



# VIETNAM DAILY NEWS

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JAPAN SECURITIES INC.

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## Market Analysis

### 1. Share prices of dairy industry see slight increase in 2019

The dairy industry grew 0.5 per cent in market capitalisation in 2019, much lower than the average growth of 7.7 per cent of the VN-Index, according to a report issued recently by SSI Securities Joint Stock Company (SSI).

SSI said that the share price of Viet Nam's leading dairy firm Vietnam Dairy Products JSC (Vinamilk) increased only 0.72 per cent due to low profit in 2019.

SSI cited a Nielsen Vietnam market research report showing that the consumption of milk has started stabilising in the second quarter of 2019 after six consecutive quarters of decline.

2019's consumption growth rate was positive but slow, reaching 2.1-3.9 per cent compared to 2018, equivalent to the consumer price index (CPI). Among fast-moving consumer goods (FMCG), dairy products, which account for 13 per cent of total FMCG consumption, is one of the commodities with poor consumption growth.

As for challenges facing the dairy industry, analysts from SSI said that revenue through modern trade channels, including e-commerce, saw double-digit growth in many quarters, but only 11 per cent in total FMCG sales.

"Selling through modern trade channels is a challenging segment for dairy companies due to fierce competition," SSI said.

Meanwhile, raw milk prices and average selling prices both increased. According to Global Dairy Trade, the price of skimmed milk powder in 2019 increased by 30 per cent compared to last year, while the price of whole milk powder increased by 4 per cent. To ensure profit margins, products from big brands such as Vinamilk, TH True Milk and Dutch Lady increased by 1-5 per cent in price last year.

In the first nine months of 2019, Vinamilk, listed at VNM on the stock market, achieved more than VND42 trillion (US\$1.8 billion) in net revenue and VND8.38 trillion in net profit, increasing by 6.4 per cent and 5.8 per cent year on year, respectively. Of the figure, domestic revenue increased by 6.1 per cent, quite close to the company's estimate of 5-7 per cent.

There is not yet a financial report for the whole year, but a Vinamilk official told Viet Nam News the company would complete targets set for 2019.

An analysis from Phu Hung Securities Joint Stock Company said that in the future, VNM might face risks of fluctuations from input material prices, direct competition from imported products, which enjoy free trade agreements, and risks of mergers and acquisitions.

On the stock market, VNM had an average price of VND117,550 per share from the first trading session on January 2, 2019 until the last trading session on December 31, 2019.

## Macro & Policies

### 2. Iran plans to promote investments in Vietnam

Iran's Trade Promotion Organization (TPO) plans to hold a seminar on introducing the Vietnamese market on February 4, Tehran Times reported.

The seminar is intended for Iranian businessmen and traders to become acquainted with the business potentials of Vietnam and having more vigorous presence in its markets.

The TPO has previously held similar gatherings on introducing markets of some other countries and is planning to hold some more seminars in this field. It is mainly in line with the country's approach of bolstering non-oil exports.

Last month, the head of Iran-Vietnam Joint Chamber of Commerce, Mostafa Mousavi, announced that the value of trade between the two countries reached US\$352 million in the end of the last Iranian calendar year of 1397 (March 20, 2019), up over 100% from US\$172 million in the preceding year.

“According to the official statistics, the worth of trade between the two countries stood at US\$352 million in the previous Iranian calendar year [1397], the figure, however, is not approved by the joint chamber, since due to the U.S. sanctions much of the two countries' trade is done through third countries and is estimated to be around \$700 million,” Mostafa Mousavi was quoted by Iranian Labor News Agency as saying.

According to Mousavi, because of the sanctions most of Iran's exports to Vietnam are being done through Turkey and Oman, while Vietnamese goods are imported through the UAE, which has led to not being mentioned in the official statistics of the two countries.

Vietnam is one of the world's major producers of non-oil commodities and its products are of very high quality.

The country was the 45th exporter of goods to Iran during the past Iranian calendar year with exported coffee, pepper, fish feed, and cellphones to Iran./.

### 3. WEF wants to speed up Industry 4.0 Center project in Vietnam

The World Economic Forum (WEF) wants to continue cooperating with Vietnam after the successful conclusion of a three-year cooperation agreement which kicked off in 2017, including the launch of the Industry 4.0 Center in Vietnam, according to WEF's CEO Borge Brende.

The center would be among the WEF's global network of Industry 4.0 Centers, aiming to facilitate R&D in Vietnam and enhance the country's efficiency in participating in the Fourth Industrial Revolution, said Brende at a meeting with Deputy Prime Minister Truong Hoa Binh on January 21, to make public a report marking the end of the cooperation agreement between Vietnam and the WEF.

Deputy PM Binh highlighted the success of the cooperation agreement, which created positive impacts in the fields of infrastructure development, agriculture, education, healthcare in Vietnam.

According to Binh, the agreement between Vietnam and the WEF could be seen as an example for the latter to expand cooperation with countries in Southeast Asia.

The meeting is part of the WEF's 50th annual meeting, which are being held from January 21 – 24 in Davos, Switzerland, themed “Stakeholders for a Cohesive and Sustainable World”.

The event brings together 3,000 participants from around the world, including 50 government leaders and senior executives of multinationals, and aims to give concrete meaning to “stakeholder capitalism”, assist governments and international institutions in tracking progress towards the Paris Agreement and the Sustainable Development Goals, and facilitate discussions on technology and trade governance.

On the same day, Binh also had meetings with Head of Asia Pacific and Member of the Executive

Committee of the WEF and Vice President for Global Public Policy of Amazon Web Services

Michael Punke.

#### 4. Is Vietnam Safe as US Steps Back from the China Trade War?

Many people worldwide are hoping for a permanent end to the trade war between the two biggest economies, which may have decreased world economic growth in 2019 to 3%, instead of 3.8%, according to the International Monetary Fund. Those hopeful people include the Vietnamese. However there are still some reasons that continuing the trade war could be good for Vietnam.

First, most obviously, the U.S. tariffs on Chinese exports motivated companies to move from China next door to Vietnam to avoid the tariffs. As a result Vietnamese exports to the U.S. increased 28% in the first three quarters of 2019.

Second, the U.S. may be distracted by the trade war, which is a possible benefit for Vietnam that has not often been discussed.

“Vietnam hopes China will drag out U.S. talks,” said Fred Burke, managing partner of Baker & McKenzie Vietnam, a law firm, late last year.

If Washington is too busy negotiating with Beijing, in other words, it has less time and manpower to deal with Hanoi. U.S. President Donald Trump, who called himself the “Tariff Man,” has expressed interest in issuing more duties on Vietnamese exports, but most of his trade-related attention has been taken up by China instead.

Trump's main complaint about Vietnam is that it has a large trade surplus with the U.S. That may simply be a result of U.S. customers preferring to purchase Vietnamese exports, but nevertheless Trump's preferred response is to issue tariffs.

Vietnam has reason to stay vigilant. The U.S. in the past has already issued tariffs against Vietnamese seafood and metal exports. For a while it looked like the U.S. might label Vietnam a currency manipulator, giving it another justification to issue more trade penalties against the Southeast Asian nation. However last week the U.S. Treasury

Department said in a report it would simply keep Vietnam, among other nations, on a watch list for manipulation, so Vietnam seemed to have dodged a bullet for now.

For its part the State Bank of Vietnam, the central bank, responded in an official statement that it would work with the U.S. Treasury Department “in accordance with macroeconomic balance, market developments, and monetary policy goals, in order not to create an unfair international trade competitive advantage.”

The U.S. warns that foreign nations can keep their currencies artificially low in order to make products cheaper, therefore facilitating exports.

Another main reason the U.S. could punish Vietnam for trade fraud is if the latter allows companies to ship Chinese exports through its country and pretend they are Vietnamese exports to avoid tariffs, a process known as transshipment.

ING, a banking and financial services company, said it was interesting that the Treasury Department did not criticize Vietnam for transshipment in its report.

“Such an accommodative stance toward Vietnam perhaps suggests the U.S. government has little appetite to further disrupt the Asian supply chains of U.S. companies,” Chris Turner and Francesco Pesole, strategists at ING, said in a joint assessment of the Treasury currency manipulation report. They added that the U.S. “seems satisfied with the ongoing efforts of the Vietnamese government to counter trade fraud.”

The two strategists are among many who believe that if the U.S. is really ratcheting down the trade war with China, it might turn its attention to Europe next. They said that in terms of U.S. trade penalties, Vietnam is safe, at least for now. Of course no one knows when the China-U.S. trade war will officially end./.

## 5. Vietnam eyes 5G equipment sale to US

Information and Communications Minister Nguyen Manh Hung proposed to a delegation of the U.S. House of Representatives Monday that they initiate discussions of 5G technical standards to see if made-in-Vietnam equipment could enter the U.S. market.

Vietnam plans to commence commercial operations of 5G this year, becoming among the first countries in ASEAN to do so, he said.

The minister had set the stage for launching the new telecommunications technology by making the first 5G phone call on January 17, using equipment manufactured by Vietnamese telecom giant Viettel.

The military-run Viettel is set to become the sixth firm in the world to launch its own 5G equipment after Ericsson, Nokia, Huawei, Samsung and ZTE.

Viettel plans to commercially launch 5G services this June. It has been testing and installing equipment since last year.

Hung, a former Viettel CEO, has been pushing 5G research in Vietnam since taking over as communications minister towards the end of 2018. He asked local firms to produce their own equipment so that Vietnam is among the first countries in the world to launch the 5G technology.

The number of 5G subscriptions in Vietnam could hit 6.3 million by 2025 or 6 percent of total mobile subscriptions, technology conglomerate Cisco has forecast.

In ASEAN, Singapore is expected to lead the way in launching 5G in 2020, followed by Vietnam, the Philippines, Malaysia, and Thailand, according to U.S. consulting firm AT Kearney.

5G is said to offer speeds 100 times faster than 4G and support new applications like remote medical procedures and autonomous driving.

## 6. Beer sale drops remarkably ahead of Tet

- Beer is often a best seller during the Lunar New Year (Tet) festival but many retailers have been forced to lower their prices to encourage customers to buy.

Sales of beer have dropped dramatically after the Government's announced a crackdown on drink drivers.

Nguyen Van Dinh, owner of a shop selling imported wine and beer in Hang Huong Alley, Hoan Kiem district in Hanoi told Vietnam News: "This time last year, I did not have enough beer to sell. This year, I just sit here waiting for orders."

To encourage customers, Dinh knocks off 15,000 VND for every 24 pack of Saigon Special, offering at 285,000 VND.

But despite reducing the prices, Dinh has not seen as many customers as he hoped. He estimates a 70 percent drop compared to previous holiday seasons.

He says: "Last Tet, I sold more than 1 billion VND worth of beer and wine. This year, I estimate to get about 300 million VND at maximum."

Other retailers in the busy streets of To Hieu, Hoang Hoa Tham and Thai Ha experienced the same issues and have reduced the prices of some cases of beer by up to 15,000 VND.

Nguyen Thi Nga, a shop owner in Hoang Hoa Tham Street said: "Instead, many consumers buy imported, light alcohol and local apricot wine."

As an e-buyer on the site bachhoaxanh.com, Hoang Tuyet Loan from Go Vap District, HCM City, even buys cases of Saigon Special for just 239,000 VND - an 80 percent drop on normal prices.

Loan tells Vietnam News: "Less people buy beer. So they must reduce the prices."

Since January 1, any caught driving under the influence of alcohol on a motorbike can be fined up

to 8 million VND (345 USD) and banned for two years.

Car and truck drivers face up to 40 million VND fines and immediate licence suspension.

As of January 17, traffic police have stopped 6,279 drink drivers and collected more than 21 billion VND in fines.

None of the biggest brewers like Sabeco, Habeco, Heineken and Carlsberg have commented on the new law, but many supermarkets have said sales dropped between 25 and 30 percent.

According to the Vietnam Beer Alcohol Beverage Association, Vietnamese people consumed 4.6 billion litres of beer last year, a 10 percent growth from 2018.

## Corporate News

### 7. SBA: Business performance in Q4.2019 & plan for 2020

↑ 3.31%

According to Board Resolution No.01/20/NQ-HDQT dated January 21, 2020, the Board of Directors of Song Ba Joint Stock Company approved the report on business performance in Quarter 4.2019 and plan for Quarter 1.2020 as follows:

File Attachment

[164737 lan-for-2020--MN.pdf](#)

### 8. KDH: Board resolution on capital increase

↑ 0.19%

According to the Board resolution dated January 20, 2020, the Board of Directors of Khang Dien House Trading and Investment Joint Stock Company approved the following issues:

Company expects to contribute another amount of VND237,600,000,000.

1. To increase the charter capital of Vi La Joint Stock Company (Khang Dien House Trading and Investment Joint Stock Company owns 99%) from the current capital VND400 billion as follows:

2. To increase the charter capital of Thuy Sinh Joint Stock Company (Vi La Joint Stock Company owns 99%) from the current capital VND240 billion as follows:

- By June 30, 2020 at the latest, Khang Dien House Trading and Investment Joint Stock Company expects to contribute another amount of VND118,800,000,000;

- By June 30, 2020 at the latest, Vi La Joint Stock Company expects to contribute another amount of VND119,880,000,000;

- By June 30, 2021 at the latest, Khang Dien House Trading and Investment Joint Stock

- By June 30, 2021 at the latest, Vi La Joint Stock Company expects to contribute another amount of VND239,760,000,000.

**Research Team:** Tsugami Shoji    *Researcher*    [jsi@japan-sec.vn](mailto:jsi@japan-sec.vn)

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***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](mailto:info@japan-sec.vn)*

*Website: [www.japan-sec.vn](http://www.japan-sec.vn)*