VIETNAM DAILY NEWS

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Market Analysis

1. Experts warn of correction in trading this week

Market experts warned that investors should be cautious as trading might become choppy as the VN-Index approaches the 1,200-point landmark.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 0.22 per cent to end Friday's trading session at 1,166.78 points.

It had lost 2.3 per cent last week.

An average of 810.6 million shares were traded on the southern exchange during each session last week, worth VND17.4 trillion (US$754.1 million).

According to Mirae Asset Securities Co, the VN-Index suffered a strong decline session on Tuesday last week after the index hit its historic peak of 1,200 points.

"The recovery in the next three sessions was just due to short-term bottom purchases. The risk of further decline of the VN-Index still exists due to the profit-taking exercises at low prices," the company said.

Phu Hung Securities Joint Stock Company (PHS) said that the market closed the last session of last week with fluctuations around the reference level.

"On Friday, efforts to push up the market in the morning session could not sustain until the end of the afternoon as demand at high prices was weakened. There was also a pressure from foreign investors' net selling," the company said.

"In the mid- and long-term, the index has a chance to surpass the historic peak of 1,200 points. However, technical indicators on the daily chart showed that the three-session recovery span after the massive sell-out session tended to end.

"In a negative case, the index needs another drop to challenge the sentimental level of 1,100 points again, before it can return to the main recovering trend," the company said.

"In general, the market may soon be under pressure. Therefore, investors should maintain a portfolio proportion at a balanced level and wait until the end of correction phase to re-join the market," it said.

Regarding market movements, the VN-Index had the first week of decline last week after 11 consecutive weeks of increasing. VN-Index had two declining sessions at the beginning of the week; in which, on the 3rd session on January 19, the VN-Index had a session fall of nearly 61 points.

VN-Index declined in the first two sessions of last week, there were times when the index hit its lowest level at 1,098 points, down more than 100 points from the peak of 1,200. Then the bottom catching demand appeared to help VN-Index recover in the remaining three sessions. Meanwhile, the HNX-Index increased strongly by 14.65 points to 240.12 points.

According to statistics of Saigon-Hanoi Securities Joint Stock Company (SHS), banking stocks fell the most last week with Vietcombank (VCB) down 0.2 per cent, VPBank (VPB) declining 2 per cent, Military Bank (MBB) dropping 4.3 per cent, Vietinbank (CTG) losing 4.8 per cent, Asia Commercial Bank (ACB) down 5.3 per cent, Bank for Investment and Development of Vietnam (BID) falling 7.4 per cent, Saigon-Hanoi Bank (SHB) down 9.4 per cent.

Oil and gas group also suffered, such as Vietnam National Petroleum Group (PLX), down 3 per cent, Binh Son Refining and Petrochemical (BSR) falling 5.6 per cent, PetroVietnam Oil Corporation (OIL), dropping 6.3 per cent, PetroVietnam Drilling & Well Service Corporation (PVD), losing 6.6 per cent, PetroVietnam Technical Services Corporation (PVS), down 7.9 per cent, PetroVietnam Construction Corporation (PVC), down 9.6 per cent, PetroVietnam Coating Corporation (PVB), declining 10.4 per cent.

The remaining groups were also under pressure such as pharmaceuticals and healthcare fell 2.9 per cent, consumer goods 2.4 per cent, construction materials 1.1 per cent, industrial 0.9 per cent, services consumption down 0.7 per cent and finance 0.5 per cent.

Foreign investors net sold 8.7 million shares last week, equivalent to a net selling value of VND534 billion.

According to experts from SHS, the market failed at an important resistance around 1,200 points for the second week in a row and this was the reason why the selling pressure increased, causing the market to correct to below 1,100 points last week.

According to Bao Viet Securities Co, the market expects some flourishing movements in the next trading sessions after the futures expiration event in January.

"VN-Index is likely to challenge the old resistance zone around 1,200 points in the short-term. However, the market's recovery trend seems to slow down with interlaced corrections in the next sessions.

"Stocks will have a clearer differentiation, following the fourth-quarter business results of listed companies. Besides, investment funds strengthen the portfolio restructuring according to the indexes VN30, VNFINLEAD by end-January.

"This shall create some volatilities for the stocks in the index baskets. The stock exposure should be increased to 40 per cent-60 per cent of the total investment. Investors should take advantage of the market's corrections to increase the stock proportion," the company said.

Macro & Policies

2. Vietnam's scrap imports hit record high in December

Vietnam's 2020 ferrous scrap imports rose by 11pc from the previous year to 6.27mn t, according to Vietnam customs data, with December imports at 798,419t.

Imports from its main supplier Japan rose to 3.4mn t, allowing Vietnam to surpass South Korea as the largest destination for Japanese scrap in 2020.

Imports from all its other major suppliers in December registered significant increases from November. Japanese domestic scrap demand recovered from November, leaving less for export markets.

Vietnam's higher scrap demand was driven by rising steel capacity and crude production in Vietnam. Vietnam quickly controlled the spread of Covid-19 and stimulated its economy to support its steel demand. Its crude steel output rose by 44pc to 26.6mn t in January-November, with November up by 167pc to 4.098mn t from a year earlier on new capacity from steel producer Hoa Phat.

Many Vietnamese steel manufacturers also benefited from strong purchasing appetite for semi-finished steel from China since April 2020. Vietnam exported nearly 3mn t of semi-finished product to China in 2020, 7.6 times the volume in 2019.

As buying interest from China waned late in the year, steel demand in domestic Vietnam and other southeast Asia countries rose fast. The smooth sales and positive outlook encouraged Vietnamese mills to continue to restock scrap to fulfil production needs.

US imports in December surged. US suppliers began shipping more scrap to Vietnam from mid-year, with this trend accelerating late in the year as Vietnam had highest workable price among destinations. US imports finished lower in 2020 on tighter supplies from slower collection rates during lockdowns. US steel mills also increased purchase prices to compete for limited scrap resources.

Imports from Hong Kong and Australia in December rose from the previous month. Buyers turned to these origins when price from major suppliers were too high or with limited availability.

3. Vietnamese, Indian pharmaceutical firms have great opportunities in Vietnam

Experts have pointed out lots of opportunities for Vietnamese and Indian enterprises in the pharmaceutical industry in Vietnam.

In an effort to promote trade and investment in the pharmaceutical sector, the Embassy of India, the International Investment Promotion Alliance, the Association of Foreign Invested Enterprises and the Vietnam Chamber of Commerce and Industry (VCCI) organised a seminar in Hanoi on January 21 to connect experts and enterprises from the two countries.

According to the embassy, India was popularly known as the pharmacy of the world, earning its credibility as one of the largest manufacturers of generic drugs. It also said the Indian pharmaceutical sector supplies over 50 percent of global demand for various vaccines, 40 percent of generic demand in the US and 25 percent of all medicine in the UK. Indian drugs are exported to more than 200 countries in the world, with the US being the key market.

Indian pharmaceutical exports, including bulk drugs, intermediates, drug formulations, biologicals, Ayush & herbal products and surgical equipment, reached 16.28 billion USD in 2020.

Ambassador Pranay Verma told the seminar: "Vietnam is a key consumer of Indian pharmaceuticals with an annual trade worth 225 million USD. Vietnam is currently the 19th among the top 25 destinations for Indian pharmaceutical products."

Indronil Sengupta, President of the India Chamber of Commerce in Hanoi, said: "India has a large pool of scientists and engineers with potential to steer the industry ahead to greater heights," measuring the market size of Vietnam, with nearly 100 million of people, had an estimated total value of 7 billion USD in 2019 and would be growing at 8 percent till 2024.

At the same time, local drug manufacturers were able to meet half of the total medicine market demand, approximately 60 percent of pharmaceutical end products, 90 percent of active pharmaceutical ingredients while most of the raw materials for the production were currently imported from India, China and other places.

According to Indian experts, new regulations from various FTAs in Vietnam brought opportunities and challenges to Indian pharmaceutical companies which could enjoy lower taxes in the industry compared with companies in European countries.

Nguyen Tuan Anh, factory director of Sao Kim Pharmaceutical Joint Stock Company, which produces and exports anti-malarial drug materials to Africa and some Southeast Asian countries, said his company expected to partner more with the Indian firms for more projects in Vietnam to serve the potential pharmaceutical market with a growth rate of more than 15 percent each year.

Anh told Vietnam News: "With the advantages in pharmaceutical materials and natural active ingredients that can meet domestic and export demand, we aim to develop high technology factories for pharmaceutical products to better compete in the market."

Anh said more FTAs, especially ones with India, brought both chances and challenges to local companies like his as multinational pharmaceutical corporations could invest in and acquire the private enterprises, increasing competition.

As most of the local pharmaceutical companies mainly produce inexpensive and common drugs, while drugs of high value still have to be imported, Anh said he was looking for Indian partners who can incorporate, transfer technology or participate in part of the pharmaceutical active ingredient semi-synthetic chain in Vietnam.

Anh also expected to own the technology from good co-operation with Indian partners so that his company could soon proactively own the source raw materials in pharmaceutical production, helping Vietnam avoid the manipulation of raw materials from foreign producers to local production.

Also at the seminar, Pham Thi Thu, owner of the drug chain Green Pharma 24 in Thanh Hoa, Hanoi and HCM City, said 50 percent of turnover was from Indian products which were at much lower prices compared to other imported drugs.

Thu told Vietnam News: "Vietnamese consumers love foreign brands and it is easier to advise them to buy Indian products with a price of as much as local products instead of paying for a price of two or three times higher for European imported drugs."

Economist Nguyen Mai quoted the BMI Research in 2018 saying that Vietnam's pharmaceutical market size reached 5.9 billion USD, up 11.5 percent over the previous year, becoming the second largest pharmaceutical market in Southeast Asia, staying in the group of 17 countries with the highest pharmaceutical industry growth rate in the world.

The current 180 local pharmaceutical manufacturing enterprises and 224 factories meeting GMP (good manufacturing practice) standards, met only 52.5 percent of the demand while the rest must be imported.

According to the market report, the import turnover of pharmaceutical products reached 2.7 billion USD, up 6.7 percent, and the import of pharmaceutical materials reached 338 million USD, up 4.1 percent over the same period last year.

As the report forecast local pharmaceutical industry to increase 11 percent per year as one of the most stable in the world, reaching 7.7 billion USD in 2021 and 16.1 billion USD in 2026, Mai said there was great potential for both sides.

He said: "Vietnamese and Indian pharmaceutical enterprises can establish long-term relationships, proceeding to sign and implement import-export contracts, make a "win-win" investment, contributing positively to the expansion of economic, scientific and technological cooperation relations between the two countries."

4. Five trends identified for real estate market in 2021

While 2020 is believed to have changed the real estate industry, trends in the sector this year are forecast to sustain or be aligned with demand in the market.

Trang Bui, a senior director at JLL Vietnam, said one of the five main trends in 2021 is "city in the city" and "integrated real estate", which are popular in large-scale projects.

Vietnam's property market is becoming more mature, with buyers increasingly interested in a healthy and sustainable living environment rather than simply a place to live.

To attract buyers, developers are, therefore, building residential areas with a range of facilities to help future residents steer clear of problems caused by rapid urbanisation and outdated public infrastructure.

A plus in any large-scale project is the ability to provide different types of housing for many potential groups of buyers, Trang said.

The second trend is the result of a shift to working from home, fuelled by the COVID-19 pandemic, which has changed the face of office property.

Country Director of JLL Vietnam Paul Fisher said the trial of work-from-home policy around the world has shown that technology will continue to be helpful to businesses' operations.

The lack of direct contact has inadvertently created more working pressure, so some people still want to apply a flexible working approach in the future. However, he noted, offices will still be the centre of business activities.

According to JLL specialists, another trend is the growth of logistics and storage infrastructure, driven by e-commerce.

They noted that Vietnam is now one of the fastest-growing e-commerce markets in Southeast Asia. Amid the pandemic, more and more consumers have opted to shop online, raising demand for cold storage warehousing for food and other essential goods.

E-commerce needs storage space three times larger than that of traditional logistics activities, which also helps boost demand for industrial real estate around the world.

Businesses' shift to "green" and sustainable activities will be the fourth trend leading the property market in 2021, JLL noted, adding that buildings with high ESG (environmental, social, and governance) ratings may see their rentals rise by up to 33 percent compared to those without similar "green" certification.

Specialists also expect the property sector to play an important role in creating a less polluted environment, to help society build a sustainable future.

The fifth trend in the market will be investors' increased attention on the healthcare sector amid the pandemic crisis.

Both domestic and foreign investors have targeted healthcare logistics, and they will need more refrigerated warehouses near their clients to meet the rising demand for temperature-sensitive products like cosmetics, food, medicine, and, especially, COVID-19 vaccines and other vaccines in the future, JLL predicted.

5. Robust economic pickup to drive stronger credit growth in 2021

Fitch Solutions, a subsidiary of Fitch Group, forecast Vietnam's credit growth to be 12% in 2021, in line with the target set by central bank, and up from an estimate 10.1% in 2020.

"Improving optimism around the general business outlook as external demand and the global economic recovery firms up over the course of 2021 will drive stronger credit demand, especially amid low interest rates," stated Fitch Solutions in a note.

Meanwhile, the agency expected the State Bank of Vietnam (SBV), the country's central bank, to hold its policy discount and refinancing rates at 4.00% and 2.50% over the year, given that almost rock bottom interbank borrowing rates indicate already surplus liquidity in the system.

Vietnam's credit growth logged a significant acceleration in the final quarter of 2020 to hit 10.1% year-on-year in December 2020, from 6.1% in September 2020 as compared to the end of 2019.

This was in line with a pick-up in real GDP growth to 4.5% year-on-year in the fourth quarter of 2020, from 2.7% in the previous ones, as the effective containment of the Covid-19 outbreak in Vietnam facilitated a further normalization of domestic activity, asserted Fitch Solutions.

Moreover, automotive purchase loans also likely supported the credit growth acceleration in the second half of 2020, as the government slashed vehicle registration fees by 50% for the purchase of domestically produced vehicles until end-2020.

Fitch Solutions expected stronger economic activity in 2021 - in which it forecast real GDP growth of 8.6% - driven by manufacturing, construction, and services, to spur higher loan demand over the year.

In particular, trade gains from the EU-Vietnam Free Trade Agreement (FTA), UK-Vietnam FTA, and the RCEP would provide a further thrust to export manufacturing on top of the gains in production since 2018 which would come from manufacturing supply chain relocation from China, stated Fitch Solutions.

Real estate sales will be another key driver of credit growth. Apartment supply and sales are likely to pick up in 2021, according to CBRE, and this will also drive higher loan demand through the mortgage segment.

Meanwhile, Vietnam's strong manufacturing growth momentum will also continue to attract investors in its industrial real estate market, with stronger economic activity in general driving demand for office space from services sectors such as financial services and information technology.

Fitch Solutions also predicted inflation to average 3.5% in 2021, which is below the government's 4% target for the year. As such, this would result in long term low interest rates.

"In particular, we expect easing food inflation over 2021 to offset higher transport inflation," Fitch Solutions asserted.

6. Promoting consumer finance to fight black credit: experts

Promoting consumer finance and simplifying procedures for loan applications would be a priority for commercial banks, financial companies and microfinance institutions as part of efforts to limit black credit, a conference heard in Ho Chi Minh City on January 20.

Deputy Governor of the State Bank of Vietnam (SBV) Dao Minh Tu considered abolishing black credit as one of the important tasks that has been continuously implemented across the whole credit institution system in Vietnam.

In recent years, the SBV and credit institutions in localities have been cocoordinating with the Ministry of Public Security and local authorities in implementing drastic measures to limit black credit.

In the future, the SBV will continue improving the awareness of local people about credit policies, loan packages and procedures for loan applications so that local people could easily access bank loans.

Meanwhile, the State Bank will study and soon complete legal documents to deploy mobile money service in Vietnam while making loans from microfinance institutions easily accessible to local people, then gradually limit black credit.

With a network of branches and transaction offices that have spread all over the country, the SBV has instructed credit institutions to diversify banking products and services, reduce interest rates and simplify lending procedures in order to facilitate people's access to credit packages through official channels, said Ha Thu Giang, Deputy Director of the SBV's Department of Credit for Economic Sectors.

By the end of last year, the scale of Vietnam's consumer finance market came to around 1.8 quadrillion VND (over 77.25 billion USD), accounting for over 20 percent of outstanding loans in the economy, up 7.4 percent compared to the end of 2019.

Pham Toan Vuong, Deputy General Director of the Vietnam Bank for Agriculture and Rural Development (Agribank), said his bank's outstanding loans to individual customers have continued to grow over past years, adding that in 2020, individual customers accessed nearly 840 trillion VND worth of loans, a year-on-year increase of more than 7 percent.

According to Nguyen Thanh Phuc, Deputy General Director of FE Credit, said the company currently has about 15 million customers, with new loan balance from 4.5-7 trillion VND each month.

FE Credit - Vietnam's No1 consumer finance company - holds more than 50 percent market share in its field and its customers are those who cannot borrow from banks. That means the demand for consumer loans remains large, he said.

7. Hanoi retail occupancy up on well-performed economy

Hanoi's retail space showed high occupancy in the fourth quarter of 2020 thanks to increasing retail sales of goods and services, Savills Vietnam has said in a recent report.

Average occupancy increased by 1 percentage point (ppt) on-quarter supported by economic indicators including a rise of 5.6% on-quarter in the city's total retail sales of goods and services at VND162.6 trillion (US$7 billion) in the fourth quarter (Q4).

The retail sales of goods and services in 2020 valued at VND584.7 trillion (US$25.2 billion), up 2.7% on-year.

Whilst high-end brands opened new flagship stores, numerous street stores remained vacant or were converted, most noticeably in the central business district (CBD) following the sharp drop in tourists.

During the quarter, average ground floor gross rent rose 3% on-quarter.

Total stock increased by 1% on-quarter to approximately 1.6 million square meter (sq.m) after the launch of Vincom Mega Mall Ocean Park in the East.

Footfall is recovering but yet to return to pre-pandemic levels due to limited impulse and extravagant spend to increase savings.

Some 18 projects supplying over 158,000 sq.m are scheduled for launch by end 2022, including Vincom Mega Mall Smart City in 2021, the most significant. Continuous large supply expansion to the non-CBD might result to decreasing overall rent and occupancy.

Noticeably, e-commerce has shown robust growth and continues to change shopping behaviors. While classic retail was deeply affected by Covid-19, it enabled online opportunities in production and business.

Statistics by the Ministry of Industry and Trade showed that in 2020, e-commerce revenues in Vietnam rose 18% on-year to US$11.8 billion thanks to online purchase by 53% of the population.

The country's e-commerce is expected to grow 25% per annum to US$35 billion by 2025 and the annual growth rate for Hanoi is 20% by the year.

Competition between foreign and local retailers will continue heating up in the course that Vietnam has extensive potential for development and will remain an attractive investment destination with its rising incomes, political stability, sizable population, and youth skewed demographics.

It looks as though Covid-19 will come to an end at some point in 2021 with the vaccine available, nevertheless it is crucial retailers prepare for relevant experiences and continuously pay close attention to sustainability, health measures, as well as flexibility and efficiency in retail channels, said Ms. Hoang Dieu Trang, Senior Manager, Commercial Leasing, Savills Hanoi.

Corporate News

8. STB: Sacombank meets all business targets set for 2020

↓ -0.25%

Its consolidated assets increased by 10 per cent to nearly VNĐ493 trillion (US$21.3 billion), with profitable assets increasing by 13 per cent.

It has total deposits of VNĐ447 trillion ($19.3 billion) and outstanding loans worth VNĐ340 trillion, an increase of 15 per cent from the previous year and in line with the quota set by the State Bank of Vietnam.

It managed to collect over VNĐ15 trillion ($648.1 million) worth of bad debts, reducing the mortgaged assets at the bank by 16.7 per cent from the preceding year and non-performing loans ratio to 1.6 per cent.

Business efficiency improved, with total income increasing by more than 18 per cent, with non-interest income increasing by nearly 13 per cent with major contributions from insurance, cards and e-banking.

Consolidated pre-tax profit was VNĐ3.339 trillion ($144.3 million), 30 per cent more than the target approved at the AGM.

Safety performance indicators met SBV's norms and improve, especially capital adequacy ratio, which is above 9 per cent, ensuring a balance between safety and efficient use of resources.

The number of regular customers reached nearly seven million by the end of 2020, an increase of 14 per cent from the previous year.

Sacombank has helped its customers overcome difficulties through practical measures such as restructuring debts, waiving or reducing interest worth nearly VNĐ9 trillion as prescribed by the SBV's Circular No. 01, earmarking nearly VNĐ40 trillion for preferential credit to individual and corporate customers.

It has focused on improving customer experience and satisfaction with its modern, multi-utility products and services.

It has invested heavily in technology and digital transformation, pioneered the use of modern technologies in business and administration such as chatbox, online identity verification (eKYC), NFC mobile contactless payment, and the 'Tap to Phone' technology.

The bank has also adopted automation and digitisation solutions for its internal processes such as CRM, LOS and others to reduce transaction time and costs and improve efficiency.

It has completed the first pillar of the Basel II standards prescribed under Circulars 13 and 41, and is implementing the second pillar of the Basel II following an advanced method.

It is also one of the few domestic banks to have built a risk database management system based on advanced practices.

In 2021 Sacombank will continue speeding up restructuring, improve customer experience, satisfaction and confidence, speed up digital transformation, strengthen risk management, comprehensively monitor the operations of its system, productivity and efficiency, and expand the scale of operation.

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