VIETNAM DAILY NEWS

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Market Analysis

1. Bank stocks perform poorly, VN-Index ends winning streak

Many bank stocks lost ground and dragged the VN-Index of the Hochiminh Stock Exchange down today, April 8, ending the benchmark index's winning streak of eight consecutive sessions.

A system error that occurred at around 11 a.m. also affected the investors' sentiment on the southern market. The VN-Index lost 0.6%, or 7.49 points, from the earlier session to close the day at 1,234.89 points.

There were 664.5 million shares worth more than VND14.5 trillion changing hands, falling 9% in volume and 12% in value compared with the previous session. Some 30.9 million shares worth over VND1.3 trillion were traded in block deals. Losing stocks outnumbered winners by 233 to 167.

Bank stocks were the main draggers, with MBB, VCB and VIC dropping 1.8-1.9% to VND31,200, VND100,000 and VND125,400, respectively. Both BID and BVH fell 1.6% to VND44,800 and VND62,400, respectively, while TCH declined 1.5% to VND26,000. STB and TCB fell slightly.

Only a few bank stocks gained ground, but at a modest pace. HDB rose 1.1% to VND28,050 while VPB and TPB inched up 0.4% and 0.3%, respectively.

Other large-cap stocks such as securities corporation SSI, mobile phone retailer MWG, housing firm VHM and consumer goods producer MSN lost 0.4-0.9%. Steelmaker HPG, sugar producer SBT and dairy producer VNM lost 0.2% each.

Lender STB was the most actively traded stocks among heavyweights with 26.66 million shares changing hands, followed by lender MBB with 22.3 million shares and electricity firm POW with 13.3 million shares.

In the group of small and medium stocks, DLG, CKG, TDG, PXT and DLG shot up to the ceiling prices. DXG, DIG, ASM and GEX soared more than 4%.

In contrast, VOS, JVC, DAH and RIC dropped to the floor prices. HQC, LDG, AMD, HAI, HBC, SJF, TNI and PVD dipped into the red.

Two FLC members namely construction firm ROS and property developer FLC reversed course to close the day up 5.2% to VND5,290 and 2.6% to VND11,800, respectively.

ROS led the southern bourse in terms of liquidity with 38.3 million shares changing hands.

On the Hanoi Stock Exchange, the HNX-Index went up 0.31%, or 0.91 point, against the previous session to close at 293.75 points, with 61 gaining stocks and 69 decliners. There were nearly 178.3 million shares worth more than VND2.9 trillion changing hands.

The biggest gainers were securities corporation VND, bank stock NVB and investment and trading company TNG, which surged 4.4% to VND35,500, 3.5% to VND17,800 and 5.5% to VND24,900, respectively.

Some other major contributors included lender SHB, securities company SHS and investment and industrial development firm IDC, which rose 0.8-1.8%.

SHB led the northern bourse in terms of liquidity with more than 18 million shares changing hands.

Macro & Policies

2. Investment in transport key to Vietnam's economic growth: US magazine

Vietnam is at a crossroads in its development and requires investment in its transportation network to sustain and expand its growth, said US-based Borgen Magazine in a recent article.

Per the article, titled "Developing Vietnam's Transportation Infrastructure" published on April 6, since the 1986 economic reforms launched at the Communist Party of Vietnam's (CPV) sixth national congress, Vietnam has experienced incredible economic growth. However, the country's transportation infrastructure is still woefully behind many other developed economies.

Regarding the links between infrastructure development and economic activity, the article noted that improving travel networks will have a profound impact on Vietnam's transportation infrastructure by increasing viable economic activity. It will better connect consumers with producers and decrease the transportation costs for moving products and resources by increasing the efficiency of transporting them.

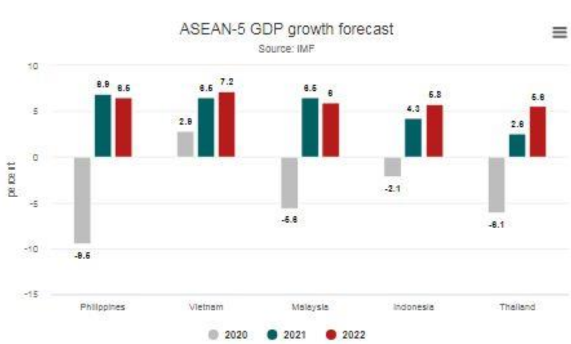
Additionally, developing Vietnam's transportation infrastructure directly affects those who suffer from poverty by better connecting areas with little economic opportunity to vital economic centres.

The article said the Vietnamese government has responded to this need by creating a nationwide connectivity project, the North-South Expressway. The 5 billion USD project covers the country at 2,109 kilometers of road, more than doubling the 1,000 Kilometers of current Vietnamese highways.

It added that the coming into effect of the local Public-Private Partnership (PPP) Law will strengthen the Vietnamese legal framework for PPP projects. The law aims at making private and foreign investment in Vietnam's transportation infrastructure projects simpler, less risky and, therefore, more appealing, said the article.

3. IMF sees Vietnam economy growing at 6.5 pct

It is the second highest rate forecast by the International Monetary Fund for ASEAN-5 countries. The Philippines tops with 6.9 percent, Malaysia ties Vietnam at 6.5 percent, Indonesia is expected to grow at 4.3 percent and Thailand at 2.6 percent.



Vietnam's growth could rise to 7.2 percent in 2022, the IMF said.

Its unemployment rate of 3.3 percent last year is set to drop to 2.7 percent this year, the second lowest among the ASEAN-5 and only higher than Thailand's 1.5 percent.

In the first quarter of this year GDP growth was 4.48 percent, 0.8 percentage points higher year-on-year.

Market research company Fitch Solutions has forecast Vietnam will grow at an average of 6.5 percent through the next decade.

The government targets 6.5–7 percent growth for 2021-25.

4. Vietnamese cloud computing market appeals suppliers

On March 31, Korean telecommunications company KT Corporation announced that it will enter the B2B cloud computing market in Vietnam. Based on its achievements in the cloud business in Korea, KT signed an MoU with FPT Smart Cloud, an affiliate of FPT Group, a leader in Vietnam's ICT scene.

KT is planning to carry out a project on hybrid cloud computing services optimised for industrial characteristics such as G-Cloud and F-Cloud can be offered in Vietnam.

At the middle of the month, Mat Bao Corporation, a Vietnamese technology company also launched its new cloud server cluster located at the data centre of Vietnam Posts and Telecommunications Group (VNPT). As planned, the server cluster will store information with high security and stability to ensure efficient data security for enterprises.

"With the rapid development and high demand from the market, the investment in upgrading services to bring advanced quality and outstanding products is a prerequisite to ensuring data security at Mat Bao," Huynh Ngoc Duy, CEO of Mat Bao said.

Earlier, Amazon Web Services, Inc. (AWS), a subsidiary of Amazon.com officially announced AWS EdStart in Vietnam, an online support programme for educational technology startups to develop teaching solutions on the AWS cloud platform.

The AWS EdStart programme provides EdTech startups with resources to quickly get started on AWS – including AWS Promotional Credits and access to training and support. AWS EdStart is a global community of like-minded people and companies that are solving complex educational problems.

At the present, the cloud computing market in Vietnam is led by both domestic and foreign suppliers. The key players in the Vietnamese cloud services market are FPT Corporation, Viettel-CHT, CMC Corporation, IBM Vietnam, Microsoft Vietnam, Amazon Web Services Vietnam, Mat Bao Corporation, NTC Cloud Computing, SAP Asia (Vietnam), HPT Vietnam, Google LLC, and Salesforce.

In 2020, the Vietnamese cloud computing market currently reaches about $133 million, equivalent to VND3.2 trillion ($139.13 million). However, domestic enterprises only account for about 20 per cent of the market while foreign partners hold the remainder.

Bui Quoc Anh, director at Data Centre – Vietnam National University Ho Chi Minh City stated that the international providers, such as AWS, and Google Cloud have a lot of platforms. It is too difficult for domestic providers to build such platforms because of cost, time, and expertise level.

At the moment, the public sector and big enterprises in Vietnam use domestic cloud computing services but mainly infrastructure services.

However, the international players such as Amazon Web Services, Google Cloud Platform, Microsoft Azure, or IBM Cloud do not officially operate in Vietnam because Vietnam's Network Security Law does not allow, because of data centre locations, although many people and companies use their services.

He noted that the big barriers for international players are Vietnam's Network Security Law. They cannot provide their services in Vietnam including the public sector, state-owned organisations and big enterprises that work with the public sector. It is challenging for them to open data centres in Vietnam if they do not have enough customers in Vietnam. Maybe, when international companies work in Vietnam, the situation may be changed.

For domestic providers, the big challenges are capital-intensive platforms as well as time and expertise for development. It is difficult for domestic providers to develop fast in a cost-efficient manner for competitiveness. Domestic providers need to find an exclusive or niche segment or a more innovative market for survival and development.

The COVID-19 pandemic has made the digital transformation trend stronger than ever. A survey of IBM Institute for Business Value showed that 56 per cent of Vietnamese enterprises are already using cloud management platforms. Responses indicate that Vietnamese enterprises plan to increase expenditure on hybrid cloud services from the current 41 to 43 per cent by 2023.

In fact, figures from the Ministry of Information and Communications showed that the market has been growing at 30 per cent on average in recent years while the growth rate reached 40 per cent in 2020, due to the COVID-19 pandemic.

Commenting on this trend, Le Anh Vu, creative director of CMC Telecom, stated that in 2021, the cloud computing market will continue to be more active with the strong entrance of small- and medium-sized enterprises, even business households. Also, the push for digital transformation from the state and the growth of domestic clouds such as CMC Cloud, VNPT Cloud, and VNG Cloud will be the premise to speed up the process of cloud computing.

According to the report of TechSci Research, the Vietnamese cloud service market is projected to grow from $181 million in 2019 to $427 million by 2025, exhibiting a healthy compound annual growth rate (CAGR) of over 15 per cent during 2020-2025.

5. Airlines catch glimpse of light at the end of tunnel

In total, the Vietnamese aviation sector reported losses of VND18 trillion ($782.6 million) from their transportation operations last year, while the sector's revenue declined VND100 trillion ($4.35 billion) in comparison to the previous year.

National flag carrier Vietnam Airlines suffers losses of over $480 million in 2020, lower than its estimated figure of $626.3 million last December. The airline's accumulated revenue in 2020, thus, fell sharply by 59 per cent on-year to $1.76 billion. However, according to a recent Vietnam Airlines financial statement, the lower-than-expected loss only came after the airline completed procedures for depreciation adjustment and funds allocation for aircraft maintenance under the government's support programme.

Meanwhile, budget carrier Vietjet has reportedly passed through the pandemic somewhat unscathed. While official results are yet to be released, CEO Nguyen Thi Phuong Thao shared that the figures were positive, with not one employee losing their job. Although the airline was grounded in the early part of last year, from June it had restarted its domestic network and added eight new routes to serve the domestic demand. For some markets, Thao said that traffic was actually around 30 per cent higher than it was in 2019, helping to put Vietjet in a strong position for 2021.

Bamboo Airways also seem to have made impressive results with pre-tax profit of $17.4 million. The profit is said to be coming from its signature 5-star flight-resort-golf packages, combined with the FLC Group ecosystem. According to Dang Tat Thang, standing vice president and CEO of Bamboo Airways, by the end of 2020 it boasted more than 30 aircraft and added a new Embraer 195 line, filling unexploited routes to destinations that lack small aircraft.

In addition, Bamboo Airways last week obtained slots to operate six flights a week from Heathrow, including three flights to Ho Chi Minh City and three to Hanoi. Last year, Bamboo Airways planned to fly directly to London and Frankfurt in the first quarter of 2021, but the move was inevitably delayed.

With the international market still mostly frozen, airline operations are based on domestic routes, along with a few repatriation flights and air freight. Last year the government applied various supporting policies for aviation businesses as a result, including a policy of 50 per cent discount on service fees for takeoff and flights to/from airlines. Thanks to this alone, Vietnam Airlines saved around $6.7 million.

The policy of reducing environmental protection tax on aviation fuel has also helped airlines reduce costs by as much as $7 million last year, expected to be about $18.7 million in 2021.

Last November, Vietnam Airlines obtained a credit package worth $174 million. Due to that, Vietjet also requested a credit package of between $175-215 million for the 2021-2023 period, with interest rates reduced by 4 per cent. Meanwhile, Bamboo Airways called for a refinanced zero interest long-term loan of $217 million and long-term loans worth the same amount from commercial banks with subsidised interest rates.

However, the support does not yet seem to be enough for the development of Vietnamese airlines.

According to the Vietnam Aviation Business Association (VABA), it is estimated that Vietnamese airlines are projected to suffer a total loss of up to VND15 trillion ($652.17 million) in 2021 because revenues continue to fall sharply compared to that of last year. The association said airlines are simply suffering from cash flow risk exhaustion.

A proposal from the VABA for credit assistance to aviation companies recently submitted to the Ministry of Planning and Investment suggests reducing the environmental tax on fuels to around VND1,000 (4 US cents) per litre and extending deadlines for paying various taxes.

Beyond proposals for financial support, the VABA also suggested to the government to create encouraging policies to promote quarantine tourism products at hotels and resorts as well as diversify staycation products to help both domestic and international tourists understand many more of the cultural traditions and identities of Vietnam during their temporary quarantine period.

At the same time, the association wants a step-by-step reopening of international routes, and accepting international travellers with vaccine passports into Vietnam.

6. How the Vietnamese fashion and textile industries can bounce back

How has the global supply chain for fashion and textiles been impacted by COVID-19?

Associate Professor Nayak: The pandemic has brought unprecedented challenges for many industries including fashion and textiles. As this sector is highly dependent on the globally integrated supply chain, it has faced significant disruptions.

Take Europe as an example, the manufacturing of clothing here dropped by 37.4 per cent during April-September 2020 compared to the same period in 2019. Meanwhile, the drop in retail sales was an astounding 43.5 per cent during this period.

The global data for fashion and textile imports by the US and European Union (EU), the two major export destinations for fashion and textiles of Viet Nam, have shown a cancellation of orders worth US$16.2 billion during April-June 2020. Many global retailers and garment manufacturers have either downsized or completely ceased their operations due to a substantial reduction in demand.

How are the Vietnamese fashion and textile industries coping with such changes?

Dr George: They have shown good resilience during the COVID-19 outbreak until now. Although many orders from the US, EU and other countries were cancelled during the outbreak of COVID-19 in 2020, the local manufacturers have diversified their product lines to other products such as non-woven facemasks, antibacterial facemasks, and protective clothing for healthcare workers including high-tech personal protective equipment (PPE).

In addition, Vietnamese fashion industries have been better prepared to deliver export orders compared to their counterparts in Cambodia, Myanmar, India, and Indonesia, where COVID-19 control measures are not as strong.

The major challenge that needs to be addressed in the Vietnamese fashion supply chain is how to receive enough orders from the major importing countries in the US and EU. As such, there has not been a substantial increase in the orders in the last quarter of 2020 and early 2021 due to continued lockdown in some parts of the EU and the US in addition to the changing lifestyle of consumers working from home.

How can the local fashion and textile sector come back stronger in the future?

Associate Professor Nayak: Some of the key solutions include Government support such as easing the trade barriers with importing countries, and reduced interest rates and financial support.

For example, the EU-Viet Nam Free Trade Agreement (EVFTA) is helping to increase trade between Viet Nam and the EU. Similarly, the

Regional Comprehensive Economic Partnership (RCEP) is opening new export opportunities such as with Japan, China and India, saving costs, and making the supply chain process more flexible. FTAs with other countries can help the Vietnamese fashion and textile industries attract new global brands.

Meanwhile, reduced interest rates and financial support by the government towards automation and technical upgrades can help the industries implement modern technologies that improve productivity, efficiency, and overall product quality. Further, the industries can be in a better place to meet the environmental standards set by the importing countries and also invest in diversified product lines as per the global requirements.

Dr George: The demand in Europe and the US has still not gone up to expected levels due to the continued closure of retail business in some parts. To address this short-term issue, the fashion and textile industries should find new markets for existing products, in addition to exploiting the local demand. Further, they should also diversify their product lines to include emerging products that are in global demand such as facial masks, loungewear, and leisurewear.

In the long term, the focus should be on sustainable development, advanced technologies and automation. Other areas that need to be considered include strengthening the operational capacities, bridging the gap in infrastructure, enhancing the skillset of the labour force, and enhancing the export image of the country as a destination for fashion and textiles.

A lesson can be learnt from Bangladesh, which has shown resilience in overcoming the impact of COVID-19. Many fabric industries in Bangladesh have modernised their manufacturing methods to become self-reliant. This is a major chink in the armour of Viet Nam's fashion and textile industries. They should prioritise upgrading the fabric manufacturing industries with the latest technology so that Viet Nam can become self-reliant in these production inputs.

Who are the stakeholders that need to take part and how can they work together?

Associate Professor Nayak: The fashion and textile industries should prepare themselves to overcome all the hurdles post-pandemic. The manufacturers should operate closely with the buyers to understand and fulfil the shifting market demand using various digital platforms.

All the retailers operating in local or global markets will focus on omnichannel operations, where e-commerce complements the physical retail stores. There was an increased use of online platforms by customers in many countries including Viet Nam in 2020 due to social distancing and lockdowns. This trend has continued in the first quarter of 2021 and will be the future trend even when life comes back to normal. Hence, the manufacturers and retailers should use omnichannels for their retail distribution (physical as well as online selling).

For retailers, another major focus will be to thoroughly understand the market demand and avoid the problem of excess inventory. They should source the products that are in demand close to the season. The sourcing should be done in small quantities and especially from suppliers closer to them.

Dr George: The manufacturers, on the other hand, should focus on manufacturing the products with global demand, upgrading their technology, making sustainable products, and using digital platforms. Waste reduction will be also a major focus of the manufacturers by using the concepts of lean and agile manufacturing to save costs.

The relationship between the buyers and suppliers needs to be strengthened by effective communication so that the consumer demand is fulfilled appropriately. For manufacturers and retailers, this is the time to retrospect, redesign their supply chains, seek the right future products, and invest in the requirements of tomorrow. The short-term and long-term planning will not only help the industries to stay fit post-pandemic but also help them to better prepare themselves to be resilient if similar pandemic-like situations arise in the future.

7. E-commerce platform a boost for Vietnam’s exports to EU

The recent debut of the Vietnam-EU e-commerce platform (VEFTA) is expected to boost Vietnam's exports to the EU market, experts have said.

Nguyen Kim Hung, head of the Vietnam Institute of Business Administration and Digital Economy, said the platform will serve as a B2B marketplace, helping connect Vietnamese firms and international trade partners, especially those from Europe.

Once completed, it will be directly linked with the existing e-commerce platforms of cities, provinces, and sectors, he said, noting that the platform will also provide necessary information about trade agreements and policies regarding international trade.

Efforts are being made to build a digital eco-system to facilitate connectivity and trading by enterprises on a single platform, according to Hung.

Deputy Minister of Industry and Trade Cao Quoc Hung stressed the significance of the platform for small and medium-sized enterprises and household businesses.

Nguyen Viet Cuong, Director of the Kim Nam Tech Company Limited, said that with a trading scale larger than present platforms, the VEFTA enables the export of "Made in Vietnam" products, mainly agro-forestry products and footwear, to the EU.

Meanwhile, Chairman of the Vietnam Association of Small and Medium Enterprises Nguyen Van Than said the association wishes to accompany its members and the Ministry of Industry and Trade (MoIT) in studying solutions, focusing on digital transformation and e-commerce, in an effort to help domestic firms optimise advantages generated by the EU-Vietnam Free Trade Agreement (EVFTA).

According to the MoIT, Vietnam's exports to the EU were up 3.5 percent in the opening months of the trade deal, from August to December last year.

During the first quarter of this year, trade turnover hit 9.9 billion USD, an 18 percent increase year-on-year.

Vietnam posted a trade surplus of 4 billion USD with the EU in January and February, representing a year-on-year rise of 36.3 percent.

Plastic materials, rubber products, computers, electronics and components, steel, and chemicals saw the highest increases in export revenue.

Corporate News

8. HDB: HDBank estimates 67 per cent rise in first-quarter profit

↑ 1.08%

HDBank achieved positive business results in the first quarter of 2021. Specifically, consolidated pre-tax profit reached more than VND2 trillion ($86.96 million), an increase of 67.8 per cent compared to the first quarter of 2020, of which standalone profit was more than VND1.81 trillion ($78.7 million), nearly two times the VND964 billion ($41.9 million) in the first quarter of 2020.

Return on equity (ROE) was over 26 per cent, higher than the 19.2 per cent level in the same period last year. Return on assets (ROA) also increased sharply, reaching over 2 per cent compared to the 1.7 per cent in the first quarter of 2020.

As of March 31, outstanding loans were around VND198 trillion (8.6 billion), up 5.2 per cent compared to December 31, 2020. The bank continues to develop traditional customer segments, with high return and well-controlled risks such as agricultural loans, business households and individuals, small- and medium-sized enterprises in the supply chain. Asset quality was well controlled, with performance among the best in the industry. Capital adequacy ratio (CAR – Basel II) reached 12 per cent.

Accompanying customers to achieve the dual goal of fighting the pandemic while developing the economy, HDBank continues to deploy programmes with low interest rates from only 3 per cent per annum to support individuals and micro-enterprises. The bank has also waived many types of transaction fees to support customers.

In parallel with high credit growth, banking services also made a major breakthrough. Net service income in the first quarter was nearly two times higher than in the first quarter of 2020. This is the third consecutive quarter that the net service income has attained an impressive growth rate, validating the huge room for development of HDBank's service segment.

HDBank is one of the few banks that have not signed an exclusive bancassurance cooperation agreement, so the room to develop bancassurance, credit cards, and other service products remains large in 2021 and the coming years.

9. VCB: Board approves transactions with a related company

↓ -1.86%

On April 06, 2021, the Board of Directors of Joint Stock Commercial Bank for Foreign Trade of Viet Nam (Vietcombank) issued a resolution on the approval for agreements and transactions between Vietcombank and FPT Information System Co., Ltd. (the related person is Mr. Truong Gia Binh, Independent Member of the Board of Directors) for the packages of, investing in Firewall category; purchase Laptop and PC for Vietcombank.

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