

# ASIAN SOLUTIONS TO ECONOMIC RECOVERY

**Ms Hoang Hai Anh,**  
Chairlady of PSI, analyses  
the recent trends,  
prospects and  
developments of the  
Vietnamese economy in  
an exclusive interview  
with ANMI Journal.



## *The purpose of the establishment of Vietnam Securities Business Association in 2006?*

Vietnam Securities Business Association ("VASB") is a professional organization of securities companies, fund management companies, custodian banks, payment settlement banks in Vietnam. Currently, total of VASB's Members reached 62 institutional members, including 50 securities companies, 09 fund management companies and 03 Commercial Banks, which acting as Associate members. VASB was established on the principle of voluntary self-governing, democratic, equal, open and transparent, and non-profit, and comply with the Constitution and law of Vietnam.

Since its establishment in 2000, Vietnam's stock market has witnessed 15 years in operation. According to the strategy approved by the Prime Minister, State Securities Commission of Vietnam is currently actively

implementing activities to ensure transparency, standards and practices of corporate governance, strengthening management capacity, monitoring and enforcement, to protect the interests of investors and market confidence, and actively integrate into the international financial market, step by step to comply with general standards and international practices.

VASB also plays an important role in the coordination and development of suggestions, legal policy promulgation and new products such as lifting up the "maximum ownership room cap" for foreign investors; considering exemptions custody fees, tax breaks ... and deploy derivatives market ... Besides, VASB also coordinate with the SSC and securities companies, fund management companies in the process of restructuring Security Companies in order to enhance competitive capability and to establish a unified system to enhance Vietnam's stock market development in the coming time.

***What's your view on China's financial crisis?  
Will it become worse in the future?***

Until middle of this year, China's stock market has witnessed a sign of bubble burst when suddenly drop sharply in a short time. The Chinese government has put a lot of effort to prevent the fall of the market with many administrative solutions. Besides, the most concern of China now is that the foreign investment flows have significantly been withdrawn from the market.

In the past, Chinese authorities often react to the crisis by easing credit to lend more, which led to China's debt increased rapidly from 2008 to present. Due to strong economic development by easing monetary policy, the market has been pushed to a status of asset bubbles. Besides, the strong growth with overinvestment problem (compared with consumption capacity) had led to excess of merchandise and high inventory.

Chinese stock market - without the intervention of the Government, the stock price will move in accordance with the rule of supply and demand and the investor psychology, the market will hardly be avoided from the sharp decline. In particular, the Chinese investors' stock asset plunged likely will lose liquidity and have to sell other assets when the debt is due. Less than 9% of China's population own shares, but this number of people is among the richest and holds a biggest proportion of assets. China's debt is relatively high, which is a headache issue for investor. However, in fact, the Chinese authorities have intervened directly by the administrative measures in the stock market quickly and promptly. One scenario likely to happen is that China may prevent the fall of the market, the Yuan devaluation may help to encourage exports, while continuing to pump credit and other policies such as increase the income of the residents to stimulate domestic consumption market. The commodity supply and demand is getting more balance, Chinese enterprises can afford to pay the debt, GDP continued to grow, and the Yuan will increase the value naturally to reduce gradually the pressure on currencies of other countries.

Based on monitoring changes in the Chinese issues, we realize that the Chinese government strive to prevent the collapse of the stock market. China was dumping CNY ~ 5% in just a very short period of time. At the same time, China also has the huge foreign exchange reserves, more than USD 3,500 billion. The Chinese economic data released will indicate the next evolution of the Chinese economy. The Chinese market may be

recovered if GDP growth in the fourth quarter becomes positive, high export growth, moderate inflation rate, better domestic consumption and inventory reduction,.

***Do you agree with the view that the economy of Southeast Asia was not well prepared to face the economic crisis in the region?***

Southeast Asia has experienced with the asset bubble crisis in the region in 2008. Southeast Asia also experienced in overcoming economic problems, which occur in the Euro zone and the US. Recently, according to the reaction of devaluation of the countries in Southeast Asia due to China's devaluation, I have seen the caution in the regional countries to offer adjustable FX rates. I am highly appreciated the timely reaction of regional nations to tackle the crisis before and hope that with such experiences and prudence, nations in Southeast Asia are able to mitigate the consequences of crisis.

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In Vietnam, after coping with the effects of economic crisis, the current economic policies of Vietnam seems to have flexibility and show a quick reaction with the changes on international financial market. Most recently, the State bank of Vietnam has responded promptly and carefully with the changes in Chinese monetary policy and the current USD/VND exchange rate has been decreased. During the past few months, with the impacts mentioned above, Vietnam still remains a stable exchange rate, investment environment and financial market.

### *Assesment on the outlook for Vietnam's economy*

Currently, Vietnam economy has been stabilized, inflation has been controlled, gross demand of the economy and industrial production are being recovered positively. The process of restructuring the banking system and bad debts in the first 9 months has been implemented definitely and as its result, we have gained certain achievements.

In the first 9 months of 2015, Vietnam had a GDP growth rate of 6.5% with major contribution of industry and construction.

FDI has increased almost 45% of growth compared with the same period in last year. In addition, the successful conclusion of TPP agreement will create favorable conditions for Vietnam to export goods with zero tariffs to the regional nations, who have accounted for 2/5 of global trade. These factors have made Vietnam to become a bright spot of recovering and developing in the Southeast Asia nations in the upcoming years and attract higher number of foreign investors.

**Vietnam stock market is a young market and is being developed on both capitalization, number of listed securities and quality. Economy recovery and the process of restructuring state-owned enterprises will make up a lot of attractive investment opportunities to meet investors demand.**

### *How do you evaluate the potential of Vietnam's stock exchange market?*

Vietnam stock market now is a potential market and has many opportunities to invest. In the third quarter of 2015, before the volatility of the stock markets in

the regional countries, Vietnam stock market has always ranked in top of the most stable countries with the lowest influences on the VN-index changes, which compares with other nations, and especially the cash flow have not withdrawn from the market.

The market will be driven by the high growth rate of economy, especially when Vietnam has joined the TPP. Meanwhile, the share price that listed on Vietnam's stock market is the most attractive shares in comparison with other countries in the Asian region and other developed markets in the world. According to the Bloomberg statistics, Viet Nam stock market has a fluctuated P/E of around 10 to 11.5 times in Q3; and I have observed that a lot of stocks has P/B, which is less than 1. Income from dividend is also very attractive, compared with other countries in the region since the exchange rate of VND has been well-monitored. Vietnam stock market is a young market and is being developed on both capitalization, number of listed securities and quality. Economy recovery and the process of restructuring state-owned enterprises will make up a lot of attractive investment opportunities to meet investors demand.

### *How do the changes of Vietnam legal framework can attract foreign investment flow into Vietnam's stock market?*

Vietnam has many policies, which create corridors and reduce barrier to attract investment flow. With issuing amended investment and enterprise law dated on 01 July 2015, it has reduced legal procedures and thereby created easier access for foreign investors to invest Vietnam. With Vietnam stock market, in 2015 government of Vietnam has issued Decree No. 60/2015/ND-CP, which allowed uplifting the ownership ratio of foreign investors up to 100%, which only applies for trade without any condition. Besides, Circular No. 123-BTC also simplifies procedures of participating the market of foreign investors on Vietnam stock market.

Moreover, the focus on financial market development was also emphasized. Vietnamese Government set up the plan to open derivatives market in 2016. Along with the completion of legal framework for this new market, the State Securities Commission (SSC) is encouraging market participants to be well-prepared for the participation on the new market.