Volume 39
February 6, 2013

Vietnam Business News Collection

Highlight of January: Telecommunication

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Telecommunication

Telecoms industry leads development

Development of Viet Nam's wired and wireless broadband internet infrastructure can progress ahead of schedule, despite the country setting a target of becoming a modern industrial nation by 2020.

The forecast was made by IT experts at a telecoms conference held recently to thoroughly grasp the contents of Resolution 13-NQ/TW from the Party Central Committee and plans to build information infrastructure.

Addressing the conference, Minister of Information and Communication Nguyen Bac Son said the Resolution aimed to build synchronous internet infrastructure to turn Viet Nam into a modern industrial country by 2020.

Son said the Resolution determined that information technology was one of the most important infrastructures, both for the economy and technical sectors as well as social development.

According to World Bank research, 10 per cent of the population using broadband internet would boost the GDP of developed countries by 1.21 per cent, and up to 1.38 per cent in developing countries.

Use of wireless broadband internet is currently thriving and has exceeded the forecast of the International Telecommunication Union (ITU).

Doan Quang Hoan, Director of the Radio Frequency Department under the Ministry of Information and Communication said wireless broadband internet would become increasingly popular as it was vital infrastructure for a knowledge-based economy.

In the near future, the number of 2G subscribers would decrease while the number of 3G subscribers would grow strongly.

Meanwhile, HSPA (High Speed Packet Access) technology remains the most promising technology prior to 2020, said Hoan.

Hoan said Viet Nam had a good quality advanced wireless broadband infrastructure. The number of 2G and 3G subscribers in the country has increased in recent years, but Viet Nam is still in the early stages of wireless broadband internet.

He said development of wireless broadband has strong potential, but currently remains limited due to consumers' purchasing power.

Le Thi Ngoc Mo, deputy director of the Radio Frequency Department said development of fixed broadband internet would be a challenge for the local telecoms industry.

Over the last two years, development of fixed broadband internet has seen slower growth. Currently, landline phone networks were considered the best platform for broadband internet development.

Viet Nam Post and Telecommunications Group (VNPT) 's service accounted for 90 per cent of the telecom market, but the service has been reduced 25 per cent annually in recent years. During its peak, VNPT had 13 million subscribers, but that figure has fallen to just 6.5 million.

With the increasing popularity of mobile phones, the number of fixed landline phone subscribers will continue to fall sharply in years to come.

Viet Nam aims for 90 per cent of communes to have access to broadband internet by 2015, with comprehensive access by 2020.

Mo said developing stable and safe broadband was the national strategy. Therefore, the Ministry would soon outline its policies on tariff and service charges for landline telephone services and on development to FTTH (Fiber-To-The-Home).

The most important thing was to use the Viet Nam Public Utility Telecommunication Service Fund as a source of finance for developing telecoms infrastructure. It was estimated that from 2013 to 2020, this fund would grow to around VND10 trillion ($480 million), said Mo.

Target for broadband internet by 2015

- Fixed broadband internet: 6 to 8 subscribers / 100 people

- Wireless broadband: 20 to 25 subscribers / 100 people

- Households with internet access: 15-20 per cent

- 90 per cent of communes have public telecom services with broadband connection.

Target for broadband internet by 2020

- Fixed broadband internet: 15 to 20 subscribers / 100 people

- Wireless broadband: 35 to 40 subscribers / 100 people

- Households with internet access: 35 to 40 per cent

- 100 per cent of communes have public telecom services with broadband connection

Source: VNS

Big telecom players continue to dominate

State-owned telecom giants Viettel, VinaPhone and MobiFone continue to dominate the Vietnamese telecom market, indicating a less competitive year in 2013.

Last year, many small mobile providers fell into difficulties and had to withdraw from the market.

Early in 2012, EVN Telecom was acquired by Viettel. Shortly after, VimpelCom decided to sell its stake in Beeline mobile network to Gtel Mobile Joint Stock Company (Gtel Mobile) for just US$45 million.

Meanwhile, S-Fone, crushed by debt, ended its CDMA service, and Dong Duong Telecom had its licence to provide a mobile virtual-network service revoked. The withdrawal, together with the merger of numerous small firms, shows that the Vietnamese telecom market is not as attractive as people thought.

Experts forecast a gloomy future for small telecom operators in 2013. They also warned about the emergence of a telecom monopoly. State-owned mobile networks hold up to 95 per cent of the domestic telecom market, but the competition between them is not really keen.

Source: VNS

Telecoms industry set for sector shake up

Telecommunications companies will be restructured this year to ensure that there are only three or four healthy companies in the market, in accordance with a plan approved by the Prime Minister, said Minister of Information and Communications Nguyen Bac Son.

Specific restructuring measures include creating favourable conditions for mergers and acquisitions, revoking licences and restructuring inefficient companies.

The ministry also plans to strengthen its role as owner-representative in State-owned enterprises while simultaneously helping enterprises control their own production. Telecommunications companies will not be allowed to invest in non-core business lines to ensure efficient operations.

According to the minister, the telecommunications market of Viet Nam saw huge changes last year after a 10-year period of "peaceful" development.

Due to fierce competition, some enterprises were forced to leave the market, such as EVNTelecom, which merged with Viettel, and others saw their licences revoked. However, Son said, these changes complied with the industry's development plans to 2020.

Meanwhile, many companies - such as Viettel Group and Viet Nam Posts and Telecommunications Group - reported huge profits last year.

The information and technology industry also saw improvements, Son said, saying export turnover of computers, electronics, phones and components reached more than US$18 billion last year.

The ministry plans to tighten management of information on the Internet, as well as online games and unregistered SIM cards, to create a healthier and more reliable Internet and telecommunications market for users and promote sustainable development, he said.

Source: VNS

Ministry unfazed by foreign telecom firms' exit

VietNamNet Bridge – Given that a number of telecom firms have pulled out of the Vietnamese market and that a foreign organization has remarked the local telecom market is losing its appeal, the Ministry of Information and Communications said it is not duly concerned.

For some sectors, poor foreign investment or exodus of foreign players is seen as a failure, but it is different with telecom, said Le Nam Thang, deputy minister of information and communications.

During its infancy, due to the lack of capital and technology, the local telecom industry really needed foreign investment to get started.

However, now Vietnamese telecom firms have sufficient funds, rich experience and modern technology, with some even making investments abroad, Thang explained.

Previously, under a mobile phone business cooperation contract, in which Comvik of Sweden engaged in the business of MobiFone, the Vietnamese party had to ensure a very high rate of return, at 25%. This would not have been the case if the local firm had done business on its own.

Still, under the commitment to the World Trade Organization (WTO), Vietnam has to open its telecom market, allowing foreign firms to join hands with local businesses with capital contribution of less than 49%.

"Despite such a commitment, foreign investors can only pour capital into telecom if they succeed in negotiating with local enterprises on a commercial basis," said Thang.

Recent data of the U.K.-based Business Monitor Intelligence (BMI) shows that the Vietnamese telecom market is losing its appeal. BMI has lowered Vietnam's telecom ratings to 42.5 points from 45 points in the second quarter of 2011.

Furthermore, telecom experts shared the view that the local telecom market had become less attractive to foreign investors given the recent changes in the market.

For example, EVN Telecom has been transferred to Viettel; Vimpelcom has withdrawn from Vietnam; SK Telecom has divested capital in S-Fone; and Hutchison of Hong Kong is struggling to operate its joint venture Vietnamobile.

Several years ago, many foreign telecom firms like France Telecom, ST Telemedia and Telenor set up representative offices in Vietnam. Now, Telenor has closed its office and pulled out of Vietnam, while other firms have laid off their staff and are operating perfunctorily.

In addition, Vietnam Post and Telecommunications Group (VNPT) has suggested a merger of MobiFone and VinaPhone, instead of equitizing the former as originally planned, disappointing many foreign investors who are waiting to invest in this mobile network.

Source: VietNamNet/SGT

Economy

Vietnam to serve as new industrial factory of the world

Dr. Patric Dixon, who Times journal calls the "world's leading futurist," has forecast that Vietnam would serve as the new industrial factory in the near future.

Le Phuoc Vu, President and CEO of Hoa Sen Group, agrees with the expert, saying that Vietnam has all favorable conditions to become the factory of the world, especially in some fundamental industries and high technology sectors.

Vu said the theory about the "flying geese paradigm" shows that it is now the time for Vietnam to receive the technology transfer from the "leading geese" to develop its production.

The paradigm postulated that Asian nations will catch up with the West as a part of a regional hierarchy where the production of commoditized goods would continuously move from the more advanced countries to less advanced ones.

According to Vu, a new industry usually begins taking shape in Japan, and then is transferred to NIEs in Asia (South Korea, Taiwan, Hong Kong and Singapore), then to ASEAN-4 (Singapore, Malaysia, Indonesia and Thailand). China is the next stay of the process, while the next stay would be Vietnam and some other countries.

"I believe that with the flying geese model, Vietnam's industrial products can be exported to South East Asian and other countries in the world," Vu said on Dau tu.

"Vietnam's products in the potential industries such as electronics or information technology would "follow the flock of geese to fly to other markets. Hoa Sen has been following the way to boost its exports," he added.

The group plans to increase the exports by 20-30 percent to ASEAN market in 2013. "Our products have been present in 25 markets," said Vu Van Thanh, Deputy General Director of Hoa Sen.

Do Duy Thai, President of Pomina, a steel manufacturer, also said Vietnam is absolutely capable to become the factory of the world, which would be an important condition for Vietnam to strive to an industrialization country.

Japan, South Korea or Taiwan began their economic development from the low starting points like Vietnam's, according to Thai. However, their reasonable policies on making investment in industries have helped them succeed.

"They are now leading the world in heavy industries and in some high technology industries," Thai said.

Developing heavy industries should be seen as the fundamental of the industrialization process. And stemming from this point, the state should give necessary investment incentives to encourage domestic enterprises to make investment in high technology sectors.

Thai has noted that the current policies only bring preferences to foreign invested enterprises. Meanwhile, a lot of the enterprises have been conducting the transfer pricing to seek profit and avoid tax.

"The lesson from South Korea shows that in order to develop, Vietnam should start with the domestic market before the regional and then the world market," he said, adding that this is the only way for Vietnam to follow.

Pomina, for example, has decided that it needs to develop the domestic market first, and after dominating the market, it would think of exporting 30 percent of its products.

Though keeping optimistic about Vietnam's capability of becoming the new production factory of the world, Vu affirmed that Vietnam needs to take very cautious steps in its development path, because it is just the goose which has joined the flock.

The advantages of the new goose in the flock are the cheap labor force, profuse materials and the government's policy to encourage exports.

Source: VietNamNet

HSBC: Vietnam economy recovering

The Hong Kong and Shanghai Banking Corporation (HSBC) released its Vietnam Manufacturing PMI (Purchasing Managers' Index) in January, 2013, which showed that Vietnam's economy is recovering despite many difficulties in the coming time.

The index rose to 50.1 in January, up from 49.3 in December, 2012, meaning manufacturing production increased for the third successive month. Companies benefited from a slight increase in new orders from the domestic market. However, demand from overseas remained weak, leading to a fall in new export orders. Vietnamese manufacturers reported declining new orders from the Eurozone and China. Vietnam's manufacturing sector saw marginal job growth in January. There was also a solid increase in average input price, a significant turnaround from the previous month.

On the other hand, Vietnamese manufacturers still want to reduce their stock level in January, which is reflected in the continuous decline in stockpiled raw materials and finished goods. The decline in stored finished products was the deepest in the past 22 months. Purchasing power also rose for the second time in the last three months.

Trinh Nguyen, an economist at HSBC, hoped that Vietnam's economy will continue to recover in 2013, with superior growth to 2012. However, he warned that the recovery process is still fragile as there is economic restructuring in progress. The rising price of goods and inflation is another challenge.

Source: VNS

Government strives to curb CPI at 8 pct this year

The Government will do its utmost to keep Consumer Price Index (CPI) at around 8 percent this year as set in the National Assembly's Resolution.

Minister and Head of the Government Office Vu Duc Dam made the statement at a press briefing in Hanoi on January 29 following the Cabinet's regular monthly meeting the same day.

He added that despite January's CPI rose by 1.25 percent against the previous month, signs signalling the index to climb up again are yet spotted.

Regarding measures to rescue the real estate market, Dam stressed that since early 2012, the Government instructed the Ministry of Planning and Investment (MPI) to examine operations of businesses involved in real estate and the Ministry of Construction to assess real estate market health.

He confirmed the measures taken were developed on the results of those assessments and surveys as well as recommendations from authorised agencies, localities, banks and related associations.

Dam stated the Government always gives priority to ensuring the interests of those with difficulties, especially the poor who cannot afford an apartment.

At the Government's meeting, the MPI reported that more than 3,830 enterprises have been newly established with a total registered capital of more than 15.9 trillion VND (757 million USD) from January 1-20.

Export turnover hit 10.1 billion USD, up 43.2 percent over the same period last year. More than 130,000 jobs have been created this month, about 7,000 of them overseas.

Source: VNA

Banking & Finance

Vietnam's bond market attracting foreign capital: VBMA's secretary general

Stable forex rates and low inflation are key factors attracting foreign investment capital to the bond market in 2012 and early 2013, said the secretary general of Vietnam Bond Market Association (VBMA), Do Ngoc Quynh, said in an interview with the local newswire Dau Tu Chung Khoan on January 29.

According to the regulation orientation of the State Bank of Vietnam (SBV) and the government, the interest rates would be adjusted flexibly in accordance with the CPI (consumer price index) fluctuation to unfreeze the credit for enterprises.

With further supporting factors from the government and the low CPI, there is more room for further lowering the interest rate in 2013. The lower interest rate will help increase the value of bonds, which will encourage investors to join the market, Quynh said.

Another factor that foreign investors always considers when making decisions for their disbursement in a particular bond market is to compare the interest rates amongst markets that have relatively similar conditions to each other.

Comparing to other bond markets in regions such as Malaysia and Indonesia, the interest rate in Vietnam is always higher, which is also an attractive factor for foreign investors to join Vietnam's bond market, according to Quynh.

In order to develop Vietnam's bond market, Ministry of Finance (MoF) is planning to submit to the government for a draft decree to prescribe the operation of credit rating company, which would be issued within this year, said Quynh.

MoF is also going to approve Vietnam's bond market development roadmap till 2020 and give final decision for a project to build a Corporate Bond Information Centre.

Basing on this opinion, VBMA will begin building the Corporate Bond Information Centre within this year to overcome one of the biggest obstacles for the development of the corporate bond channel, which is nuclear and scattered information in both the primary and secondary markets thereby facilitating the development of the corporate bonds channel, helping businesses better able to raise capital as well as helping investors access corporate bonds, Quynh said.

Source: Intellasia | dautuchungkhoan

Top banks spend $4.8b in primary government bonds

A recent Hanoi Stock Exchange (HNX) report shows that seven major banks in Vietnam purchased VND100 trillion ($4.8 billion) government bonds in primary market in 2012, nearly double the total figures of 2009-2011.

Vietinbank topped that list with about VND20 trillion ($961.5 million) spent in purchasing government bonds in the primary market within past year, tripling the total amount it spent during 2009-2011.

BIDV, Agribank, Military Bank, Vietcombank, Maritimebank and Techcombank followed with the purchased value of $807.9 million, $730.8 million, $716.3 million, $687.5 million, $596.2 million and $298.1 million, respectively. They are also the seven banks that topped the primary government bond market during 2009-2012, according to HNX.

The seven banks spent about VND100 trillion ($4.8 billion) in purchasing the note last year, while they spending just totalling VND55.6 trillion ($2.67 million) in three years 2009, 2010 and 2011.

The soaring spending resulted from the rising non-performing loans in Vietnam last year, which made it hard for banks to lend to enterprises.

"It's not surprising at all to see those banks spend so much money in government bonds in 2012," said Trinh Quang Dung, analyst for Vietcombank Securities. "The credit activities will continue struggling in this year."

Bonds became a rare investment channel for commercial banks last year and also significantly profitable for some banks. One of those seven banks', a manager told VIR that his bank got 37 per cent return via bonds last year. "It's not hard for major banks to get a return of 20 per cent in this channel last year," he said.

VPBank, HSBC Vietnam and Ocean Securities – the brokerage arm of Ocean Group which includes also Ocean Bank – was also among the top 10 members purchasing.

To compare with total assets, those major banks in 2012 had spent 2.8-4.5 per cent of their assets in bond, much higher than the ratio range of 0.4-1.5 per cent within 2009-2011. Particularly, Military Bank and Maritime Bank even spent more than 10 per cent of their assets in primary government bond market, rocketing from the ratios 0.92 per cent and 0.4 per cent in 2009-2011.

However, Maritimebank was also the one trading government bonds the most in the secondary market with total trading value of more than VND42 trillion ($2 billion). Vietcombank also had trading value high of VND22 trillion ($1.1 billion). But other banks was not very active on secondary market, as their trading value was of less than VND6 trillion ($288.4 million) each.

Whilst brokerage houses Vietcombank Securities, Bao Viet Securities, BIDV Securities and Saigon Securities were the ones active the most on the market. Also according to HNX's report, the participation of foreign investors reduced last year with percentage of just 23.5 per cent, down from 30.6 per cent in 2011.

Source: Intellasia | VIR

Enterprise

Enterprises anxious to export sugar

Slow sale, high inventories, low sale prices all have put sugar manufacturers on tenterhooks. They have been burning to get the nod from competent agencies to export sugar to clear the stocks.

According to the Vietnam Sugar and Sugar Cane Association, the sugar output has been increasing rapidly, while the sales have been slowing down, which has led to the big inventories.

Two more sugar refineries, Tuy Hoa and Khanh Hoa, entered the new production season in the week from January 15 to January 21. As such, to date, only one refinery still has not kicked off its production plan.

Sugar plants last week pressed 697,137 tons of sugar cane, made 67,152 tons of sugar, raising the total output of 578,167 tons of sugar so far. This does not include the raw sugar imports and domestic raw sugar provided to refineries.

The inventories at sugar refineries by January 21 had reportedly reached 249,742 tons, including raw sugar, while the inventories at trade companies which are the members of the sugar association, had reached 11,043 tons.

Nguyen Hai, Secretary General of the sugar association, has blamed the weak demand for the big inventories. The demand increased in January, the month just before Tet, but the increase is modest, just tens of thousands of tons. Meanwhile, sugar refineries continue making out sugar, since January and February are the high production season, during which the output may reach 300,000 tons a month.

The daily inventory increase has put a hard pressure on the sugar sale prices. The factory prices have been lowered to less than VND14,000 per kilo. The Pho Phong refinery, for example, offers to sell sugar at VND13,800 dong per kilo, including VAT, while An Khe offers VND13,820 dong per kilo.

As such, Vietnamese sugar refineries have been keeping the wholesale price at less than VND14,000 per kilo since 2009. The prices are nearly the same with the illegal imports form Thailand.

On January 21, illegal imports were sold at VND13,600-14,200 per kilo in HCM City, while it was VND13,400 per kilo only in the border area and VND13,500 at Lao Bao border gate.

Experts say they cannot see any possibility of the sugar price recovering, since the prices in the world have also been on the decrease. The white sugar in London was traded at $492 per ton on January 21 with the delivery in March 2013. The price represents a $37.5 per ton decrease in comparison with the March deliveries' price fixed on November 16, 2012.

Sugar refineries all have lowered the sugar cane collection price. In the north, Tale&Lyle collected sugar cane at VND870,000 per ton instead of VND900,000 on January 9.

The Hoa Binh and Lam Son refineries now pay VND950 per kilo for 10ccs sugar cane.

Sugar manufacturers want export quotas as soon as possible

Hai from the sugar association said the Ministries of Agriculture and Rural Development, and Industry and Trade have agreed to allow importing sugar. However, they have not reached any agreement about the volume of sugar to be exported.

The agriculture ministry and the sugar association both have proposed to export 300,000 tons, but the trade ministry thinks that in the first phase, it would grant the quota to export 100,000 tons only.

The Ministry of Industry and Trade has asked the Prime Minister to set up the mechanism on sugar export in order to clear the big stocks. While waiting for the final decision, sugar refineries have been put on tenterhooks. They want to have quotas as soon as possible, especially when they hear that China has a very high demand for sugar imports.

Source: Báo Nông Nghiệp

Insurance firms report a slowdown in growth

Foreign non-life insurance companies in Vietnam experienced a declining growth rate in 2012 as the local market struggled with economic difficulties.

Liberty Insurance Vietnam, one of the strongest foreign players in Vietnamese insurance market, in 2012 posted annual growth in premium revenues down to 10.11 per cent, compared to 68 per cent in 2011. Direct premiums for US-based insurer increased 10 per cent year-on-year, after soaring nearly 70 per cent in 2011.

Several foreign insurers which grew rapidly in previous years – including France-backed Groupama, the Korea-Vietnam joint venture Samsung Vina, ACE Insurance (Vietnam) and Taiwan's Fubon – saw their growths in premium revenue slide back to nearly the general level of the whole market.

Annual growths of Groupama sunk to 41 per cent, following 2011's 148 per cent and 2010's 228 per cent. Growth of Fubon declined to 16.6 per cent, following 2011's 44 per cent and 2010's 98 per cent. Growth at Samsung Vina's dropped to 54.7 per cent. from 2011's 107 per cent. The while ACE posted a growth of 10.2 per cent from 2011's 36 per cent and 2010's 199 per cent.

The Australian player QBE Insurance even saw its premium revenue declining by 7.1 per cent year-on-year, after growing 41.4 per cent in 2011.

AIG's performance seemed stable, as its annual growth in premium revenue reached 21.3 per cent, compared with the 2011's 24.4 per cent. Direct premium of the American insurer grew

18.4 per cent year on year, lower than 25 per cent in the previous year.

Vietnam's economic struggles are generally blamed for the slowdown in Vietnamese insurance market. In 2012, the growth of the whole market shed a half to just 10.3 per cent from 2011's 19.2 per cent and 2010's 21 per cent. Foreign insurance firms, with obvious disadvantage in terms of clients bases, suffered a bigger declines compared with local players.

Big domestic players such as Bao Viet Insurance and PVI saw their growth rates roughly cut in half. Bao Viet's premium revenue just grew 11.3 per cent year-on-year compared with its 17 per cent growth in 2011, while that of PVI down to 7 per cent from 2011's 13.9 per cent. Bao Viet cautiously targeted just a growth of some 10 per cent in 2012.

"Vietnamese non-life insurance market in 2012 had suffered several difficulties including significantly decline in economic growth, jumping drug prices and healthcare costs, government spending cuts, credit tightening, Bao Viet wrote in its press release about 2012's business results. The insurer said it expected continuing uncertainties in the local economy

Source: VIR

Investment

Japan's ODA promotes economic growth in Vietnam

The Japanese International Cooperation Agency (Jica) held a conference in Hanoi on January 30 to review Japan 's official development assistance (ODA) to Vietnam over the last 20 years and its future orientations.

Under these orientations, Japan will help Vietnam achieve its industrialisation goal by 2020. Japanese ODA will focus on promoting economic growth, increasing competitiveness, as well as the restructuring of State-owned companies, the financial sector and public services.

Addressing the event, Jica Head Representative to Vietnam Tsuno Motonori said Japan has been the largest provider of ODA to Vietnam for 20 years, with a total of more than 1.8 trillion JPY.

Furthermore, Japan has sent around 5,000 experts and 500 volunteers to Vietnam, and trained 18,000 Vietnamese employees in Japan.

Japan considers Vietnam a leading partner in terms of ODA and will continue to provide a high level of aid to Vietnam. It will boost bilateral cooperation, despite its recent natural disasters and the global economic crisis, said Motonori.

Japanese ODA has contributed to improving the friendship between both governments and peoples.

At the 2012 Consultative Group (CG) Meeting held recently, Japan pledged to provide about 110 billion JPY (some 1.4 billion USD) in ODA to Vietnam.

Presently, Japanese funds are helping the construction of the international terminal T2 at Noi Bai international airport, Nhat Tan Bridge in Hanoi, and HCM City's urban railway No 1.

Source: Intellasia | VNA

FDI disbursement hits 420 million USD in January

Disbursement of Foreign Direct Investment (FDI) projects reached more than USD420 million in January 2013, up 5% against the same month last year, reported the Foreign Investment Agency (FIA) under the Ministry of Planning and Investment.
As of January 20, 2013, Vietnam had gained 37 licensed projects with a total registered capital of 257.1 million USD, up more than 293% from the same period last year. Nine existing projects registered capital increases of 24.3 million USD. on the whole, total newly-licensed and

increased capital was 281.4 million USD, up 74% from the same period last year.

In the first month this year, foreign investors poured capital into eight investment fields. The largest capital inflow went to the processing and manufacturing industry with 21 licensed projects and total newly-licensed and increase capital of 202.9 million USD, accounting for nearly 72.1% of total invested capital this month. Real estate ranked second with a total capital inflow of 50 million USD, making up nearly 17.8%.

Currently, Japan still leads FDI investors in Vietnam, with a total capital of 157.7 million USD accounting for 56.1%. Following it is Thailand with 54.2 million (19.3%), and France with 20 million USD (7.1%).

With 107.9 million USD in both newly-licensed and increased capital, making up 38.3% of total invested capital in Vietnam, Dong Nai attracted the most FDI, followed by Hai Phong with 66.4 million USD and Binh Duong with 61.6 million USD.

Source: HaNoiTimes

Stock Market

Vietnam moves ahead with the plan on merging two stock exchanges

The merger of the two stock exchanges of Hanoi and HCM City is expected to be decided in 2013, after the State Securities Commission (SSC) submits the merger plan to the Prime Minister.Under the Decision No. 1826 of the Prime Minister, the reshuffling of the stock market, insurance companies and the restructuring of the stock exchanges, the renovation process would be implemented in two stages.

In the first phase, which lasts two years 2012 and 2013, relevant agencies would draw up and release the plan on restructuring stock exchanges. Meanwhile, the implementation of the plan would be carried out in the second phase, in 2014 and 2015.

The outlines of the plan

In fact, the merger of the stock exchanges has been delayed by one year instead of getting completed in 2014 as previously expected. Since the restructuring of the stock exchanges depends on many factors, including commodities, technology and the labor force, the watchdog agency has to make thorough consideration on the issue in order to avoid bad things.

"At first, we decided that the plan drawing would be completed in 2012. However, the bad performance of the stock market has forced us to rethink. The plan would only be submitted to the government in 2013," said Vu Bang, Chair of SSC.

It took other countries at least 3-4 years to complete the merger of stock exchanges. Therefore, SSC believes that the merger process may be completed by 2015.

Some analysts have also pointed out that the hastiness in the merger of the stock exchanges may not be a wise move. Vietnam many times raised the question of merging the stock exchanges in the previous years, when the merger became a growing tendency in the world.

However, after financial crisis broke out and lasted for a long time, the analysts believe that it is the merger which has weakened the resistance of the financial markets against the crisis.

A merger model has been suggested that a leadership would be set up at the top level, while the existing divisions in Hanoi and HCM City would be preserved. After that, some changes would be made to step by step restructure the current apparatus. For example, there would be more divisions at the headquarters, while there would be less divisions at the branch.

Merging means getting stronger

Experts all have agreed that the existence of only one stock exchange in Vietnam by merging the two existing ones would facilitate the stock market more.

Since only one stock exchange which manages and regulates the market, this would allow to cut down the expenses on the transaction systems, transmission line leasing fee, operation costs and transaction system maintenance. Especially, there would be only one standard transaction system instead of two.

The experts also pointed out that once the market scale gets bigger, this would more benefit investors, because this would better satisfy the investors' demand, speed up the capital turnover and improve the market liquidity, thus allowing to improve the competitiveness of the Vietnam's stock exchange in the region.

The managers of both the Hanoi and HCM City stock exchanges have admitted the necessity of the merger of the two stock exchanges.

Tran Van Dung, Chair and General Director of the Hanoi Stock Exchange, has denied the opinion that the restructuring would lead to the extermination of one stock exchange. "There would be no extermination as people think, but there would be a combination of the strength of the two," Dung said.

Source: VietNamNet

Brokers report contrast pictures of 2012 profits

Although the overall picture of losses and gains is still unclear, many securities enterprises reported contrast situations in 2012 with some posting up big profits while others incurred heavy losses.

Around 40 securities have submitted 2012 financial statements to local stock watchdogs, of which only seven firms suffered losses.

Sacombank Securities Company (SBS) incurred the biggest loss of around VND127 billion. Notably, SBSposted up profits in the second half of last year with VND10 billion in the third quarter and VND2 billion in the fourth quarter.

Explaining these gains, SBS said it had offloaded some stocks and reduced operating costs.

With an accumulative loss of VND1.4 trillion, exceeding its equity, SBS is facing an extremely high danger of compulsory delisting.

Phu Hung Securities Company (PHS) lost VND101.5 billion in 2012, taking to VND148 billion its total loss in the past two years.

The broker earlier revised down its 2012 profit target from a VND1-billion gain to a loss of VND95 billion. However, its actual loss was still higher than projected.

Meanwhile, the strong rally on the stock market last December helped some brokers cut down losses. Vietnam Industrial & Commercial Securities Company (VIG) made a gain of VND900 million last quarter due to rising stock prices.

However, this minor gain could not make up for its hefty loss in the first quarter. VIG had an accumulative loss of over VND140 billion, including VND63.5 billion in 2012 alone.

In contrast, many securities firms saw their profits surging last year, including Saigon Securities Inc. (SSI) that took the lead with VND448.5 billion in after-tax profits. Stock investment fetched a revenue of VND346 billion while consultancy service brought about VND80 billion for SSI.

In the fourth quarter, some VND111 billion of provisions was refunded to its reserve fund as stock prices rallied.

HCMC Securities Corp. (HCM) followed with over VND246 billion in after-tax profits. Brokerage activities made a major contribution to its profit while revenue of stock investment was modest.

Large enterprises have continued raising market shares while ailing firms are struggling with losses and insolvency.

On the Hochiminh Stock Exchange (HOSE), 10 out of 100 brokers held a 61% brokerage market share last year, suggesting that many enterprises were facing challenges in stock investment due to modest brokerage revenues and banks' credit tightening policy.

Around 40 securities firms with a charter capital of over VND300 billion each are operating well on the market while small enterprises are still mired in hardship.

Source: vietfin.net

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