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TABLE OF CONTENT

Highlight

Government proposes budget deficit rise

Government has proposed the National Assembly raise the 2013-14 budget deficits to 5.3% of GDP to meet development investment requirements and pay debts.

Overspending will be reduced gradually as of 2015, PM Nguyen Tan Dung said while delivering a Government report at the current National Assembly session in Hanoi on October 21st.

An increase in budget deficit will ensure total investment capital from the State budget and government bond sales for 2014 is not lower than in 2013, in order to accelerate economic restructuring, realise the three 'strategic breakthroughs', and stimulate growth, Dung said.

The PM said Government will issue additional bonds and keep a tight grip on public, government, and foreign debts within safety limit. It will also use dividends from equitised companies that have not been transferred to the State Capital Investment Corporation (SCIC) to support infrastructure investment projects in 2013-14.

Source: VOV Online

Exports to hit 131 billion USD in 2013

VN is striving to fetch $131 billion from exports in 2013, increasing 14% against last year and 4% against the target set by the National Assembly.

Deputy Minister of Industry and Trade Tran Tuan Anh recently told that exports remained a silver lining in the country's economic panorama as its turnover amounted to $96.27 billion in the first 9 months of this year, up 15.5% annually.

Industrial & processed products made up 70% of the country's total exports as they earned $67.44 billion, a 26.8% rise over the same period last year.

Mobile phones remained the top foreign currency earner, bringing home 15.5 billion USD, a year-on-year growth of 19.9%. It was followed by garment, with 13.1 billion; footwear, 6 billion; and wood and wooden products 3.87 billion.

According to the VN Leather and Footwear Association (Lefaso), the target of an export turnover of 9.5-10 billion USD this year is within its reach.

VN Textile and Apparel Association (Vitas) forecast an $18.5 billion export revenue in 2013 as orders are large.

However, the export of agro-seafood products faced difficulties due to global economic downturn. In 9 months, the country's coffee exports reached only 1 million tons, down 23.4% year-on-year.

Rice, a key export of VN , also saw decreases of 14.7% in volume and 17.2% in value, said Truong Thanh Phong, President of the VN Food Association.

According to the Ministry of Industry and Trade (MoIT), although the world economy has shown signs of recovery, declining demand and increasing protectionism have caused difficulties for VN exporters in expanding their markets and seeking partners.

Therefore, the MoIT and the Ministry of Planning and Investment have submitted to Government the scenario for next year's exports with a turnover of $144 billion, an 10% increase.

Source: Vietnam News Agency

Auto giants choose to steer clear of national motor show next week

Many well-known automobile brands in the VN market will not present at next week's VN Motor Show 2013, the country's biggest annual exhibition.

03 giant domestic automobile businesses (Thaco Truong Hai, Hyundai Thanh Cong, Vinaxuki) and 03 international firms (Subaru, Orsch, Rolls-Royce) all chose not to participate but to promote their vehicles independently.

Early this month, Thaco Truong Hai held a ceremony to introduce Mazda2 S sedan and Kia K3 replacing Forte sedan.

Hyundai Thanh Cong launched Accent Hatchback & said the all-new Hyundai i10 would be released in November.

Porsche did not reveal its reason for not attending the VN Motor Show after participating last year, but it presented versions of luxury model Panamera on October 10th.

Rolls-Royce warmed up the market by announcing its plan to release Phantom, Ghost and Wraith, worth billions of dong. The firm also reported that it would introduce a gilded version of Ghost.

Before 2012 only members of VN Automobile Manufacturers' Association (VAMA) could participate the show. But as the number of import cars increased, the association opened the show to cars imported from official suppliers. Consequently, many firms have not invested in building their own factories, instead developing a distribution network of imported cars.

In nearly five years, VN will have to break its tariff barriers on import cars when the country fully participates in the ASEAN Free Trade Area.

Source: Info.vn News

Back to top

Economy

Vietnam runs $2.1 billion trade deficit with ASEAN

VN saw a trade deficit of US$2.13 billion with other ASEAN countries over the past nine months. The figure represents 16% of total export turnover to the bloc, according to the General Department of Customs.

Nine-month trade value between VN and ASEAN reached $29.57 billion, accounting for 15.4% of the country's total import-export revenue.

VN earned $13.72 billion from exporting goods to ASEAN, surging 11.1% against the same time last year.

Despite the global economic downturn, VN's exports to ASEAN last year still saw a significant increase of 26% to $17.08 billion, equivalent to 15% of the country's total export turnover. The General Department of Customs attributed this to turnover growth in electronics, equipment, mobile phones, rubber, steel, iron and coffee.

Imports from the bloc topped $1.8 billion in September and reached $15.85 billion in nine months, or a slight surge of 2.6% in the first three quarters of 2012. Malaysia was VN's largest ASEAN trade partner, followed by Thailand, Singapore and Indonesia.

During the period, the country imported $20.76 billion worth of products from the bloc, down by 1% year-on-year.

Its main imports were petroleum, materials used for textiles and garments making, machines and equipment as well as plastic.

Source: Vietnam News

Vietnam striving to develop modern retail industry

VN' retail sector, with a breath of fresh air from foreign retail distributors, has initially proved its change to better.

The total retail sales of goods and services in 2011 reached over $90 billion, an annually increase of 24.2%.

At present, there are 650 supermarkets and 117 shopping centres. The number of newly established supermarkets and shopping centres after 5 years joining WTO from 2007 has increased by an average of 20% and 72% compared to the 2002-2006 period, respectively. In addition, thousands of speciality shops and convenience stores join the chain.

The country's retail industry has improved its position in the national economy with a contribution of over 14% of GDP and employment. Of this, the retail sector has contributed over 80% with many big names leading the national retailers such as Intimex, Saigon Coop.Mart, Fivi Mart and many other foreign retailers such as Big C and Lotte.

Although VN retail sales have seen rapid growth, the path to VN's retail industry is still long ahead and the sector has not yet entered a fierce period.

Source: Vietnam News Agency

State Capitalism in VN – Blowing in the trade winds

VN's economy is moving at a brisk clip. The double-digit inflation that prevailed in 2011 has subsided, and exports of textiles and electronics are booming. FDI is up by 36% year-on-year.

Yet GDP growth is rumbling along slowly: just 5% last year, the slowest pace since 1999. The trouble stems largely from Communist Party's failure to discipline state-owned enterprises (SOEs) and clean up bad debts lurking in the banks.

Yet, in recent months, officials have started to plan substantial economic reforms. Encouraging signs include an April resolution by the party's Politburo that made economic integration its top priority, and recent debates among VN lawmakers over how to "equitise", or partially privatise, SOEs. PM Nguyen Tan Dung also pledged in September to treat the country's 1,300 SOEs like private companies and raise to 49% in any local bank that foreign investors may own.

One Western diplomat says the question now isn't whether real reform will happen, but how fast. If that's true, the pace of change may depend on the fine print of TPP, a planned American-led free-trade agreement among a dozen countries. TPP would require its members to curb the excesses of SOEs.

TPP's focus on SOEs has provided political cover for reform-minded VN legislators to pursue their agenda, says Phung Duc Tung, an economist. How far they will get is an open question, but Mr Tung thinks privatising most SOEs would boost the economy and lay foundations for a better corporate tax base.

SOEs, which account for 40% of economic output, are dangerously entwined with state-run banks, the same lenders that financed the SOEs' high-risk expansion into property during the boom that accompanied VN's 2007 accession to WTO. The failure of some of those investments forced a downgrade of VN's sovereign debt and left the property market in tatters.

Today the SOEs are actively "restructuring", says the state-controlled press. No one expects a repeat of their massive credit binges. Yet the SOEs remain inefficient; some are so saddled with debts that they cannot afford to pay their employees.

None of this bodes well for the hundreds of thousands of young people wading into VN's academic job market, much less those who are fed up with corruption and rising inequality. Combined with widespread frustration over education, health-care and land-tenure policies, such issues could some day fuel an explosion of social unrest.

Meanwhile, American trade negotiators are itching to close the TPP negotiations. The attraction for VN is better access to the American market for some of its labour-intensive industries such as clothes and shoes. But the American ambassador to VN, David Shear, has said the country needs to show "demonstrable progress" on human rights to help kindle support for TPP in America. In this respect it did not help that VN this month jailed Le Quoc Quan, a human-rights lawyer, on spurious charges of tax evasion. In spite of that, it is likely both sides will sign the agreement some time next year.

Source: The Economist

Banking & Finance

Bad debt settlement is on fire

While bad debts are still haunting VN economy, the settlement of bad debts has been in progress but had not brought any good signals until early October when VN Asset Management Company (VAMC) signed contracts to buy the first 27 loans from the VN Bank for Agriculture and Rural Development (Agribank), opening the first phase of VAMC in the process of settling bad debts.

Although it has been officially operating since July 26, VAMC has just signed the first contracts. The company has chartered capital of VND500 billion, with the objectives of handling with the bad debts of VND 35,000 - 40,000 billion.

Huge bad debts of Agribank

Agribank is the bank with the most bad debts since then. With the sale of 7.56 percent of the bad debts of the VAMC, the total bad debt of Agribank is currently VND33,518 billion. Agribank has reduced 7.56% of total bad debts of the entire system. Agribank will get rid of some frozen bad debts and continue to receive additional capital by bringing its bonds at SBV.

Agribank is the bank with the most bad debts. The outstanding loans of Agribank on August 30 were VND512,636 billion, which accounts for 6.35% of the total outstanding loans of the economy, but the bank's bad debts account for approximately 24% of total bad debts of the entire system.

VAMC's leaders said that Agribank was selected as the first bank with the recent acquisition of the bad debts because it is one of the members having the largest market share in the credit system, as well as the main financing channel for the agricultural and rural sector.

Then VAMC will continue to buy bad debts contracted by other members as SCB, SHB, PGBank. From now until the end of the year, as planned, to the end of 2013, VAMC will use more than VND30 trillion to buy bad debts of the banks.

Increasing resources for bad debt settlement

The scale of bad debts is officially figured as the end August 2013, the balance sheet of the total bad debts of the entire banking system was VND142.27 trillion, accounting for 4.64% of total loans and up 20.15% compared to the end of 2012. "This growth rate is much lower than the 59.2% growth in the first 8 months of 2012," Mr Nguyen Huu Nghia, Chief Inspector of SBV assessed.

Despite the efforts of VAMC, the goals of settling the targeted bad debts of VND40,000 billion are not comparable to the huge bad debts, which need for restructuring of the whole system.

There are also foreign investors who are interested in VN's bad debts, which are considered an untapped market with great potential. Yet, the legal framework is incomplete and becomes legal obstacles to foreign investors who will pour money into buying bad loans in the country. Other obstacles come from the lack of transparency of the market. The reports on bad debts are not uniform or consistent. The official figures of credit institutions and other government agencies are often much lower than the figures of other organizations. Another obstacle is the cumbersome and time-consuming administrative procedures.

Such the obstacles, if not remedied, will cause huge volume of bad debts in VN, despite attracting foreign investment, to be less quickly handed to investors.

Source: VCCI

Banks await lift in foreign ownership

Many banks, including the major ones, are expecting Government to increase foreign ownership cap in the banking sector and are ready with plans to sell strategic stakes.

A foreign investor is allowed to own a 20% stake in a bank, while the total non-VN ownership is capped at 30%. There is talk that Government plans to hike the latter to 49%, and bankers are eagerly awaiting the change.

Banking industry insiders said many banks have sold 10-20% stakes to foreign investors and get significant support.

For instance, Eximbank sold 15% to the Sumitomo Mitsui banking Corporation, and has, with the Japanese bank's support, introduced many new financial products while consolidating its position as one of the country's leading banks in the last five years, according to its chairman, Le Hung Dung.

In 2007 it had a prescribed capital of only $127.27 million and assets of $1.5 billion; by late last year they had risen to $561.818 million and $7.72 billion respectively, he said.

Other lenders such as OCB, VPBank, and Techcombank have also benefited from their foreign shareholders.

Pham Huu Phu, Sacombankchairman, said his bank planned to sell 20% to foreign investors and more if foreign cap increases to 49% as rumor.

If the cap is indeed increased, banks should take advantage to attract foreign investment in the financial and banking sector. The industry would surely improve when foreign investors bring money and management skills, he said.

Another bank chairman, who declined to be named, said Government should raise this cap to 30% and accumulative limit to 49%, limit for all other sectors. The VN financial-banking sector is still in a fledgling state, so their management and financial capacity remain modest.

Vu Van Tien, director of ABBank, said his bank already sold 30% to foreigners as ordered by Government, but, if the cap is hiked, would sell more shares to foreign investors, especially its strategic partner, the World Bank's IFC.

However, Government should consider increasing the limit for all banks instead of only for weak banks. In any case, hiking the foreign ownership limit for small and weak banks to help them restructure may not be of too much help since they would not be too attractive for foreign investors, he pointed out.

Source: VIR

Enterprise

Oriental drug makers rush to develop material zones

As people are switching to oriental medicine, many businesses have invested heavily in drug material zones.

Nguyen Van Minh, vice chairman of the VN Farm and Agribusiness Association, told that oriental medicine made up just a small fraction of the pharmaceutical products market. However, as more and more consumers prefer oriental drugs, this market is forecast to grow strongly in the future.

Foreseeing this growth trend, many producers have increased investment to develop this sector.

In particular, Minh said a member business of the association had got the nod from Governments of Khanh Hoa and Binh Thuan to develop drug material zones in the two provinces. The material zone in Binh Thuan is 300 hectares, while the other in Khanh Hoa covers 2,000 hectares.

The combined investment capital of the two projects is some VND3 trillion. "The projects have entered the first phase. When completed, they will become the nation's biggest drug material zone."

Vu Thi Thuan, chairwoman of Traphaco, said her company had built a factory at the material zone in Lao Cai Province. In addition, it is expanding its material zone to better serve drug production.

Statistics show that Traphaco and OPC are currently the two drug firms that earn the highest profits from oriental medicine among the listed companies.

Thuan informed Traphaco had gained VND1 trillion in revenue last year, up 22% against 2010. Oriental drugs brought in 70% of the revenue for the company.

"Consumers are switching to oriental medicine. This is a positive signal for the growth of the oriental drug sector in the coming time," she said.

According to the Drug Administration of VN under the Ministry of Health, oriental medicine only accounts for 0.5-1.5% of the total value of the pharmaceutical industry.

There are currently some 80 oriental drug makers nationwide, including five GMP-WHO certified producers. Meanwhile, there are over 400 unregistered production facilities.

It's a tough market for industry players as they have similar products and prices.

Source: Saigon Times

"Black credit" provides money to businesses to pay bank debts

The outstanding loans provided by "black credit" accounts for 30% of the outstanding loans provided by the banking system, or roughly $50 billion, according to Vo Tri Thanh, Deputy Head of the Central Institute for Economic Management (CIEM).

Black credit has been provided everywhere to any individuals and businesses who have capital demand. The invitations for black credit can be read on the ad pieces posted on Internet, electricity poles, bus stations, or delivered directly to motorbike drivers or foot passengers.

The average offered lending interest rates are very high, about 60% per annum and higher. Meanwhile, banks offer to pay at 11-12%.

However, despite the high interest rates, black credit remains attractive in the eyes of borrowers, because the lenders do not require any collateral.

Especially, it does not take borrowers much time to follow the procedures to get the loans as in commercial banks. One just makes a call to the given phone number and waits. Someone would come with a contract to be signed. After that, the money would be delivered to the borrowers.

The black credit service providers offer loans with the fixed interest rates of VND1,500-2,000 for every VND1 million per day, or 54-72% per annum. These are the lowest interest rates for overnight loans with collateral.

In case borrowers don't have assets to mortgage for the loans, they need to show student card, identity card or residential book and pay interest rates of 0.8-1%/day, or 292-360% per annum.

A businessman who asked to be anonymous, revealed that he had to borrow money from a loan shark at an exorbitant interest rate and needed to pay bank debts on schedule in order to be able to get new loans. Therefore, he decided to access the black credit for overnight loans, which he then paid to the bank. After the bank disbursed the new loan, he used the money to pay the loan shark. "I would rather do that to obtain capital than leaving my machines and my workers idle," he said.

To Hoai Nam, Secretary General of the SMEs Association, has also noted that black credit has boomed recently, since commercial banks turn their doors close to small businesses. Only the businesses with "good profiles" can get bank loans.

He warned that if the cash flow cannot be controlled, the black credit bubble, if bursting, would cause big damages to the banking system and the economy.

Meanwhile, Dr. Nguyen Tri Hieu believes that it would be better to set a legal framework to cover the unofficial credit channel, because not all the non-official transactions are illegal.

Source: Vietnamnet

In Vietnam, the skies are filling

VN's fledgling airline industry is poised for a boom as local competition heats up with fleet expansions, new routes and planned share offerings that make it one of the world's fastest-growing markets with a 15.0% growth in domestic passengers this year, more than last year's rise of 7.0%.

Though starting from a low base, VN's carriers will bolster their fleets in the next few years, doubling or tripling them to serve a domestic market of 90 million people and tourist arrivals growing on average 20.0% annually.

VietJet Aviation JSC, VN's first private airline, agreed last month to a provisional order for as many as 92 Airbus jets worth $9 billion at list prices.

The low-cost carrier is aiming for a stock market listing in either Hong Kong or Singapore in 2015 to fund the expansion, which would start with flights to Tokyo, Beijing, Singapore, Kuala Lumpur and South Korea and eventually include other destinations in China and in Russia, Australia and beyond, said its managing director, Luu Duc Khanh.

"Further it could be the United States, where four million people of VNese origin live. They're waiting for VietJet anxiously," Mr. Khanh said.

Those ambitious plans maybe shake the state-run flag carrier, VN Airlines (VNA) into expediting its long-awaited initial public offering and fleet expansion.

VNA dominates the local market and will increase its fleet by 28.0% to 101 aircraft by 2015. It has been preparing for an initial public offering in the second quarter of 2014.

VNA's fleet includes both Airbus and Boeing jets, and the airline has ordered the Boeing 787 Dreamliner and the Airbus A350. According to Boeing, VNA has orders for eight 787s and 11 more through leasing companies.

The airline also has its hand in the low-cost market through a stake in JetStar Pacific, a joint venture with Qantas Airways of Australia. JetStar plans to more than triple its fleet of five Airbus A320s to 16 in the next few years.

The airlines and industry experts say the growth potential comes mainly from VN's topography and what Mr. Khanh of VietJet called a "fortune location."

VN is 1,650 kilometers, or 1,025 miles, long; its biggest cities and tourist resorts are far apart; and it has poor road and rail infrastructure. It is also within a few hours of Japan, South Korea, Hong Kong, Thailand and China, and tourist arrivals are increasing, with 5.5 million in the first nine months of the year, a 10.0% rise from the same period in 2012.

Mr. Khanh said expansion would be gradual, with the carrier taking delivery of between 5 and 10 Airbus jets each year until 2022.

VietJet's joint-venture plans were therefore a smart move, said Timothy Ross, an air transport analyst at Credit Suisse in Singapore. "I can't imagine they have much on their balance sheet," he said. "So in terms of building a new business, it's far better to give away some of the potential upside and invest less." JetStar has not been profitable and is likely to struggle as competition increases while VNA has not done itself any favors by delaying privatization.

Competition in the airline industry is inevitable.

Source: Newyork Times

Investment

Hydropower projects getting the axe

Minister of Industry and Trade (MoIT) Vu Huy Hoang announced that locally-owned HCMC Stock Exchange-listed Duc Long Gia Lai Group JSC's plan to build two major hydropower projects Dong Nai 6 and 6A were cancelled.

The 135 MW $212 million Dong Nai 6 and 106MW $165.6 million Dong Nai 6A would have supplied a billion kilowatt hours and reduce 514,000 tons of carbon dioxide annually.

After reviewing a report by the Ministry of Natural Resources and Environment, PM issued a Document on September 23, suggestin that they should be disqualified from the national hydropower plan.

Since 2011, both projects have been criticised heavily for not complying with legal regulations and environmental safety standards.

Since 2012, PM has repeatedly asked MoIT and localities to review the development of hydropower projects, saying ineffective or environmentally harmful projects would be removed.

Under previous plans approved by PM, VN has 1,239 hydropower projects,

Back to top

many running, others still planned, with total designed capacity of 26,000MW.

"However, we have recently cut out ineffective projects. 815 were retained with a capacity of 24,300MW including 268 that are operational, 205 under construction and slated to go on-line between now and 2017. Projects that need further review include 149 small-scale plants and nine cascade facilities" explained a MoIT report on VN's hydropower development.

Nguyen Ty Nien, a local expert with 50-year experience in the local water sector, said that although hydropower had greatly benefited the country, there were now far too many and the country's plan was becoming excessive.

"Deforestation and pollution are rampant in areas with hydropower projects which change waterways and damage the local ecosystem."

Quang Nam province's Department of Natural Resources and Environment reported that 43 hydropower projects had damaged and destroyed nearly 10,000 hectares of forest. On average, 16 hectares of forest need to be destroyed to produce a single megawatt of power.

Source: VIR

US$490 million ADB loan for two infrastructure projects in Vietnam

SBV and ADB on October 16 signed a loan contract of US$490m for two infrastructure projects in Mekong Delta and Central Highland Provinces.

Central Mekong Delta Connectivity Project will be funded $410m from ADB ordinary capital resources and $134m in non-refundable aid via Australian Agency for International Development. This project aims to improve transport in Mekong Delta region and link roads from HCMC to some southern coastal provinces by building Cao Lanh Bridge across the Tien River and Vam Cong Bridge across the Hau River.

Within the next five years, the project is expected to improve transport infrastructure, reduce poverty, intensify national security and defense, and foster socioeconomic development in Mekong Delta and southwest region.

The Rural Infrastructure Development Project for Central Highland provinces will receive $80m in preferential credit from ADB & will be implemented during 2014-2018. This aimes at reducing poverty by developing technical & social infrastructure & improving socio-economic conditions for local residents.

Source: Saigon Giaiphong Daily

Back to top

Market

3G fee hikes criticized, anti-competitive practices suspected

While users are venting their anger at the 3G fee hikes by MobiFone, Viettel and VinaPhone, three major mobile carriers are suspected of having committed anti-competitive practices.

After these telecom companies increased the average fee by 20.0% and the fee for unlimited packages by 40.0% following the Ministry of Information and Communications' approval, lots of users have shown their displeasure with the reason behind the fee rises.

Mobifone MIU & Viettel MiMax package are up from VND50,000 to 70,000, with its free data volume raised to 600MB from 400MB while Viettel Dmax is adjusted up to VND120,000 from VND100,000 with 1.5 GB of free data.

VinaPhone on Monday also announced to increase 3G fees by VND 20,000 and VND 15,000 for MAX and MAXS respectively, while their free data volume was up from 400MB to 600MB.

Deputy Minister of MIC Le Nam Thang explained the mobile networks had increased 3G fees not on the ground that OTT services like Viber and Zalo had caused revenue losses for them.

They have invested huge amounts of money in technical infrastructure and have spent a long time applying below-cost fees to attract customers, he noted, and given the current huge numbers of 3G subscribers, they have found it suitable to raise fees for a profit.

Thang said local 3G fees remain lower than global and regional levels but stressed his ministry would enhance inspections and controls on their service quality in the future.

Regarding this issue, Nguyen Viet Dung, deputy director of Viettel, at a recent seminar attributed the lower-than-before customer satisfaction to higher requirements of users. Users just read news in previous years but now tend to watch videos and see photos as well.

Angry with the higher 3G prices, Vu Tuan Anh, a MobiFone user, said he had received a notice from the operator late last week but 40% increase was too big. Nguyen Nhu, an IT expert, wondered if fee hikes matched service quality as current transmission speed of 128kbps was too slow. Other customers also complained that its signals in remote areas is poor.

Zhao Wei Jun, general director of Huawei VN, at the briefing said that local 3G service was faster when users are on the go while most users went to the web when at home.

A survey conducted by the market research firm Nielsen and VN Post newspaper in Hanoi, Danang and HCMC in 2012 shows that despite the strong 3G service growth, customer satisfaction with the service had weakened, from 71 in 2011 to 64 out of 100 points that year.

According to lawyer Le Thanh Kinh, director of the Le Nguyen Law Office, the unexpected 3G fee hikes have shown signs of going against the country's prevailing law. As MobiFone, Viettel and VinaPhone hold a combined market share of 97%, they are seen as dominant market players based on Article 11 of the Competition Law, Kinh said, adding the decision by the MIC to allow these firms to increase 3G fees constitutes a violation of the competition law.

Source: Saigon Times

Foreign cash inflow lifts local markets

Shares finished up last week on both national stock exchanges thanks to net buying by foreign investors, with speculative stocks proving attractive.

On the HCMC Stock Exchange, VN-Index edged up 1.27% to reach 500.83 points while the HNX-Index on the Ha Noi Stock Exchange gained 1.47% to close at 61.52 points.

Average value and volume of trades on the southern bourse reached US$41.84 million and 58.52 million shares, down slightly compared to previous week.

In the capital, trading volume averaged VND203.51 billion ($9.69 million) on a volume of 20.06 million shares.

During the first session last week, both benchmark indices lost ground as liquidity declined.

However, stocks rallied after a strong flow of cash into the market focused on blue chips. The main targets were large shares such as Vietcombank (VCB), Vinamilk (VNM), Hoang Anh Gia Lai (HAG), Vingroup (VIC), Sacombank (STB), Bao Viet Insurance (BVH) and VN Gas (GAS). These stocks enjoyed gains and high trading volumes last week, helping to boost the benchmark indices.

Foreign investors contributed greatly to improve the market last week when they continued to be net-buyers. The demand was not very strong but stable during the week.

Foreign investors were net buyers with a value of $11.28 million last week, focusing on logistics company Garmedebt Corporation (GMD) with

VND32 billion, Vietcombank (VCB) with VND26 billion and Sai Gon – Ha Noi Bank (SHB) with VND40 billion.

According to FPT Securities, the rise in speculative securities showed that the market had regained its short-term recovery trend.

Purchasing decisions should prioritise stocks with promising growth during the last months of the year, said stock analysts of FPT securities.

Military Bank Securities also said this was a good opportunity to buy basically good stocks and hold on them from six to 12 months.

The recent Government's forecast about CPI was also good news for the market. CPI in Dec is expected to be 7% higher than the same month last year, 1% lower than Government's goal of 8%.

The US Government's deal to increase the debt ceiling and reopen to Government late on Wednesday also helped boost Asian shares.

According to Bao Viet Securities, the VN-Index might exceed 505 points this week, heading towards 520 points, while the HXN-Index could reach 63 points. Speculative stocks would continue to gain in the short term, said Bao Viet Securities.

Source: VN News Agency

Back to top

Rise in Cement consumption, drop in Steel sales

As the real estate market in VN has no positive signals, the consumption of construction steel is very slow. Steel sales have dramatically dropped since a year ago. However, cement consumption tended to rise in September over the same month in 2012.

According to the Domestic Market Regulation Division under the Ministry of Industry and Trade, the sluggish steel sale is attributed to the gloomy real estate market and unfavourable weather. According to statistics from the Industry and Trade Information Centre (VITIC), construction steel output reached 355,000 tons in September 2013, down 3% from the previous month and down 4% from the same period in 2012. Meanwhile, steel consumption dropped up to 5% over August and 6% over September 2012.

Mr Nguyen Tien Nghi, Vice Chairman of VN Steel Association (VSA), said, the stockpiled steel volume increased because of real estate market slump and a series of stagnated construction projects. Compared with last year, steel sale and prices have dropped sharply. In the previous year, steel price sometimes peaked VND20 million per ton and usually stayed at VND17-18 million but it plunged to only VND14-15 million in 2013. Despite falling prices, the purchasing power is showing no signs of increase. Currently, monthly steel sale is as low as 300,000 tons, compared with 400,000 tons in the normal time.

Slow sale has caused steel inventory to pile up. The country's steel inventory is now 316,000 tons, an increase of 12,000 tons over the same period in 2012.

Reduced sale has sent steelmakers to a dilemma. While being passive with production and business plans, they have to compete with the flooding of Chinese steel. This has forced domestic steelmakers to downscale production or shut down mills. Worse, the recent rise in power prices also hit steel manufacturers.

Despite the gloomy picture of steel market in the first 9 months of 2013, VSA remains optimistic about the 3- 5% rise in construction steel production output to approximately 5 million tons in 2013. This remark is based on the regular rise in steel demand at the end of the year.

However, unlike steel, cement consumption is growing up. The cement production and consumption in the first nine months of 2013 increased over the same period of 2012.

According VITIC, in the first month months of 2013, despite higher input costs caused by higher gasoline, electricity, coal, gas and oil prices, cement price was kept stable. Currently, cement price is VND1.3 -1.5 million per ton in northern markets and VND1.6 - 1.8 million in southern markets.

The VN Association of Construction Materials said it has proposed Government to ask relevant organs and localities to use concrete to build roads in order to boost cement consumption. It also proposed Government to address difficulties against construction material manufacturers by applying preference policies on tax, rescheduling debts and providing soft loans.

Nguyen Huy Thang, Deputy General Director of Vinafacade JSC and Deputy General Secretary of the VN Glass Association, said that the State should give incentives to companies using industrial and agricultural wastes to make building materials. In addition, banks should also loosen conditions for loans used to upgrade technology for product quality enhancement and boost exports.

Source: VCCI

Legal Updates

List of milk kinds under price stabilization

Circular No. 30/2013/TT-BYT dated October 04, 2013 of the Ministry of Health promulgating the list of milk kinds for children aged under 6 years, which belong to goods subject to implementation of price stabilization, according to point h clause 2, article 15 of the price law, including:

1. The formula nutritious products for children aged up to 36 months according to national technical regulations as promulgated by the Ministry of Health.

2. Milk and nutritious products containing animal milk in form of powder or liquid with announcement of use for children aged under 06 years but not complying with the national technical regulations.

The Circular takes effect from the date of November 29, 2013

Source: Viet Law

Draft amended law on real estate business: Buyer-driven changes

To limit housing short-sales, commonly known as "selling houses on paper" and prevent risks for real estate buyers in VN, the Ministry of Construction recently announced a draft of the amended Law on Real Estate Business.

According to the draft, in addition to existing regulations, used houses must satisfy quality status agreed by concerned parties in contracts, have no ownership disputes, and do not lie on locations banned from construction.

Under current laws, to sell future assets, investors must have construction permits or project profiles and design drawings approved by competent authorities. But the new ruling requires investors to satisfy both two conditions instead of just either of the two conditions as previously.

Besides, project investors are only allowed to sign selling, leasing and hire-purchase contracts only when future real estate is guaranteed by financial institutions/banks to fulfill their obligations in contracts signed by both parties.

The amendment to the Law on Real Estate Business will facilitate real estate transactions and reduce the "bubble" of real estate market. It is expected the new ruling will generate the healthy development of the real estate market.

Source: VCCI