VIETNAM DAILY NEWS

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Market Analysis

1. Shares bounce back after the biggest single-day loss

Viet Nam's stock market rose on Friday after posting the biggest single-day loss the day before over concerns on new community COVID-19 cases.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index increased by 3.19 per cent to 1,056.61 points. The index lost 73.23 points, equivalent to 6.67 per cent, to end Thursday at 1,023.94 points.

Selling pressure and new community infections of COVID-19 that were reported in Hai Duong and Quang Ninh provinces led to the steepest fall on Thursday, marking a fourth straight session loss. However, the sell-off ended on Friday as investors flocked back to the market for bottom purchases.

Overall the market breadth was positive with 375 stocks climbing, of which 29 hit the daily limit gain of 7 per cent, while 90 stocks declined. And 35 stocks ended flat.

During the session, nearly 797.4 million shares were traded with a trading value worth VND17.83 trillion.

The VN30-Index also recovered, up 3.72 per cent to finish Friday at 1,048.31 points. Twenty-three of 30 largest-caps rose, while only five fell.

Three out of five stocks in the 30 large-cap basket lost around 7 per cent, the maximum intra-day loss. These stocks were EXIMBANK (EIB) down 6.91 per cent, FLC Faros Construction JSC (ROS) down 6.86 per cent and Saigon Beer - Alcohol - Beverage Corporation (SAB) down 6.96 per cent. EXIMBANK was the only stock in the top 30 posting a gain on Thursday.

All sectors including banking, securities, real estate, construction, utilities, retail and production recovered today with many big stocks climbing.

Top five stocks positively influencing the market were Vingroup JSC (VIC) up 6.88 per cent, Vinhomes JSC (VHM) up 6.98 per cent, Viet Nam Dairy Products JSC (VNM) up 6.97 per cent, Vietcombank (VCB) up 2.65 per cent and JSC Bank for Investment and Development of Viet Nam (BID) up 3.77 per cent.

On the Ha Noi Stock Exchange, the northern benchmark HNX-Index also bounced back on Friday. The index increased by 5.5 per cent to 214.21 points. The HNX30-Index climbed 4.2 per cent to 316.35 points.

In the trading session, domestic investors poured nearly VND2.7 trillion into the northern bourse, with a trading volume of over 203.4 million shares.

Cash inflows from foreign investors also found their way to Viet Nam's market with over VND1.1 trillion pouring into the southern market and VND6.62 billion on the northern bourse.

Macro & Policies

2. Vietnam likely to be top-performing Asian economy in 2020: CNBC

Vietnam is likely the top-performing Asian economy in 2020 amid the COVID-19 pandemic, according to an article posted on the US-based CNBC website on January 28.

The article said that the feat was achieved without a single quarter of economic contraction at a time when many economies globally were weighed down by the pandemic.

Not every Asian economy has reported fourth-quarter and full-year economic numbers. But estimates compiled by CNBC from official sources and institutions such as the International Monetary Fund showed Vietnam outperforming all its regional peers last year.

The Vietnamese Government data showed that the country's economy grew by 2.9 percent last year from a year ago.

Bank of America economists are optimistic that the country's economic growth will accelerate this year.

The bank forecast the Vietnamese economy growing 9.3 percent in 2021 - a much higher growth rate than the 6.7 percent expansion projected by the World Bank.

Vietnam's manufacturing sector was widely credited for the economy's outperformance last year, with production growing on the back of steady export demand. That's a trend that will persist in the coming years, said economists.

According to Fitch Solutions' December report, there will see large scope for growth in Vietnamese exports in the years to come.

The Southeast Asian country has also inked several new trade agreements - such as with the UK and European Union - which could further boost trade flows, the consultancy said./.

3. Japanese firms plan expansion in Vietnam this year: Navigos Search

Despite being heavily affected by the COVID-19 pandemic, Japanese manufacturers in Vietnam have officially returned to production and recruitment since the fourth quarter of last year, according to a report released by recruitment services provider Navigos Search earlier this week.

"There have been a number of electrical/electronic enterprises increasing their production to meet the market demand, and some in the furniture industry have doubled their yield compared to before the pandemic," Navigos Search said in its Report on Middle and Senior Recruitment Demands in Vietnam Market in Q4/2020 and Outlook for 2021.

According to Navigos Search's analysis, Japanese manufacturers in the electronic and automotive spare parts plan to expand in 2021.

In addition, many manufacturing enterprises from Europe, the US, China, and Japan are exploring the market to invest in factory construction and develop production and business activities in Vietnam, the southern market in particular.

Due to the land shortage in Ho Chi Minh City, it is expected that they will grow in new industrial zones in the southern provinces of Binh Duong, Long An, Dong Nai, and Can Tho city, it said.

In a conference between Japanese firms and the Vietnamese government last month, Japanese Ambassador to Vietnam Yamada Takio said 37 out of 82 Japanese firms receiving governmental subsidies to shift factories to Southeast Asian markets have opted for Vietnam.

Navigos Search added that there are also significant changes in recruitment demands in Japanese companies. For candidates who can speak Japanese only, both job opportunities and the salaries considerably drop in these companies.

As a result, English and Japanese are almost a prerequisite factor in recruitment in addition to the required professional requirements./.

4. Singaporean and Australia media shine spotlight on Vietnamese economic opportunities

According to the Straits Time, the ongoing 13th National Congress of the Communist Party of Vietnam will decide on new leaders and chart the country's future path, with a strong tailwind gained from its recent successes.

The article states that in in Party General Secretary Nguyen Phu Trong's opening speech to the congress on January 26, he hailed the country's economic development and containment of the novel coronavirus (COVID-19) pandemic as twin major achievements. As such, the rising star of Southeast Asia has earned bragging rights, the news outlet noted.

This year can be viewed as the nation's breakout moment following its competent handling of the COVID-19 pandemic and being one of the most successful economies in the region. It can therefore steal a march on others, as it ramps up production amid factories in the region remaining shut, while demand for tech, medical, and other products surge.

The new leaders the CPV selects and the new course of action will ultimately determine how well the national economy does and what role the country can carve for itself in the region, according to the Straits Times.

Furthermore, the publication believes that domestic challenges and external uncertainties could thwart Vietnamese ambition to become an upper-middle-income country by 2025 and an industrialised economy by 2030.

The article cites General Secretary Trong as admitting that shortcomings remain, including an economy that is not yet highly resilient. While the nation has privatised many state-owned firms, which make up nearly a third of economic output, they are typically low in efficiency and account for many bad loans. Indeed, the domestic economy remains dominated by low-end assembly work as opposed to high-end manufacturing, whilst the outdated higher-education system also cannot produce a sufficient amount of highly-skilled workers.

In its article on the Congress, the AFR outlines how domestic tourism and everyday life are largely back to normal.

It notes that Vietnamese leaders are focused on attracting additional foreign investment as the country has become an essential cog in global supply chains.

Low labour costs coupled with negligible barriers to entry initially attracted multinationals such as Unilever and Pepsico in the 1990s and early 2000s and they continue to remain factors in drawing firms to the nation. More recently, electronic giants such as Apple-supplier Foxconn have become keen on opening manufacturing establishments locally.

The article adds that the World Bank describes Vietnam as one of the most dynamic emerging countries in East Asia.

The AFR also quotes Francis Wong, senior adviser to the Australia-Vietnam Business Council, as saying that one of the keys to successful Vietnamese economic policies is stable and predictable succession in the Government driving the push towards an open economy. This has served to create confidence for investors both locally and internationally.

5. Vietnam aims to play active role in global supply chain

The capital inflows from multinationals into Vietnam and a strong base of supporting industries would help Vietnam further integrate into global supply and production chains.

Minister of Industry and Trade Tran Tuan Anh made the statement at the third working day of the 13th National Party Congress on January 28.

“The development of the industrial sector at a time when Vietnam opens its door to the world has been key in cement the country's role in the global production and value chains,” Mr. Tuan Anh noted.

The UN Industrial Development Organization (UNIDO)'s Competitive Industrial Performance Index 2019 revealed Vietnam ranked 42 globally, up 16 places from the 58th in 2009. This put Vietnam among countries in ASEAN with the strongest progress and stayed close to the Philippines at 5th with a narrow margin of 0.0015 points.

In the 2011-20 period, industrial sector saw the fastest growing rate among economic components and contributed nearly 30% to the overall GDP growth, while industrial products were Vietnam's key export staples.

“Vietnam moved up to 22th in 2019 from 50th in 2010 among world's largest exporters,” Mr. Tuan Anh stressed.

So far, Vietnam has formed a number of key industrial sectors such as electronics, telecommunications, IT, cement and construction materials, footwear, garment, and automobile, laying the foundation for the country's long-term growth and accelerating the modernization process.

According to Mr. Tuan Anh, as the government has been focusing on developing the supporting industries. An ecosystem of supporting industries has gradually been formed and increase the localization rate for industrial products.

“There has been a positive shift with higher proportion of hi-tech products in the industrial sector, which plays a big part in forming large-scale privately-run corporations that is capable of competing globally,” he said, referring to the rise of Viettel, Vingroup, Truong Hai, Thanh Cong or Hoa Phat.

Risks remain

Aside from significant achievements, Mr. Tuan Anh said the country is facing risks of falling into a middle-income trap.

“The majority of production in Vietnam is concentrating on the final stage, which generates low-added value,” he said.

“A lack of linkage between industrial sectors is leading to unsustainable development, while most of local manufacturers have not been able to master production segment of higher added-value,” Mr. Tuan Anh asserted.

As a matter of fact, the foreign-invested sector makes up 70% of Vietnam's exports, which is a result from the weak linkage between FDI firms and local suppliers.

Meanwhile, with 98% of local enterprises are of small and micro size, the remaining 2% of medium and large ones could not efficiently take the industry-leading roles to spearhead the integration of Vietnam's industrial industry into global value chains.

While the Covid-19 pandemic further exposes Vietnam's shortcomings from its highly dependence on both the global supply and demand sides, it is also a golden opportunity for the country to narrow development gap with regional peers.

“The process of digital transformation and emergence of new business models would comprehensively transform traditional production methods,” he added.

Mr. Tuan Anh called for greater urgency in helping form major economic corporations in the industrial sector and turn the private sector into a truly major driving force of the economy, particularly in manufacturing and processing, wholesale, retail, and agricultural production.

The trade minister suggested the draft of new laws covering new fields, as well as creating more favorable environment for businesses.

The government should also enhance capabilities of realizing its commitments in free trade agreements to expand export markets and effectively control imports.

"Higher role in the global value chains while maintaining economic independence are key for Vietnam to overcome current challenges and pursue sustainable development in the future," concluded Mr. Tuan Anh.

6. Balancing out growth across power sources

Last year was quite special in local power sector development. The coronavirus pandemic left sweeping impacts across the board, leading to a change in power consumption that only rose 3.4 per cent on-year.

The year, however, witnessed a boom in rooftop solar power generation projects with total production output reaching a record of 9,300 megawatt peak, pushing up the country's total installed solar power production capacity to 19,400MWp, equivalent to 16,500MW or 25 per cent of the total installed capacity of the entire power system, according to Electricity of Vietnam.

Not as blazing as solar power, 2020 was a cool year for wind power with only three projects coming on stream with the total added capacity of 125MW, bringing the country's total capacity to 472MW, equal to 59 per cent of what was set in the government's approved planning (800MW in 2020) and 2.8 per cent of to the solar power plan.

That was a poor result given that Vietnam sits atop Southeast Asia in wind power potential, both mainland and offshore, and that the Vietnamese government introduced a policy to stimulate wind power development quite early on, with the maiden project plugged into the national grid back in 2009.

Why does this disparity exist? From a market view, solar power was initially regulated at 9.35 US cents per kWh through a feed-in tariff (FiT1) that was later softened to 7.09 cents per kWh (FiT2), and that of rooftop solar power also fetches 8.38 US cents, meanwhile the input material price (mainly battery price) saw continuous downfall beyond any expectations.

Along with this, the battery price in 2020 fell nearly 15-fold to approximately €0.22 (27 US cents) per watt-peak compared to 2010, when it reached nearly €3 ($3.64).

High profitability of solar power investment, easy deployment, and loosened state management has resulted in the uncontrolled development of solar power. Incidents also occurred at some projects, causing public distress.

As for wind power, in 2011 the government set the FiT1 rate at 7.8 US cents. It was later upwardly revised to 8.5 US cents which will expire by November 2021. Risky investment, lengthy implementation, and high equipment cost with slow price decrease are the key reasons behind still modest investment being poured into the wind power sector, albeit the targeted capacity in the approved planning was set at nearly 12,000MW.

Market movement is always the most accurate measure to all policies. In addition, the recent booming development of solar power has exposed some positive points. Firstly, it attests to the huge energy of Vietnamese enterprises. Once good policies are in place, we can mobilise about $10 billion for solar power.

Secondly, it attests to the tolerance of the national grid. Nobody believes the grid that is already stretched too thin can handle such a quick jump in renewable energy volume; capacity cuts therefore are inevitable to ensure safety for the whole system.

Stepping into the second decade of the century, for wind power to reach full swing in development aligned with the approved planning, and to avoid capacity cuts in relation to solar power development, the government is expected to extend the current FiT rate applied to wind power by at least one more year and connect the national power network with that in the region, the way it was done in Europe.

This will help raise the output market for solar power as well as increase flexibility in system moderation. The costs would be big, but doing so can prevent capacity cuts that would depress investor sentiment.

The contract-based policy in agriculture in the previous century has transformed Vietnam from a starving country into a leading rice exporter. This probably now sees a reflection in solar power growth – and so the thorny point continues to be how to fix transmission and distribution issues.

7. Experts question need for new regional airports

There is an airport race in the country, with many localities seeking to build them without sufficient socio-economic basis to justify spending such large sums of public money, Nguyen Thien Tong, former head of the aeronautical engineering faculty at the Ho Chi Minh City University of Technology, told VnExpress International.

He cited the example of the central Quang Tri Province, which plans to build a military-civilian airport at a cost of VND8 trillion ($347.66 million) to handle one million passengers a year by 2030.

It would be the 9th in 14 localities in the central region. Quang Tri is at most 100 kilometers away from two airports, Phu Bai in neighboring Thua Thien Hue Province and Dong Hoi in Quang Binh Province, he said.

"If this airport is built, it is most likely that all three airports will have excess capacity. If the government invests instead in roads, it will be just a one-hour drive to either airport. So it is safe to say an airport is not strictly needed in Quang Tri," Tong said.

In recent years, many other provinces have asked to use military airports for civilian purposes or build new airports.

Last September, the northern Ha Tinh Province had sought approval to build one and include it the national airport master plan for 2021-30.

Another northern province, Lao Cai, asked to build a $246 million airport near Sapa Town, one of the most popular tourist destinations in Vietnam, while Hanoi is readying an application for a second international airport.

According to airports operator Airports Corporation of Vietnam (ACV), the country now has 22 airports, 10 of them international.

The Civil Aviation Authority of Vietnam is drafting the master plan for 2021-30, which envisions having 26 airports, 14 of them international, down from a planned 28 as mandated by the government.

While this means only four more airports are planned until 2030, the northern Cao Bang and southern Bac Lieu provinces have also asked for airports to be added to the master plan.

The common refrain of provinces and cities is that airports would help overhaul the country's aviation infrastructure, which is now modest and overloaded in some places, and acts as a drag on socioeconomic development, especially tourism.

Besides helping Vietnam integrating into the global economy, the airports would also have a beneficial knock-on effect on other sectors, creating jobs and consumption, they said.

No economic efficiency

Tong said airports have been built without proper market research to assess the actual demand for air transport in the country.

He cited the CAAV as saying that in 2019 only around six of the country's 22 airports were making profits, with the ACV having to cover the expenses of the others.

The Government Inspectorate had said in a report in 2018 that the low number of passengers is one of the reasons why these airports are not profitable.

"The only airports that are making profits are the ones that have been around for decades, such as Hanoi's Noi Bai and HCMC's Tan Son Nhat, while the rest are newly built and struggling to break even," Tong said.

Before approving new airports, the CAAV and the Ministry of Transport should carefully consider various criteria like population and distance between airports to ensure economic efficiency, he added.

"In the absence of demand, job creation and economic development will be limited, and investment in airports will result in a net socioeconomic loss. If localities want socioeconomic development, public funds can instead be used for highways, ports, education, healthcare, etc."

Ngo Viet Nam Son, an architect who participated in designing the Ninoy Aquino International Airport in the Philippines, concurred, saying roads would be a far better option for spending public money.

They would not only serve domestic travel needs but also benefit national security, he said.

Tong added that ports and maritime transport allow greater movement of goods and would help capitalize on Vietnam's advantage of having a long coastline.

Dr Nguyen Bach Tung, a former airport design researcher, said at best provinces could build small airports with short runways for aircraft with less than 20 seats to serve special needs such as medical airlift, defense and security and tourism.

Only 66 million passengers passed through the country's airports last year, a 43.5 percent decrease given the impacts of the Covid-19 crisis and unfavorable weather conditions.

Twenty-two airports across Vietnam accommodated 424,000 safe flights operated by 68 foreign and five Vietnamese carriers in 2020, down 548 flights from 2019, according to a report by the CAAV.

They also handled nearly 1.3 million tons of cargo, down 14.7 percent year-on-year.

Corporate News

8. Techcombank achieved before-tax profit of VNĐ15.8 trillion in 2020

↑ 2.56%

Techcombank has reinforced the strength of its customer centric strategy in delivering strong 2020 financial results.

The bank recorded before-tax profit for 2020 of VNĐ15.8 trillion (US$688 million), up 23.1 per cent versus 2019 and 21.5 per cent higher than the full-year before-tax profit target approved at the Annual General Meeting of Shareholders (AGM).

The bank continues to lead the market with a healthy 3.1 per cent return on assets (ROA) for the last twelve months ending December 31, 2020. Capital position remains robust with Basel II CAR of 16.1 per cent at year end. These financial results complete the successful execution of the 2016-20 strategic plan and were achieved against the most challenging economic environment in Việt Nam in over a decade due to the COVID-19 pandemic. Together with the Government and broader banking sector, Techcombank took measures during the year to support the economy and share hardships with individual and corporate customers including introducing a comprehensive support package worth VNĐ41.2 trillion for over 3,200 customers covering interest waiver, reduction and debt rescheduling.

"Against a challenging and uncertain operating environment in 2020, we took a number of measures throughout the year to support our customers and strengthen Techcombank's balance sheet to weather the crisis. This included rescheduling loans for customers impacted by COVID-19, offering preferential interest rates, increasing liquidity to ensure we had ample credit for customers while accelerating write-offs to maintain healthy asset quality. Our 2020 financial results reinforce that the long-term growth drivers and business fundamentals for Việt Nam and Techcombank are intact. Going forward, we will continue to focus on the consistent execution of our strategy and invest in digitalisation to scale our business to meet the needs of our growing customer base. With our expanded leadership team and the capabilities and capital built over the last 5 years, coupled with the success of the Government in containing the impacts of COVID-19, we remain well positioned to deliver our 2021-25 strategy and vision of becoming the leading bank in Việt Nam," said Techcombank CEO Jens Lottner.

The bank's Total Operating Income (TOI) grew 28.4 per cent to VNĐ27 trillion in 2020, outpacing an 18 per cent increase in operating expenses. Net Interest Income (NII) grew to VNĐ18.8 trillion, up 31.5 per cent year-over-year (YoY). Total assets were VNĐ439.6 trillion at the end of 2020, an increase of 14.6 per cent from 2019.

Techcombank maintained ample liquidity, exceeding regulatory requirements with a loan-to-deposit ratio (LDR) of 78.1 per cent and short-term funding to medium-to-long-term loans ratio of 33.9 per cent, improving from the 38.4 per cent at the end of 2019.

NPL ratio was 0.5 per cent as at December 31, 2020, against 0.6 per cent as at September 30, 2020 as the bank took proactive measures to write-off non-performing loans to strengthen its balance sheet against the potential economic impacts of COVID-19.

During 2020, Techcombank added 1.1 million net new customers to bring total customers served to 8.4 million.

9. OGC: Suspension of property fluctuations for investigation and verification

↓ -0.16%

On January 26, 2021, Ocean Group Joint Stock Company received the Official Letter No.499/CSKT-P9 from the investigating Policy Agency - Ministry of Public Security about the proposal to suspend property fluctuation for investigation and verification. Accordingly, the investigating Policy Agency - Ministry of Public Security asked Ocean Group Joint Stock Company to pay attention and coordinate to suspend any changes in the number of shares of OCH Hospitality & Service JSC held by Ocean Group Joint Stock Company until the comments of the investigating Policy Agency - Ministry of Public Security.

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