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Highlight

Standard Chartered: VN bottoming out

Vietnamese economic slowdown is bottoming out but a return to trend growth is not soon to come, according to Standard Chartered Bank.

Inflation has slid to 6% per year after surging to 20% in 2011, adding export performance returned to a double-digit growth rate in Jan-Oct while Gov't efforts to cope with bad debt and restructure economy begin paying off.

The report highlights an improvement in GDP growth in Q3, which is put at 5.54%, up from the 4.9% achieved in the first half of the year. These are signs that the slowdown is bottoming out.

The country's economic recovery is buoyed by FDI, says the report. Foreign direct investors are still interested in the local economy despite economic restructuring challenges.

The report says a survey of Standard Chartered's customers having factories in China indicates they are considering moving to other places in Mekong region, including VN, due to rising labor and factory operating costs in China.

Standard Chartered said VN last year made substantial headway in terms of macroeconomic stability. Gov't sought

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to solve problems with banking system, thus making the financial services market stable. Yet, a lot remains to be done with banking sector, state-owned enterprises and real estate.

The report shows concerns about poor logistics and infrastructure in the Mekong countries. VN is doing better than other neighboring nations thanks to stable power supply and well-developed ports such as those in HCMC and Danang but logistic services remain unsolved.

The lackluster real estate market is bottoming out and has shown signs of picking up again. The report cites property management services and consulting firm CBRE as saying that successful transactions in HCMC in the first 9 months of the year doubled versus a year ago.

Gov't's VN30-trillion housing credit support program will benefit property developers as homebuyers can borrow cheap loans. Real estate market might get a new incentive as Gov't is weighing the possibility of allowing foreign individuals to buy homes in the country.

A full recovery of real estate market will take time but its stability is key to macroeconomic & banking sector stability.

Source: Saigon Times

First private Vietnamese investment project in US

A VN home furnishing product maker in the southern province of Vinh Long launched its first US-based investment in Arkansas' Morrilton City on Nov 22.

Vinh Long Import-Export Manufacturing joint stock company (SJC) produce a wide range of home furnishing products made from natural fiber mixed with industrial materials. Its major products are boxes, bags, baskets, placemat, furniture, decorative accessories & carpets.

The US\$5 million project in Morrilton city will manufacture kitchenware tailored to the North American market.

Arkansas Governor Mike Beebe welcomed Vinh Long's decision to expand project in the city, saying it will help boost the city's economic development.

VN Ambassador to the US Nguyen Quoc Cuong said the project is yet another demonstration of the fruitful economic and trade ties linking VN and the US.

Based in Vinh Long city, the company's 2012 revenue exceeded US\$20 million. It is currently employing 10,000 workers.

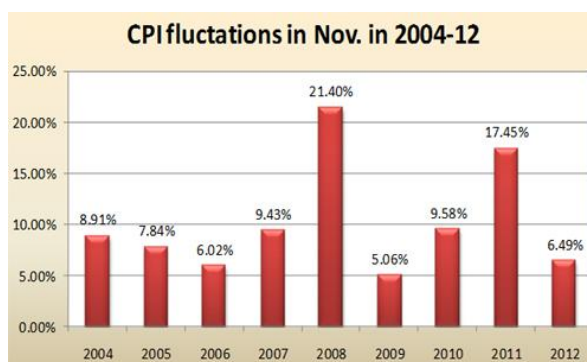
Source: VOV News

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Economy

CPI reaches record low in November

CPI in Nov picked up 0.34% against last month, making a fresh record low in the last five years, according to GSO.



Source: The General Statistics Office (GSO)

In Jan-Nov period, CPI was kept at low level, soaring 5.5% against Dec 2012 and 6.65% against the same period last year.

In Nov, CPI surged in 9 out of 11 groups of commodities used to calculate CPI between 0.07% and 0.62%.

Prices of restaurants and services saw the sharpest rising cost. The group of medicines and medical services experienced the lowest rising price. Transport and postal costs declined slightly at 0.34% and 0.02%, respectively.

In the 11th month, gold price decreased by 1.04% against last month. USD price also posted month-on-month slight decline of 0.1%.

Source: Vietnam Government Portal

Trade deficit dives to US\$95 million



Farmers harvest tea in the Central Highlands province of Lam Dong, which supplies significant quantities of the beverage to the world. The nation's trade deficit has narrowed thanks to export growth holding steady. — VNA/VNS Photo Quang Quyet

The national trade deficit reached \$95.5m in the first 11 months of this year, the lowest level since deficits returned in the foreign trade balance in April, according to GSO.

The deficit rose to \$722m in Q2 after a \$481m surplus was recorded in Q1.

GSO Trade Department Director Le Thi Minh Thuy said the deficit contraction was thanks to high export growth which had held steady at 15-16% so far this year – significantly higher than the 10% quota targeted by Government.

In the first 11 months, export revenue reached \$121.23b, up 16.2% over the same period last year; and import turnover was about \$121.12b, up 16%.

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17 major export products (garments & textiles, footwear, seafood & timber) reached revenues exceeding \$1.5b. Telephones and components hit \$20.24b, up 78.4%, while computers, electronic products and components reached nearly \$10b, increasing 41.6%.

FDI businesses dominated trade activities compared with domestic firms. FDI enterprises represented over 2/3 of total export revenue with a growth rate of 23.5%, while local firms accounted for below 1/3, growing only 3.6%. Foreign companies also made up more than 1/2 total import value, with a growth rate of 26%, far exceeding local firms at 6%.

GSO said "FDI sector has a trade surplus while the domestic sector is in a deficit. This reflects low export growth among domestic firms and also shows that the nation's imports were mainly used by FDI businesses to make products for export."

Source: Vietnam News

New expressway to boost Central VN

Work started on the Da Nang - Quang Ngai expressway yesterday with funding worth \$1.4b in ODA from the Japan Int'l Co-operation Agency, WB and Gov't to connect economic hubs in the Central.

The 4-lane expressway will stretch 140km & accommodate speeds up to 120kmh.

The expressway will also include a maintenance centre, a monitoring centre and a service centre.



It is scheduled to complete in 2017, promoting The Central's socio-economic development and ensuring smooth transportation during disaster relief work.

The project will also promote the development of the Laos-Cambodia-VN economic triangle and the North-South economic corridor.

Cao Khoa, chairman of the Quang Ngai People's Committee, said that 5,700 households had been relocated to 19 resettlement areas, making way for 266 hectares of land.

This will connect economic hubs such as Da Nang-Chu Lai (Quang Nam), Dung Quat (Quang Ngai) and Nhon Hoi (Binh Dinh).

Source: Vietnam News

Bank & Finance

ADB backs SMEs competitiveness development

ADB and VN Gov't on Nov 22 signed an agreement of \$50m concessional loan in a bid to strengthen development and competitiveness of SMEs in VN.

The agreement aims to streamline business processes, improved access to finance, program to support women-owned enterprises, and a level playing field for private enterprise development. With 25-year duration, the loan has an annual interest rate of 2%.

"While Gov't made great efforts to enhance policy reforms to support the creation, survival and growth of SMEs, more needs to be done to foster a greater scale of SME development essentially required for the country to achieve more sustainable and inclusive growth," said ADB Country Director for VN Tomoyuki Kimura.

"ADB firmly supports Gov't to successfully manage the continued reform agenda aimed at improving the business environment for private sector SMEs' development in VN". By the end of 2011, the number of registered enterprises in VN was around 550,000, up from 14,500 in 2000 in which SMEs made

up 97% of the country's total number of firms and occupied 46% of GDP. The domestic private sector accounted for 59% of total employment in 2011, up from 29% in 2000.

SMEs are now considered the key generators of employment and income, and drivers of growth and poverty reduction in the country.

Source: Vietnam Government Portal

Foreign investors cash in on shares

Foreign investors turned to sell off shares after a period of being net buyers, although a draft decision has opened opportunities for them to increase ownership in Vietnamese companies.



Overseas investors were net sellers for some seven consecutive sessions, at a value of VND155.7b (\$7.3m).

Normally, market indexes and domestic investor sentiment falls as foreign investors sell their shares. Interestingly, indexes have gained, as domestic cash poured back into the market.

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Further, securities analysts allege that VN stock market rallied thanks to Gov't's draft decision to allow foreign investors to hold 60% in a firm, as opposed to the current 49% for overseas ownership.

However, they said foreign firms might fear that US Federal Reserve would taper its monthly \$85b quantitative easing sooner than expected. Therefore, foreign investors have created a trend of withdrawing from emerging markets.

The financial information showed this trend in Brazil, Indonesia and Russia, where foreign investors have sold heavily since late Oct. In addition, the benchmark VN-Index rose 7% during the past 2 months. Meanwhile, foreign investors actively bought shares in Sep & Oct, and now is the time for them to see profits. In the long term, prospects remain positive thanks to the decision to lift the foreign ownership cap.

Templeton Emerging Markets Group and Dragon Capital Group said they had been unable to buy as many shares as they wanted, while PXP VN Asset Management predicted the \$45b market would extend gains as limits for some companies will be raised to 60% by year-end.

Source: Viet Stock

Mobius can't buy enough Vietnam equities on foreign limits



"It's like a double-edged sword," Mark Mobius, who oversees about \$53 billion as the chairman of Templeton Emerging Markets Group, said in a Nov. 5 phone interview from Singapore. "On one hand, it's difficult to get in. But once you're invested, you could do quite well."

(Photo: Bloomberg)

The rush of foreign investors into VN's most-favored companies has exhausted the government-limited supply of shares, freezing out some as inflation slows and the economy recovers from the weakest growth since 1999.

VN Dairy Products JSC (VNM), the nation's largest milk producer, and DHG Pharmaceutical JSC, the biggest listed drugmaker, are among 20 companies with overseas ownership at the 49 % limit, according to HCMC-based ACB Securities Co. Foreigners have bought a net \$208.5m of the nation's shares in 2013, the eighth straight year of inflows, as the benchmark VNINDEX rose 22%.

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New Constitution

Exports jumped 13% in Oct, more than twice the pace in China, and pledged FDI surged 66% to \$19.2b in the first 10 months of the year. The central bank has cut its refinancing rate 8 times since the beginning of 2012 as inflation dropped to a 14-month low.

Gov't predicts economic growth will rise to 5.4% this year and 5.8% in 2014. GDP rose 5.25% in 2012, the slowest pace in 13 years, Int'l Monetary Fund data show.

VN's Communist Party, which has ruled over the reunified country since 1976, is revising the constitution. A draft version dated Nov 17 on National Assembly's website indirectly accepts private sector while saying the state will maintain its "leading role" in the economy.

"There are a lot of positive things happening that are going to push the market higher over the next few years," Patrick Mitchell, VinaSecurities JSC, said in an e-mailed statement from HCMC on

Nov 19. "The charts on VN are steadily moving upwards."

Relative value

The VN gauge rose 0.2% to 506.52 at 9:46 a.m. local time, even as MSCI Asia Pacific Index dropped 0.4%. VN measure has outperformed MSCI Frontier Markets Index by 4% age points this year. Both indexes are valued at about 13 times reported earnings, according to data compiled by Bloomberg.

VN's finance ministry has submitted a plan to PM for raising the foreign ownership cap. The proposal would allow overseas investors to increase holdings of voting shares in some industries to a maximum 60% from 49%, Nguyen Son, the head of market development at State Securities Commission, said on Nov 14. Foreigners would be able to buy as much as 100% of non-voting shares, Son said.

Market catalyst

VN Securities Depository and the nation's exchanges are responsible for tracking foreign ownership and enforcing the limits, said Giang Trung Kien, the head of research at FPT Securities Co. The current cap has been in place since 2009.

In China, the biggest emerging market, the ruling Communist Party unveiled its

largest package of economic reforms since the 1990s this month. The nation will phase out investment caps for both domestic and foreign investors, People's Bank of China Governor Zhou Xiaochuan wrote in a guidebook explaining the reforms. Shanghai Composite Index climbed to an almost one-month high yesterday.

Higher foreign limits in VN "would be a great catalyst for the market," said Tran Thi Kim Cuong, the head of equities at Manulife Asset Management (VN) Co. in HCMC, which oversees about \$325m. "The stocks which are at the full limit will be beneficiaries."

Economic outlook

VN's economic recovery faces headwinds from slowing growth in consumer spending and a banking system burdened by bad debt. Retail sales rose 12.6% in the first 10 months from a year earlier, the slowest pace since at least 2005, according to Bloomberg. Fitch Ratings estimates about 15% of bank loans are delinquent, the highest level among six Southeast Asian countries it covers.

"Uncertainties are still there, such as high non-performing loans that need some time to tackle," said Attila Vajda, ACB Securities, VN's fourth-largest brokerage.

Policy makers set up an asset-management company to purchase soured loans from banks in July. VAMC, as the entity is known, has bought about VND15 trillion (\$711m) of bad debt from 15 banks as of Nov 10, according to a posting on Gov't's website. VAMC may purchase as much as 150 trillion dong by the end of 2014, central bank Governor Nguyen Van Binh said this month.

The Vietnamese companies favored most by foreign investors have continued to grow in the face of a slowdown in consumer spending. Vinamilk, as Vietnam Dairy Products is known, posted third-quarter profit growth of 21%.

Earnings growth

HCMC-based company, which started in 1976 and makes dairy products from powdered milk to cheese, will probably boost earnings by 15% next year and 16% in 2015, according to the average of four analysts' estimates compiled by Bloomberg. Shares have jumped 60% this year and are trading at 17.5 times reported earnings, versus the average multiple of 29 for global peers tracked by Bloomberg.

Refrigeration Electrical Engineering Corp., one of the first two companies to trade on HCMC Stock Exchange when it

opened in 2000, has rallied 75% in 2013. Earnings this year are poised to top 1 trillion dong for the first time, exceeding the company's 650 billion-dong forecast, General Director Nguyen Thi Mai Thanh said in an interview this month.

DHG Pharmaceutical's profit growth will probably accelerate to 20% this year from 15% in 2012, according to the mean analyst estimate compiled by Bloomberg. The stock, which has rallied 49% this year, has been difficult to buy after foreign holdings climbed to the limit, said Le Anh Tuan, HCMC-based chief economist at Dragon Capital, which oversees about \$1.2b, including funds incorporated in the Cayman Islands.

VN's Gov't may announce increased foreign ownership limits in the next two months, according to Kevin Snowball, whose PXP VN Fund Ltd. has climbed 52% in dollar terms this year.

"Improved access is a very important step," he said. It "will likely be a catalyst for a break out to multi-year highs toward the end of this year and into 2014."

Source: Bloomberg

Enterprise

FPT signs agreement with software giant Microsoft

The Vietnamese telecommunications and technology giant, FPT, signed an agreement with Microsoft on Thursday to allow the use of Microsoft based solutions such as Windows Server and Microsoft Office.

The agreement aims to support FPT's internet and intranet hosting capabilities, databases, enterprise-scale messaging and similar functions.

The US software giant will provide support in dealing with technical issues and allow the Vietnamese group to update new versions of its products for free.

Speaking at the signing ceremony, FPT general director Bui Quang Ngoc said that advanced technology application in production and business was crucial for enterprises, especially in the period of economic slowdown and intense competition.

Source: Vietnam News

Confectioners become hungry for Tet



People choose candy to enjoy during Tet last year at Big C Supermarket in Hanoi. Domestic confectioners are gearing up for upcoming Lunar New Year holiday which falls on Jan 31 next year. — VNA/VNS Photo Tran Viet

Leading domestic confectioners including Bibica, Kinh Do, Trang An, Biscafun and Hai Chau have basically completed plans to prepare goods for the upcoming Tet (Lunar New Year), which falls on January 31, 2014.

Despite forecasts that purchasing power this Tet will not be as high as in previous years, major confectioners still plan to increase production by 5-20% over the last Lunar New Year season.

Nguyen Quoc Hoang, deputy general director of Bibica told that they plan to supply nearly 1,300 tons of confectionery by the end of this year and for Tet, up 10% over the previous year. Its wide distribution network of 110 distributors and 65,000 sales points has enabled the

company's products to be present in all areas of the country.

Kinh Do has said it plans to produce 4,500 tons of confectionery for this Tet, a year-on-year increase of about 20%. The company, which accounts for 30% of the domestic confectionery market, also expects to keep prices stable for this Tet. Beside traditional confectionery lines, the company will continue providing to the market top-ranking products like Korento cookies.

Biscafun has completed a high-grade product catalogue for Tet 2014.

A representative of Trang An Confectionery JSC in Hanoi, also confirmed that they have fully prepared goods for Tet. It's committed to not increasing prices since costs have been somewhat stable this year.

With consumers tending to tighten spending amidst the ongoing economic crunch, confectioners focused more on launching products with attractive designs, good quality and reasonable prices that can serve as Tet gifts.

Industry insiders are hopeful that with prices 20-40% cheaper than imported products and the advantage of having clear origins, local confectionery will dominate the market this Tet season.

They say the bigger domestic firms have invested in modern lines and good quality raw material to make high-quality products. Locally-made confectionery also is delicious, good-looking and hygienic, they add.

Source: Vietnam News

Electronic firms to manage e-waste

Under a new prime ministerial decision, from Jan 1, 2015, producers of electronic products will be responsible for treating or recycling electronic waste including computers, printers, cameras, mobile phones, TVs, refrigerators, air-conditioners and washing machines.

To ensure compliance, producers must annually report the quantity of products produced or imported which have been sold in VN, and the results of retrieval and disposal of discarded products in accordance with Ministry of Natural Resources-Environment's guidelines.

Currently, producers are not required to perform any of these activities.

In order to help companies achieve these targets, the world's leading IT multinational corporations like Apple, Canon, Dell, Lenovo, Hewlett Packard, Panasonic, Sony and Toshiba have formed Information & Communications Technology Group (ICT Group) which

will work in tandem with VN's Institute for Environmental Science and Technology (INEST) to create an e-waste collection and treatment model.

Under a joint report by ICT Group and INEST on the issue, producers need to collect, dismantle, treat or recycle e-waste, and establish collection centres or authorise other establishments to collect e-waste. Producers also need to transport discarded products from collection centres to recycling facilities.

Accordingly, consumers will bring discarded electronic products to designated collection centres, before such e-waste is transported to producers' appointed recycling facility.

"If this model becomes a reality, producers will have to spend money implementing transportation, treatment and recycling activities," INEST director Huynh Trung Hai told VIR. "It is very common in Europe and Japan."

However, Ho Kim Ngoc, director of a locally-owned company which treats e-waste for Intel, Panasonic and Unilever, told VIR the model would be infeasible if unlicensed scrap collectors weren't dealt with.

VN's e-waste collection network is currently informal, comprising of primarily poor families who go door to door,

searching for discarded products which can be sold for scrap. Hardly any of this e-waste is processed by registered firms and the informal process causes environmental pollution.

E-waste volume in VN is rapidly up due to the sharp increase in demand for electronic products. In 2012, ICT hardware sales jumped 103% to \$23b, primarily for products such as smart phones, tablets and laptops.

Although the growth rate of discarded e-waste is forecast to fall from 2011 to 2020, "the high growth of ICT sales and discarded products has made VN a potential Waste Electric and Electronic Equipment (WEEE) recycling market," said Deputy Minister of Natural Resources-Environment Bui Cach Tuyen.

The report estimated that by 2020 about 161,000 TVs, 97,000 PCs, 178,000 refrigerators, 136,000 washing machines, and 97,000 ACs will require recycling in Hanoi; meanwhile, the figure is predicted to be 700,000 TVs, 290,000 PCs, 424,000 refrigerators, 339,000 washing machines and 330,000 ACs.

There are currently around 400 electronic producers in VN, 25% of which are foreign invested.

Source: Vietnam Investment Review

Investment

Fuji Xerox opens US\$119 millions LED printer factory in Haiphong



Fuji Xerox Co Ltd yesterday opened a factory manufacturing digital colour multifunction devices and small-sized LED printers in northern Hai Phong City, with a total investment capital of US\$119 million.

The facility has an output capacity of around two million products per year.

With it, Fuji Xerox aims to avoid the need to focus on existing factories in China, which rolls out about 90% of the firm's products.

The company began works on the plant in VSIP Hai Phong Integrated Township and Industrial Park in January.

Source: Vietnam News

FDI inflow touches over US\$19 billion

The total newly-registered and additional FDI capital amounted US\$19.2 billion in the first ten months of 2013, representing a year-on-year increase of 65.5% and surpassing this year's target of US\$13-14 billion, according to the Ministry of Planning and Investment.

In the January – October period, Vietnam licensed 1,050 new projects worth over US\$ 13 billion, up 79% against the same period last year.

Meanwhile, other US\$6.16 billion was added to 393 ongoing projects, a year-on-year rise of 42.5%.

The FDI surge came from great efforts by the Government, ministries and localities in improving the business environment and simplifying administrative procedures to attract more foreign investors.

The Southeast Asian country is also an attractive destination for investors thanks to the competitiveness in production cost, abundant labor force and a stable macro economy./.

Source: Vietnam Government Portal

Market

Gold prices hit record low

Gold prices on the domestic market have declined sharply to around VND35.7m/tael – a record low since Jun 28. However, they are still VND4.2m/tael higher than those on the global market.

At the Nov 25 trading session, DOJI Group offered VND35.78-35.84m/tael, VND90-100,000/tael lower than two days ago, while Phu Nhuan (PNJ) gold was traded at VND35.79-35.85m/tael.

Gold prices on the VN market are forecast to drop to less than VND29m/tael as ever recorded last Jun.

On the world market, gold was listed at US\$1,242.4/ounce, close to the four-month lowest level of US\$1,236/ounce reported earlier last week.

Source: VOV News

Vietnamese consumer confidence recovering, Nielsen survey finds

Consumer confidence rose to the year's highest level in Q3, with more consumers feeling certain of job prospects, personal finances, according to Nielsen's survey.

VN consumer confidence index inched up 2 pts to 97,3 pts above the global average of 94. This levels above and

below a baseline of 100 indicate degrees of optimism and pessimism.

47 of VN respondents felt "good" or "excellent" about their job prospects in the next 12 months, up 5 pts from Q2. This number was still lower than regional benchmark of 60%. 1 in 2 respondents showed confidence in the financial outlook, up 2pts from Q2.

The Southeast Asian index continued to rank among the highest globally in Q3 while consumers indicated they were focusing more on saving and reprioritizing their discretionary spending to save on household expenses. By country, Indonesia reported the highest index score globally of 120, followed by the Philippines (118).

Southeast Asians continue to rank among the world's biggest savers, and channeling excess funds into savings was the top choice for them after covering essential living expenses. In Indonesia, more than 3 in 4 consumers are saving their spare cash in Q3 (up 5% age points from Q2 to 76%), followed by VN (up 4 pts to 72%).

Despite the leveling of confidence, consumers still indicated they were prepared to channel a portion of their spare cash into holidays, new tech, and investing in shares & stocks.

9 in 10 Southeast Asian consumers said they changed their spending to save on household expenses over last year. Consumers in Thailand and VN showed the strongest inclination to curb household expenses (90%), the highest level recorded globally in this survey.

VN Consumers were the most likely to reduce their spending on new clothes (62%), followed by Malaysia (61%) and Philippines (61%), while VN consumers also indicated the strongest inclination to cut back on out-of-home entertain (60%), followed by Thailand (57%).

Source: Thanh Nien News

Economic downturn hits Vietnam insurance market

Though VN insurance market's 12% growth last year was lower than previous years, the sector still had one of the highest growth rates in VN and was considered "one of bright dots in the economy's gloomy picture." The brightness, however, has dimmed this year, esp in non-life insurance.

According to official figures, for the first time in insurance market's 15-year history, non-life insurance market saw a negative growth rate at minus 5% in Q1.

By the end of the first half, the sectors earnings were up 2.2% year-on-year, but

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that was still the slowest growth the market has experienced in 5 years.

Tran Trong Phuc, Bao Viet Group, said on average, VN insurance market's up 17-18% in the first half of previous years & even 20-22% in the first half of 2011. But figures were now so low that he expected non-life insurance market to grow only 5% & life insurance 9%.

Phuc said as the economy is in trouble, businesses like shipping companies are troubled by decreased orders and freight. So, the demand for general insurance has fallen sharply, esp fire, technique & freight services. Meanwhile, car insurance accounts for 30% of non-life insurance market, but the local auto market was sluggish this year.

In a recent interview with online newspaper Industry and Trade, Phung Dac Loc, general secretary of Association of VN Insurers, said businesses did not buy many new assets, so the demand for insuring such assets was limited. Assets bought & insured last year also had their premiums discounted by 10% for depreciation this year.

Worse, insurers have paid more compensation due to increased fires and other accidents. The rate of compensation costs to premiums was up

42.6% over the first 9 months, compared to 37% over the same period last year.

Facing financial problems, many customers failed to pay their premiums. Premium debt levels at the 5 biggest non-life insurers, including Bao Viet and Bao Minh, now amount to as much as many hundreds of billions of dong.

Reduced profits

According to some companies, profits from financial investments were down 8-15% over the first 10 months year on year. BIDV Insurance, for instance, registered a decrease of 7%.

Do Quang Thuan, general director of Liberty Insurance VN, said in previous years, as deposit rates're high & stock market's stable, insurers're willing to accept risky contracts to invest & earn profits. But with decreased profits in financial investments, insurers now have to find ways to increase profits from insurance services, putting pressure on insurance market.

Phuc of Bao Viet agreed, saying that for many years insurers've accepted losses to gain market shares, relying on investments to earn profits. Many insurance companies actually have not paid dividends for 10 years.

At a recent Bao Minh shareholder meeting, General Director Le Van Thanh

announced that the company had to set aside VND145b (\$6.8m) this year for bad debts caused by financial investments, including VND40.7b in bonds issued by debt-ridden Vinashin & VND3 trillion in bonds by Agribank Financial Leasing Company No.2 (ALCII) 8.5 times its chartered capital, in 2009.

Bao Viet also invested VND681b (\$32.2m) in Vinashin bonds and VND327b (\$15.4m) in ALCII.

Meanwhile, new products like agricultural insurance, which has been encouraged by Gov't, have yet to prove profitable. VN National Re-insurance Corp lost VND19.7b (\$932,000) in agriculture insurance last year.

The insurer said that even though the service's sales could reach VND180b (\$8.5m) this year, or a 100% increase year on year, it will hardly contribute to their profits over the next few years.

Source: Thanh Nien News

CPI results fuel stock recovery

Shares closed up at the end of Nov 25 session following news from GSO that the nation's CPI rose only 0.34% in Nov over the previous month.

According to PM, credit growth in the first 11 months hit 9%, and could reach

the annual target of 11-12% target if the correct measures were applied.

However, securities analyst Tran Hai Yen noted: "What concerns investors is the growth of new loans rather than lending granted for restructuring purposes." It's also possible that official data do not reflect banks' actual performance.

On HCMC Stock Exchange, VN-Index added 0.16% to close at 506.46 pts in Nov 25. Nearly 97.4 million shares were exchanged, reducing the trading value slightly to VND1.34 trillion (\$63.2m).

VN30, representing the bourse's 30 leading shares, also increased 0.2% to 567.42 pts. While only Hoang Anh Gia Lai (HAG) and Vinh Son-Song Hinh Hydro-power (VSH) fell during the morning session, the number of decliners reached 13 by the close of play.

On Hanoi Stock Exchange, HNX-Index finished at 64.83 pts, up 0.37%. The value and volume of trades reached VND281.35b (\$13.2m) and almost 37.2 million shares. HNX30, the northern bourse's largest stocks in terms of capitalisation and liquidity, fell 0.3% to 122.91 pts. Foreign investors yesterday bought a net value of VND70b (\$3.3m).

Source: VOV News

Legal Updates

The region-based minimum wage levels shall be increased from Jan. 2014

Decree No. 182/2013/NĐ-CP dated Nov 14, 2013 of Gov't stipulates region-based min wage levels applied to laborers working for companies, enterprises, cooperatives, cooperative groups, farms, households & individuals & agencies, organizations, as follow (in bracket are the old levels)

- Region I: VND2.7m / month (VND2.35m)
- Region II: VND2.4m / month (VND2.1m)
- Region III: VND2.1m / month (VND1.8m)
- Region IV: VND1.9m/month (VND1.65m)

The regional classification for applying min wage levels based on Appendix.

This takes effect from Dec 31, 2013, replaces Decree No.103/2012/NĐ-CP dated Dec 4, 2012. The region-based minimum wage levels in Clause 1, Article 3 shall takes effect from Jan 1, 2014.

Source: Vietnam Law

Regarding conditions for land rent exemption in capital construction period

Conditions and documents for land rent exemption request in the duration of capital construction specified in point b,

Clause 6, Article 39 of Circular No. 28/2011/TT-BTC.

Accordingly, in the construction period, an enterprise shall submit to tax agency papers for use as a basis for temporarily determining the period eligible for land rent exemption, including:

- Construction license granted by a competent agency, except projects in new urban centers, industrial parks or industrial complexes;
- Construction contract;
- A record of land allocation.

After completing & putting into operation, the enterprise shall fully produce a record of takeover test or documents evidencing that the land renter him/herself conducts capital construction tax so that tax agency issues a land rent exemption decision.

Source: Vietnam Law

Opening direct investment account: A must for FDI businesses

SBV is drafting a Circular on management of foreign exchange for FDI activities in VN. Accordingly, FDI and foreign investors who participate in a business cooperation contract must open a direct investment account in a licensed credit institution to conduct

foreign exchange transactions relating to direct investment activities in VN.

Differing from previous regulations, this provision enables investors to use legal capital sources in foreign currency & VND to make capital contribution in VN.

However, if investing in VND, investors must open VND direct investment account at licensed credit institution where they had opened the direct investment account in foreign currencies before. When doing that, investors must close the existing account and transfer the entire balance on it to the new one.

Also, foreign investors are allowed to move abroad authorised capital, direct investment capital, reinvestment capital, liquidation capital of investment projects (due to expiration or early dissolution), investment project transference capital, interest and foreign borrowing costs, as well as other legal revenues related to FDI activities in VN through direct investment accounts.

Investors must close direct investment accounts if they terminate direct investment in VN (liquidation or dissolution of businesses before term) or if they transfer funds which leads to the change in legal entity of FDI business.

Source: VCCI