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Highlight of January: Telecommunication

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Telecommunication

Mobile Telecommunications Market: Towards Sustainable Development

"Mobile Telecommunications Market: Towards Sustainable Development" is one of the two main themes of the International Exhibition and Conference Mobile Vietnam 2012, which recently took place in Hanoi. The event has contributed to shaping the future of the mobile industry in Vietnam, and offered cooperation opportunities for mobile operators; mobile solutions providers; terminal equipment manufacturers and suppliers of mobile software.

According to the Department of Telecommunications (Ministry of Information and Telecommunications), by the end of May 2012, the total number of telephone subscribers on the entire network of Vietnam was 132,8 million, of which 122,79 million was mobile subscribers accounting for 92.5 percent, 10 million was landline subscribers accounting for 7.5 percent. Accordingly, for a population of nearly 88 million people, an average person uses about 1.5 mobile numbers. This is considered a quite fast development pace. Currently, there are six major network suppliers, of which three suppliers occupy the bulk of the market: Viettel (accounting for 40 percent), Vinaphone (accounting for 30 percent) and Mobifone (accounting for 20 percent). However, the Vietnamese mobile telecommunications market is revealing its unsustainability when witnessing the leaving of two mobile brands which are S-Fone and Beeline. This network supplier had to leave the Vietnamese telecom market since VimpelCom Group (Russia) sold off 49% stock to its partner, Gtel Mobile. Other small mobile network suppliers are still trying to maintain their market share and some investors still hesitate to set foot in Vietnam's telecommunications sector.

Meanwhile, the new changes from the mobile network suppliers in Vietnam recently also show the fierce competition on the mobile telecommunications market and promises many changes in the future. According to statistics, in the first 6 months of 2012, three major network suppliers which are Viettel, Vinaphone and Mobifone's market share only increased 1 percent, while Gmobile saw a growth of 1.42 percent. However, the majority of users use subscribers of this network as an alternative, to enjoy promotion. This will probably lead to loss of balance and stability of this network.

Mr Vu Anh, Director of Telecommunications Department of VNPT said that the Asia Pacific region has the largest number of mobile subscribers with a steady growth rate in the period of 2009-2015. It is expected to be approximately 7 billion mobile subscribers, 588 million mobile broadband subscribers in 2015. Demand for data services with high speed has also been increasing. Video capacity accounts for about 40-60 percent of the mobile data traffic of the mobile network suppliers in 2011. With the development of telecommunications services, users tend to use more high-resolution videos.

To navigate to the sustainable development of the mobile telecommunications market in Vietnam, Department of Telecom said that the major networks would be more tightly managed in terms of tariff as well as promotions. Smaller network suppliers will be granted more flexible policies. Mrs Tran Nhat Le, Deputy Director of Department of Policy and Planning, Department of Telecommunications (Ministry of Information & Communications) also affirmed that in the Vietnamese market, "there are at least three major networks" operating under the pressure of competition.

Deputy Minister Le Nam Thang of Information and Communications said that this meeting has the theme in compliance with the orientation of the government in the national Telecommunications development plan towards 2020. The conference will be a good opportunity for speakers to exchange and promote cooperation and investment opportunities and to introduce new application solutions in the field of telecommunications. He also affirmed that Vietnam is always ready to welcome and create favourable conditions for the international telecommunications business to effectively take investment into Vietnam.

Previously, in the inaugural exhibition Mobile Vietnam 2012, Minister of Information and Communications Nguyen Bac Son also emphasized that currently, the Information and technology industry in Vietnam is considered an industry with steady steps, playing an increasingly important role in the socio-economy. Vietnam is expected to will have mastered technology and information infrastructure by 2020. To make this goal come into reality, Vietnam is focusing on development of human resource and investment in telecommunications infrastructure, including mobile systems.

Also according to Minister Nguyen Bac Son, Vietnam's telecommunications with modern technology all over the country are offering diverse services with good quality and competitive price to meet the requirements of social life. Particularly, many Vietnamese enterprises have started to reach out to world markets. However, to make the Vietnamese telecom market develop with balance and sustainability, Vietnam's telecommunications industry has to make more efforts and build information superhighway to widely apply information technology, ensure information security and national sovereignty on information security.

In addition, from the view of state management, in recent times, Ministry of Information and Communications and related industries have taken great efforts to build and perfect the legal framework to promote the development of the telecommunications industry and information technology. Besides, they also put effort into setting up an environment for fair competition and creating favourable conditions for investment, business and participation in the market by domestic and foreign economic sectors.

According to the national telecommunications development plan towards 2020, in the future, Vietnam will reorganize the telecommunications business in the direction of allowing the transfer, sale and merger to form three to four groups and corporations with specialized professional operations on the basis of effective use of infrastructure and telecommunications resources to avoid monopoly in telecommunications activities. The Ministry of Information and Communications will also strictly control service prices to reduce costs to match the income of ordinary people. However, it will gradually adjust some services with current low cost to ensure effective business for enterprises.

Source: VCCI

Japanese telecom company joins Vietnam market

Global Data Services JSC (GDS), a joint venture between the NTT Com and Vietnam Posts Telecommunications (VNPT), has begun supplying domestic and international network services in Vietnam.

According to the NNT Com's announcement on December 13, the project has got off the ground after GDS became the first foreign-capital enterprise to gain a telecom license from the Ministry of Information and Communications on November 26.

NTT services in Vietnam include intranet data network access, direct link to the domestic internet exchange (IX), internet access, and online and video conferences.

GDS designs and provides low cost and reliable services, including online gaming and e-commerce, for enterprise customers.

It also provides networking services supported by SLA to connect suppliers national wide.

Established in 2008, GDS-run Thang Long Data Center has proved to be Tier-3 data one with USO27001-certified information security management.

Source: VOV

US Government Approves Loan for Vietnamese Telecommunications Satellite

The USA government's Export-Import Bank has approved a loan of US$118 million to the government of Vietnam for the export of a telecommunications satellite and additional goods and services.

The loan, which represents Ex-Im Bank's first satellite transaction with the government of Vietnam, supported approximately 525 full-time equivalent American jobs, according to Lockheed Martin estimates, and financed export sales totalling $215 million.

The Vietnam Post and Telecommunications Group (VNPT), a state-owned enterprise headquartered in Hanoi acting on behalf of the government of Vietnam in the transaction, hopes to satisfy the growing demand of telecommunications and television markets emerging in the region.

The satellite, VINASAT-2, is a geosynchronous satellite that was launched May 15 and recently completed a series of in-orbit testing. Equipped with a payload of 24 active Ku-band transponders, the satellite provides coverage to Vietnam, Cambodia, Laos, and Thailand.

Ex-Im Bank considered the transaction only after receiving presidential approval to do so.

According to the Bank's Charter, the president must first determine if an Ex-Im Bank loan of $50 million or more to a Marxist-Leninist country is in the national interest before the Bank's board can vote on the transaction.

Source: http://www.cellular-news.com

Vietnam's telecom company seeks to step into Myanmar market

YANGON, Aug. 15 (Xinhua) -- Vietnam's state-owned company Vietnam Mobile Telecom Services Company (VMS) is preparing to step into Myanmar market, official media reported Wednesday.

Aimed at expanding its business into Myanmar market, a delegation, headed by Le Ngoc Minh, Vice President of Vietnam Post and Telecommunication Group (VNPT) and Chairman of VMS, has toured Myanmar recently.

Vietnam wishes to help Myanmar's telecom partner to shorten the time to market and to effectively optimize the workforce in the vision to transform its mobile services from being a luxury that few could afford to everyday services that all could use on regular basis, said Le.

"This visit helps us to get a closer view on the cultural and reform similarity between the two nations. Myanmar telecom reform will be, without doubt, an important opportunity and a historic turn point not only for telecom but also for Myanmar socio- economic development," Le said during the visit.

VMS was founded in 1993 as the first GSM 900/1800 and 3G mobile operator in Vietnam. VMS sells services under the MobiFone brand, being voted as the most favorite network in Vietnam for six consecutive years since 2006.

Vietnam's investment in Myanmar hit 23.649 million U.S. dollars as of November, 2011 since the country opened to foreign investment in late 1988, according to official statistics.

Source: http://news.xinhuanet.com

Economy

Vietnam's GDP up 5.03% in 2012

Viet Nam's Gross Domestic Product (GDP) growth rate in 2012 increased 5.03%, lower than the plan set for the year (6%).

In the first quarter, the CPI rose 4.64%, the second quarter up 4.08%, third quarter 5.05% and fourth quarter 5.44%.

The agricultural, forestry and aquaculture sector increased 2.72%, industry and construction sector up 4.52% and service sector up 6.42%.

To achieve the development goal of 6.5-7% in 2011-2015, Viet Nam has to reach the average GDP growth rate of 8-9% by 2014 and 2015.

According to the General Statistics, in the context of global economic crisis, the GDP growth rate of Viet Nam has been improved in each quarter, showing the State's effective measures and solutions.

Source: TuoiTreNews

External economic achievements gained in 2012

Despite global and domestic challenges, Viet Nam has still gained significant external economic achievements in 2012, especially in terms of FDI, ODA, export, import and international arrivals.

Higher disbursement of FDI and ODA

The newly-registered FDI reached US$13 billion in 2012 and the realization of this capital source is estimated at US$10.5 billion, slightly higher than the average in 2007-2011 (US$10.31 billion).

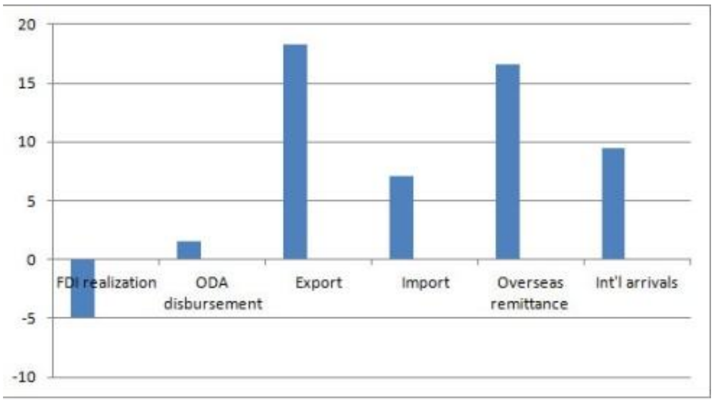
Since 1988, Viet Nam has licensed a total FDI of US$243 billion and spent about US$99.5 billion. The capital in ongoing projects is estimated at US$212 billion.

Twenty two countries and territories have registered a capital value of over US$1 billion, and eight of them are proud of the value of over US$10 billion (Japan, Republic of Korea, China-Taiwan, Singapore, British Virgin Islands, Hong Kong,Malaysia, and the US).

All provinces and cities of Viet Nam have FDI projects, eight of them can draw over US$5 billion and five over US$10 billion (Ho Chi Minh City, Ba Ria-Vung Tau, Ha Noi, Dong Nai, and Binh Duong).

ODA capital commitments in 2012 have stood at US$7.3 billion (nearly US$6.5 billion for 2013) and the disbursement made a record of US$3.6 billion.

The total ODA commitments since 1993 is over US$75 billion and the disbursement is US$34.5 billion, contributing over 10% to the development investment capital and equivalent to 3.5% of GDP.



Growth of external economic sectors in 2012 (%) - Source: General Statistics Office, Ministry of Planning and Investment, State Bank and experts' estimation

Export – a driving force for economic growth

In 2012, the total export turnover is estimated at US$114.6 billion and its ratio against GDP hit a record of 82%.

Compared to 2011, the export increases by 18.3%. The ratio of export growth/GDP growth is 3.6, proving that export has become a driving force for economic growth.

Growth has been seen in 32 out of 40 groups of commodity, especially cameras and spare parts, telephones, computers and electronic goods; electric wire and cable, coffee, cassava, means of transport, machinery, ceramics, fertilizers, and vegetable.

There are 22 goods earning US$1 billion; 12 over US$2 billion; 11 US$3 billion; nine US$4 billion; seven US$5 billion; six US$6 billion; five US$7 billion; three US$8 billion; and two over US$12 billion (garments US$15 billion and telephones US$12.6 billion).

It is noticeable that Viet Nam has managed to make trade surplus of US$0.3 billion in 2012. The country can see the excess of export over import in 41 out of its 81 major markets, including 11 markets with the value of over US$1 billion.

International arrivals to Viet Nam are estimated at nearly 6.85 million, mainly for tourism (60.9%) and business (17%).

Source: http://en.stockbiz.vn

How big is the Vietnamese branded goods market?

More and more well known brands have set their foot in Vietnam not because of the high revenue the market now can bring, but because of the market potentials they believe would turn into reality in the future.

The company has 10 shops which display the products with high end brands namely Hermes, Kenzo, Hugo Boss, Korloff, TAG Heuer, while planning to open 50 shops by 2015.

Sources said Tam Son is going to open a shop selling Chopard brand watches and jewelries, which may be located at Vincom A shopping mall. Chopard is a high end watch brand which has introduced the most expensive watch in the world valued at 25 million dollars.

In Vietnam, the concept "luxurious" is just understood as an expensive product; which shows the early stage of the branded goods market development. Commenting about the opening of a series of high-end branded goods shops recently, analysts say foreign investors can see the great potentials of the fledgling market. Make investment now and the investments would bring fat profits in the future.

The bubble

A lot of Vietnamese high income earners have got exceedingly astonished when hearing that the shops selling Gucci, Dolce Gabbana and Milano branded goods have been found as selling counterfeit goods.

This shows the hard pressure that Vietnamese distributors of branded goods have to bear.

The women bear Hermes Berkin handbags in Vietnam because they want to say to others: "I am rich and I am powerful."

However, Vietnamese branded goods traders are still not self-confident enough to hold the power. Since the Vietnamese market remains small with low purchasing power, branded goods have been entering Vietnam through distribution companies.

It is estimated that hundreds of famous brands have been present in Vietnam. However, only some 10 Vietnamese companies have been authorized by the brand owners as the official resellers in Vietnam. The companies import products themselves and distribute products directly to consumers through their retail shop networks.

Analysts have said that a lot of branded goods shops have been incurring losses; therefore, they have to try to evade tax or sell counterfeit goods. This way can help them balance their business and use the profits from these types of business to offset the losses brought about by other types of business.

A businessman in HCM City, who asked to be unnamed, said that though he has had 10 shops in the central areas of Hanoi and HCM City over the last four years, he still cannot make profit. It's very difficult to obtain a contract with brand owner to distribute the products in Vietnam. However, he still hopes that he can get it one day.

In Vietnam, Duy Anh Fashion and Cosmetics Company has been well known as the distributor of many high end brands such as Burberry, Bvlgari, Cartier, Rolex, Salvatore Ferragamo, Versace, Bally.... The company has paid 110 billion dong in import and VAT tax so far this year, which shows the performance of the company's business.

In fact, it is not easy to earn money from selling branded goods. Lylian, Managing Director of Duy Anh Company said that the biggest problem lies in the retail premises. Brand owners always want the shops to be located on large areas in the commercial hubs. Meanwhile, such retail premises in Hanoi and HCM City have become very expensive, which means lower profits for distributors.

Source: VietNamNet

Banking & Finance

Banking sector in 2012 – the facts and figure

The banking sector, which is always considered the most lucrative business field, has experienced a very bad year 2012.

Credit growth rate lowest in the last 20 years

The outstanding loans of the whole banking system had increased by 4.85 percent only by the end of the first 11 months of the year. The credit growth rate for the whole year 2012 is expected to be 5-5.5 percent.

This is for the first time since 1992 Vietnam saw the credit growth rate at one-digit level. The low credit growth rate has been attributed to the poor national economy performance. Since the market demand remains weak and the sales go slowly, businesses dare not borrow capital for their production plans, or cannot meet the requirements to be eligible for loans.

The outstanding loans provided to the real estate sector account for 50 percent of the total outstanding loans, about 1500 trillion dong. While the lending has been slowing down, the capital mobilised has increased sharply. By the end of the first 11 months of the year, the mobilised capital had increased by 15.98 percent in comparison with the end of 2011, while the figure is expected to reach 17 percent this year.

Bad debt soars

The bad debt ratio has been alarmingly increasing. By the end of September, the bad debt had increased by 66 percent in comparison with late 2011. The bad debt ratio of the whole banking system had reached 8.82 percent by the end of the first nine months, while it may climb to 8.5-10 percent by the end of the year.

The bad debts mortgaged with existing real estate and the real estate to be formed up in the future account for 70 percent of the total bad debts.

Banks' profit down by 40 percent

Most commercial banks have reported the profit decreases in 2012, while some of them have even reported losses. The 9-month finance reports by the listed commercial banks showed that their profits were 40 percent lower than that of the same period of the last year. Especially, ACB and SHB even reported heavy losses for the third quarter, though they are the big bankers.

Meanwhile, the report by the State Bank's inspectors showed that 20 credit institutions reported loss for the first half of the year.

Interest rates down by 3-8 percent

The prime interest rate has dropped by five percent over the end of 2011, from 14 percent to nine percent. While setting a cap on the short term deposit interest rate, the State Bank has kept the long term deposit interest rate floating.

The lending interest rates have decreased sharply by 3-8 percent per annum with the highest rate now at 15 percent. Analysts have reported that the current lending interest rates offered by commercial banks are between 12 and 15 percent per annum.

Bullion gold monopoly established

The State Bank of Vietnam has decided to apply a new policy for the gold market management. It has stated that SJC is now the national bullion gold brand, while SJC is the only unit which is allowed to make bullion gold.

Commercial banks have been told to stop mobilising and lending in gold in 2012.

Weak commercial banks forced for restructuring

Nine weak commercial banks have been asked to undergo a restructuring process. Three of them merged successfully in late 2011, including SCB, De Nhat and Tin Nghia.

The year 2012 witnessed the success of the merger of Habubank and SHB. The operation of the new bank has become stabilised after it incurred the loss of 1.1 trillion dong in the first nine months of the year.

Tien Phong Bank successfully restructured itself in June, after DOJI group spent money to buy 20 percent of stakes. Four banks, namely Navibank, GP Bank, TrustBank and Western Bank have not made public their restructure plans.

Source: Intellasia | Vietnamnet

The record M&A affair in the banking sector

The deal signed today, December 27, between Tokyo Mitsubishi UFJ and Vietinbank can become a record M&A transaction in the financial sector of Vietnam when the investment value is up to $743 million.

The signing ceremony of the strategic investment and comprehensive cooperation agreements between the Vietnam Industry and Trade Bank (Vietinbank) and Tokyo Mitsubishi UFJ took place this morning in Hanoi.

Accordingly, Vietinbank will sell 20% of strategic stakes to Tokyo Mitsubishi UFJ, worth VND15,465 billion or $743 million. This is the largest merger and acquisition transaction ever in the banking sector.

Vietinbank also said to ask for the permit to sell 20% stake to Tokyo Mitsubishi UFJ through the issuance of new shares to increase charter capital to VND32,661 billion and equity capital to VND45,000 billion. After this transaction, Vietinbank will become the joint-stock commercial bank with the largest charter capital and strongest shareholder structure in Vietnam.

Vietinbank Chairman Pham Huy Hung said that this will be the largest M&A transaction ever in Vietnam's financial sector. The image of Vietinbank will be supported and enhanced with global business experience of Tokyo Mitsubishi UFJ.

For his part, President of Tokyo Mitsubishi UFJ - Mr. Nobuyuki Hirano, said this is part of a strategy to further expand the activities of Tokyo Mitsubishi UFJ in Asia. "Through the strategic cooperation with Vietinbank, we hope to further promote the provision of financial services in Vietnam and to better meet the requirements of diverse financial support of our customers," said Hirano.

If Mitsubishi UFJ is Japan's biggest lender, in which Tokyo-Mitsubishi UFJ is one of the biggest parts of it, VietinBank is considered one of the four biggest banks in Vietnam. 2012, VietinBank expects to earn VND7,500 billion of pre-tax profit.

In early 2011, Vietinbank sold 10% stake to the International Finance Corporation (IFC), a member of the World Bank, for $182 million in cash and $125 million in loans over the next 10 years. At present, the State holds 80.3% and IFC holds 10% of capital of Vietinbank.

Before Mitsubishi UFJ, Vietinbank almost reached an agreement to sell shares to the Bank of Nova Scotia (Canada). However, Nova Scotia’s request to receive all dividends and capital surplus in 2011 of was rejected by Vietinbank. So far, Vietinbank’s second strategic shareholder has not been named yet.

In addition to Mitsubishi UFJ, other Japanese partners showed their interest in the financial market of Vietnam. Earlier, the Bank for Foreign Trade of Vietnam (Vietcombank) successfully sold 15% stake to a Japanese bank, Mizuho. Mizuho is not only the first strategic partner, but also the only strategic partner of Vietcombank.

In 2007, Sumitomo Mitsui Financial Group acquired a 15% stake in Vietnam Export-Import Bank (Eximbank) for $225 million.

Source: VietNamNet

Vietnam promising land for consumer finance in 2013

Experts believe that consumer finance would witness a boom in 2013, when there are all favorable conditions for the market to develop.

Consumer finance services have been available in Vietnam over the last 10 years. The market got warmer in 2007 when a series of foreign consumer finance firms turned up in Vietnam. However, the retail finance service sector still has not fully developed, which means great opportunities are still available for investors.

Stox Plus, a prestigious finance analysis firm in Vietnam, has released a report which says that the Vietnamese market has great potential and that it would see a boom in consumer finance in 2013.

Commenting about the operation of Vietnamese commercial banks, Stox Plus believes that they would not focus on lending to businesses as they have been doing so far, but they would also consider providing retail banking services. This means that individual consumer finance would be the choice of many banks.

Of course, the Vietnamese promising market would be the destination of foreign finance institutions which would make a presence in Vietnam through the merger and acquisition deals or cooperation with existing firms.

In fact, the individual consumer finance market took shape in 1990s, when the banking products were provided by commercial banks as a part of retail banking services.

However, the market has not developed until recent months, when commercial banks found it very difficult to push lending to businesses, which have met big difficulties in the economic downturn and don't intend to expand business. This has forced banks to think of pushing up consumer credit to offset the decreases in the outstanding loans provided to businesses.

The banks have recently realized that the lending to individuals has shown better growth, while the non-performing loan ratio is much lower than the lending to businesses. The report of Stox Plus said that a lot of rural banks have developed into urban banks with the bigger scale of operation, but they still have the branches in rural areas which allow them to reach out to different localities across the country. Kien Long Bank, for example, has developed individual consumer finance at a small scale.

Bigger banks have jumped on the bandwagon. Techcombank, VP Bank, ACB and Sacombank are some of them.

However, analysts believe that great potentials are still awaiting other banks as well. Vietnam has the population of 90 million people with a high percentage of young population, the subject to individual consumer finance services.

Meanwhile, the average income of 51 percent of the population, who are at the "golden age," has been improving considerably. This would help make the "borrow-to-buy" concept more popular among Vietnamese people.

Besides the foreign invested financial institutions, Vietnam has 12 state owned finance companies established in late 1990s. However, the companies, which are the subsidiaries of commercial banks, have been mainly serving the operation of the parent groups, while only several institutions have been providing loans to individuals.

The economic growth rate and government's policies are a part of the story about the consumer finance development, which explains why consumer credit has not been interested yet.

Currently, the consumer finance services have also been provided by a lot of companies which join the market unofficially.

Source: Vietnamnet

To apply for the loans, enterprises have to have equity in projects and production plans which account for at least 20% of total capital needed and be able to pay back loans in the required term. Besides, the loan cannot exceed VND30 billion and has a maximum term of seven years, and the interest rate will not be more than 90% of the commercial rate at a certain point of time.

Thuy said that support policies for SMEs had many limitations which prevented them from access to loans. Specifically, there have been 437 projects of 300 SMEs provided with loans from the credit guarantee fund via VDB in the 2006-2012 period with a total amount of VND19 trillion due to stringent requirements.

Source: http://businesstimes.com.vn

Enterprise

VND2 Trillion For SMEs

The Agency for Enterprise Development has presented to the Government a scheme of establishing a development fund for small and medium-sized enterprises (SMEs) with chartered capital of VND2 trillion to offer practical support to SMEs.

Speaking at a seminar on support for SMEs held last week in HCMC, Bui Thi Thu Thuy from the agency said that it was analyzing some issues required by the Government so that the scheme could be completed and approved soon.

The chartered capital will be provided by the central bank over three years, with the first two years supplied with VND500 billion each. In addition to the budget, trust funds from local and foreign organizations such as the Asian Development Bank and the World Bank as well as individuals will go to SMEs via the fund, according to the Ministry of Planning and Investment.

The fund will not offer loans directly but authorize Vietnam Development Bank (VDB) and capable commercial banks to loan money to SMEs.

Ministry seeks tax breaks for businesses

The Ministry of Finance has proposed many preferential policies for small and medium-sized enterprises (SMEs), including tax reductions and payment extensions, to help them survive 2013 that is expected to remain tough for enterprises.

The ministry has submitted to the Government 21 solutions aimed to remove difficulties for businesses, focusing on SMEs and the agricultural and rural sector.

Specifically, the ministry asks for a six-month extension for corporate income tax payments of SMEs in the first quarter of 2013 and three-month extensions for payments in the second and the third quarter.

SMEs are those having fewer than 200 full-time employees and annual revenue of less than VND20 billion, excluding banking-finance, insurance and lottery firms and those providing goods and services subject to special consumption tax.

The ministry seeks similar tax payment extensions for enterprises with more than 300 employees operating in the fields of manufacturing-processing, agro-forestry-fisheries, textilegarment, leather-footwear and socioeconomic infrastructure development.

In addition, the ministry proposes a six-month extension for value-added tax payments of these enterprises in January, February and March 2013.

Agribusinesses and farmers will also enjoy many preferential policies next year.

In particular, a 50% reduction in land rents in 2013 and 2014 are proposed as land rents in 2011 and 2012 were multiplied under a decision released in late 2010. After being halved, if land rents were still two times higher than the amounts paid in 2010, they would be further cut until they are equal to twice the sums in 2010.

Tens of thousands of farming households that rent land for agro-forestry-fisheries and salt production will receive this support and be able to continue farming, says the finance ministry.

The ministry also proposes the Government request Vietnam Bank for Agriculture and Rural Development to offer loans to seafood enterprises so that they can buy aqua feeds to serve production.

Moreover, the ministry suggests an extension of 12-36 months for export loans that the State gives to exporters of vegetables and aqua products in order to help farmers sell their products at better prices.

Source: The Saigon Times

Investment

A series of slow-pace FDI projects have licenses revoked

More and more foreign direct investment (FDI) projects have been found as making no move since the day of licensing, because their investors cannot arrange capital for the project implementation in the economic crisis.Bo Ngoc Thu, Director of the Dong Nai provincial Planning and Investment Department, said the province has revoked the investment licenses from 32 FDI projects which had the total registered capital of $172.09 million.

The investors of the projects either did not kick off the projects within 12 months since the day of licensing, or started projects but could not complete projects due to the financial problems.

In November 2012 alone, the Management Board of the Industrial Zones released the decisions on revoking 17 licenses. The licenses were granted to 17 projects, whose investors have left for their home countries. Local authorities now cannot contact the investors to ask them pay tax debts and fulfill necessary procedures for dissolution.

Most of the projects having licensed revoked have small or medium business scale in the fields of industrial product processing.

In February 2012, four years after the licensing, Good Choice USA-Vietnam, which still could not implement the registered project, saw its license on developing the Wonderful World culture park project revoked. Meanwhile, the project licensing four years ago once caught the special attention from the public because it was a huge project with the estimated investment capital of $1.3 billion.

Also in 2012, five foreign invested enterprises, namely King May Craff, Brandon Miles, Fine Cubicle, Cuu Duong and Mir Vina, had to stop operation due to the financial problems.

Nguyen Tan Dinh, Deputy Head of the Management Board of Export Processing Zone and Industrial Zone, said that 10 foreign invested enterprises in the city have stopped operation and dissolved before the expected duration.

Some enterprises have decided to quit Vietnam quietly because they don't have money to pay tax debts and salaries to workers. Silver Star Vietnam, a 100 percent South Korean garment enterprise, headquartered in Tan BInh district, for example, still has not paid VND29.6 billion in tax.

When customs officers came to the headquarters at the address registered at the management agencies, they could see only idle workshops.

FDI capital flow changes its way

According to the Ministry of Planning and Investment, it's now obvious that Vietnam would not be able to attract $14-15 billion worth of FDI in 2012.

The eastern area of the southern region has the highest FDI capital with $5.2 billion worth of capital registered in 2012, accounting for 42.7 percent of the total.

Vietnam has been warned that if it does not change the current policies to attract investment, the foreign investment flow would head for Indonesia and Malaysia instead of Vietnam, because the two countries are believed to have attractive investment encouragement policies.

Cao Sy Kiem, a well-known Vietnamese economist, also said that the world's economies would see another difficult year 2013, when foreign invested enterprises would leave old markets to seek new opportunities. And if Vietnam does not apply open policies with attractive investment incentives, it would be not able to attract FDI.

EuroCham has reported that there are three big problems that make European businesses hesitate to invest in Vietnam. First, the economic difficulties which have pushed the prices up continuously. Second, state owned enterprises receive a lot of incentives, but they have been working ineffectively. And third, the intellectual property protection has not been done well in Vietnam.

US$1 = VND20,800

Source: VietNamNet

FDI flow into Vietnam drops to US$12.72 billion

Foreign Direct Investment (FDI) into Vietnam this year decreased by 18 percent to touch US$12.72 billion due to the current global economic slowdown, according to a report released by the Ministry of Planning and Investment yesterday.

This amount includes $7.8 billion in registered capital for 1,097 new projects and $4.9 billion in additional registered capital for 406 existing projects.

This year's FDI inflow inched down by 5 percent against last year to touch $10.5 billion.

However, the Foreign Investment Agency under the Ministry of Planning and Investment informed that FDI in the manufacturing and processing sectors had increased remarkably this year.

According to the Ministry, manufacturing and processing were the most attractive industries for foreign investors this year with a registered capital of $8.9 billion, accounting for 70 percent of the country's total registered capital.

The real estate industry followed closely behind with $1.8 billion, 14.5 percent of the country's total registered capital.

Several large projects are taking shape in these industries, including one $870 million electronic components project supervised by Taiwan's Wintek in Bac Giang Province; a $830 million mobile phone project for Samsung from the Republic of Korea in Bac Ninh Province; a $574.8 million project by Bridgestone Manufacturing Co. Ltd. to produce tyres in Hai Phong City; a project by worldwide LIXIL Vietnam Company in Dong Nai worth $441 million.

Japan remained the largest investor with total registered capital of more than US$5 billion, occupying 40.3 percent of total FDI in Vietnam, followed by Singapore, the Republic of Korea, Hong Kong (China) and Singapore.

The southern province of Binh Duong was the most attractive destination for foreign investors this year with more than $1.63 billion, making up 20.9 percent of the country's total registered capital.

This was followed by the northern city of Hai Phong, the capital city of Hanoi and the southern province of Dong Nai, with more than $1.11 billion, $618.8 million and $468.7 million, respectively.

Vietnam hopes to attract $14-15 billion FDI next year, of which $10-11 billion would be disbursed.

As the continuing global economic slowdown could affect the country's FDI attraction target, experts recommend that the country intensify administrative procedures to ease investors' spirits.

Human resource development, especially in areas of science and technology, could also make the country more attractive to foreign investors, experts said

Source: SGGP

Stock Market

Blue chip gains support share rises on both exchanges

Shares are rising steadily on both national stock exchanges despite low openings.

On the HCM City Stock Exchange, the VN-Index added 0.46 per cent to stand at 403.18 points, boosted by blue chip gains.

Most of the top 30 shares on the southern bourse are climbing in value, with the VN30 rising 0.51 per cent to 471.53 points.

Property developers Kinh Bac City Development (KBC) and Tan Tao Investment Industry (ITA) led the gainers with rises of 3.7 per cent and 2.3 per cent, respectively. Dairy giant Vinamilk (VNM) was up 2.9 per cent, insurer Bao Viet Holdings (BVH) 1.1 per cent, and PetroVietnam Finance (PVF) 1.2 per cent.

KBC was also the most active code, traded at VND5,600 a share with 2.24 per cent changing hands.

Overall, more than 33 million shares worth VND556.3 billion (US$26.5 million) were exchanged by the end of this morning.

On the Ha Noi Stock Exchange, the HNX-Index also rose 0.44 per cent to a close of 55.28 points, with trading value reaching more than VND223.8 billion ($10.7 million).

Asia Commercial Bank (ACB) is holding a shareholders' meeting this morning to review the bank's operations this year and elect four board members to replace those who resigned after the arrest of Nguyen Duc Kien, one of ACB's founding members, in August.

ACB rose 1.2 per cent, but trades were modest with just 244,200 shares exchanged by the end of this morning.

Real estate company Sacomreal (SCR) is currently the most active code on the northern bourse with trades of 5.7 million shares, climbing 6.78 per cent at VND6,300 a share. Trading will resume at 1pm.

Source: VNS

Vietnam's Top Fund Sees Home-Grown Rally in 2013: Southeast Asia

Vietnam's biggest fund manager is betting the cheapest stocks in Southeast Asia will extend gains as the economy recovers from the slowest growth in 13 years.
The stock market will rise steadily next year to reflect an economic expansion of between 5 percent and 6 percent, said Andy Ho, managing director and head of investment at VinaCapital Investment Management Ltd. in Ho Chi Minh City, which oversees about $1.5 billion.
The firm manages the five top performers this year among 78 Vietnam equity funds, posting returns of as much as 46 percent, according to data compiled by Bloomberg.

"Our strategy has and will continue to focus on the basic sectors that contribute to the growth of the domestic economies," such as pharmaceuticals, education and agriculture, Ho said in an e-mailed response to queries on Dec. 25, declining to name specific stocks. "We will continue to focus in these sectors because they continue to grow with the rapid-changing demographics of Vietnam."

The benchmark VN Index has risen 17 percent in 2012, heading for the first advance in three years, as the central bank reduced borrowing costs amid signs inflation was under control. The measure trades at 10.4 times estimated earnings, below the five-year average of 11.2 and the lowest among the six Southeast Asian markets tracked by Bloomberg.

Earnings per share for the 308 companies on the gauge are expected to rise 9.3 percent this year, and profit growth is forecast to double to 18 percent in 2013, according to data compiled by Bloomberg.

Vinamilk Jumps

Among VinaCapital's best performers are Vinamilk (VNM) or Vietnam Dairy Products Joint-Stock Co., the nation's biggest listed dairy producer. The stock has risen 53 percent in 2012 and jumped to a record high in October after the company posted a 35 percent gain in pretax profits in the first nine months of the year. Vegetable Oil Packing Joint-Stock Co. (VPK), which makes containers for the food processing industry and is part owned by Vinamilk, is the biggest gainer in the index this year after rallying four-fold.

Dominic Scriven, chief executive officer of Ho Chi Minh City-based fund manager Dragon Capital, said in a phone interview yesterday there's "cautious optimism" about the outlook for stocks as concerns about non-performing loans at banks are countered by easing inflation.

Banks have reported bad debt to be about 4.5 percent of outstanding loans, while the central bank's estimate is about 8.75 percent, the International Monetary Fund has said. Credit growth this year was about 7 percent, the central bank said yesterday. That compares with 14 percent last year and 32 percent in 2010, the IMF said.

'Damaging Process'

"The optimism is that we are some way through this damaging process," Scriven said. "The biggest single issue is probably confidence. At all levels, confidence is very low: banks aren't lending, companies aren't investing, consumers aren't buying, people aren't investing in real estate."

Scriven has reduced his holdings in banks and is maintaining his heaviest weightings in consumer companies including Vinamilk and Masan Group Corp. (MSN) His Vietnam Growth Fund has gained 26.6 percent over the past year, beating 76 percent of peer funds, according to data compiled by Bloomberg.

Inflation slowed for the first time in four months in December, with consumer prices rising 6.81 percent from a year earlier after gaining 7.08 percent in November, the government said. The inflation rate was 23 percent in August 2011.

Rate Cuts

Vietnam's economy expanded at the slowest pace in 13 years in 2012 as a slump in bank lending damped domestic demand. Gross domestic product rose 5.03 percent, down from 5.89 percent in 2011 and the least since 1999 when it grew 4.77 percent, the General Statistics Office said Dec. 24. Vietnam may expand about 5.5 percent next year, the government said on Dec. 10.

The monetary authority this month cut benchmark interest rates for a sixth time to help companies "cope with difficulties in production and business," even as the World Bank warned against easing too soon.

The State Bank of Vietnam's refinancing rate was lowered to 9 percent from 10 percent, while the discount rate was cut to 7 percent from 8 percent, the central bank said on its website on

Dec. 21. The refinancing rate was 15 percent at the beginning of the year, while the discount rate was 13 percent.

"The bright side is that inflation is tamed and thus, the regulators have plenty of room to loosen monetary policy to stimulate growth," Ho said.

More Weaknesses

The Vietnam stock index dropped 1.9 percent in the past six months, the worst performer in Asia after Mongolia and among the 10 biggest decliners globally in that period. Prime Minister Nguyen Tan Dung said last month that he will stay in his job after lawmakers criticized his handling of the economy.

Moody's Investors Service cut Vietnam's credit rating in September, citing "more pronounced weaknesses in the banking system" and costs related to recapitalizing banks. Concerns about the sector are increasing, the World Bank said this month, even as the government said it averted risks to the safety of the lenders.

The Asian Development Bank said in a report on Dec. 7 that private consumption and investment are bolstering Southeast Asian economies even as the rest of the region is forecast to expand less than initially estimated. Among the region's economic areas, it only raised its projections for Southeast Asia, predicting an expansion of 5.3 percent in 2012 from 5.2 percent earlier.

The prospects for developing Asian nations contrast with the fiscal and demographic challenges faced by more advanced economies, as higher public spending and younger populations support domestic demand and lure investment even as global expansion weakens.

"Vietnam, with a young and growing population of 90 million people and full of natural resources, represents a tremendous amount of opportunities for investors to make solid returns," Ho said.

Source: Bloomberg

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