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## Highlight

### Vietnam ranks 2<sup>nd</sup> in Asia in tourism potentials



According to Conde Nast Traveler, ancient town of Hoi An has been voted as the second most favorite tourist destination in Asia.

The survey of over 1,200 tourism managers was recently published at the World Travel Market in London.

Asia takes the lead in tourism development potentials, said Simon Press, Director of World Travel Market (WTM). With an over 1.3 billion-population size, China tops the list of Asian countries; followed by Vietnam, Myanmar, Indonesia, Thailand, Sri Lanka, Malaysia, Cambodia, Philippines.

According to VN News Agency, around 30 Vietnamese businesses joined WTM to seek partners and advertize the country's images.

Source: VGP News

### Japan firms ink semi-conductor MoU

A memorandum of understanding for co-operating in developing HCMC's semiconductor industry was signed by Vietnam & Japan partners last Saturday.

The MoU was signed by the HCMC Semiconductor Industry Association (HSIA) and Kyushu Semiconductor Industries & Electronics Technology Innovation Association (SIIQ); and by HCMC's IC Design Research&Education Centre (ICDREC) and Japan's university-based venture company Radrix Co., Ltd.

The agreement allows SIIQ and HSIA to exchange information and staff; to help 02 companies' subsidiaries towards establishing comprehensive cooperation in developing semiconductor industry & also promote Japanese investment in it.

The MoU will help ICDREC and RADRIX to further implement Design Project that has been signed between two sides.

Speaking at the signing ceremony, deputy Chairman of HCMC People's Committee, Le Manh Ha, said semiconductor industry had been developing for over a decade. His administration wanted to develop HCMC into VN's semiconductor hub.

Ngo Duc Hoang, Director of ICDREC, spoke about the cooperation between HSIA, ICDREC and SIIQ, RADRIX. He

noted that representatives of Kyushu Semi-conductor and Electronics Association, Kyushu Department of Economy – Trade – Industry, and the Kyushu Economic Research Centre were among a delegation of Japanese chip and other industries who visited HCMC's Sai Gon Hi-tech Park in mid-Oct.

During a visit to ICDREC, the visitors discussed development and training of human resources for chip designing and manufacturing as well as a plan to build a Design House.

The Japanese delegation's visit to HCMC followed VN Semiconductor Strategy Summit in Sept that gathered executives from the world's leading micro-electronics companies as well as representatives of the Vietnamese government, local industry, academia and research organisations.

During the summit, which was organised by the global industry association serving the nano-and micro-electronic manufacturing supply chains, delegates said that the semiconductor industry was developing strongly in the Asia-Pacific region, especially in emerging markets like Vietnam.

They said the local market was growing fast thanks to strong consumption of

smartphones, TV sets, tablets, set-top boxes and electronic equipment.

The strong tendency to use high-tech devices was likely to boost semiconductor sales in the coming years, they added.

*Source: Vietnam News*

### **Vietnam Business Association (VBAJ) launched in Tokyo**

Hundreds of Japanese business executives gathered at a ceremony in Tokyo on Friday to launch the Vietnamese Business Association in Japan (VBAJ).

Addressing the ceremony, Vietnamese Ambassador to Japan Doan Xuan Hung expressed his hope that the VBAJ would make it easier for companies from both nations to do business across diverse areas in trade, science-technology, culture and education.

VBAJ President Dinh Ngoc Hai said that the association was looking forward to becoming a trustworthy partner of Japanese and Vietnamese enterprises and organisations.

*Source: Vietnam News*

## Economy

### Digital pays dividends for ad firms

VN News talks to Tarun Dhawan, managing director of Riverorchid Notch, about the development of digital advertising in VN and Southeast Asia.

*What do you think about marketing mergers and acquisitions, and why are they happening more these days?*



Mr Tarun Dhawan

Regarding M&A in communications agencies worldwide, the most active discipline is digital - with more than twice the number of deals than other traditional forms of advertising.

While large communication groups are keen on acquisitions, 'traditional advertising agencies do not feature in most of their considerations. Holding companies are interested in independent outfits that operate in the technology or new media space.

There could be several strategic reasons why agency groups are keen on acquisitions, including the need to create capabilities that agencies don't currently have (such as digital) so that they can offer services that they previously couldn't provide.

Besides, when it comes to acquisitions, agencies want to increase their top line faster than is organically possible. For our merger, the management aim for a combined strength of two talent pools and future expansion into other market.

*Why are digital agencies attractive acquisition targets? Can you give us an example of a successful M&A in the Indochina region?*

Globally, there are 2.5 billion people logging onto the internet each day, which is a great way for clients and their brands to connect with their consumers. Clients expect more than this.

Digital media is integral and has to be woven into marketing strategies and the way brands engage with their consumers; not just interrupt them with TV commercials.

Digital is the new mass media. Consumers increasingly spend more time online, be that via their desktops, laptops or mobile devices. Some big marketing communications agencies have recognised this big shift.

To guarantee that they continue to be relevant in the future, they are investing in acquiring digital agencies, which is the fastest way for them to build their missing capabilities. This is what makes digital agencies attractive targets.

Interestingly, our recent merger between Notch - one of Vietnam's longest established independent digital agencies, and Riverorchid Digital - part of the Riverorchid Group- Indochina's leading independent communications network - was concluded with full due diligence in under 12 weeks from first meeting to formal incorporation of the new entity.

This is against a backdrop of other M&A discussions currently underway in the market, which have been swamped in red tape for years.

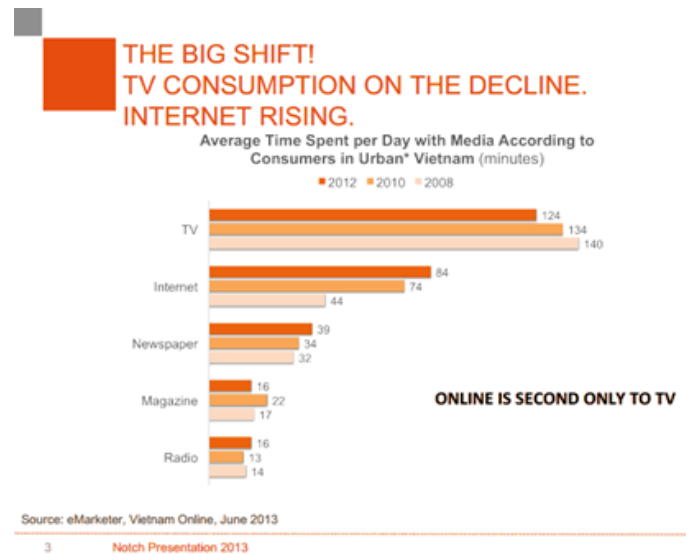
About three years ago, WPP acquired Who Digital, to merge with Ogilvy, which appears to be going well. Apart from that, our company's acquisition is the only other deal to have taken place.

*Why did you choose VN to expand and enhance your digital services?*

VN is part of Next-11 (N-11) markets that have been identified as high potential to become the world's largest economies. Despite short-term challenges, the long-term potential of VN still remains strong.

It is also worth reminding ourselves that ASEAN (of which Cambodia, Laos, Myanmar, Vietnam and Thailand are a part of) is the single largest regional emerging market in the world.

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We chose VN as our hub because there is a good talent pool and this is also where our digital teams formed. The maturity of the market is the highest, and it's also in line with some of our clients' strategies to manage their Indochina business out of VN.

*What does digital advertising cover and what are the major trends now? What do you think about the development of digital advertising, and what are its advantages and disadvantages?*

The internet, mobile, social media and gaming have forced us to change the way we think about running our business, and at the heart of these things is a new wave of consumers that are changing the foundations of businesses.

Consumers have created a new digital culture and there has been a shift in the whole business landscape. Steve

Ballmer, CEO of Microsoft, once said: "All the media will eventually go digital. It isn't a matter of if, it's a matter of when".

And look at what's happening now. You don't use an encyclopedia anymore. You visit Wikipedia. You don't rent out DVDs anymore. You go to torrents.

The industry is changing fast, and we have to adapt or die. In fact for brands or agencies that want to stay ahead of the curve, they have to stay a step ahead of the industry.

Mobile phones are a huge opportunity. Today a smartphone can be bought for \$150, with internet access. You no longer need to buy an \$800 computer to access the web or surf Facebook.

For us, this is of particular interest as we now have a way to engage with 'mass' audiences in the Mekong or Myanmar via digital. Not many people know that Cambodia was the first country in the world where mobile phone penetration exceeded fixed phone penetration, or that mobile phone penetration in VN is five times higher than desktops.

The biggest advantage of digital advertising is the ability to target messages specifically to certain audiences and to measure what the consumer do when they see that message.

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At times, TV can often result in excessive wastage and offers no way of measuring the behaviour of viewers right after they see a spot or magazine ad.

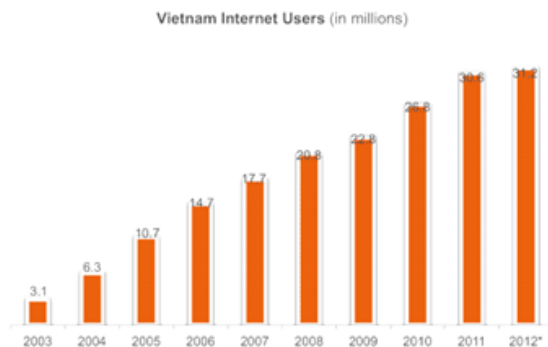
I don't see any real challenges to digital advertising except that we need to realize it may be low cost but not free.

*Some say that there are too many digital agencies struggling to establish a foothold in the local market by undercutting each other. How does this affect the big players?*

There are more digital agencies in VN than the market warrants, and it pushes prices down.

There are hundreds of small digital start-ups that often undercut larger agencies because that is the only differentiator they can offer.

## INTERNET CONTINUES TO GROW IN VIETNAM



Note: at the end of Q3 2012, internet users accounted for 35% of the population; \*data is for Oct  
Source: Vietnam Internet Network Information Center (VNNIC), "Report on Vietnam Internet Resources 2012", Feb 5, 2013

1 Notch Presentation 2013

But clients would never want to work with a bunch of kids who may not have

the depth of knowledge or experience they need to fulfill expectations.

As a digital agency you manage critical assets owned by clients such as a website or a Facebook page. The last thing a client wants is disruption to these services either because a young team lacks experience, or worse still, that they can't renew a hosting contract.

Our company has been in the industry for the last 5 years & we are one of the few agencies who have managed to remain stable. We don't compete with low cost companies; we focus on where we can add value for our customers.

*People often complain about spam ads. What are your recommendations for both market players and the authorities?*

Spamming is a big no-no. I've not come across spam ads here, but I do get spam messages on my mobile phone. Clients need to know that this is illegal in VN, so anytime an agency promises a database, it is important to check if this is really an opted in database or not.

My recommendation to clients would be that they must focus on building their own databases. This can be a highly competitive advantage which will pay dividends if used correctly.

*What do you think Vietnam can learn from the development of more advanced markets?*

One of the main challenges we face in VN is the short-term approach to digital marketing. At Riverorchid Notch, we trust in continuous consumer engagement. It means that we take a long-term strategic approach to digital and not a campaign-centric approach, although that's built in the long-term approach.

The other challenge is related to production budgets. Clients in VN carry a perception that 'digital is cheap'. I have sat in meetings where the client is referring to digital ideas from the US or Europe and expecting similar results, yet when it comes to digital production, they fail to allocate adequate budgets.

An idea like Gangnam Style didn't simply go viral by itself. It was well engineered to go viral. It had the right mix – an already popular K-Pop singer, a giant record label (Universal Music Group) behind it, and big production and media investments to promote it.

Digital media is relatively cheap, but if you want to provide your consumers with a great online experience, be that a Facebook app or a website, it requires a certain degree of investment.

*Source: Vietnam News*



**Inflation rate to rise**

Ministry of Finance (MoF) has warned VN's inflation rate could rise during the last months of 2013, compounded by the bad debts of credit organisations destined to remain outstanding.

MoF said Oct's CPI rose 0.49% above the previous month, 5.14% higher than last Dec and representing a year-on-year increase of 5.92%.

The ten-month CPI is now 6.74% higher than the corresponding period in 2012.

October's US\$11.7b export turnover, a 4.6% improvement, brought the year's total export revenue to US\$108b or 15.2% higher than the first 10 months of 2012.

October imports were valued at US\$11.9b, up 5.6% from Sept. The cumulative US\$108.2 billion total is 15.2 % higher than a year ago.

As many as 1,050 FDI projects have been licensed since the beginning of 2013, representing additional investment of US\$19.2b, up 65.5% on 2012 levels. Disbursed investment has reached US\$9.6b so far this year, up 6.4% from a year earlier.

The VND71,640b state budget revenue, 35.7% higher than Sept, pushed the ten-month total to VND618,290b or 75.8% of the annual revenue target.

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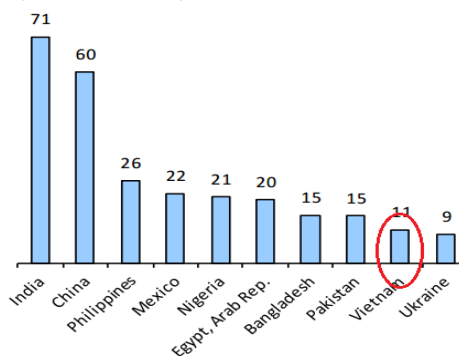
MoF is confident that macroeconomic stability will be maintained, interest rates will fall, and foreign exchange rates will remain controlled. Exports are expecting higher rates of growth, while social welfare and security will be protected despite the forecast challenges.

*Source: Vietnam News*

**Vietnam among top ten countries for overseas remittance**

VN is expected to receive USD11b in overseas remittances in 2013, ranking 9th among top 10 recipients in the world.

**Figure 3: Top 10 recipients of remittances**  
(US\$ billion, 2013e)



According to WB Migration and Development Briefs, India is forecast to get USD71.0b in remittances, doubling its FDI from 2012; India is the biggest beneficiary of such funds. The runners-up are China with USD60.0b, Philippines USD26.0b, Mexico USD22.0b, Nigeria USD21.0b, Egypt USD20.0b.



Migrants are expected to send a total of USD414b in remittances home this year to developing countries, the briefs said, and the figure will likely surpass USD500b by 2016. Developing countries are currently seeing an annual rise of 9% in overseas remittances.

Overseas remittances are important to some developing countries, accounting for 48% of GDP in Tajikistan, 31% in the Kyrgyz Republic, 25% in Moldova. Meanwhile, worldwide remittance flow may reach USD550b in 2013 and over USD700b in 2016.

Many regions in the world have witnessed a sharp rise in overseas remittances while Latin America and the Caribbean have seen a drop due to the weaker US economy.

*Source: VOV Online*

## Banking & Finance

### Central Bank backs down on currency

After proposing publicly to ban people from giving foreign currency as gifts, the State Bank of Vietnam (SBV) reversed its position, writing that the practice was "reasonable" in a draft decree on Foreign Exchange Ordinance last week.

"As provisions of Foreign Exchange Ordinance allow individuals with foreign currencies to deposit and receive principal & interest in foreign currencies, the use of foreign currencies as gifts is reasonable," Central bank wrote.

While the drafting committee intended the prohibition to prevent dollarisation, people feared it'd interfere with local customs. Vietnamese have a tradition of gifting foreign money during the Lunar New Year, believing that US\$2 bills and other foreign currency bring good luck.

Experts also warned that the ban would affect the legal flow of foreign remittances. A past regulation banning people from receiving remittances in foreign currency saw the proliferation of illegal remittances.

*Source: Vietnam News*

### Slowed credit growth stymies banking sector

Credit growth has slowed since Aug this year, despite efforts by banks to reduce lending rates to stimulate demand. After a positive first 6 months credit growth has remained largely flat.

According to SBV figures, credit growth as of Oct this year grew by 6.8%. Counting risk provision and NPLs handled by VN Asset Management Company, credit growth stood at 7.89%.

However, this was not much improved over last August's figures of 6.45%.

In 2013, credit growth initially made good headway by jumping from 0.1% in end-Mar, to 3.31% in end-Jun this year. From Jun to Aug, credit growth was similarly impressive, nearly doubling, but then flatlined, remaining almost completely unchanged from Aug.

The poor results since Aug are in contrast with commercial banks' efforts to reduce lending rates to stimulate consumer demand. The lending rate drops among almost all commercial banks saw Tien Phong Bank reduce their rates to 0% for consumer loans.

According to Pham Huy Hung, chairman of VietinBank, the current lending rate is already a sharp reduction, with the average long term lending rate of some

banks at only 10-12% per year. However, credit growth is still lower than the economy's expectations. Capital absorption is low. The cash flow circle is not running smoothly as bad debts persist, despite banks trying to settle them by selling collateral.

According to a Military Bank Securities' report titled VN Monetary Market, to reach 12% this year, credit must grow by 5.55% in the year's last 2 months, a target the report feels is impossible.

Similarly, HSBC in its Macro VN report last week put year-to-date credit growth at 6.6% & stated credit growth'd likely stay subdued as debt remains unresolved.

One factor that could help to speed up credit growth is VAMC's operation. Since beginning to buy NPLs last Oct, VAMC already bought VND15,000b (\$714.3m) of NPLs. According to Nguyen Quoc Hung, vice chairman of VAMC, an additional VND38,000b (\$1.8b) was waiting to be sold to VAMC.

Banks of better health such as Vietcombank, Sacombank and ACB also plan to sell NPLs in the near future to improve their balance sheets.

*Source: Vietnam Investment Review*

## Enterprise

### Vietnam firms see new heights in cloud



Up to 83% of Vietnamese enterprises consider cloud computing a top priority and 67% said cloud computing made a great impact on business transformation. These were shown on VMware Cloud Index 2013 published on Wed by the VN branch of US-based virtualisation software company VMware.

The survey also indicated that 41% of firms expressed their hope to develop cloud computing in the future, taking the third place in the Asia-Pacific region after the Philippines and Thailand.

88% of participants said meeting higher demands of customers and enhancing customers' satisfaction are prioritised in the next 12 months. Esp, 80% of surveyed

companies said that they relied on IT staff to apply technology in business.

Besides, 89% of enterprises considered IT as an important factor in making big changes and a source in bringing business value for them.

77% believed that the awareness of prestige, influence & power of chief information officers was higher.

Huynh Phuc Yem Quan, general director of VMware VN, "Cloud computing now becomes a decisive trend in IT and we realise rapid increase in awareness and virtualisation applications in VN market."

VMware Cloud Index was carried out by Forrester Consulting with financial support of VMware in 10 Asia-Pacific countries. This is the first time VN & Philippines to join in the survey.

In VN alone, the survey included 265 enterprises from different areas, with the participation of 50% of local firms, 25% of state ones and 25% of transnationals.

*Source: Intellasia*

### Hanoi battles southern hub for retail investors

The latest figures on retail estate space suggest that Hanoi may be catching up with HCMC as the country's most

attractive destination for retail development.



Foreign retail investors have often chosen HCMC for their first forays into Vietnam. Photo: Le Toan

According to the latest report from CBRE VN, Hanoi has more total retail space than HCMC despite smaller population. Hanoi is home to around 1,000,000 m<sup>2</sup> of retail space, while HCMC has less than half of this total, at just 450,000 m<sup>2</sup>.

The gap between 2 cities will become larger in 2015 when Hanoi is due to have up to 2.2 million m<sup>2</sup>, triple HCMC. This has led to higher rents and limited choice for those seeking retail outlets in HCMC.

Foreign companies looking to enter VN market, have typically begun their operations in HCMC due to its reputation as VN's economic hub. However, these traditional conceptions may be change due to recent growth of Hanoi.

Both Starbucks and Burger King are continuing their expansion plans, while Auchan, one of the world's largest hypermarket chains, is considering

channelling US\$500m into VN over next 10 years. Meanwhile, burger giant McDonald's will enter VN in 2014.

Leech revealed that in Mar 2014, Central Group, a renowned Thai retailer, will setup operations in Hanoi's Vincom MegaMall Royal City. This will cause a remarkable change to Hanoi's retail market because Central Group will bring hundreds of famous brands.

In HCMC, Coopmart is listed among top 500 Asian retailers. It is expanding to Hanoi later this year when they will open their 2<sup>nd</sup> centre which will supply more than 10,000 m<sup>2</sup> of retail area.

Singaporean retailer Fairprice and Saigon Co.op have also received approval for a commercial joint-venture and will open 2 supermarkets named Co.opXtra and Co.opXtraPlus soon.

The Korean company Lotte has been gradually consolidating its presence in VN with 4 centres already operating in HCMC, Dong Nai and Danang. The 5th Lotte centre will open next year in Hanoi's Mippec Tower, while the Lotte Hanoi Centre, its first private Hanoi complex, in Q2 of 2014. Lotte also has unveiled its plan to open 60 supermarkets in VN by 2020.

Source: Vietnam Investment Review

## Investment

### Foreign investors enliven market

By being net buyers in Oct with a net value of VND1.2 trillion (US\$56.6m), foreign investors had created a positive momentum in the market, and domestic investors expected they would be more active, analysts have said. The figure in Oct alone was 2 times higher than that during the first nine months of this year.

Tan Viet Securities Co's chief analyst Le Dac An said the net purchase of foreign investors was the boost for the market in declining sessions, as it showed that foreign investors were optimistic about Vietnam's economic prospects. Following the surge, domestic investors were more confident in buying mid-cap and penny stocks.

In fact, foreign investors sold their shares for most of Q3 on fears of reducing QE3 along with a trend to divest from frontier and emerging markets, including VN. But as the US maintained its stimulus package, funds flew back to the Vietnamese market to seek profits.

However, An noted as foreign capital poured into stocks, mainly coming from exchange-traded funds (ETFs), they were unstable. "The funds are making use of US quantitative easing policies

and they can withdraw just like what happened in Jun".

More optimistically, BIDV Securities Co's Tran Thang Long stated while ETFs had often accounted for 50-80% of foreign net buying value, they made up for only 30% in Oct.

According to Vietcombank Securities analysts, although foreign investment might not be as strong as in the first 5 months of this year, it would continue to help the domestic market.

In addition, historical transactions showed that foreign investors mostly bought shares in Dec and Q1 next year.

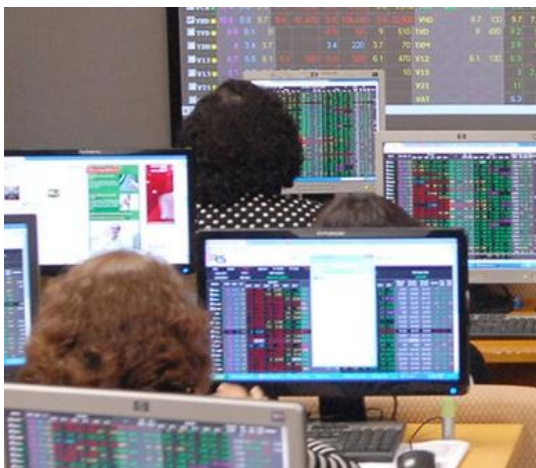
Currently, VN's average price to earnings ratio is around 12.5 times, among the lowest in Asia.

Meanwhile, economic indicators in October improved, and bad debt handling policies were going in the right direction, enhancing the confidence of foreign investors in the domestic market.

*Source: Vietnamnet*

### Speculative stocks attract foreign investment

The stock market saw strong cash flow into speculative stock last week as foreign investors continued to support the market as net buyers.



Investors watch market fluctuations on Hoang Gia Stock Trading Floor in Ha Noi. The stock market saw strong cashflows into speculative stocks last week as foreign investors continued to support the market as net buyers.

On HCMC Stock Exchange, VN-Index closed 0.3% up at 498.61 points while HNX-Index on Hanoi Exchange leaped 2% to 63.29 points.

The benchmark index edged up in the week's first three trading days to reach 502.52 points on Wednesday, though it fell below the critical 500-point level in the last two days.

Trading volume on the southern bourse averaged 80.433 million shares with an average value of VND1.002 trillion (US\$47.71m).

On Hanoi Exchange, the average trading volume and value reached 49.787 million shares and VND331.12 billion (\$15.76m).

The matching volume on HCMC Exchange rose by 72.2% over the previous week while soaring to 141.1% on the capital city's bourse.

Penny and mid-cap group stocks benefited from high trading volume last week, including FLC Group (FLC), Tu Liem Urban Development Company (NTL), Binh Thuan Mining Company (KSA), Binh Duong Mining and Construction Company (KSB), Hoang Quan Real Estate Company (HQC), Licogi 16 (LCG) and Tay Bac Mining Company (KTB). This helped boost investor sentiment and helped the benchmark indices advance on Tuesday and Wednesday.

However, blue chips failed to lure investors, dragging down the VN-Index in the last two trading days.

According to stock analysts, strong cash flow into the market helped improve liquidity, with demand focused on speculative stocks in sectors like mining, real estate, construction and fisheries.

Mining shares led the market last week with a growth rate of 3.5%, followed by fisheries shares (up 2.7%), transportation shares (up 1.6%) and real estate shares (up 0.5%).

Notably, HCM City-listed Licogi 16 (LCG) shares increased 28.9% as rumour



spread that it would sell its Sky Park Residence project to a partner for VND160 billion (\$7.2 million).

PetroVietnam Real Estate (PVL) rose by 37.5 %, the highest increase on the Ha Noi Exchange.

Foreign investors concluded last week with a net value of VND269 billion (\$12.8m), focusing on Sai Gon Water Infrastructure(SII), Pha Lai Thermolectric Plant (PPC) and Ocean Group (OGC).

According to BIDV Securities, the market saw strong cash flow last week, although buyers focused on penny and small cap groups rather than blue chips. This helped maintain market liquidity while narrowing price gaps between different stock groups.

FPT Securities said that investors should consider selling some of their speculative stocks, which increased last week to make a profit and reduce risk.

Experts at a workshop held by APEC Securities late last week said it was time for investors to consider buying real estate stocks, as recent Government measures are widely expected to thaw the market, which has been "frozen" since 2008.

*Source: Vietnam News*

### **FDI flows into engineering & technology in Dong Nai**

FDI approvals in Dong Nai from Jan to Oct exceeded target with many projects committed to mechanical engineering, technology.

According to the provincial Department of Planning and Investment, the province is looking to attract US\$800m - \$1b in FDI in 2013. However, FDI approvals in the first 10 months amounted to nearly US\$1.02b in 68 fresh projects (US\$408m) and 61 operational projects (US\$609m).

Bo Ngoc Thu, director of the department, said the province was focusing on attracting projects involving hi-tech, supporting industries, products of high added value and low energy consumption. This means Dong Nai restricts projects having low added value and damaging the environment. This orientation had led many Japanese, South Korean and Singaporean firms to increase investments in those sectors.

There are 36 countries and territories having made investments in Dong Nai. Japan is the third biggest foreign investor in Dong Nai with total investment pledges of over US\$3 billion.

*Source: Vietnamnet*



## Market

### SBV support helps boost shares

Shares managed gains on both bourses yesterday, with investors favouring real estate stocks after a boost from SBV's VND30 trillion (US\$1.4b) support package.

PetroVietnam Construction (PVX) hit the ceiling price after a prolonged slump, while other real estate shares relishing gains including Sacomreal (SCR) and a number of Song Da's construction units.

Nguyen Xuan Binh, Bao Viet Securities, said that although profit-seeking started increase and the market experiencing mixed sessions, an overall uptrend was taking place. The reason may come from the rotation of cash flows from one group of stocks to another.

Technical indicators were positive in the short and medium terms, Binh added, while "some sessions of correction will be opportunities for investors to buy."

On HCMC Stock Exchange, VN-Index added 0.5% to 501.08 pts after last Friday's loss, while advancers more than tripled losers in the session. Trading value swelled to over VND1 trillion (\$47.1m) as 93.3 million shares changed hands. Blue chips tracked by VN30 also performed well. Among the 30 shares, only Kinh Do (KDC) and Bourbon Tay Ninh (SBT)

retreated, while over two-thirds of the stocks advanced. VN30 gained 0.46%, finishing the session at 559.32 points.

On Hanoi Stock Exchange, HNX-Index rose 1.2% to reach 64.06 pts. Advancers outstripped decliners by 146-62.

Trade value increased 18.7% compared to last Friday, totalling VND328.6b (\$15.5m), while trading volume fetched more than 44.8 million shares.

HNX30, composed of bourse's top 30 shares in terms of capitalization, liquidity, also climbed 1.87% to 121.36 pts.

Foreign investors narrowed their net buying value in HCMC by almost 90% to just VND19.2b (\$905,600) while they were net sellers in Hanoi by a margin of VND2.25b (\$106,100).

*Source: Talk Vietnam*

### Market for luxury car growing in Vietnam

Record sales reported at the country's biggest automobile exhibition confirms businesses' confidence in the growth of Vietnam's market for luxury cars. The 2013 Vietnam Motor Show October 23-27 in HCMC attracted 155,300 visitors and saw the sale of 200 cars. Both were the highest since the annual event was first held in 2005 by VN Automobile Manufacturers Association (VAMA).



Luxury cars parking on a street in downtown Hanoi. The market of luxury cars is developing rapidly in Vietnam. Photo by Ngoc Thang

This year the event was notable for the attendance of many luxury brands such as Mercedes-Benz, Audi, BMW, as well as Infiniti and Lexus, which made their first appearance at the show.

Total cars sold at the show could be higher than 200 with the prices between VND1.7-5b (US\$80,400-236,600) each, even though VN's 2012 annual income per capita is only \$1,555, and the local economy is now in trouble.

Mercedes-Benz VN said it sold more than 100 units, including all 10 models it brought to the show. Among them was the S500, priced at VND4.6b with 3 units sold, even though only one was available at the exhibition.

Range Rover's sales were much lower, but all were luxury models: 6 units of Range Rover Sport priced at VND4.5b each, 4 Range Rovers at VND5b and 3 Range Rover Evoques at VND2.5b.

BMW Euro Auto did not reveal the number of orders it received. But a representative said that all 5 of its latest models, including BMW X6 and BMW Series 4 Coupé (428i) priced VND1.2-3.9b each, sold out at the exhibition.

Audi sold 28 units and Toyota sold around 30 units from Lexus luxury division. Infiniti (Nissan), also reported that it received many orders for QX70 and QX80 displayed at the show.

#### **Buyers' trends**

The 5th annual VN Sales Satisfaction Index (SSI) released by J.D. Power Asia Pacific found that offering a test drive to new-vehicle buyers who visit a dealership in VN increases customer satisfaction with the sales process. The study surveyed 922 new-vehicle owners who purchased their vehicle between Oct and Jul 2013.

According to the study, friends and family are the most popular sources of information (89%). However, 78% of new-vehicle shoppers use Internet to research vehicle makes and models, up from 61% in 2012.

Among 6 brands ranked in the study, Hyundai ranked 1st in overall sales satisfaction with a score of 856, up 8 pts from 2012. Honda ranks 2nd (853), followed by Toyota (852).

**Growing market**

Saigon businessmen magazine reported that every year VN consumes between 3,000-5,000 luxury cars.

Mercedes-Benz VN saw an increase of 70% in its sales for the first eight months, compared to the same period last year. BMW and Audi also recorded double-digit growth.

Smaller market share holders like Prestige Sports Cars, the importer and distributor of Porsche, sold 90 units priced at VND10b (\$473,300) each, since the beginning of this year. It is expected to sell 100 by the year's end. Andreas Klingler, general director of Porsche VN, told that VN is a small market but has the potential to grow. Vietnamese market volume for automobiles was only 100,000 per year right now, but it would eventually hit 1-2 million units and the sales of luxury cars will increase as well.

The luxury car market will soon see harsher competition as more brands are entering VN like Bentley, Lamborghini, Infiniti, Lexus, and super luxury brands such as Rolls-Royce. Tran Tan Trung, general director of Lien A International JSC, Audi's distributor in VN, said. "The higher people's living standard becomes, the more they demand top quality products. With the Vietnamese

economy growing, the market for luxury cars here will continue growing."

Hal Serudin, Rolls-Royce Motor Cars Limited's Asia Pacific corporate communications manager, said the Asian market, particularly the Southeast Asian one, is very high on the interest radar of Rolls-Royce. "It is regarded as a key growth area for Rolls-Royce Motor Cars. Asia Pacific sales in 2012 increased by 18%." Roll-Royce has established dealers in the key emerging markets of Philippines and VN. Serudin said it was too early to say that VN has emerged as a lucrative market for Roll-Royce. However, based on the number of Rolls-Royce cars that are already in the market and current interest in our brand reported by our dealer, we believe there is solid demand for our cars. We have said before that the economy of 90 million people has created a number of highly successful entrepreneurs.

Source: Thanhkien News

## Legal Updates

### Conditions for overseas work permit

According to Decree No.102/2013/ND-CP which take effective on Nov 11, 2013, foreigners who want to be granted a work permit are required to meet the 5 following conditions:

- (1) must have enough civil capability according to Vietnamese laws;
- (2) must be in a health condition suitable for the jobs they want to do;
- (3) must be managers, managing directors or technical workers;
- (4) must not be offenders or those who are held criminally responsible under VN's or foreign countries' laws;
- (5) must obtain written approval of a State agency in charge of foreigners' employment.

Each work permit is now valid a maximum of 2 years (currently 3) and will be withdrawn upon expiration. A business must apply for the reissuance to employ a foreign worker continuously.

This replaces Decree No.34/2008/ND-CP dated Mar 25, 2008 & Decree No. 46/2011/ND-CP dated Jun 17, 2011 on employment and administration of foreigners working in VN.

Source: VGP News

### Draft amended customs law: Long strides in customs administration

In the proposal for the project of Amended Customs Law, the main focus is placed on a comprehensive reform in customs operations by facilitating a good environment to adopt the modern customs management model in line with the international practices.

Therefore, Amended Customs Law is built on the basis of summarising and evaluating the results of the 11-year implementation of the Customs Law 2001 and the Law on the Amendment of and Addition to a number of articles of the Customs Law 2006 and reviewed from the real lessons.

Notably, the draft has radically changed the model of the customs procedures, from the traditional model to the electronic model. To synchronise with this, the draft has an addition to the articles related to customs procedures to ensure the transparency and effective application of IT to modernise the customs administration.

In addition, the new law clearly specifies the deadline for the customs officers to check the latest records within 2 working hours from the time of the declaration of the Certificate of Origins of the goods to the customs office; the necessary period

extended not more than 2 working days; and providing the additional mechanisms to predetermine the number, origins, and customs valuation law as a basis for the customs authorities to facilitate the trade and help businesses proactively identify before the tax obligations for each imported goods are expected.

#### **Improving the efficiency of customs administration**

Along with the trade facilitation, the draft focuses on improving the effectiveness and efficiency of the customs administration and strengthening the protection of the interests and the national sovereignty and economic security to prevent the smuggling and illegal transportation of goods across borders and trade fraud.

Specifically, the draft regulates the forces of customs authority to trace and follow up cases with evidence to determine the goods and transportation to be the smuggling and illegal transportation cross the borders from the area of the customs operations and out of the area of the customs operations and adopt the specific measures for patrols, control, investigation and verification to help customs offices use as basis to take action.

Under the draft, the organisational system includes VN General Department of Customs, departments of Customs, Customs Inspection Teams and other equivalent units. This organisational system is developed based on the scale and nature of the import-export activities, specific geography, social and economic conditions, regulatory requirements of the customs rather than the administrative boundaries. There will be provincial departments of customs and departments responsible for the customs supervision of several provinces. VN National Assembly will discuss the Draft Customs Law on Nov 16.

Source: VCCI News