



GRANDMOTHER AND HER GRANDCHILDREN TO PREPARE TRADITIONAL CAKES FOR TET

VIETNAM BUSINESS REVIEW

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Launch Newsletter *Special Edition*

by [R&C Dept]

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Today we're very pleased to announce the launch of **Vietnam Business Review *Special Edition***.

The Special Edition will be published on the last Wednesday of every month.

In addition to highlighting the biggest news of the week, the special edition will give you a multi-sided viewpoint of each month's most remarkable events in Vietnam.

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Thanks & best regards,

SEIKO IDEAS



Focal Point: Market ready for TET

Only one month left before Tet Nguyen Dan (the Lunar New Year), a special occasion in Vietnam, especially in FMCG business, it must be about time to have a look at this buoyant market before Tet Nguyen Dan 2015.

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Other News

As a collection of news of remarkable events in Vietnam's economy, investment, banking, finance, etc, this part will provide you with highlights of Vietnamese market.

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FOCAL POINT

Market ready for TET

by HanoiMoi

Although the market's purchasing power has been still weak, enterprises are hopeful about a better business season thanks to longer Tet holiday & increase in laborers' incomes since Jan-2015.

Abundant sources of goods

Firms are speeding up to manufacture and stock goods for the year's biggest business season.

Vissan said the company's inventory for this year's Tet increase 10% compared to last year's. Accordingly, Vissan will provide about 46,000 pigs, 2,000 beef cows and more than 4,000 tons of products made from pork.

Saigon Food planned to provide 550 tons of foods, up 5-10%.

As for confectionery manufacturers, Bibica launched about 1,350 tons of sweets, biscuits and chocolate, up 20% over last year.

Beer and soft drinks companies also prepared goods for Tet months, up 50% over



the normal months.

As for distributors, Saigon Co.op has stocked approximately 90,000 tons of goods for 03 months of Tet, up nearly 15% over last year's Tet. It's predicted the highest increase of purchasing power will be in beer, soft drinks & fruits.

Meanwhile, Big C told that purchasing power might be up 15% over the same period last year.

Market awaits consumers

Although the inventory for this year's Tet increases, 54% retailers forecast that consumers' purchases will be down, according a recent survey by AC Nielsen. Hanoi market is believed to be more concerned with 61% retailers forecasting that consumers' purchases will be down meanwhile the figure is 47% in HCMC.

Due to large stock and unpredictable purchasing power, firms and retailers share the common point of view that they are willing to implement discounts and promotions.



The average Tet bonus planned by enterprises will be 5-7% higher than in 2014.

Big Tet bonuses despite recession

by [Vietnamnet]

The highest Tet bonus in Hanoi is expected to be VND86 million, offered by a foreign invested enterprise, while the figure is VND583 million in HCM City, according to local labor departments.

A report from the Hanoi Department of Labor, War Invalids and Social Affairs shows that the average 2015 Tet bonus planned by enterprises will be 5-7% higher than in 2014.

The department, which has received reports from over 50 businesses in the city, has found that the highest Tet bonus will be VND86 million, while the lowest will be VND1.5 million.

Businesses in HCMC & Dong Nai province report that they have budgeted hundreds of

billions of dong for Tet bonuses. Many medium-sized businesses offer bonuses equal to 1-2 months of pay.

Meanwhile, many business owners said they were "worried to death" about rewarding workers on Tet.

This is a common situation of garment companies. Workers have been told that the 2015 bonus would be no more than VND500,000 because of unsatisfactory business results in 2014.

However, seafood companies' workers have also been warned that the 2015 Tet bonus would be "modest", even though seafood is among the 10 export items with the highest turnover.

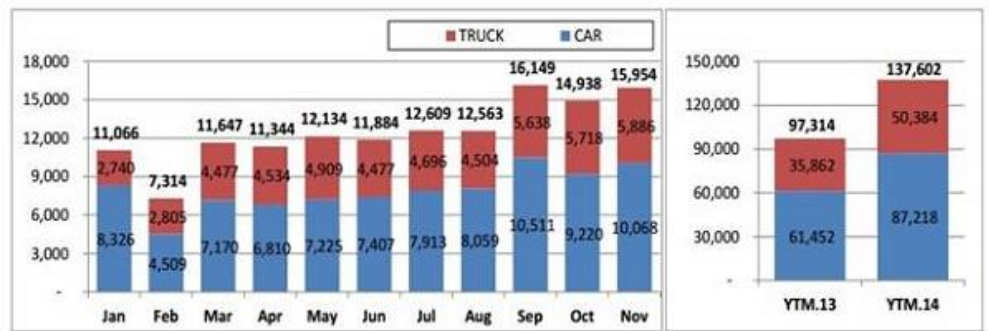
Car sales jump before Tet

by [R&C Dept.]

According to reports by Vietnam Automobile Manufacturer Association (VAMA), the total number of car sales in Vietnam by Nov-2014 was 15,954 cars, up 57% over the same period of 2013. This is the 20th consecutive month that car sales increase. It's understandable as a result of year-end purchasing rule.

By segment, November witnessed the strong growth of 4-seat cars with 10,068 cars being sold and truck with 5,886 cars.

In terms of brands, Thaco is still the market leader with 4,392 cars being sold, up 31.5% over last month and 32.1% over the same period of 2013.



The brand with the strongest growth was Mazda with 1,018 cars sold, up 79% over the same period last year. With this trend, it's highly possible that Mazda can replace Kia's top rank to become Thaco's no.1 brand in tourism car in 2015.

November also witnessed Toyota's breakthrough with 4,187 cars sold, up 51% and accounting for 30.6% market share.

Leading was Vios 2014 with 892 cars sold, followed by Fortuner with 821 cars sold.

Ranking 3th was the US brand Ford with 1,552 cars sold in the month, up 8.4% over October and 11.3% over the same period last year.

As for hi-class brand Mercedes-Benz, 294 cars were sold meanwhile the figure was 48 ones for Lexus.

While other products' markets seem to be gloomy, electronics market is still very buoyant with awesome promotion campaigns at the end of the year.

According to Vietnam Electronics Industries Association (VEIA), never before do consumers have such many choices and chances to buy genuine products at such cheap prices. At the beginning of 2015, most of electronics supermarkets such as Nguyen Kim, Pico, HC Home Center, Media Mart, etc redecorate their locations and implement big promotions with either 5-40% discounts or attractive gifts.

Pico has lucky draw programs every hour at their locations. Smartphone products are being sold with discounts of 49% meanwhile the figure is 5-10% as for cameras, TVs. The most remarkable discounts are for washers with 30% discounts.

At Media Mart, big gifts valued about VND30,000,000 from either Sony or Media Mart are always available for customers who buy TVs and other products here.

At Nguyen Kim electronics supermarket, with strong investment into and long-term

The closer Tet is coming, the hotter the electronics market becomes

by [R&C Dept.]

relationship with electronics groups, this supermarket continuously implement sales programs with 30% discounts and direct subsidies on prices for customers right after the New Year.

Thien Hoa systems also launched many attractive promotions such as 50% discounts on a variety of products and changing the old for new products program that draw much attention from customers.

Cho Lon electronics system organized its biggest promotion event ever in 10 years, sales off up to 50% as for washers, TVs, fridges, etc.

Moreover, in order to improve customers' buying processes and experience, electronics supermarkets partnered with banks such as VietinBank, SeaBank, Sacombank, etc to set up installment buying programs with

installment of VND 0.00 and 0% rate. Accordingly, instead of paying a big amount of money at the beginning to possess the products, customers can pay within 6 months or 1 year with the rate at 0% in the first 3-6 months.



BONUS INFO

Non-alcohol beer: the new trend in Tet Nguyen Dan 2015

Non-alcohol beer appeared on Vietnamese drink market for a while but drew a little attention from consumers due to high prices and drinkers' habit to drink alcohol.

However, this kind of beer has officially be manufactured in Vietnam and now becomes a reliable option for consumers who want a safe Tet.

Currently, Sagota is the only brand of non-alcohol beer in the market. With the price equivalent to other kinds of beer and cheaper than those of imported non-alcohol beer, Sagota is forecast to be a big player in the Vietnamese beer in the upcoming time.

In 2014, Vietnamese people paid \$3.1b for beer

According to a report by Vietnam Brewery Association (VBA), both production and consumption of beer in Vietnam were higher than last year and beer manufacturers increased their volumes to 3,140 billion litres.

Sabeco ranked 1st in market share with 1.3 billion litres, followed by Habeco with 637 million litres.

So, in 2014, Vietnamese people paid at least \$3.1b for beer, not including imported beer.

The average price of one litre of beer in Vietnam is about VND20,000.

FAST FACTS

30%

Food needs in Vietnam are forecast to increase 30% in Tet Nguyen Dan

15%

Vietnamese people's Tet bonuses are up about 15% over last year



Consumers have many choices for beer in this Tet Nguyen Dan.

Do prices of Tet beer increase?

by [R&C Dept.]

Tet beer market 2015 has been ready to serve consumers when firms, manufacturers, importers and distributors of this goods confirmed that the supplies for Tet 2015 increased 5-15% compared to 2014.

The volume of beer surge

Sabeco, the Vietnamese big brand with 28% market share prepared 120 million litres for Tet 2015, up 10% over Tet 2014.

According to Tran Phuong Lan, Head of quality monitoring and management (under Department of Competition Management, the Ministry of Industry and Trade), Vietnamese beer market is estimated to be one of the markets with high growth rate thanks to local firms' expansion and foreign players' participation.

Vietnam Brewery Factory Joint venture company which possesses the brand Heineken, Tiger, etc didn't publish the detail figure of beer volume but said that beer supplies this Tet are very abundant and higher than 2014 with the focus on middle class.

Sagota planned to provide 2-3 million litres of beer, doubling last year.

Stable prices, increasing promotions

According to Hapro, consumer needs for beer are forecast to increase about 10% this year.

Big C said the supermarket has already received goods from distributors at the end of 2014 and will keep adding supplies when needs surge. That's why there's no reason for any concerns about supplies and prices this Tet.



In Hanoi, not only Habeco increase their supplies by 10% but also set up a special promotion program with prizes valued VND 21 billion.

Sabeco also provided 10,000 free boxes of beer for their promotion program this Tet Nguyen Dan.

PM asked to decrease transport fares before Tet

by [R&C Dept.]

At a conference of oil prices' effects on Vietnam economy in 2015 in January 22nd, PM Nguyen Tan Dung asked transport companies to reduce the fares before Tet Nguyen Dan 2015.

The Ministry of Transport also asked provinces, cities to inspect the fares at the

locals and reduce at the reasonable level, equivalent to the falling fuel prices.

From the beginning of 2014, the price of petrol has been adjusted 15 times and the price of oil 21 times with the decreasing level of 25% and 35%, respectively.



In addition to the appearance of Android models priced below VND10,000,000, Tet market also witnessed a series of promotion programs as well as the comeback of some old iPhone models with cheaper prices.

In the hi-class segment, LG G3 16GB, Samsung Galaxy S5, Galaxy Alpha are attracting consumers with prices plummeting from VND13-15 million to VND10 million or cheaper.

Ha Tuan from Hoang Ha mobile (Hanoi) said that although manufacturers didn't adjust prices, shops still adjusted because Tet Nguyen Dan is a shopping season in a year, a good time for competition by discounts.

Not only the prices of hi-class but also medium models are reducing. For examples Zenfone 4, BlackBerry Z3, Q10. Medium models by Sony, Samsung, LG, HTC are also selling at the lower prices.

Before Tet, smartphones on the mass discounts

by [R&C Dept.]



Huy mobile chain's representative said falling prices were due to the market pressure when a series of Android smartphones with better configuration, beautiful designs and competitive prices have just been launched. New brands such as Huawei, Lenovo and Oppo won consumers' hearts with many Android models priced VND6-9 million. Samsung and HTC also refreshed their medium

segments with Galaxy A and Desire priced below VND10 million.

While almost smartphones' prices were on the downward trend, iPhone's prices were pretty stable with steady sales.

Vinh Phat Mobile's representative said that iPhone was still the leading smartphone of the market in this year-end shopping season. Because in addition to brand-new models, the market just welcomed the comeback of old iPhone models with cheaper prices.

For instance, iPhone 5C has been redistributing with price equivalent to medium Android models, VND4-5 million lower than the published price last year.

OTHER NEWS

FDI hit \$663m in January

VNA - By January 20th, foreign businesses had invested \$392.18m in 44 new projects and \$271.26m in 19 existed ones, up 67.1% YOY.

The processing and manufacturing industries lured much of FDI into 18 projects, followed by wholesale and retail, electricity & water supply.

British Virgin Islands topped the list of investors with a total investment of \$331.31m, followed by RoK and Hong Kong.

Medicine imports hit \$2b in 2014

VGP - VN imported medicines from 30 markets, worth \$2b last year, up 8.3% YOY.

Of these, medicines from India had the biggest market share at 13.1% (\$267m), growing by 7.95% from 2013.

France ranked 2nd with 11.7% market share, followed by Germany with 28.27%.

**HCMC pulls plug on so-called electric cars**

VNN - Electric cars are proving popular in HCMC though authorities have yet to allow them to be registered for use.

The 3-wheeled vehicles cost about \$2,100 each. They are able to run for 40-100km on a single charge.

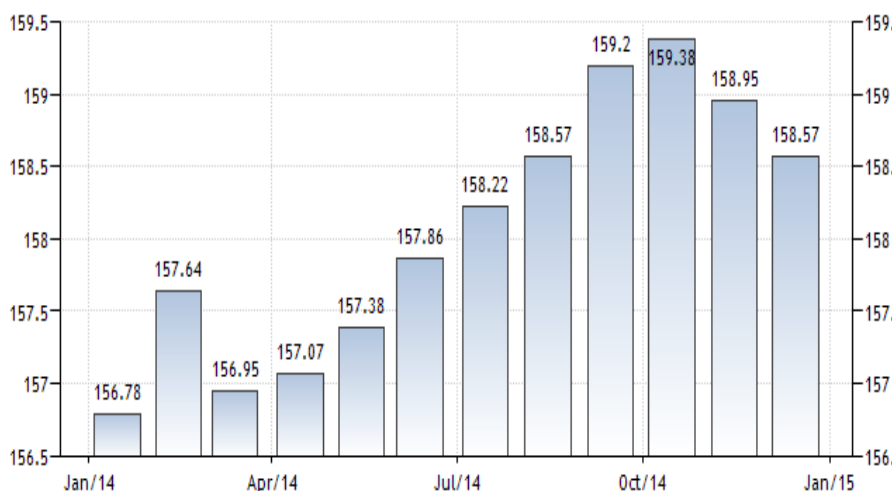
Authorities of Cam Binh Commune, concerned about traffic safety, banned people buying and driving this kind of vehicle without licenses, alleging that they are really just modified golf cars and not suitable to road conditions.

On Binh Ba Island, authorities asked people to stop using the electric vehicles, but despite this, more than 20 ones were on streets by the end of last November.

Lawyer Nguyen Van Hau said 3-wheeled electric cars must be registered for number plates.

Vietnam Registry asked relevant agencies to strictly punish violators and investigate how such vehicles are being imported without going through proper safety inspection channels.

VIETNAM CONSUMER PRICE INDEX (CPI)



SOURCE: WWW.TRADINGECONOMICS.COM | GENERAL STATISTICS OFFICE OF VIETNAM

Falling fuel prices push CPI down

by [VNS]

VN's CPI fell by 0.2% in January, compared to last month.

This drop was attributed to the sharp decline in the worldwide price of petroleum in recent months.

This is the 3rd consecutive month that CPI recorded a drop with 0.27% & 0.24% in Nov & Dec last year.

CPI this month broke the trend seen in previous years when prices in local markets in Jan, the month before Tet Nguyen Dan, are affected by numerous factors. These include production demands, esp in processing and consumption of goods for Tet.

The primary reason behind the drop was the downward trend seen in the world prices of petrol and gas since last July.

Import value up

GSO also announced that VN earned an import turnover of \$500m in Jan this year,

a figure that marked the end of the long run of months in 2014 when the country's export value exceeded its import value.

This trend may continue in the next few months because several construction projects lined up for 2015 will require importing machines, facilities and spare parts.

The import value of domestic businesses and FDI was \$5.6b and \$7.8b in Jan, up 28% and 41%, respectively, as compared to the same period last year.

With regard to export value, domestic businesses earned \$4.4b while the FDI reached \$8.5b in January, up 12.1% and 8.2%, respectively, month on month.

The country's export products continue to be in high demand in foreign markets. These include shoes (\$1b), telephones and parts (\$2.2b), computers and components (\$1.2b), rubber (\$157m) and cashew (\$140m).

SBV wants VietinBank, Vietcombank to become leading banks

by [VIR]

The State Bank of Vietnam (SBV) wants Vietinbank and Vietcombank to become the leading banks of Vietnam, and boost their scale at the regional level.

SBV Governor Nguyen Van Binh also added that this is part of a restructuring scheme for the domestic banking system.

Binh said the central bank needs Vietinbank to actively take part in the general process of handling weak lenders, by providing assistance related to human resources, management experience and prestige.

He specified that the industry and trade bank can combine efforts by merging with a smaller bank, and any merger will not financially hurt it, but will promptly help it expand its network.

The governor had expressed a similar viewpoint during a Vietcombank meeting a week earlier, when he confirmed that the foreign trade lender was set to merge with Saigonbank as part of a systematic reform process.

Vietinbank General Director Le Duc Tho said the bank will follow SBV's policies. "This is an opportunity for the market, as well as a necessary condition for reorganising and enhancing the overall management capacity of the banking system...We are likely to face many issues that the system is required to deal with."

With regards to market speculations that Vietinbank will merge with PGBank, he said related issues are being processed and information will be publicised at a suitable time. Unless Vietinbank makes an official announcement about this, everything will just be considered a rumour, he noted.

Tho reported on January 23 that Vietinbank had fulfilled its pre-tax profit target of VND7.3 trillion (US\$347.62 million) last year, with asset values totalling VND660 trillion

(\$31.43 billion) on December 31, up 14.6 per cent from the previous year.

In 2014, its total outstanding loans touched VND544 trillion (\$25.90 billion), reflecting a year-on-year jump of 18.2 per cent, with bad debts representing 0.89 per cent of the amount. The total deposits were pegged at VND596 trillion (\$28.38 billion), rising 16.4 per cent, from a year ago.

The bank aims to maintain last year's profit growth this year as well and expects its total assets to increase by at least 15 per cent. It has projected deposit and loan growth at 13

to 15 per cent, with the non-performing loan ratio expected to be less than 3 per cent.

Vietcombank Chairman Nghiem Xuan Thanh reported on January 16 that the bank had earned VND5.68 trillion (\$270.48 million) in pre-tax profits last year, up 2 per cent from the previous year.

In 2014, deposits at the bank grew by nearly 26 per cent and outstanding loans expanded by nearly 18 per cent year-on-year, while the bad debt ratio falling by 0.4 per cent year-on-year to 2.29 per cent.

SBV officials said about six merger and acquisition (M&A) deals will take place this year and mentioned the possible adoption of strong measures, such as dissolutions, bankruptcies and compulsory M&As for reinventing the banking system's health.

SBV to halt issue of new small banknotes

In a move aimed at saving billions of VND, the State Bank of Vietnam (SBV) has halted production of small denomination banknotes ahead of the coming Tet holiday.

Small denomination banknotes are popular for donations to temples or as lucky money, but do not remain in circulation after the holiday, causing increased costs for the SBV to collect and store the banknotes.

Nguyen Chi Thanh, director of issue and the vault department, said the SBV would not print new banknotes in denominations of VND500, VND1,000, VND2,000 and VND5,000, the third consecutive year it has halted production of small change.

The SBV said it had ample supplies of the notes already on hand to meet demand over the holiday period.

"The SBV can save hundreds of billion of VND so we hope to have support from the people to use money reasonably," Thanh said.

SBV Vice Governor Dao Minh Tu said the bank saved some VND1trn since it stopped printing new banknotes three years ago.

People usually donate small banknotes to pagodas after worship in hope of attracting good luck. The tradition is being criticised because, instead of putting the money into donation boxes, people tend to leave on statues or even throw it on the ground.

Tu said it cost the SBV more than VND300bn a year to print new small banknotes. Only a small amount was needed for actual transactions, the bulk left sitting in vaults until needed for holiday festivals.

In 2012, pagodas in My Duc District, Hanoi collected some 1,200 sacks of small banknotes with a face value of VND20bn (USD960,000). It took 10 trucks to collect all the currency.

Big foreign groups eyeing MobiFone equitization

VNN - MobiFone shares have been added to the portfolios of many foreign institutional investors.



In early August, a representative of Sweden's **Comvik** met with the leaders of the Ministry of Information and Communication, expressing willingness to become a strategic partner of the equitized MobiFone after 15 years of cooperating with MobiFone under a business cooperation contract.

In 2006, when the information about MobiFone equitization was released, Marc Beuls, managing director of **Millicom International Cellular SA Group**, the holding company of Comvik, said in ScandAsia that Comvik believed it would be able to acquire MobiFone's shares once MobiFone launched an IPO (initial public offering).

Not only Comvik, but many other foreign big groups have also shown their strong determination to become MobiFone shareholders.

Most recently, Arne Kjetil Lian, vice president of Norway's **Telenor**, met representatives of the Ministry of Information and Communication to express the group's willingness to hold the controlling stakes in MobiFone.

Other big groups, **Vodafone**, **SingTel**, **T-Mobile** and **Orange** (France Telecom), and investment funds and securities companies are also eyeing MobiFone. Some of them reportedly set up representative offices in Vietnam in 2006, seeking opportunities to invest in MobiFone.

It is not a surprise that the second-largest mobile network in the market with 130 million subscribers and 21% market share can attract so many investors. The question now for investors is not whether to invest in MobiFone, but whether they can, and at what price.

The unknown facts in the purchase of Nguyen Kim

NCDT - How much does the Central Group have to pay to acquire Nguyen Kim? Why has the Thai investor accepted to buy only 49 percent of Nguyen Kim's shares? Both questions remain unanswered.

Nguyen Thi Hong, media director of Central Group Vietnam, confirmed that Power Buy, one of Central Group's subsidiaries, has finished negotiations to acquire NKT New Technology and Solution Investment Development JSC, the owner of Nguyen Kim, one of the two largest home-appliance distribution chains in Vietnam.

Regarding the value of the deal, a source quoted by a local newspaper said Nguyen Kim is valued at \$200m. This means that the Thai investor would have to pay roughly \$100m to acquire the Vietnamese chain.

Tran Vinh Du, general director of TNK Capital, said the price is neither too high nor too low, considering Nguyen Kim's P/E (price on earnings) ratio.

With revenue of VND8.434 trillion and post-tax profit of VND352 billion, the P/E would be over 10, which indicates a company with high potential.

However, Du said, the P/E ratio is just one of many measures used to assess the value of businesses. Nguyen Kim's EBITDA (earnings before interest, taxes, depreciation and amortization) should also be assessed.

Some analysts said it was a big surprise that Nguyen Kim sold stakes, when it is a leader in the home appliance market. However, those who understand Nguyen Kim well said it was a wise move taken by the retail chain's owners.

Every electronics retailer knows that the profitability rate in electronics retailing is not high, only 5%, and that in order to exist, retailers have no other choice than to expand their networks.

Nguyen Kim increased its number of shops from 4 in 2010 to 21 in 2013. However, since then, Nguyen Kim has not set up any new shop.

In 2012, Nguyen Kim opened 5 big stores named "The Gioi So 24G" (Digital World), stating that it would develop 100 such supermarkets throughout the country in some years.

However, only after several months of operation, Nguyen Kim had to give up the model and focus on household electronics distribution. The retailer has failed in its latest expansion campaign.

Jetstar Pacific to split from Vietnam Airlines

VOV - Minister of Transport Dinh La Thang said that Jetstar would be separated from Vietnam Airlines in the future.

Vietnam Airlines and Jetstar Airlines merged twice and separated once. In 1995, Jetstar Pacific was merged into Vietnam Airlines for the first time, under the name Pacific Airlines. For the second time in 2012, Vietnam Airlines received nearly 70% of the capital of Jetstar Pacific from the State Capital Investment Corporation (SCIC).

In the 5-year development plan of Vietnam Airlines, Jetstar Pacific was supposed to be an inseparable part. However, the separation of the low-cost airline from Vietnam Airlines is only a matter of time.

After the separation, Vietnam will have at least 3 airlines, and this will help improve competition in service quality and fares. However, the route map for separation will still be considered because Jetstar Pacific needs significant assistance from Vietnam Airlines.

As the first budget airline in Vietnam, Jetstar Pacific was established in 1991. Through many changes in shareholders, Jetstar Pacific currently has charter capital of VND1.86 trillion (\$89 million), including VND1.26 trillion or 67.83% of Vietnam Airlines and 30% of Australia's Qantas.

According to a report from Vietnam Airlines, despite prolonged losses, the return on assets (ROA) of Jetstar Pacific increased from -87% to -67%.



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