authorized the CEO to sign loan agreements between Khang Dien House Trading and Investment Joint Stock Company and its subsidiaries and relevant documents.

8. HCM: Periodic report on bond interest & principal payment

↑ 2.14%

Ho Chi Minh City Securities Corporation reports the payment of bond interest and principal as follows:

File Attachment

[20200113_HCM-200113-Periodic-report-on-bond-interest--principal-payment--MN.pdf](#)

Research Team: Tsugami Shoji *Researcher* jsi@japan-sec.vn

Disclaimer:

Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn