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IN THIS ISSUE

Footwear enterprises to be in trouble for failing to find land

Almost local region always are afraid to license for enterprises manufacturing leather, especially leather tanning industry, because of fearing the contamination, while its profits take no more. Therefore, at present, the footwear enterprises are getting the non-small challenge to land dedicated to the production of the industry.

Construction of industrial zones

About the difficulties of the leather production enterprises in Ho Chi Minh City, Leather Footwear Association in Ho Chi Minh City said, in fact, Ho Chi Minh City don't want to permit for production industry easily affecting the environment and using much more labors, including leather footwear industry. A further problem is the planning and completion of the infrastructural investments for special enterprises (pollution industry) to manufacture. These businesses will be difficult to complete the investment capital for infrastructure, long-term stable for producing because of zoning changes. The difficulty of the small and medium footwear manufacturing enterprises is land be available for production and investment capital. Although the city has a policy to move to industrial zones to the suburbs to limit the pollution can be affected on people's lives, the industrial zones have not yet had all the conditions for factory where was adversely affecting the environment. Besides, the explosion of residential areas around industrial zones, making the production of enterprises in industrial zones is still not peaceful. The local region don't want to permit a new license, but

for businesses that have existed for long time before, it should have policies for them to invest completely the environmental treatment system. Consider establishing an industrial group dedicated to the production plant caused much environmental impact such as the tanning industry, garment and textile dye production to stabilize them.

Towards to autonomy in production

According to the master plan on development of Vietnam footwear industry until 2020, Vision 2025, issued together with Decision No. 6209 / QD-BCT dated 25/11/2010 of the Minister of Industry and Trade, has set a some orientations, goals that the footwear sector must achieved; including the establishment of the footwear industry. However, the establishment of industrial zones footwear is often difficult due to some problem such as environmental protection, using more labors.. and raises many the other social problems such as housing, schools, health care ... that Local region must solve.

As reported by the Leather Footwear Association, the sector's growth has stood at around 10%. The value of footwear exports in 2014 reached US $ 10.5 billion and the first 6 months of 2015, the export value reached USD 7.35 billion, up 18% over the same period 2014. Although total export value is very large (in the top 10 of the major export items of Vietnam), but the added value of the whole sector, especially domestic enterprises is low. There are 800 enterprises of the whole manufacturing footwear industry, mainly concentrated in the South (Binh Duong, Dong Nai and Ho Chi Minh City). Foreign investors of these enterprises accounted for 23%, but response 65% exports, domestic enterprises accounted 77%, but occupied 35% of exports. Except for a small number of domestic enterprises (according to OBM and ODM production,) 70% of Vietnam enterprise are now still producing in the form of outsourcing. So, economic efficiency is not high.

Why need outsourcing?

According to the economic experts, enterprises of the footwear sector which are formed on the basis of the processing for investors from Taiwan, South Korea for years. Now want to switch to self-production, Vietnam enterprises to build their own brand, reducing the dependence on foreign enterprises, to not depend on production and markets. Thus, local enterprises will no longer be appointed to take materials for production, as well as production following the request of another importer.

[R&C Dept., following CafeF]

Strong Foreign Cash Flows to Pour into Stock Market

According to economic experts, Vietnam's stock market during the last six months this year will witness positive changes as domestic and foreign cash flows increasingly enter Vietnam because of better impacts from the macro-economy. Compared with the end of 2014, the stock market in the first seven months of 2015 experienced relatively strong growth of nearly 10 percent, the average exchange rate reached more than 130 million shares on HOSE and about 94 million shares on HNX, the average trading volume reached about VND2,300 billion/session.

Transactions still revolve around Blue chips, especially banking stocks. This is the sector which did not receive much expectation from investors at the early 2015 due to impacts from bad debt, slow credit growth and plan of emergent of banks prescribed by the Government. However, in recent time, this group has led the stock market. The second remarkable point of the stock market during the first half of 2015 is the strong participation of foreign investors, which has increased the liquidity of the market with about VND5 trillion poured into both two stock trading floors. It is also the factor that keeps the Vietnam's stock market stable in recent time. With such positive changes, experts say, the market will have better developments, cash flow in the market will greatly benefit from domestic and foreign cash flow.

Accordingly, the government bond market is the one that draws much attention. During the period 2012- 2014 as the economy was still facing many difficulties, the government bond market operated very effectively with a success rate of 120 percent compared to the plan, the rate of successful bid for the first issuing time was 100 percent. However, in the first 6 months of 2015, as the economy developed more positively, the ratio of successful issuing of the government bond reached only 47 percent over the same period of 2014 which is equivalent to VND72 trillion, and reaching about one-third of yearly plan. That is base for experts to say that the cash flow will invest in other investment channels, including the stock market instead of government bonds.

As for the banking sector, after restructuring, the liquidity of the banking system was much better, interbank transactions also increased, in which a number of joint-stock commercial banks have started to increase deposit rates to mobilise capital flow. This shows that cash flow is withdrawing from the banking system and pouring into other targets including the stock market which is considered as an attractive investment channel. In the first six months of 2015, GDP rose higher than the target set (6.1 percent); FDI flow also experienced a better growth over the same period. And to facilitate enterprises, in the future, the State Bank will likely reduce lending interest rate and at the same time, stabilise the deposit rate so that business will operate more efficiently during the last six months of the year.

Regarding the foreign cash flow, according to representatives of JSC

Petroleum securities, the crisis of the Greek economy will lead to the fact that a large amount of money pulled out of the euro. Meanwhile, the USD is reclaiming its value, this is the reason the cash flows from Europe was being poured in some emerging markets and bonds. And so, Vietnam may be an ideal investment destination for cash flows from Europe at the end of the third quarter and the fourth quarter. In the past, in these periods, cash flows from foreign investors will have a huge impact on the domestic stock market due to small scale of Vietnam's stock market.

Moving on to policy matters, the Government, in recent times, also made great efforts to create a more open market in order to attract foreign direct investment such as stabilising exchange rates, issuing Decree 60/2015/ND-CP, effective from the beginning of 2015 and Circular to replace Circular 74 / 2011/ TT-BTC to greatly support for foreign investors. These positive changes to shorten the transaction time, convenient payment and reduce risks for investors and loose the rate of ownership (room) for foreign investors has had a positive influence on investors as well as stimulated the foreign capital flowing into the stock market. Along with that, many free trade agreements were signed and started its implementation roadmap, attracting foreign capital flows into Vietnam.

Compared with other countries in the region, Vietnam's stock market is still an ideal choice for foreign investors because stock market valuations are relatively low with P / E level of 30 to 40 percent lower than many countries in the region. With such a low index, Vietnam stock market still has potential for growth with active cash flows.

[VCCI]

VP Bank wined Data Management Strategy award for Enterprises in 2015

TDWI (The Data Warehousing Institute, US) has announced Data Management Strategy award for Enterprises in 2015 belonged to a bank in Vietnam. This is the first time representative Vietnam has been honored in this category. According to TDWI, building is a clear vision and roadmap for practically and effectively managing data, playing an important role in business analysis, product development, business operations, which can maximize the benefits for the customer, Vietnam Bank for Prosperity (VP) fully deserves this award this year.

VP Bank was appreciated by TDWI for data management strategy on the basis of considering the extent affect business operations, the suitability, maturity and innovation. In particular, according to TDWI, the bank has being applied the experience of the developed countries in the world to develop a roadmap for data management deployment in stages, proper positioning, reasonable staff-management, effective measurement... as international standards. With award about data management strategy now, VP Bank is honored to be the first bank in Vietnam to contribute names of TDWI's yellow table with large companies such as HSBC, GE Consumer Finance, Royal Bank of Canada, IBM, SAP ...

[Following Tri Thuc Tre]

Central bank puts DongA Bank under special supervision

The central bank announced that it had put DongA Bank under special supervision after its inspectors detected illegal activities there that could cause serious financial damage. Customers use DongA Bank services. This bank has been put under special supervision of the central bank. -Photo thanhnien.com.vn

The State Bank of Viet Nam intends to dismiss or suspend many of the senior leaders at the commercial bank and will coordinate with authorities to prosecute the violators. The central bank will designate officials from the Bank for Investment and Development of Viet Nam (BIDV) to manage and supervise DongA and adopt the necessary measures to guarantee the rights and interests of existing depositors at the bank.

DongA planned to sell a 49 per cent stake to foreign investors in a bid to raise its charter capital to VND10 trillion (US$452.49 million) in the coming months. The stake is worth VND4.9 trillion ($221.72 million). There are two to three foreign investment funds had expressed interest in buying DongA's stake to become its strategic investors and help the bank settle its bad debts.

Before making the offer to foreigners, DongA had only intended to sell 100 million shares to Kido Group and select the confectionery firm as a strategic investor in a plan to increase its equity from VND5 trillion to VND6 trillion (from $226.24 million to $271.49 million). However, with DongA's latest plan to increase equity to VND10 trillion, Kido will only represent a stake of some 10 per cent in the bank if it acquires the shares. This year, the central bank took over three weak lenders: Global Petro Bank, Ocean Bank and Viet Nam Construction Bank.

[following VIR]

Savvy Thai retailers take aim at Vietnam

The role of Thai business in Vietnam's marketplace has grown significantly over recent years, and experts expect this trend to continue particularly in light of the ASEAN Economic Community (AEC) coming to fruition later this year. Thai companies have put in place major initiatives for growth in the economy, taking advantage of the nation's significantly lower wages, phase in of AEC lower tariffs and by executing more innovative and clever marketing campaigns.

For instance, in mid-2014 Thai billionaire Charoen Sirivadhanabhakdi through his company Berli Jucker acquired the retail chain Family Mart (renamed B's Mart) and unveiled plans to open 205 convenience stores stocked to the brim with Thai goods over the next four years. Berli Jucker subsequently sent shockwaves through the market when later in 2014 it acquired 19 Metro Cash & Carry Vietnam stores at a cost of US$869 million along with an announcement of plans to extensively enlarge the presence of Thai products on the store shelves. Earlier this year, Central Group owned by Thai billionaire Chirathivat bought a 49% interest in NKT Company, which owns Nguyen Kim Company as part of an expansion into the electronic retail market.

Thai retailers in general have better thought out marketing strategies than their Vietnamese counterparts and have more effectively carried out trade fairs across the nation to promote their products, experts at the Vietnam Retailers Association have said. The breadth of the goods and services Thai retailers are introducing to the marketplace is astonishing, said the representative as it includes everything from cosmetics, healthcare, skincare, and furniture to electronics.

Most notably, Thai spicy cuisine and food products sold in retail establishments and restaurants are gaining in popularity and carving out a hefty slice of the market in shopping centres throughout the major metropolitan centres. These products compete head on with those of Vietnamese retailers – however, Thai products are benefiting from a better brand reputation for quality and dependability and are sold at highly competitive prices. Vietnamese businesses all along the supply chain have simply failed to grasp the fundamental concept that there is more to competition and open markets than just selling a product at the lowest price. With the finalization of the AEC in sight it remains an open question whether Vietnamese retailers have the business savvy and clear understanding of what it takes to compete with their better prepared Thai counterparts.

[VOV]

Tax breaks to lift auto industry

Cars with various engine displacement values are expected to enjoy a rebate in the special consumption tax in Vietnam as of July 1, 2016, according to a revised draft on Tax Law issued by the Ministry of Finance recently.In the draft, certain kinds of cars will receive a tax cut while some others will attract a higher tax compared to their current level of taxation. The draft, to consider the automobile industry's development strategy, is seen as an effort to help boost the development of this sector and reduce car prices in the domestic market.

Accordingly, the ministry will reduce tax on prioritized cars, with engine displacement below 1,000 cm3 to 2,000 cm3, by between 20% and 5% as of July 1, 2016. The tax will be continuously reduced till January 1, 2018. Meanwhile, cars with engine displacement of more than 2,000 cm3 to 3,000 cm3 will be imposed at between 60% to 75% of its value as of next July 1, from 10% to 15% higher than the current levels .

A new statistic issued by the Customs Office showed that Vietnam imported 9,504 complete built units (CBUs) in July with a total value of US$208.5 million, a 1.8% fall in quantity and 32.1% in value, as compared to figures of June. The volume of imported CBUs in June and July continuously came down after the boom in the market in May with a total of 10,734 imported cars. In June, the number reached 9,678 CBUs, plunging by 9.8% when compared with May.

With the new addition in import in July, the country saw a total 64,421 CBUs imported since early this year till the end of July, achieving a total value of more than $1.7 billion. This figure was nearly 7,600 units lower than that of 2014 but its value is $130 million higher than in 2014.

According to a report from the Vietnam Automobile Manufacturers' Association (VAMA), as many as 20,349 cars were sold in the Vietnamese market in July, an increase of 9% compared with the previous month and 61% in the same period last year. Of the sale, 15,013 were locally-assembled cars and 5,336 were imported cars.

Referring to the policy for special consumption tax and car price in Vietnam in the future, one car in Vietnam had been bearing various taxes and fees including import tax, special consumption tax, value-added tax, and registration fee, so it's difficult to foretell the time when car prices would be reduced.

[VNS]

Many Exports in Difficulty

According to the General Statistics Office of Vietnam (GSO), Vietnam was estimated to earn US$92.2 billion from exports in the first seven months of 2015, up nearly 10 percent over the same period of 2014. This growth rate was lower than that a year earlier when Vietnam ran a substantial trade surplus.

Growing pressures

Many exports continued to encounter a tough time, particularly agricultural and aquatic products like fruits, vegetables, cashew nuts, coffee, tea, pepper, rice, tapioca and rubber. The export value of agricultural, forest and aquatic products fell 7.4 percent year on year mainly because of a drop in shipments of seafood, rice, coffee and rubber. Specifically, seafood export turnover was estimated at US$3.6 billion, down about 15 percent year on year; rice shipments grossed 3.7 million tonnes worth US$1.6 billion, down 3.5 percent in volume and 8.7 percent in value (price dropped 5.4 percent); coffee exports were forecast at 800,000 tonnes valued US$1.65 billion, down 33.2 percent in volume and 33 percent in value; and rubber shipments totalled 531,000 tonnes worth US$779 million, up 16.3 percent in volume but down 6.9 percent in value (price slid 19.9 percent). Crude oil export turnover fell almost by half from a year earlier to US$2.5 billion in the first seven months of this year.

The FDI sector continued to maintain a high growth rate and contributed largely to export growth. The export turnover of the country in the first seven months of 2015 increased by US$8 billion from a year-ago period and the FDI sector reported an addition of US$10.68 billion (excluding crude oil). The domestic sector witnessed a decrease of US$471 million and crude oil exports dropped US$2.19 billion.

Fast-growing, high-valued exports were made by FDI companies, including telephones and parts (FDI firms accounted for 99.7 percent of the country's export turnover of these commodities); computer and electronic components (98.6 percent); footwear (79.3 percent), apparels (60.6 percent), and cameras (99 percent). However, the picture of exports still had bright spots illustrated by information technology products, apparels and footwear. As Vietnam has been, and will be, joining many free trade agreements (FTAs), garment - textile and leather - footwear export valued soared 22 percent year on year to nearly US$20 billion in the first seven months, making up 22 percent of the nation's total exports.

Trade deficit surges

Meanwhile, imports continued to surpass exports in the seven-month period, reaching US$95.6 billion, up 16 percent year on year. The FDI sector reported an increase of US$10.65 billion. The country ran a trade deficit of US$3.37 billion in the seven months, or 3.6 percent of total exports. In July, the trade deficit value was US$300 million, higher than US$140 million in June. Major importers were FDI firms. Key items included telephones and accessories (FDI companies accounted for 87.8 percent of the country's total imports of these commodities); computers, electronic products and components (92.3 percent); fabrics (61.9 percent); and materials for textile, garment and footwear production (69 percent).

As Vietnam is a major subcontractor for large foreign corporations which import inputs for production in the country. For instance, the import value of phones, electronics, computers and parts exceeded US$19 billion while the import value of machinery, equipment, tools and spare parts jumped 35 percent year on year to over US$16.5 billion.

Vietnam imported 65,000 automobiles worth US$1.7 billion in the seven months, more than doubling the value a year earlier. Imports from Asia accounted for 81.8 percent of the country's total spending. China was the biggest import market of Vietnam with some 30 percent of value, followed by ASEAN, South Korea and Japan.

In the remaining months of the year, Vietnam will focus unfreeze bottlenecks in import-export by reviewing and simplifying administrative procedures relating to import and streamlining procedures of certificate of origin granting. The Ministry of Industry and Trade will promote the sharing of market information (scale, price, trends, consumer tastes, distribution channels, regulatory requirements, etc) from Vietnam's trade offices in foreign countries with exporters, especially exporters of agricultural and aquatic products.

[Huong Ly]

Regarding quality control towards imported pharmaceutical materials

Official letter No. 189/YDCT-QLD dated July 22nd, 2015 of the Ministry of Health regarding quality control towards imported pharmaceutical materials

Relating to the issue that imported pharmaceutical materials must be tested active substances according to the Government's requirements, the General Department of Vietnam Customs requests enterprises to comply with the following requirements:

1. To examine the packaging and labeling for pharmaceutical materials upon granting customs clearance in accordance with Circular No. 04/2Q08/TT-BYT dated May 12th, 2008 of the Ministry of Health guiding the labeling for medicines, in which must have the Vietnamese label providing the following contents: Tên dược liệu (Name of pharmaceutical materials); Tiêu chuẩn chất lượng (Quality standards); Khối lượng tịnh (Net weight); Số lô sản xuất (Product lot number), Ngày sản xuất (Manufacturing date); Hạn dùng (Expiry date), Điều kiện bảo quản (Storage condition); Tên, địa chỉ cơ sở sản xuất (Name, address of manufacturer), xuất xứ của dược liệu (origin of pharmaceutical materials), Tên, địa chỉ cơ sở nhập khẩu (Name and address of importer)

2. Imported pharmaceutical materials must have evident documents of product origin as prescribed: Certificate of origin of goods granted by competent state agencies (C/O).

3. Imported pharmaceutical materials must ensure quality as prescribed:

- Having certificate of goods quality, in conformity with standards of manufacturing country or international standards (certificate of quality C/Q) (enclosing with the Vietnamese translation), of each pharmaceutical material consignment;

- Having testing sheet in conformity with the certificate of origin (enclosing with the Vietnamese translation) of each pharmaceutical material consignment granted by authority of exporting country (in which focusing on pharmaceutical materials which are encouraged by the Ministry of Health enclosed with this official letter).

Credit Lending for Agricultural Loss Reduction

The State Bank of Vietnam (SBV) recently issued Document No. 6023/NHNN-TD requesting commercial banks to strictly implement a Government support credit lending programme which aims to help famers and agribusinesses to minimise their post-harvest losses in accordance with Prime Minister's Decision No. 68/2013/QD-TTg dated November 14, 2013 on support policies to reduce post-harvest losses in agriculture.

Decision 68 is a major policy decision of the Government to assist farmers and agribusinesses to purchase machinery and equipment to minimise losses in agriculture, contributing to promoting agricultural restructuring. To accelerate the pace of disbursement for the programme, the central bank told commercial banks to see this credit programme as an act of political significance to serve the mechanisation process, reduce losses and improve efficiency in agricultural production. Commercial banks directed their branches and transaction offices to seriously carry out the credit support programme as specified by Decision 68 and guidelines of relevant ministries. Bank branches and transaction offices must make public notices on beneficiaries, processes and procedures on this regard.

Vietnam devalues dong to protect exports, offset China's yuan action

Vietnam devalued the dong for the third time this year as authorities moved to bolster a languid export sector facing fresh challenges from a surprise devaluation of the Chinese yuan. The State Bank of Vietnam (SBV) said the intervention was also in anticipation of the U.S. Federal Reserve raising rates. It widened the dollar/dong trading band for two times in a week, underscoring concerns a weaker yuan could further inflame bloated trade deficit. Vietnam's economy is closely tied to its communist neighbour, with three quarters of bilateral trade worth $60 billion being imports from China.

Vietnam lowered the official mid-point rate by 0.99 percent to 21,890 dong per dollar and widened the trading band for the second time in six days, to 3 percent from 2 percent. The SBV allowed 1-percent currency depreciations in January and May.

ANZ analysts said the devaluation was more aggressive than expected, while HSBC Vietnam welcomed the quick response. The dong, among Asia's most resilient currencies, dropped to 22,380/22,400 per dollar on the interbank market at 0344 GMT on Wednesday, off 1.3 percent from the previous day and down 4.5 percent so far this year. Gold rose 1.3 percent to sell at 34.62 million dong ($1,547) per tael in Hanoi.

TRADE CHALLENGE

The weaker yuan has sparked concern of more Chinese goods flooding Vietnam's market. Trade with China was in deficit of $19.33 billion in the first seven months of 2015, versus a $14.88 billion deficit a year ago. Export-reliant Vietnam saw shipments grow 8.9 percent in that period, below the government's 10 percent target. Cheaper Chinese exports could pose a challenge as Vietnam's low-cost manufacturing sector competes with China for orders for clothing brands and electronics firms like Samsung and Microsoft, which has reduced operations in China and shifted some to Vietnam.

With this action, the dong could fall to 22,547 per dollar in interbank deals, or 2 percent down from the previous day. The dong has now weakened 4.5 percent in interbank and 3 percent on unofficial markets, against the SBV's pledge to let it slip 2 percent in 2015.

(Martin Petty & Shri Navaratnam)

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