

Vietnam Business News Collection

Highlight of January: Telecommunication

Telecommunication

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Telecommunication

Communication events that defined 2012

Last year was one of development for Viet Nam's information and communication technology (ICT) sector. Forty journalists specialising in the sector selected 10 events that highlighted ICT achievements and shortfalls.

Need to keep three main mobile carriers

The Government approved a strategy in July for national telecommunications development in which it will keep at least three competent mobile carriers in order to maintain healthy competition.

The move follows fluctuations in the telecoms market that have seen a number of companies fold and others fighting for survival.

This will lead to the unavoidable restructuring of VNPT (the State-owned Viet Nam Telecommunication Group) which owns VinaPhone and MobiFone, two of the three biggest mobile network operators in Viet Nam.

The country's mobile market is dominated by Viettel, VinaPhone and MobiFone, which account for 95 per cent of the market share.

Russia's Beeline retreats from Viet Nam

Russian mobile carrier Vimpelcom decided to sell its 49 per cent stake in a joint venture with Vietnamese carrier GTel Mobile and relinquish control of the company, citing little opportunity in the Vietnamese market.

Following Vimpel-com's move, GTel launched the 'Gmobile' brand to replace Beeline, which was discontinued after a six-month transition period.

The appearance of Beeline, the seventh mobile network in Viet Nam, really shook up the market when it launched the super cheap service package Big Zero.

However, this was not enough to help Beeline cement its market position.

Online marketer defrauds users of millions

Illegal trading practices of Muaban24, an online multi-level marketing company, were uncovered in August, sending shock waves through the online community after many poor and low-income earners were tricked into the network.

Police raided the headquarters of MB24, an online trading company based in Tu Liem District, Ha Noi, following allegations that the company had appropriated a large amount of money from customers.

MB24 advertised itself as an e-commerce floor where members had the opportunity to buy goods at cheap prices and earn money by developing the company network. It also offered training in online sales and IT skills.

To join MB24, customers had to pay VND5.2million (US\$248) to buy an online "store space".

To benefit from this investment, customers had to persuade others to join the network. For each new member, they earned about VND1.5million (\$71).

The more customers they attracted, the more money they could earn, but there were no refunds.

In just a year, MB24 established 51 branches in 32 cities and provinces. Customers were mostly cash-strapped people including students, farmers and residents in poor areas with limited knowledge of the internet and e-commerce.

Resolution highlights importance of IT

The Fourth Plenum of the Party Central Committee, 11th tenure, approved Resolution 13 in January [2012] to build synchronous infrastructure in order to help Viet Nam become a modern industrialised country by 2020.

The Resolution said that information technology was a key part of infrastructure, and urged the development of e-government and e-commerce.

Vinasat 2 launched in May

The Vinasat 2 satellite was launched into orbit in May 2012. The project had an investment capital of \$280 million, 80 per cent of which came from loans while the other 20 per cent was provided by VNPT.

Investors are expected to break even after 10 years and enjoy profits the following 5-6 years.

The satellite, constructed by US-based Lockheed Martin, will boost local expertise and further develop Viet Nam's satellite communication technology as well as weather forecasts and security.

This is the second satellite Viet Nam has launched into orbit.

The new satellite has a larger capacity, greater weight, greater number of sensor responses, and higher bandwidth capacity.

Viettel outstrips VNPT in revenue

Viettel Corporation, the nation's largest telecoms provider, has surpassed rival VNPT Group in earnings for the first time.

VNPT operates both of Viettel's chief rivals, Vinaphone and MobiFone.

Viettel's earnings through December totalled an estimated VND140 trillion (\$6.6 billion), compared to VNPT's projected total for the year of VND130 trillion (\$6.1 billion).

Viettel, which launched mobile services in 2004, about a decade later than VNPT, has moved aggressively to become the leading telecom services provider in Viet Nam.

In addition to accounting for over half of the domestic mobile services market, Viettel has expanded its services to Laos, Cambodia, Zimbabwe, Chile, East Timor, Haiti and Tanzania

New pre-paid mobile users pay activation fee

New subscribers to prepaid mobile services will be charged VND25,000 from January 1, 2013, excluding the cost of a SIM Card.

The move aims to curb the increasing number of virtual subscriptions to prepaid services, where users only use the numbers they subscribe temporarily.

The subscription for post-paid mobile services will remain at VND30,000, the Ministry of Information and Communications said. The ministry will also require mobile network providers to obtain permission if they wish to change the subscription rate or offer promotions.

S-Fone dismisses workers

S-Fone is continuing to fight for survival after incurring big losses and losing subscribers. A lot of workers of the company have been dismissed, while they have not received salaries and allowances.

The ailing mobile carrier made most of its Ha Noi employees redundant in July in order to end its Business Co-operation Contract mechanism and change to a limited liability company.

The decision was reached under an agreement between Sai Gon Postel (SPT), S-Fone's parent company, and S-Fone's trade union, according to a company representative.

Having started operations in Viet Nam in 2003 as the third mobile operator after MobiFone and VinaPhone, S-Fone was a joint venture between Korean telecom giant SK Telecom and SPT.

The company also became the first mobile operator to apply the advanced CDMA technology (Code Division Multiple Access) in Viet Nam, while other carriers used the GSM (Global System for Mobile Communications).

However, due to the limited model of CDMA's terminal handsets, the company was unable to raise its customer base, with just over 1 million after a decade of operations.

After SK Telecom withdrew from the venture last year, S-Fone has been unable to find a new investor to develop its struggling network.

Royalties collected from downloading digital

All of Viet Nam's music websites began charging fees for downloads in November.

However, the fees collected reportedly remain modest because listeners have got used to free music and don't intend to pay for the service.

Online music websites in Viet Nam announced they would begin charging users VND1,000 per file for downloading songs from their portals in a move to enforce intellectual property rights.

The move is expected to change the mindset of Vietnamese netizens who are used to downloading music illegally from file-sharing websites.

Radio frequencies go under the hammer

According to a decision by the Prime Minister, radio frequencies will be put up for auction instead of being granted free of charge.

The new regulation aims to create a competitive and transparent market for radio frequencies where only capable firms are eligible for wireless resources.

In addition to selecting their top events of 2012, journalists also made their forecasts for next year.

They predicted that a number of telecoms firms will go under in 2013, while smartphones and cheap 3G services will boom.

Source: VNS

MIC: Only one SOE is enough for Vietnam's telecom

VietNamNet Bridge – It is highly possible that Vietnam would retain only one state owned enterprise (SOE) in the telecom sector, while

others would be equitized in order to ensure the healthy competition in the telecom market.

Monopoly returns?

Vietnamese market is believed to be one of the most competitive markets in the region with the service quality improved everyday and the charges decreased continuously.

However, there still exist problems which explain why Vimpelcom had to leave Vietnam after bargaining away its stakes in GTel network because it could not see any development opportunities in Vietnam. S-Fone, when explaining its bad business performance, said the market is too fierce, while private businesses are inferior to state owned ones.

Deputy Minister of Information and Communication Le Nam Thang has admitted that the Vietnamese telecom market is competitive with the presence of many enterprises, but the enterprises are either state owned or the ones in which the state holds the controlling stakes.

The existing problems in the state management have hindered the development of the market, which has forced EVN Telecom or Vimpelcom leave the market.

Over the last 10 years, the telecom market still cannot mobilize the resources from the society. The only way to mobilize the resources in the society is equitizing state owned enterprises. After the process, the state would only retain the enterprises important to the national defense or the enterprises that serve public interests. Meanwhile, Vietnam would welcome the investments from different sources for the telecom industry.

Agreeing with Thang, Mai Liem Truc, former Deputy Minister of Information and Communication said it is really a problem that 95 percent of the telecom market now is being controlled by the state.

Meanwhile, FPT General Director Truong Gia Binh has expressed his worry about the returning of

the monopoly in the telecom sector. He complained that in the context of economic downturn, some enterprises have raised the channel leasing fees by two or three times.

Binh said he applauds the idea that there must be at least three service providers in every important telecom sector in order to ensure the healthy competition of the market.

What will be the telecom like?

The Ministry of Information and Communication has suggested a lot of solutions to ensure the stabilization of the market and prevent from getting collapsed.

If enterprises operate ineffectively, the ministry would revoke the operation license of the enterprises. Indochina Telecom, for example, has had licensed revoked, but it still has been existing and operating in another business field.

Enterprises would also be restructured through merger and acquisition. EVN Telecom, for example, has been merged into Viettel, which is considered a perfect solution to eliminate the weak enterprises from the market, while avoiding upheavals to the market.

Equitization has also been cited as a "safe solution" for the restructuring, which would create a healthy market with three enterprises at least in every telecom sector.

Truc said he personally thinks that Vietnam should retain one of the two existing big SOEs, either VNPT or Viettel (Viettel is a possibility) and equitize the others.

"Only by doing this, will the telecom market be really competitive," Truc said.

Regarding the unprofitable enterprises, the State would make intervention, if the enterprises are the big ones. Meanwhile, it would not make intervention, if the enterprises are small, because businesses have to settle their problems themselves.

Source: Bao Bui Dien

Vietnam Delays 4G Licenses Until 2015

The Vietnamese government has decided to delay the award of LTE based 4G licenses until 2015 after concluding that the market is not ready for the high-speed services.

Citing the Authority of Radio Frequency Management (ARFM), the *VietNamNews* reported that five mobile networks have been running LTE trials for over a year.

However, the uptake of 3G services has been slower than expected and lagging international averages, so the Ministry felt it was not appropriate to push ahead with 4G licensing.

"If the number of 3G subscribers saw a 100 per cent growth rate each year from now to 2015, we would considering giving licences to mobile operators," the representative told the newspaper.

According to the MIC, Viet Nam has over 16 million 3G subscribers out of 123 million mobile phone subscribers, although a senior exec with Qualcomm, John Stefanac recently predicted annual growth of 15 percent for 3G subscribers during the 2012-16 period.

Source: VietNamNews

Vietnamese Networks Ordered to Suspend Promotional Offers

Vietnam's four largest mobile networks have been ordered not to offer any new promotional offers for the rest of this year, as their "promotion quota" has been exceeded.

The order came from the Vietnam Telecommunications Authority under the Ministry of Information and Communications.

Viettel, Vinaphone, MobiFone, and Hanoi Telecom are affected by the ban in a move which is also aimed at stemming the high levels of churn as networks constantly lure customers

between each other with deals on new SIM cards.

All promotions can be resumed as of January 1, 2013.

Mobile networks are supposed to limit promotional durations to just 90 days in any calendar year.

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

Economy

Overview on macro economy in first week of 2013

The number of newly-established enterprises in 2012 dropped nearly 10pct

According to the Ministry of Planning and Investment (MPI), the number of newly-set up companies in 2012 kept falling 9.9pct against the previous year whereas that of firms experiencing closure and ceased operations picked up 0.5pct to some 54,000.

One of the major obstacles facing businesses is limited access to credit which resulted from lenders' reluctance due to pending bad debts.

\$27 billion oil refinery and petrochemical complex in Binh Dinh province

The complex of investment capital totalling USD 26.9 billion will be built on the area of 2,000 hectares with total capacity of 660,000 barrels per day or some 30 million tonnes per year. If the proposal is approved, the preparations, bidding and related procedures will be conducted so as for the project to be kicked off in early 2016. The total construction duration is estimated to around 3 years and a half and the complex are expected to be operational in 2019.

Remarkable ODA disbursement

The total of official development assistance (ODA) disbursed in 2012 is estimated to hit the record high of USD 3.6 billion whereas pledged

capital reached USD 7.3 billion, according to the MPI's press conference early 4 January.

Two figures for GDP 2012

GDP for 2012 reached 5.03pct based on fixed prices of 1994, yet climbed to 5.25pct if 2010's prices are to be taken into account. According to Bui Quang Vinh, minister of MPI, the higher rate has yet been officially released as the targets had been built based on 1994's prices. However, general Statistical Office will publish GDP rate calculated based on 2010's prices for 2013.

FDI attraction targets USD 13-14 billion for 2013

Some 1,100 FDI projects were granted licenses and 435 projects enjoyed capital increases from 1 January 2012 to 15 January 2012, according to MPI. The majority of these projects focus on production (70pct), which is in line with the orientation of industrialisation and modernisation. Pledged FDI is projected to total USD 13-14 billion for 2013 and implemented capital could gain USD 10.5-11 billion as in the preceding year.

Financial supervisory regulations for state-owned enterprises (SOEs) in Quarter 1 2013

Dang Quyet Tien, deputy director of Corporate Finance Department, Ministry of Finance revealed the regime on financial monitoring and effective evaluation for SOEs would be released. The supervisory contents would vary from asset investment; capital mobilisation and deployment of attracting capital; issuance of bonds and stocks (if any); external investment and its effectiveness in the management of assets, receivables, payables, debt payment, and debt-to-equity ratio.

Starbucks opens the first cafe in Vietnam next month

Starbucks, the world's largest coffeehouse company has set one foot in Vietnam next month, which is a bit later than earlier expected. This Seattle-based giant is, in cooperation with its partner Hongkong Maxim's Group, going to open the first ever cafe shop in HCM City.

Establishment of Central Internal Affairs Commission and Central Economic Commission

Realising the Vietnamese Communist Party's fifth and sixth resolutions, the Politburo established the Party Central Committee's Interior Commission (CIC) and the Party Central Committee's Economic Commission (CEC) respectively on December 28. Also, regulations on the organisation, functions and tasks of those commissions were published.

Investment capital funded by the state budget 2013 will be trimmed down by 5 trillion dong

This year's investment financed by the state budget which is expected to experience the most significant decrease over the recent year could be cut down to 175 trillion dong – a decline of 5 trillion dong against 2012, according to Bui Quang Vinh.

Manufacturing PMI falls below average

Vietnam's Purchasing managers Index (PMI) plummeted to 49.3 points in December from 50.5 points November. As such, the figure, after picking up for a month, once again fell below the average of 50 points for the eighth times over the nine months

Tougher regulations on risk management of public debts

Recently, regulations on risk management of public debts have been released with a view to optimise public debt structure, guarantee debt payment capacity and enhance effectiveness of risk management.

Source: Intellasia | MoPI

MPI sets economic targets for 2013

Vietnam's goals for 2013 are to strengthen its macroeconomic stability, cut level of bad debt, reduce inflation, and strive for GDP growth of 5.5 percent and a 10 percent increase in export turnover.

The Ministry of Planning and Investment (MPI) set these targets at a press conference in Hanoi on January 4, during which it also introduced socio-economic solutions to help fulfill its 2013 targets.

According to minister of Planning and Investment Bui Quang Vinh, Vietnam's inflation rate of 6.81 percent and GDP growth of 5.01 percent in 2012 will help the country obtain even higher GDP growth this year.

To solve bad debt and remove business obstacles, the ministry will submit to the government and National Assembly a three-year plan (2013 to 2015) to allocate State budget to localities, ministries and sectors.

The government and the MPI have directed localities, ministries and sectors to prioritise the settlement of bad debts in capital construction field in 2012 and provide capital for projects that will complete in 2013.

The ministry will also focus on providing market support, resolve inventories, create favourable conditions for production, and restructure the economy to ensure social welfare and improve the lives of people.

Source: Intellasia | VNA

HSBC: Vietnam's economy likely to be better in 2013

The year 2013 will likely be better for Vietnam's economy than 2012 amid slowly improving domestic and external demand and the initial results from the country's recent reform efforts.

According to the report "Vietnam at a glance" released on January 3 by Hong Kong and Shanghai Banking Corporation (HSBC), Vietnam's economy slowed to 5.0 per cent in 2012 from 5.9 per cent in the previous year.

The Vietnamese government's actions in 2011 and 2012 to prioritise sustained-over-rapid-

growth were considered positive for the country's long-term outlook, the report says.

According to the report, there were some bright starts of the economy in 2012, such as exports, which expanded almost 20 percent despite weak external demand and trade surplus.

However, it notes that the country needs further reforms to resolve bad debt overhang and improve the business environment and supportive infrastructure.

It also needs to improve the business environment, most notably reducing red tape and creating clearer laws on how to resolve insolvency, to attract foreign investment to support its development, the report says.

Source: VNA

Banking & Finance

Vietnam promising land for consumer finance in 2013

Experts believe that consumer finance would witness a boom in 2013, when there are all favourable 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 realised 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: Intellasia | DDDN

Eliminating bad debts not enough for Vietnam: HSBC

HSBC Global Research in a just-released report says Vietnam's effort to eliminate bad debts in 2013 is not enough as the fundamental issue is to improve the efficiency of the economy to lure foreign capital for long-term development.

HSBC expects a fiscal stimulus to spur growth is unlikely in 2013 as tax revenue has been decreased and state expenditure must be cut.

Tax revenue collected dipped to 10.8% of GDP last year from 24.3% in 2011 while the Government, to carry out its fiscal consolidation policy, reined in public spending, which slowed to 18.9% from 35.5% in 2011.

Therefore, with a tight fiscal policy in 2013 Vietnam needs more foreign capital investment to prop up the slackened domestic investment, said the bank in its report on Vietnam's macroeconomic picture.

Additionally, the infrastructure needs are immense, ranging from shortages of electricity to public transportation systems, which would benefit from world-class technology that foreign firms bring.

But to lure foreign capital, Vietnam would need to improve its business environment, most notably reducing red tape and creating clearer laws on how to cope with insolvency, said HSBC.

"Without doing so, firms are entering Vietnam only to take advantage of the wage costs rather than to take advantage of the dynamic domestic market. This shows in the contraction of registered FDI (with the exception of Japan) as they have other attractive markets such as Indonesia and Thailand to enter," said the report.

Competitiveness of Vietnam has declined given its worsening in major global competitiveness rankings. According to the report, registered direct investment capital from top five countries and territories investing in Vietnam like Singapore, Hong Kong, Korea, and China fell in 2012, excepting Japan.

"Although the contraction of registered FDI inflows is partly due to sluggish global growth, it also reflects Vietnam's gradual loss of competitiveness," said the report.

The report says although growth slowed, there are five major developments that are considered positive in 2012 that will eventually build a foundation for more sustainable growth of Vietnam. They are the trade balance surplus thanks to weaker import growth and strong exports; inflation slowing to 6.8% in December 2012 from 17.8% in January 2012; the budget deficit narrowing, lowering Vietnam's debt burden; foreign reserves having risen significantly; and FDI inflows from Japan surging, which is considered positive for Vietnam's industrialization process.

Therefore, with a cautious optimism, HSBC researchers expect 2013 to be a better year than 2012 for Vietnam but it still depends on how the Government embraces reforms.

The bank expects 2013 growth rate of Vietnam at 5.5%, and average consumer price index at 9.5%.

HSBC also expects credit growth of Vietnam in 2013 at 13%, which is close to the expectation of the central bank at 12%. However, taking inflation into account, real credit should only give a marginal boost to growth, said the report.

Source: The Saigon Times

Three banks to restructure in 2013

The year 2012 ended with only two successful banking restructuring. It made banking sector to be a centre of mergers and acquisitions (M&A) in 2013.

According to Nguyen Huu Nghia, chief inspector of SBV, of the four banks that needed restructuring, three plans were approved: two would self-restructure and one would merge with another bank.

Even SBV had not revealed details about the said three banks, but according to the roadmap, these banks would have to restructure in 2013. But even when banks restructure, M&A would be nearly unavoidable for most of major shareholders of these banks had been short of capital. So, in order to restructure, these banks would need to raise more capital. Therefore, M&A activities in the banking sector would be effervescent in 2013.

Another highlight in banking M&A in 2013 would be the participation of foreign partners, especially Japanese ones.

The biggest banking M&A case, Bank of Tokyo-Mitsubishi UFJ (BTMU) spent 743 million US dollars to buy a 20 percent share of VietinBank, showed the attention of Japanese investors on the Vietnam banking industry. But in the circumstance of shares ownership was limited, it was likely that foreign investors only pay attention to healthy banks. Thus, it would be

difficult for unhealthy banks to find partners for M&A plans.

As judged by many experts, bank restructuring would have to face the oppositions of major shareholders. Hence, under pressure of helping weak banks in 2013, SBV would need to use its power to force banks to restructure or perform M&A activities.

In 2012, restructuring was slow, bad debt settlement was effective; thus these activities would have to speed up in 2013, said economist Vu Dinh Anh.

In addition, merging or acquisition would be only the first steps of bank restructuring. The important thing is administration restructuring. The experience from restructuring of TienPhongBank and HabuBank showed after making restructuring these banks changed wholly their management system. It would be difficult to improve quality of bank if its old management system remains unchanged.

Source: Intellasia | Bao Dau Tu

Enterprise

FIEs Lead On Export Growth

After riding out the economic storm to brighten Vietnam's export performance in 2012, foreign invested enterprises are expecting more export jackpots for the new year.

Under the glow of hundreds of electric bulbs, 1,500 workers at Korean-backed garment maker KJ Vina in Binh Duong province are working to meet the company's export orders for early 2013.

In 2012, KJ Vina's revenue totaled \$4.8 million, besting its 2011 revenue amid the country's economic slowdown. "This figure reflects our great efforts in keeping export markets of the US and Europe. It is also a win amid increasing economic difficulties," said a company representative.

"Many other foreign garment makers in Binh Duong also had a good 2012 for exports," said the source.

Some other South Korean-backed garment firms which reportedly had big monthly export turnover in 2012 include Hansae Vietnam (\$22 million) in Ho Chi Minh City, and Eins Vina (\$17 million) and Poong In Vina (\$13 million) in Binh Duong.

The General Statistics Office (GSO) last week reported that Vietnam-based foreign invested enterprises' (FIEs) garment and textile export turnover in 2012 grew 60 per cent on-year and held 70 per cent of Vietnam's total garment and textile export turnover of \$17 billion in 2012.

A propellant for economic growth

According to the GSO, while the local export sector faced a challenging 2012, FIEs enjoyed big export windfalls, especially for Vietnam's staple exports, making a great contribution to the economy's growth.

Specifically, many industrial products have seen a strong export turnover in 2012, such as TVs, computers and laptops (\$7.9 billion, up 69.1 per cent against 2011), telephones and mobile phones (\$12.6 billion, up 97.7 per cent), and machinery and equipment (\$5.5 billion, up 26.9 per cent) and garment and textile (\$11.9 billion, up 7.1 per cent). Most of these products are made by foreign firms, the GSO said.

Typically, the GSO cited South Korea's electronic product maker Samsung as expecting to fetch an export turnover of \$12 billion in 2012. Vietnam's total mobile phone export turnover in 2012 was \$12.6 billion, up 97.7 per cent against 2011.

Meanwhile, the US-backed chipset maker Intel was reported by Ho Chi Minh City's Department of Information and Communications to reap export turnover of \$1.4 billion in 2012.

The US-backed turbine maker General Electric Vietnam reported that it had fully realised its target of fetching an export turnover of \$166

million in 2012. During 2010-2012, this company has earned a total of \$278 million from exports.

In another case, at Japanese-invested industrial equipment maker Saigon Precision in Ho Chi Minh City, 2,000 workers have been focusing on fulfilling the company's export orders for 2013 since November 2012, following an injection of \$25 million investment capital.

Vietnam's agro-forestry export turnover reached a record \$17.7 billion in 2012, up 18 per cent on-year. Many FIEs also contributed a big share.

Ajay Bhagat, managing director of Indian-invested Hanoi-based plywood producer Vietductch International Joint Stock Company, said his company had been operating in Vietnam for two years, and 2012 was "an excellent export year" for his firm, with total export turnover of \$6 million. "We have fulfilled our export orders for 2012 for months. Vietnam boasts big raw materials and preferential incentives for exporting high-quality wood products. Meanwhile, the world's demand for this product is increasing strongly," Bhagat said.

Syed Nishat Hussain, general director of Indian-invested tea maker \$6 million Phu Ben Tea Company Ltd in Phu Tho province, said 2012 was a "golden year" for his company's export performance. "We are quite satisfied with our tea exports as we exported 2,000 containers of tea overseas in 2012," Hussain said. "It is difficult to say about our total revenue now as we have to make calculations. But we have earned some profit."

Since 1993 when Vietnam had a trade surplus of \$40 million, the country in 2012 for the first time enjoyed a trade surplus, at \$284 million. FIEs had a trade surplus of nearly \$12 billion including crude oil exports—and \$3.6 billion excluding oil. Meanwhile, the local economic sector suffered from a trade deficit of \$11.7 billion.

"Vietnam's trade picture in 2012 is quite different from many other previous years and from the trade picture of many developing countries home to low export growth, especially amid

economic woes nationwide and globally," said the GSO's head Do Thuc.

Vietnam's total export turnover in 2012 reached \$114.6 billion, up 18.3 per cent on-year. FIEs occupied 17.7 of this 18.3 per cent.

While the local economic sector's total export turnover was \$42.3 billion, up only 1.3 per cent on-year, the figure for the foreign economic sector was \$63.9 billion (excluding crude oil exports), up 33.5 per cent on-year.

The GSO's National Account Department head Ha Quang Tuyen said the export growth had held 27.23 per cent of Vietnam's total economic growth rate of 5.03 per cent for 2012. "Thus it is clear that foreign exporters have contributed greatly to the country's economic growth," Tuyen said.

An expected brighter picture

The KJ Vina representative said the garment and textile export market in 2013 was expected to be brighter than 2012. "We expect a \$5 million in revenue for 2013. [The figure for 2012 was \$4.8 million]. However, this target means we will have to make bigger efforts."

Meanwhile, Bhagat of Vietductch International said his company was expected to rake in a plywood export turnover of \$12 million for 2013, when his factory will have expanded capacity. This figure would double the \$6 million in 2012.

Phu Ben Tea Company also expected a strong year 2013. "We have already had so many export orders for 2013 and currently we have 3,000 hectares of tea and want to expand more to boost exports and revenue," Hussain said. "Vietnam's investment is very good."

Hussain said his company aimed to export 233,000 containers of tea in 2013. "Vietnam is an ideal market for tea production and exports. It is likely that we will expand our investments here." General Electric said it expected an export turnover of \$166 million for 2013, the same as in 2012, due to economic difficulties causing a reduction in consumption of its products.

Le Thi Minh Thuy, head of the GSO's Service and Commerce Statistics Department, said the FIEs' contributions to Vietnam's export turnover increased from over 45 per cent several years ago to about 56 per cent now.

"FIEs have big capital, technology and output markets, while these factors are always coveted by local cash-strapped enterprises," Thuy said.

Thuy said FIEs' exports would continue strongly growing in 2013 due to their export plans and orders already made, with stable export markets. For instance, the turnover for the whole garment and textile export sector was forecast to be \$18.5 – 19 billion and about \$13 billion for exporting mobile phones.

Source: <http://businesstimes.com.vn>

With merger deal, Western Bank, PVFC, PetroVietnam have "happy ending"

The Prime Minister has given the nod to the plan on merging Western Bank into PetroVietnam Finance Corporation (PVFC). This proves to be the can't-be-better way out for all the involved parties.

In September 2011, the government released the Resolution No. 94 requesting state owned economic groups and general corporations to withdraw their investment capital in their non-core business fields.

The request then raised big worries to the managers of PVFC and the holding company PetroVietnam. By that time, the national oil and gas conglomerate had held 78 percent of stakes in PVFC. With such a high proportion of capital contribution, the capital withdrawal was thought to cause a chaos.

PVFC always keeps a close link with the holding company, because it was established with the major task of serving the subsidiaries of the same PetroVietnam system. No one could imagine what would happen after PetroVietnam, the biggest and the most influential shareholder in

PVFC, withdraws its capital and has no deep involvement in PVFC's operation.

Meanwhile, restructuring PVFC is a must. After developing into one of the 12 biggest credit institutions in Vietnam, PVFC has shown its big weak points.

Being a non-bank credit institution, PVFC cannot expand its network like commercial banks, cannot seek capital from the public, thus making it difficult to find medium and long term capital, and cannot provide supporting services to attract customers (card service, payment, factoring...). And the capital withdrawal by PetroVietnam was believed to worsen PVFC's situation.

It would have been easy to deal with PVFC, if it had been a small finance company. However, in fact, PVFC is a giant with the total assets of up to 90 trillion dong. It is a listed company with tens of thousands of shareholders.

PetroVietnam itself understood that it would be a tough job to withdraw capital. It needs to sell stakes as soon as possible (prior to 2015 as requested) and in big quantities (it holds 78 percent of stakes of the company with the chartered capital of 6 trillion dong). This means that PetroVietnam should not expect the good prices of the stake sale, while it is not easy to find out the buyers who can spend big money on the stakes.

However, the PetroVietnam and PVFC have finally lifted their worries, when a way out has been found: PVFC would merge into Western Bank. This has been described as the "can't-be-better" solution, because it allows settling several problems at the same time.

PetroVietnam has suddenly seen its ownership ratio in PVFC decrease from 78 percent to 52 percent, while it does not have to struggle hard to sell stakes. PVFC, after getting merged into Western Bank, would create a new bank with the chartered capital of 9 trillion dong.

Sources have said that since the merger deal goes smoothly, a lot of investors have shown

their interest in the opportunities to invest in the new bank by hunting for the shares to be sold by PetroVietnam.

The sources said that it is highly possible that some institutional investors would negotiate on the purchase of 288 million stakes from PetroVietnam. If so, PetroVietnam's ownership ratio in the new bank would decrease to 20 percent.

If the scenario happens as predicted, PetroVietnam would be able to reduce its ownership ratio in PVFC as requested by the Government. Meanwhile, its ownership ratio in the new bank would still be high enough to have business links with the bank for mutual benefits.

Source: TBKTVN

Investment

US\$13-14 billion in FDI expected in 2013

Vietnam expects to attract US\$13-14 billion in foreign direct investment (FDI) this year, according to the Ministry of Planning and Investment (MPI).

Do Nhat Hoang, head of the Foreign Investment Agency, further said at a press briefing in Hanoi on January 4 that the ministry will focus on improving the quality and effectiveness of FDI capital and how it is managed by the State.

FDI will be divided based on the demand of each sector and area as well as partners, he added.

Removing barriers for investors involved in the service industry, which Vietnam lacks, and raising those technical barriers in line with international commitments to limit inappropriate projects is another measure to increase FDI in 2013, according to Hoang.

As many as 1,100 newly licenced FDI projects and 435 additional capital projects were

reported by the MPI between January 1 and December 15, 2012.

FDI capital exceeded US\$13 billion in 2012. Japan was the largest investor with US\$5.13 billion, accounting for 39.5% of all FDI in Vietnam.

Up to US\$9.1 billion of FDI was registered in the processing and manufacturing sector - equivalent to 70% of the total in 2011.

Hoang noted that additional capital from existing projects increased by 58.5% compared to 2011, demonstrating existing foreign investors' trust in Vietnam's business environment, he added.

Seventy percent of FDI projects were in production, complementing the country's course of industrialisation and modernisation.

Last year, Vietnam invested US\$1.3 billion to projects in other countries. This year's target is between US\$1-1.5 billion.

Source: NhanDan

Foreign capital attraction to remain positive this year

Foreign investment through both direct investment and M&A (mergers & acquisitions) deals is expected to keep flowing into the local market this year despite challenges ahead, experts said.

Economic expert Pham Chi Lan said that capital flow from Asean enterprises will run strongly into Vietnam to take advantage of opportunities from the Asean+1 market in 2015.

Businesspeople from the Philippines, Indonesia, Thailand and Singapore will continue injecting capital into various fields in Vietnam.

American investors will also arrive in the country given the Trans-Pacific Partnership (TPP) although negotiation rounds have yet to finish. Similarly, European firms will not miss opportunities of the Vietnam-EU (the European

Union) Free Trade Agreement while South Korean enterprises will also knock the door.

However, speaking at a recent talk with the Leading Business Club in HCM City, the expert said the strongest investment wave will be from Japan. Last year, Japan took the lead in pledged investment in Vietnam, making up 40 percent in a total \$10 billion disbursed.

Concerning FDI capital attraction in 2012, Lan said it was a positive sign as the gap between FDI capital disbursement and FDI capital registration, at \$10 billion and \$13 billion respectively, was narrowed.

This proves that enterprises want to stay in the local market in long term and FDI capital is expected to be high this year, Lan added.

Hoang Kim Thoa, director of Senkim Investment Company, said that 2011 and 2012 were the show of M&A deals between Japanese and Vietnamese enterprises.

Japanese investors are strongly penetrating into the local market in various fields such as financial and banking, information technology, retail, consumer goods and food. They have expressed a hope for long-term and transparent cooperation in these M&A deals.

Recently, Bank of Tokyo Mitsubishi UFJ has acquired a 20 percent stake in VietinBank at \$743 million, ending the year 2012 with active M&A deals.

Source: The Saigon Times

Stock Market

Vietnam Stocks Rise Most in Asia on Government Aid Speculation

Vietnam's stocks rose the most among Asia's largest equity markets on speculation the government will take steps to help companies cope with a slowing economy.

The VN Index rose 1.7 percent to 433.19 at the midday break in Ho Chi Minh City, the highest level since Aug. 20. The gauge has gained for a ninth day, poised for the longest winning streak since Jan. 19, 2012. Vingroup JSC(VIC), the country's largest listed property developer, surged 4.4 percent to 83,500 dong. Bao Viet Holdings (BVH), the biggest Vietnamese insurer, jumped 5 percent to 46,600 dong.

The State Securities Commission has proposed measures such as removing the cap on overseas investment in some industries and allowing foreigners to buy non-voting shares, Thoi Bao Kinh Te Vietnam reported on Jan. 4, without saying where it got the information. The government will seek to address economic challenges in 2013, Prime Minister Nguyen Tan Dung said Jan. 1. "The market is being cheered up by potential government measures," Hoang Thach Lan, head of the brokerage unit at Ho Chi Minh City-based MHB Securities Co., the equity investment arm of Mekong Housing Bank, said by phone. "Investors are buying."

Vietnam is struggling to boost an economy that expanded at the slowest pace in 13 years in 2012 as a slump in bank lending crimped domestic demand, adding pressure on the government to revamp the financial system. Dung has identified bad debts at banks as an obstacle to economic growth.

Source: Bloomberg

Blue chips push up indexes on both exchanges

Shares continued their upward trend on both stock exchanges this morning, boosted by gains in blue chips.

The benchmark VN-Index rose 1.67 per cent to 433.19 points on the HCM City Stock Exchange, while the trading value reached VND754.7 billion (US\$36.1 million).

Large-cap shares increased in value, with insurer Bao Viet Holdings (BVH) and PetroVietnam Finance (PVF) hitting their ceiling prices. Others,

such as food processor Masan Group (MSN), property developers Hoang Anh Gia Lai (HAG) and VinGroup (VIC) and steelmaker Hoa Phat Group (HGP), climbed from 3.4-4.5 per cent.

Overall the VN30 tracking the top 30 shares was up 1.85 per cent to 507.55 points.

Vietnam Electricity Construction (VNE) is temporarily leading trades on the southern bourse with more than 2.3 million shares changing hands. The shares increased 3.17 per cent to VND6,500 a share by the end of this morning.

On the Ha Noi Stock Exchange, the HNX-Index edged up 0.3 per cent to close this morning's session at 59.39 points on a turnover of VND412 billion (\$19.7 million).

Saigon-Hanoi Bank (SHB) was still the most active code on the exchange on trades of 9.5 million shares. In addition, nearly 1.56 million SHB shares, worth more than VND10 billion (\$478,500), were exchanged through negotiations. SHB is being traded at VND6,600 a share.

Source: VNS

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