VIETNAM DAILY NEWS

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Market Analysis

1. Basel II standards help banks get high credit growth limit

According to current regulations, the State Bank of Viet Nam (SBV) sets a credit growth limit for the entire year for each bank – depending on its health – to ensure the credit growth target of the entire banking system during the year (14 per cent , equivalent to the rate of 2018).

Currently, the SBV has allowed only six banks to apply Basel II standards earlier than its deadline of 2020. They are Vietcombank, VIB, OCB, MBBank, TPBank and VPBank.

At a recent annual general meeting of shareholders, Chairman of VIB Dang Khac Vy said VIB expected the SBV to approve its credit growth limit proposal of 35 per cent in 2019 as it was one of the first banks to meet the central bank's Basel II standards.

MB and TPBank also set high credit growth targets of 20 per cent for this year and are waiting for approval from the central bank. As for MBBank, industry insiders forecast the bank could then ask for another extension to increase its credit growth limit to 30 per cent this year.

Meanwhile, credit growth targets set at other banks, which haven't met Basel II standards, are lower.

Nguyen Thanh Toai, deputy general director of ACB, said the bank was assigned a credit growth limit of 13 per cent this year, compared with more than 16.4 per cent last year.

Techcombank wants credit growth of 13 per cent while the figure for Kien Long Bank is 15 per cent.

The credit growth limit is even lower at State-owned commercial banks. Vietinbank set a target of only 6-8 per cent due to the pressure to raise the minimum capital adequacy ratio (CAR) while Agribank plans to increase outstanding loans by 11-14 per cent, of which 60 per cent would be agricultural and rural loans.

As lending contributes a large part to banks' revenue, banks that are granted low credit growth limits but set higher growth targets therefore will have to adjust their operations to meet the growth targets.

Banking expert Nguyen Tri Hieu recommended four main solutions that can help the banks achieve high credit growth and better profits.

First, he said, the banks can re-lend to other banks and credit institutions in the interbank market. It will no longer be limited in terms of growth and will compensate for the restricted lending market.

Another solution is that they can adjust customer groups. Banks can exclude low-profit customers and pay more attention to high-profit ones. Similarly, higher interest sectors, such as consumer loans, should obtain more focus.

They can also reduce capital costs, operating costs such as marketing costs, and other costs to achieve better profit growth.

Finally, banks can boost service activities to increase revenues, compensating for credit growth restrictions.

Pham Thanh Ha, director of the SBV's Monetary Policy Department, said the credit growth would still be adjusted in accordance with the actual situation and based on the country's economic growth target of 6.8 per cent and inflation of less than 4 per cent.

Talking about the credit growth target of 14 per cent this year, Hieu said this target is low in comparison to previous years but is consistent with reality. He explained the credit growth target of 14 per cent is appropriate as banks need to return to the concern of internal consolidation and capital structure to operate effectively and healthily.

2. Credit package proposed for support industry

The ministry says that Vietnamese support industry products could have high competitiveness, meeting 45 per cent of essential demand and local consumption, and accounting for 25 per cent of total export value by 2020. The support industry plans to meet 70 per cent of local demand by 2030.

It also planned to have 1,000 firms capable of supplying products to assembly companies and multinational groups in Viet Nam.

The local support industry would meet the requirements of localisation progress of production sectors including 40 to 45 per cent for garment and textile, and leather shoes, and 10 to 20 per cent to assembly of cars with fewer than nine seats.

To realise the set targets, the ministry has proposed a range of solutions in terms of policies and market development for the support industry.

Accordingly, the Government should continue to build and complete policies to promote development of some key support industries. Policies to encourage localities to use their budgets for support industry would also be promulgated.

In addition, the Government should have mechanisms to develop some sectors such as automobile, electronics, garment and textile, leather shoes and material industry.

Businesses should be given support to improve their capacity. The country would build three centres for the development of the support industry.

Preferential credit would also be given to the sector. Specially, the VND100 trillion credit package would have similar mechanisms to the credit package for hi-tech agriculture development. The package for hi-tech agriculture development has the participation of eight commercial banks. The banks would provide loans to organisations and individuals who want to invest in clean and hi-tech agriculture. The interest rates would be 0.5 to 1.5 percentage points lower than normal levels.

Prime Minister Nguyen Xuan Phuc assigned the Ministry of Planning and Investment in co-operation with the Ministry of Finance to arrange capital to build the three centres. MoIT would study for the construction of the centres. The State Bank of Viet Nam would provide preferential mechanism on capital and loans to develop prioritised sectors within 5 to 10 years.

The Ministry of Science and Technology would consider adjusting access mechanisms of the Viet Nam National Fund for Science and Technology to make them simpler for support industry firms. In addition, each locality should have action programmes to develop the support industry.

Statistics from MoIT showed that Viet Nam now has some 1,800 part suppliers. However, only 300 firms are in the supply chains of multinational groups.

Macro & Policies

3. Bright prospect for Vietnam's key economic sectors in 2019

The manufacturing sector ended 2018 being the bright spot of Vietnam's economy, and is expected to achieve higher growth this year amid uncertainties surrounding the world economy, the governmental portal reported.

In 2018, manufacturing remained the driving force of the economy with an increase of 12.98% year-on-year, contributing 2.55 percentage points to Vietnam's 10-year high economic growth of 7.08%.

Vietnam's exports of industrial goods reached US$201.7 billion, up 15.7% year-on-year and accounting for 82.8% of total exports. Of the total, 22 categories of goods recorded over US$1 billion in export revenue, including phones and accessories worth US$49 billion, textile US$30.5 billion, computers, electronic devices US$29.3 billion, equipment and parts US$16.5 billion, footwear US$16.2 billion, transportation vehicles US$7.9 billion, camera and parts US$5.2 billion, steels US$4.5 billion and fiber US$4 billion.

Among those goods, the Ministry of Industry and Trade (MoIT) reckons the textile and garment industry has much room for growth in 2019. The sector grew by 16.7% year-on-year to reach export turnover of US$30.5 billion, in which almost all major markets witnessed strong growth, including the US with 11.6%, Japan 22.6%, South Korea 24.9%, China 39.6% and the EU 9.9%.

Vice Minister of Industry and Trade Tran Quoc Khanh said uncertainties surrounding the US – China trade tension as well as impacts of free trade agreements (FTAs) are having positive implications on Vietnam's exports. However, there remain concerns over potential changes in economic policies from countries applying trade protection measures, Khanh added.

Additionally, footwear exports are expected to boom in the coming time, mainly thanks to the upcoming signing of the EU – Vietnam FTA (EVFTA), especially as Vietnam is currently the world's second largest footwear exporter, behind China.

Phan Thi Thanh Xuan, general secretary of the Leather, Footwear and Handbag Association (LEFASO), said the sector targets export growth of 10% year-on-year to US$21.5 billion in 2019.

Xuan attributed greater outlook of the sector to increasing demand in Vietnam's major markets, while China is shifting its investment priority on high tech sectors, instead of labor-intensive fields.

However, Vice Minister Khanh said the added value of the sector is still at modest level due to the low integration of domestic enterprises in the global value chain.

Statistics from the MoIT revealed phones and parts claimed the top spot among Vietnam's export staples, reaching US$49 billion, marking a 12.63% year-on-year increase.

Such high growth was thanks to significant contribution from the FDI sector, such as Samsung or LG, while local tech companies remain weak in terms of technology application and production capacity.

Vice Minister of Industry and Trade Hoang Quoc Vuong said the important point is to shift the structure of the industrial sector towards the development of processing and manufacturing, instead of assembling and outsourcing, while facilitating the growth of support industries and a greater localization rate.

In 2019, the MoIT targeted the growth of Vietnam's index of industrial production (IIP) at 9 – 10% year-on-year, that of the manufacturing at 13% and mining down 9%.

4. Japan firm helps improve IT human resource for Vietnam through machine learning

Japan's PIXTA Inc. has collaborated with a Vietnamese university to carry out collaborative researches about machine learning and computer vision with an aim to contribute to improve level of IT human resource in Vietnam.

With a memorandum of understanding (MoU) signed last week, PIXTA VIETNAM and Hanoi University of Science and Technology (HUST)'s School of Applied Mathematics and Informatics (SAMI) will partner to research and implement AI on over 40 million high quality and high resolution images from Pixtastock.

Specifically, PIXTA VIETNAM's LAB Team professors and students of SAMI will work together for the improvement of search accuracy and share experiences through the collaborative research, according to VEHO Press Office, which provides information on Japanese businesses in Vietnam.

The cooperation is aimed to meet demand for researches and implemented high techniques by a large number of engineers graduated from different universities across Vietnam. HUST, for example, as the first technology university in Vietnam, has about 40,000 undergraduate, graduate, and doctoral degree students.

For such a reason, PIXTA VIETNAM wants to expand their business by utilizing potential of Vietnamese engineers and contribute to raise level of Vietnamese IT human resources.

Accordingly, PIXTA VIETNAM will conduct researches and developments of high quality image AI in medium and long term regarding automated tag annotation for over 40 million images; the prediction of well-selling materials; and the providing of high quality image AI for outsides.

The cooperation is in line with Vietnam's efforts to boost machine researches and AI development to improve IT human resource in the course of the Industry 4.0.

5. Major wood factory opens in Ha Tinh province

The inauguration ceremony included the presence of Deputy Prime Minister Vuong Dinh Hue.

The factory covers 18ha of land at the industrial cluster of Vu Quang District. It was invested with more than VND1.44 trillion (US$62 million) by the Thanh Thanh Dat MDF Joint Stock Company.

It is designed to produce 120,000cu.m of medium- and high-density fibreboard and 2,400cu.m of other wood products per day.

The factory is equipped with cutting-edge technology from Europe and highly automated to ensure product quality and reduce production costs while being environmentally friendly.

It is hoped to greatly help with local industrialisation and modernisation and create jobs for residents, thus contributing to economic development of Vu Quang District and Ha Tinh Province. — VNS.

6. Ministry initiates anti-dumping investigation on imported fibre board

The Department of Trade Protection under the MoIT said the investigation was initiated based on requests submitted by four domestic MDF producers on October 18, 2018.

VRG Kien Giang MDF JSC, VRG Dongwha MDF JSC, VRG Quang Tri MDF JSC and Kim Tin MDF JSC submitted the requests, claiming industrial wood board products imported from Thailand and Malaysia were dumped in the Vietnamese market at a margin of 18.59 per cent to 50.6 per cent.

This dumping was the main cause of damage to Viet Nam's MDP production sector, the firms alleged.

The departments said the MoIT will send questionnaires to related parties to collect information.

If necessary, based on preliminary investigations, the MoIT may apply temporary anti-dumping measures to prevent significant damage to the industry.

The ministry will also verify information provided by relevant parties before issuing its conclusions.

Public consultation will be arranged, making it easier for relevant parties to provide information and express their views.

The ministry has recommended all organisations and individuals that are importing, exporting, distributing and using the investigated goods provide information to protect their rights and interests. — VNS.

7. Vietnamese mid-corporates need new strategies in emerging technologies

ASEAN – a region facing disruption: positioning mid-corporates for growth in Southeast Asia (ASEAN Report), released on Monday, also identified talent, culture, technology and capital management as key enablers to support the development of these new strategies.

This conclusion is derived from examining how transformational shifts, such as trade tensions and the rise of digital channels, impact the operational model of mid-corporates (annual revenues between US$10-500 million) from the manufacturing, retail and consumer and infrastructure sectors in the region.

To increase the probability of success against challenges such as low labour productivity (65 per cent lower than global average) and high dependence on external trade (77 per cent of ASEAN exports of goods), mid-corporates in these sectors in ASEAN, including Viet Nam, must adopt three key growth strategies.

They include smart operations in which new technologies such as Industrial IoT, 3D Printing and blockchain-enabled contracts can improve productivity on the factory floor, optimise supply chains, and enable more efficient project execution.

Firms should focus on digital go-to-market strategies by applying solutions such as Micro-segmentation, Geo-targeting to make touchpoints across the customer journey more targeted and personalised.

In addition, attention should be paid to cross-border expansion to provide products to new market segments, and entering partnerships, thus strengthening business growth.

These strategies will also enable mature mid-corporates with an established local presence in Viet Nam to expand to new regional markets to trigger their next phase of growth.

Successful implementation of these strategies will require internal transformation within firms – one that is supported by the right talent, a well-aligned organisation culture, robust technology infrastructure, and effective capital management.

To finance investments and fund cross-border business expansions, mid-corporates need to work with specialised regional partners, including international banks with a well-connected network. These partners can act as growth catalysts to help mid-sized firms explore new sources of finance such as capital markets and green bonds, provide suitable cash management solutions, and devise appropriate hedging strategies.

For example, in the past six months, Standard Chartered Bank Viet Nam successfully supported mid-corporate clients Hoan My Medical Corporation and Refrigeration Electrical Engineering Corporation to issue their inaugural Vietnamese dong fixed-rate bonds to fund their business expansion plans.

As an established lower cost manufacturing hub, Viet Nam has benefited from investments in labour-intensive sectors such as clothing and footwear.

According to Standard Chartered's ASEAN Report, the country's manufacturing gross value-add is expected to grow at a compound annual growth rate (CAGR) of almost 8 per cent to $48 billion by 2022. This will require the sector to focus increasingly towards capital and technology intensive areas to capture arising opportunities in the region.

Nirukt Sapru, CEO Viet Nam and ASEAN and South Asia Cluster Markets, Standard Chartered Bank, said that Viet Nam continues to deliver steady growth and foreign direct investment (FDI) remains a strong growth driver, with FDI-driven manufacturing likely to achieve double-digit growth this year.

“As the country is highly open to trade, Vietnamese mid-corporate manufacturers can capitalise on this and shield themselves from headwinds by pursuing strategies, such as investing in technologies and exploring new markets, which will help them move up the value chain. In fact, we are seeing an increasing number of local electronics players expressing interest to venture overseas for growth,” he said. — VNS.

Corporate News

8. DNS: Financial Statement Quarter 1/2019

↑ 0.00%

On Da Nang Steel Joint Stock Company announced the company's Financial Statement Quarter 1/2019.

File Attachment

DNS_2019.4.19_56995ef_financial_statements.zip

9. DP1: Financial Statement Quarter 1/2019

↑ 4.27%

Central Pharmaceutical CPC1.JSC announced the company's Financial Statement Quarter 1/2019.

File Attachment

DP1_2019.4.19_3a42e7d_financial_statements.zip

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