

VIETNAM

BUSINESS REVIEW

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Money flows into southern realty



INSIDE THIS ISSUE

Highlight

TPP poses challenge for animal husbandry sector
Vietnamese specialties sold at knock-down prices, farmers feel self-pity
US dollar millionaires to “explode” in Vietnam in ten years

Economy

CPI rises in cities as dollar rate falls
Cyber attacks hit 30 government websites

Bank & Finance

SBV forecasts credit growth of 12-14%
Inter-bank rates poised to drop further
Moody's sees improved outlook at six banks

Investment

FDI surges to \$1.18b
MoT focuses on 23 key transport projects

Enterprise

Vingroup, Vinamilk rank in top ASEAN firms
Vinatex launched initial public offering (IPO)

Market & Prices

KPMG survey buoyant about Vietnam's market growth
Dairy sector diversifies products to satisfy consumers

Legal Updates

New decree to reform petrol market, pave way for foreign distributors

ECONOMY

CPI rises in cities as dollar rate falls



VNS - CPI in the country's two largest cities rose in Sep due to the 8.55% increase in education cost.

According to the Hanoi Statistics Office, the capital's CPI rose in Sep by 0.51% over Aug, & up 3.36% YOY. The department added that the education costs were up because of rising tuition fees in universities & colleges, in line with the road map approved by the Prime Minister.

The education costs were followed by a 0.31% rise in the cost of restaurant and food services.

The prices of two of the 11 baskets of goods fell during the month, namely housing-electricity-water-fuel (0.91%) and transport (1.96%).

In Sep, gold prices fell by 1.65%. The price of the US dollar also fell by 0.09% over the previous month.

The HCMC's Statistics Office reported that the Sep CPI was up 1.13% against Aug, with a YOY increase of 3.16%.

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According to the office, the cost of educational goods and services increased the most compared to Aug, by more than 19%, as the consumers in HCMC stocked up on school supplies for the new academic year. The prices of equipment and household items increased by 0.39%; those of apparel and footwear by 0.3%; and of beverages & tobacco by 0.14%. The prices that fell were of transport (2.03%); housing, electricity, water and building materials (0.55%); restaurants and services (0.20%); and pharmaceuticals and healthcare services (0.04%).

The city's price of gold and the dollar exchange rate fell by 0.93% and 0.03% respectively.

Cyber attacks hit 30 government websites

VNS - As many as 1,039 Vietnamese websites have been attacked during the first half of Sep.

This is the highest number of cyber attacks in a month since the beginning of this year, a local online security page reported.

Of the attacked websites, 69 are owned by educational organisations with edu.vn domain

names & 30 by Gov't organizations with gov.vn domain names, according to Security Daily under VN Information Security Association. According to this publication, most of the hackers were Chinese, while the others were Indonesian, Syrian, Turkish & also Vietnamese persons.

Meanwhile, the recent National Day holiday on Sep 2 saw the highest number of hacking attacks, with more than 700 websites attacked simultaneously by Chinese hackers.

Security Daily said the attacks began on August 30 and lasted till National Day. The hackers seized control of the websites and changed their interface, among other criminal acts.

Meanwhile, during the January to September period, nearly 4,800 Vietnamese websites fell victim to cyber-attacks, which was twice the number of sites attacked every year during the 2011-2013 period.

Viet Nam ranks 12th in the list of countries facing the maximum cyber attacks, according to the Internet Security Threat report (ISTR19) released by the Symantec Corporation in May.

[Back to top](#)

BANKS & FINANCE

SBV forecasts credit growth of 12-14%

VNN - VN's total means of payment next year will increase roughly by 16-18% against Dec, according to the State Bank of Vietnam (SBV).



News website Vneconomy.vn quoted SBV as saying that the credit growth will be between 12% and 14%.

The forecast was based on a government report on socio-economic development in 2015, which plans a GDP growth of 6 to 6.2% and inflation at 7%.

SBV said that it will continuously apply flexible monetary and fiscal policies to meet Gov't's targets of controlling inflation and stabilising the macro-economy.

The exchange rate will be also managed flexibly to boost economic growth, increase foreign reserves and ensure the value of the Vietnamese dong.

SBV will also implement credit policies to continuously remove difficulties for businesses to boost domestic production.

The central bank has so far applied monetary policies in accordance with the government's inflation control target.

According to SBV, the total means of payment by August 29 increased 9.09% against Dec last year, while capital mobilization rose 8.52% and the credit growth was 6.21%.

SBV Governor Nguyen Van Binh attributed the low credit growth to weak capital absorption capacity of the economy, unsolved budget debts and the process of handling collaterals along with the loan underwriting mechanism for enterprises.

Binh anticipated that the credit will increase roughly 10% by the end of the year.

Cao Sy Kiem, chairman of the management board of DongA Bank, said that the capital demand may increase in the last few months of the year when businesses get busy, preparing for Tet festival. However, he added that the 10% target is achievable only if the government's programs to bolster

the total demand are laid out clearly with every single effective step and are taken seriously, while banks and enterprises are able to work co-operatively to pump and absorb capital.

Currently, credit institutions have adjusted the interest rate of old loans. As of August 14, the outstanding loans in dong with an interest rate of more than 15% accounted for 4.45% of the total number of loans, while the outstanding loans with an interest rate of more than 13% accounted for 12.45%.

Inter-bank rates poised to drop further

VNN - The overnight rate on the inter-bank market fell to 1.48% per annum last Friday compared to 1.76% per annum a week ago while offers have been swelling up, signaling further rate falls.

Local banks forecast that overnight rates would go down this week if the State Treasury continues to suspend bond auctions as in the previous week.

The State Treasury did not hold its regular bond auction last Thursday. According to the Hanoi Stock

BANKS & FINANCE

Exchange, the bond issue volume has reached 77.7% of this year's target, in which the issuance of one and two-year bonds has met goals. Therefore, the agency will not sell one and two-year bonds any longer this year.

The room for 3 and 5 year bond issues is 17.2% and 26% respectively while 10 and 15-year bonds have been just around 40% of the year's targets. So, the State Treasury will focus on auctioning 10 and 15-year bonds towards the end of this year. SBV is still net withdrawing money via Treasury bill sales. However, after maintaining stable bill coupons for two months, the central bank last week slashed coupons for all tenors by 0.3%age point against the previous week.

Banks have been forced to boost credit by cutting lending rates while bond and bill yields have slumped to record lows.

Moody's sees improved outlook at six banks

VNS - Moody's has placed six Vietnamese banks on positive outlook, the credit rating agency announced on its website on Monday.

It upgraded the ratings of VN Int'l Bank (VIB) by one notch to B2, while affirming the ratings of five other banks at B3 and changing their outlooks to positive.



The five banks include Military Bank (MB), Sai Gon Thuong Tin Bank (Sacombank), Viet Nam Technological and Commercial Bank (Techcombank), along with Asia Commercial Bank (ACB) and Viet Nam Prosperity Bank (VPBank). The agency also affirmed stable outlook for the Viet Nam Bank for Industry and Trade (Vietinbank), the Bank for Investment and Development of Viet Nam (BIDV) and Sai Gon – Ha Noi Bank (SHB).

Moody's said that these ratings were primarily driven by the stabilisation in the operating environment and the expected improvement in underwriting standards, which, in turn, were due to improved governance and lower risk appetite at some banks.

While Viet Nam's economic growth has moderated, the country has managed to stabilise inflation below 7.5%, and this achievement has allowed the State Bank of Viet Nam to reduce its policy interest rates to promote economic growth. For example, the refinancing rate fell to 6.5% earlier this year from 9% at the end of 2012. The lower interest rates are a positive development for Vietnamese banks because they reduce the debt burden of their borrowers.

The macroeconomic stability has also supported the liquidity profile of the domestic banks. As deposit growth outpaced loan growth, the banking system's loan-to-deposit ratio improved to 82% this June, from 87% a year ago.

However, Moody's noted that Vietnamese banks continue to face considerable credit challenges that will take time to resolve. The obstacles include problem assets over and above reported non-performing loans & poor loss-absorption capacity due to loan-loss provisions & weak profitability.

INVESTMENT

FDI surges to \$1.18b

VNS - FDI registered in HCMC have increased by 6.9% to more than VND24.93 trillion (\$1.18b) as of September 15, 2014.

Figures from HCMC Statistics Office also showed that the southern city granted licences to 277 new foreign-invested projects worth \$1.1b, with the real estate sector attracting seven projects worth \$450.4m and industry & trade areas luring 100 projects worth \$452m.

The British Virgin Islands was the largest foreign investor among 40 countries & territories investing in the city with \$346.3m, or 31.6% of the city's total FDI. This was followed by Singapore with \$224.4m or 20.4%, and Japan with \$206.1m (18.8%).

City authorities said investors from other countries and territories such as South Korea, mainland China, Hong Kong and Taiwan were accelerating their investments in the city. This, they added, was good news for the city and showed that it remained a promising investment destination for foreign investors in the near future.

Contrarily, Ha Noi lured only \$919m in FDI as of September 15, or only

88% of FDI during the same period last year.

Of the total, \$579m came from 155 newly-licensed projects while the remainder came from 231 existing projects that were allowed to increase their levels of capital.

According to Ha Noi Department of Planning and Investment, the city is exerting great efforts to diversify investment promotions to attract more capital, esp from prioritised countries such as Japan, South Korea, East Asia & the United States, as well as the European Union.

It is also aiming at further improve its investment climate and create the best conditions for investors to implement their licensed projects.

MoT focuses on 23 key transport projects

VGP – The Ministry of Transport (MoT) would implement 23 important transport projects by late 2015.



In Q4, 2014, the MoT intended to launch seven crucial projects with a total investment of VND 9.2 trillion. Especially, the construction of a bypass over Phu Ly City of Ha Nam province as part of National Road No. 1 will begin in October. The VND 2.3 trillion project was jointly invested by Civil Engineering Construction Corporation No.1 (Cienco 1), Engineering and Underground Construction JSC (FECON) and Construction and High Technology Development Investment Joint Stock Company (Decotech).

Also in October, three large-scale projects will begin construction including a bypass over Son La City and a bypass over Soc Trang City, belonging to National Road No. 6, and Thai Ha Bridge crossing the Red River to connect Ha Nam and Thai Binh provinces.

In November, the Ministry will enlarge a National Road No. 1 section in Bac Lieu town and build National Road No. 91B in Can Tho City.

In 2015, 15 other projects worth around VND 64.8 trillion will be kicked off.

ENTERPRISES

Vingroup, Vinamilk rank in top ASEAN firms



VNS – Property developer Vingroup and Viet Nam Dairy Products Joint Stock Company (Vinamilk) were listed as two of ASEAN's top 100 enterprises in 2014 by Standard and Poor (S&P).

Both companies were evaluated according to strict criteria related to credit rating, market capitalisation and transparency.

Vingroup was one of the top five companies in terms of market capitalisation, with the largest listed capital on the stock market. Valued at US\$3.4 billion as of August 22, Vingroup is one of the highest-ranking private corporations in VN.

S&P concluded that Vingroup had a stable general outlook based on expert analysis and information collected from a wide range of sources. The company earned its

high ranking due to its readiness to respond to financial conditions.

This was the first time a Vietnamese real estate firm was picked for S&P's list.

Meanwhile, S&P regarded Vinamilk as the dominant brand in the Vietnamese dairy market due to high levels of brand awareness and stable profits over the last five years. Vinamilk registered revenue of VND30 trillion (US\$1.4 billion) in 2013 and expects export turnover of VND4 trillion (\$1.88 billion) for 2014 along with medium enterprise risk and low financial risks.

Following the release of S&P's list of Top 100 ASEAN enterprises, Finance Asia magazine also named Vingroup the "Region's Best Borrower in Vietnam", along with prestigious organisations such as DBS Singapore, Malaysia's Maybank, Thailand's PTT, ICICI of India and Korean Import-Export Bank of the Republic of Korea.

Vinatex launched initial public offering (IPO)

VNA - The Vietnam National Textile and Garment Group (Vinatex) launched an initial public offering

(IPO) on September 22, announced the Ho Chi Minh Stock Exchange.

After the auction, more than 110.5 million shares were sold to 87 investors at the average price of 11,000 VND (0.49 USD) per share, half of which belonged to foreign investors.

Total value of the sold shares was over 1.2 trillion VND (58 million USD). Under the approved equitisation plan, of the 5 trillion VND (234.7 million USD) charter capital which is equivalent to 500 million shares, 122 million would be sold in the IPO.

The plan allowed the State to hold 51% of the capital, and the local staff to buy 3 million shares, or 0.6% of the charter capital.

The company would also sell 120 million shares, or 24% of the charter capital, to strategic partners.



Vinatex targets an export turnover of 3.6 billion USD by 2015 and 5 billion USD by 2020.

MARKET & PRICE

KPMG survey buoyant about Vietnam's market growth



VOV - Vietnam was ranked one of the top four markets for intended investment by US multinational companies in the next 12 months, according to a KPMG survey of US business executives.

"The survey results confirm what we are seeing on the ground in Vietnam and reflect a restoration of US business confidence in the Vietnamese economy," said KPMG in Vietnam's chairman and CEO, Warrick Cleine.

"It is fantastic and exciting to see our US clients expressing such confidence in Vietnam," Cleine added

The KPMG survey was conducted in the spring of 2014 and reflects the responses of 100 US business executives involved with business development and corporate strategy.

The survey reported despite huge potential, investors have to face many challenges and risks in penetrating markets and keeping growth. Business executives said culture, languages, infrastructure and the governmental interference are main obstacles they encounter. Rounding out the top four markets are China, Brazil, India and Vietnam.

Dairy sector diversifies products to satisfy consumers



The diversification of milk products in recent years is satisfying the increasing demand, a conference in Hanoi heard on September 9.

Secretary General of the Vietnam Dairy Association Vu Ngoc Quynh said the industry achieved results in processing and breeding.

The Vietnam Dairy Products Joint Stock Company Vinamilk for example built two globally-

competitive factories worth US\$112.8 million.

One of the company's facilities has an annual production capacity of 54,000 tonnes of powdered milk, making it the biggest of its kind in Asia.

The Ministry of Industry and Trade reported that during the first five months of this year, powdered milk output alone saw a year-on-year increase of 5.52%.

As of January 2014, Vietnam had a herd of 200,400 milk cows, up by 14% compared to 2013 and up by 67% compared to 2010.

The sector aims to increase its herd to 240,000 cows by 2015, and almost double the figure by 2020. Vietnam is one of the few Asian nations to export dairy products, generating over US\$230 million last year.

However, milk consumption in the country remain lows, at 50kg per person per year, compared to 81kg in Japan.

LEGAL UPDATES

New decree to reform petrol market, pave way for foreign distributors

The domestic petrol market is expected to become more competitive with many different price levels for consumers to choose under a new decree, Phan The Rue, chair of the Vietnam Petroleum Association, has said.



Rue said Decree 83, to take effect on November 1, will provide a legal framework for the petrol market to operate in accordance with market rules.

Under current regulations, sales agents, general agents and filling stations operate in the market. The new decree will admit merchants and franchisees as well.

Merchants will buy petrol products from supply sources and determine the selling prices themselves.

An analyst commented that once the Decree 83 takes effect, existing sales agents and general agents

would shift to becoming merchants to enjoy the right of determining the selling prices.

Under current regulations, import and distribution enterprises can raise or lower selling prices by no more than 7 percent. With the current price at VND24,000 per liter, they can adjust the selling price a maximum of VND1,600 per liter, an increase high enough to shock the economy.

But the situation will be different once the new decree takes effect. Enterprises will be allowed to raise the price by no more than 3 percent for each adjustment, while the next adjustment must be made 15 days after the previous one.

The 3 percent price increase, or VND700-750 per liter, is viewed as "bearable" for the economy and consumers.

In order to keep petrol prices stable, distributors have asked the government to not raise import tariffs stable for six months or one year.

However, this might not be good news for consumers, because stable prices do not mean low prices.

Rue noted that the current import tariff is relatively low. Under WTO (World Trade Organization) commitments, Vietnam can impose import tariffs of up to 40 percent, while under AFTA (ASEAN free trade agreement), it is no more than 35 percent.

In recent years, the tariff remained at 0-12 percent, but it is highly possible that the government will raise the tariff to 20 percent on average so as to increase revenue for the state. If so, the petrol prices will not be low as consumers want.

Rue has predicted that many foreign investors will flock to Vietnam when Vietnam begins opening its market in 2018.

The number of foreign investors showing their interest in the Vietnamese petrol market is "even higher than the number of foreign investors interested in the Vietnamese retail market".

"They have learned about the policies and the market conditions, and are ready to land in Vietnam once they can," Rue said.

HIGHLIGHTS

TPP poses challenge for animal husbandry sector



VNN – Viet Nam is restructuring its animal breeding sector to reduce the number of small-scale breeders, Nguyen Van Trong, deputy director of the Animal Husbandry Department told Hai Quan (Customs) newspaper.

What are the challenges facing the animal breeding sector?

The biggest challenge in the last few years is unstable price. There are various reasons for this, including an increase in the amount of imported meat, coupled with poor planning activities.

The driving force behind farmers' motivation in raising animals for meat is the market price. When the price is up, they tend to increase the number of animals and vice versa. As a result, the supply-demand relationship becomes disoriented.

In the restructuring process, what aspects will receive most focus?

Restructuring will focus on four things — animal husbandry, animal breeds, animal raising and marketing. The Ministry of Agriculture and Rural Development will focus on restructuring animal breeds, particularly the management of breeds.

This is a complicated issue as every household is capable of breeding animals if the industry is profitable. This is the weakest point in our control of quality breeding.

More recently the Department of Animal Husbandry conducted a pilot project on controlling boars in the provinces of Phu Tho, Nam Dinh, Ba Ria and Vung Tau. The project will be scaled up nation-wide.

Will you please elaborate on the objective of developing large-scale farms?

At present, eight million households raise poultry and four million raise pigs. So the project to restructure animal husbandry will attempt to reduce the number of animal breeding households to about 400,000. It will also increase more animal breeding farms. More specifically, this year, we plan to

cut down about 10 per cent of the individual animal breeders.

It is reported that the Trans Pacific Partnership Agreement is expected to be signed soon. If this is the case, it will pose big challenges for our husband animal husbandry sector. *Does your department have any measures to respond to these challenges?*

When Viet Nam's economy is deeply integrated into the world economy, no doubt, our animal breeding industry will face with many challenges. In the past several years, and even this year, our animal breeders have to grunt and bear many pressures, including volatile prices and epidemics.

To limit and gradually overcome negative effects of the situation, the Department of Animal Husbandry will regularly issue bulletins on the situation and prices to help farmers be more pro-active. In addition, my department also pursue a policy to make the animal breeding sector to go along the line of supply chains to improve the sector's competitiveness.

What's your position on the progress gained in the restructuring process of the animal husbandry sector?

HIGHLIGHTS

We have to do it step by step. It will take us several years to achieve progress or positive changes. But I'm sure we'll achieve the final targets.

Supermarkets more popular, but traditional markets remain busy as ever

VietNamNet Bridge – More and more urbanites are frequenting shopping malls, supermarkets and convenience stores, but traditional markets remain even more popular among consumers, a survey has found.



The survey, conducted by the Hanoi National Economics University, showed that 70 percent of polled consumers, while shopping at supermarkets, pay primary attention to the quality of products, then to the service style and service quality.

Product quality and service modernization are their top priorities, and Vietnamese consumers are

willing to pay high prices to buy higher-quality products and enjoy better services.

However, the survey also found that consumers who buy goods at supermarkets are usually higher-income residents. Fifty percent of them are office workers and civil service employees, while 40 percent are housewives and 10 percent are window-shoppers.

Only 20 percent of goods are distributed through modern retail channels, where analysts believe there is great potential.

The survey on trade infrastructure in Hanoi, conducted by the Hanoi Socio-Economic Development Research Institute, pointed out that though modern retail channels have become more popular, they had remained uncompetitive with traditional markets.

The survey showed that 87.1 percent of polled consumers said they usually go to traditional markets when they want to buy goods. They said they wanted the markets to continue to exist.

Nearly 70 per cent of those surveyed said they were satisfied with the number of existing traditional markets, while 21.4

percent said traditional markets were “acceptable”, and only 12.7 percent said they found the markets “necessary” but “unsatisfactory”.

When asked about minimarts, 60.7 percent of polled consumers said they were satisfied about their existence and services by minimarts and convenience stores.

Meanwhile, 12 percent said they were unsatisfied, mostly because of undiversified products available and the higher prices of products at minimarts than at traditional markets.

Only 37.4 percent said they patronized supermarkets regularly, and 45.8 percent of them said they were “satisfactory”.

Meanwhile, up to 61.2 percent of consumers do not choose supermarkets as the regular shopping channel, while 38.4 percent do not feel satisfied when shopping there.

The overcrowding at supermarkets and shopping malls, and bad infrastructure, including transport conditions and parking lot, were reasons for their dissatisfaction.

An analyst noted that the survey results were not a surprise at all,

HIGHLIGHTS

saying that traditional markets remained the choice of housewives as they can provide fresh food, not frozen food, and they sell products at lower prices than supermarkets.

Dr. Dinh Thi My Loan, chair of the Vietnamese Association of Retailers (VAR), noted that modern retail channels only accounted for a very small market share in Vietnam if compared with other regional markets.

She noted that most retailers were facing problems in human resources, lacking salespeople, accountants and collectors, and mid- and high-ranking managers. Only 3.1 percent of the personnel was trained in retail management in 2013.

US dollar millionaires to “explode” in Vietnam in ten years

With a 166% growth forecast, in 2023 Vietnam will have 293 US dollar millionaires compared to the “modest” figure of 110 in 2013.

According to the latest Prosperity Report 2014 by Knight Frank, if in 2013 the world had an additional 5,000 people (equivalent to an increase of 3%) joining the “club” of

wealthy people, raising the number of millionaires to 167,000, the number rose by 59% this year.

Millionaires are identified as owners of property worth more than \$30 million.

Meanwhile, the number of super-rich people (with assets of more than \$100 million) increased by 62% and the number of billionaires rose by 80%.

More specifically, North American millionaires increased by 1,500 (equivalent to 3.5%) compared with 2013. In Europe, the figure was 2,000, an increase of 3.3%. Asia has an additional 1,000 millionaires, bringing the total number of millionaires in the region up to 41,114 people.

the growth of millionaires in Vietnam (people owning property of over \$30 million) will reach 166%, even higher than some other Asian countries such as India and Indonesia. With such a growth, in 2023 Vietnam will have 293 millionaires compared to 110 in 2013.

In addition, the number of super-rich people (with total assets of more than \$100 million) of Vietnam in the next 10 years is also projected to achieve the highest growth rate in the world, with 56 people in 2023 compared to 21 in 2013, an increase of 167%.

RANKED BY FORECAST
GROWTH IN UHNWIS

	2013	2023	
Vietnam	110	293	166%
Indonesia	626	1,527	144%
Cote d'Ivoire	25	54	116%
Kazakhstan	179	375	109%
Mongolia	45	90	100%
India	1,576	3,130	99%
Tanzania	75	148	97%
Ethiopia	35	69	97%
Ghana	30	58	93%
Nigeria	200	384	92%

Notably, Vietnam has emerged as a bright spot in the report. Accordingly, in the next 10 years,

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