VIETNAM DAILY NEWS

JSI

JAPAN SECURITIES INC.

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Market Analysis

1. Main index rockets to new record

Strong cash flows coupled with positive investor sentiment, triggered by a surge in the liquidity on the Hochiminh Stock Exchange, pushed the VN-Index to an all-time high of 1,252.45 points today, April 12.

Closing the day, the main index jumped by 20.79 points, or 1.69%, against the session earlier, with advancers outnumbering losers by 301 to 134.

Trade volume totaled some 890.31 million shares worth over VND21.5 trillion, up 21.49% in volume and 18.17% in value from the previous session. The value of traded stocks was also the highest-ever.

Some 32.67 million shares worth over VND1.5 trillion were traded in block deals.

In the VN30 basket, only six stocks tumbled.

Meanwhile, many large-cap stocks posted a sharp increase. For example, property developer VIC jumped 5.7% at VND132,000; VIC's housing affiliate VHM added 2.9% at VND101,800; steelmaker HPG picked up 3.3% at VND51,200; and real estate firm NVL surged 5.9% at VND95,300.

Other major contributors were bank stocks, with large-cap ones increasing more than 1% each. Notably, STB soared 3.3% at VND23,450. It also led the southern bourse in terms of liquidity with 49.31 million shares changing hands.

The HNX-Index of the Hanoi Stock Exchange also continued its upward spiral, adding 1.75 points against the session earlier at 293.79 points.

There were more than 183 million shares worth some VND3.1 trillion changing hands, with nearly 8.6 million shares, valued at VND120.39 billion, being traded in block deals.

Some large-cap stocks in the HNX30 basket inched up, such as lender SHB by 0.4% and stone processor VCS by 0.7%.

Further, securities company SHS rose 2.5% at VND32,400; bank stock NVB edged up 2.2% at VND18,300; and MBS expanded 2.3% at VND26,900.

Trading and food service firm KLF and securities enterprise ART, which are associated firms of FLC, were the most actively traded stocks on the bourse with matching volumes of 15.77 million and 1.85 million shares, respectively. ART rose 6.9% at VND10,900 and KLF surged 8.7% to its ceiling price of VND5,000.

Macro & Policies

2. FDI inflows surge into industrial real estate market

Notably, among the 10 newly-licensed projects in the domestic real estate sector by foreign investors during the first quarter of the year, Japanese electronics giant Panasonic was granted an investment license for a US$25.53 million workshop project at Thang Long 2 Industrial Park located in the northern province of Hung Yen.

In line with the development plan for the project, Panasonic is aiming to build the workshop between January, 2023, and March, 2024, with the project set to come into operation ahead in April, 2024.

This comes following Panasonic initiating plans to shut down a large appliance factory outside of Bangkok in March, whilst seeking to consolidate production to a larger facility in the nation in order to achieve greater efficiency, according to Nikkei newspaper of Japan.

The warehousing industry attracted the majority of foreign capital throughout the reviewed period. Especially, eight out of ten newly-licensed projects are within the industrial real estate segment, with a total investment capital of over US$430 million, equal to 99.7% of the total newly-registered capital.

Singapore became the largest foreign investor within the local real estate market during the three-month period following Amigos An Phu Holding Pte. Ltd registering to invest in the US$185 million project at New Motion Industrial Co., Ltd in Phu Tan Industrial Park in the southern province of Binh DuonThe Singaporean investor has also put plans in place to start construction on a warehousing and office building cluster ahead in the second quarter of the year, with the project anticipated to be put into operation on a trial basis during the third quarter of the year.

Furthermore, BW Industrial development JSC of the Netherlands has recently poured a sum of US$80.61 million in investment capital into building a warehouse for rent, whilst providing warehouse and logistics services in Tan Phu Trung Industrial Park in Cu Chi district of Ho Chi Minh City.

This increase in FDI inflows in the domestic industrial real estate sector can be attributed to the optimism of foreign investors regarding investment prospects in the Vietnamese industrial production and logistics industry following a challenging year which involved disruption in the global supply chain caused by the novel coronavirus (COVID-19).

Vietnam started the year with great potential as it rose to be among the top ten emerging markets in terms of performance in the logistics industry. Boasting substantial infrastructure improvements, low operating costs, and large corporate tax exemptions, the country represents an enticing market for plenty of foreign investment, especially in relation to the industrial manufacturing sector.

John Campbell, industrial services manager of Savills, said the nation features the lowest operating costs based upon analysis done on industrial real estate in 54 markets across 21 countries, which has become one of the key factors to help the country increase its attractiveness to multinational companies.

3. First-quarter growth fairly impressive: Chief economist, Institute of Economic and policy research

Economic growth was below the expectations of Resolution 01, and it was not much higher than in the same period of 2020. How would you evaluate this?

In my opinion, this 4.48 per cent growth is rather impressive. First of all, although production and business activities were strongly developing in 2019 with a growth rate of 7.02 per cent for the whole year, it expanded only 3.68 per cent in the first quarter of 2020.

The first quarter this year, however, was quite different from the situation one year ago. While GDP growth in 2020 was 2.92 per cent, the lowest level since Vietnam embraced international economic integration, the GDP growth in this first quarter was higher.

Second, production and business operations were fairly stable during the first quarter of 2020, while Vietnam was dealing with the dual task of maintaining production and business as usual while containing COVID-19 during the first quarter this year.

Also, in 2021 Vietnam has suffered numerous difficulties from earlier periods such as the consequences of the US-China trade war, climate change, droughts, floods, sea level rise, saltwater intrusion, global recession in trade, plus pandemic drastic implications.

Looking back on these factors, economists agree that the country's positive growth in this year's first quarter has been acceptable and truly encouraging.

How would you explain this upbeat growth?

Agriculture this year has made a vital contribution to economic growth, accounting for 11.71 per cent of the national GDP. Its growth rate reached 3.16 per cent, contributing 8.34 per cent to the overall growth.

The recovery of the processing and manufacturing industry has played an important role in economic growth in recent years.

The recovery of the processing and manufacturing industry has played an important role in economic growth in recent years. This segment in the first quarter of 2021 increased by 9.45 per cent, up 7.12 per cent compared to the same period last year when trade and travel around the world was normal. This has created momentum for exports to increase by over 24 per cent.

In fact, the export in this first quarter was expected to grow by 4-5 per cent, but was up 22 per cent instead, reaching $77.34 billion. Besides, foreign direct investment attraction has resumed and surged 18.5 per cent, showing incredible performance.

What are your expectations for GDP growth in the second quarter?

Just keeping the tempo, the second-quarter growth in 2021 must be at least 7-8 per cent. In 2020, GDP in the second quarter increased only 0.39 per cent, the lowest growth rate in history.

It is no wonder that GDP growth will stay high in the second quarter. In 2021, the world economy was forecast to increase by 4-5 per cent, even over 6 per cent according to international financial institutions. In fact, this year is just a reboot after the world economy fell more than 4 per cent last year.

Are there any difficulties that could hinder Vietnam's efforts to achieve the GDP growth target of 6-6.5 per cent for this year?

Global trade has faced unusual difficulties from the lack of containers for export-import activities, which has increased transportation costs. In Vietnam, this has challenged several goods categories like frozen and fresh products, food and foodstuffs which need to be preserved, especially during transportation. However, these items only make up a small proportion of total export turnover, while key export products like textiles, footwear, electronics, phone systems and components were not affected by this container shortage.

Besides, because people are accustomed to living in "COVID-19 times”, consumer demand for goods, services, as well as inputs of production and business continue as usual. In particular, inbound tourism that is anticipated to pick up during the upcoming holiday occasion of April 30 and May 1 is expected to help boost domestic consumption.

4. Vietnam Airlines’ proposal to set floor airfares affects recovery of Vietnam tourism industry

The recent proposal of the national flag carrier to set floor prices for air tickets will affect the tourism industry which is struggling to recover, local experts said.

In Vietnam Airlines' proposal to the Civil Aviation Authority of Vietnam (CAAV), the airline called for increasing price ceiling by up to VND250,000 (US$11) for flight distance from 500 – 1,280 km, while the minimum price for flight route of less than 500 km would be VND414,000 (US$18) and up to VND917,000 (US$40) for flights of over 1,280 km.

In another alternative, price floor suggested by the airline should be 35% of the price ceiling, ranging from VND560,000 (US$24.44) for flight of less than 500 km to VND1.4 million (US$61) for flights of over 1,280 km.

"We never sell tickets with VND0 and don't agree with the competition by reducing air tickets. We focus on the quality of services to bring customers the best experiences," Dang Anh Tuan, the airline's Communications Manager, said.

"State management agencies will decide on the solutions after studying and considering the proposal," he added.

Dr. Ngo Tri Long, a local economist, said that, in the current period, when airlines have faced difficulties due to Covid-19, the application of the floor price is not beneficial for consumers as well as does not encourage competition among local businesses.

"The proposal goes against the Law on Price as it would leave the air travel market without competition. I think the aviation authority should only set ceiling prices and not floor ones," Long underlined.

Specifically, the competition in the market is weak as Vietnam Airlines and Vietjet Air account for more than 50%, thereby, the proposal to impose floor prices is unreasonable.

Being of the same mind, Mai Thi Thao, Deputy Director of TAT Law Firm, said that, with such the proposal, the cost of airfare would increase leading to the hike in prices of tours and other services.

"This is not good for consumers and eliminate the competition among local airlines," Thao said.

Currently, the CAAV has not made any decision on the proposal.

5. Vietnam gas consumption to double in next 10 years: Fitch Solutions

Vietnam's gas consumption is predicted to accelerate strongly over the coming decade, more than doubling, over the duration of the upcoming Power Development Plan VIII (PDP VIII) [2021-2030].

"The potential of the Vietnamese gas market is strong," stated the Fitch Solutions in a note, saying in comparison to markets similar in terms the size of the consumer market as measured by population, Vietnam appears undersupplied in gas both in terms of absolute consumption volume and per capita.

The domestic gas network is also found deficient with Vietnam ranking 15th out of 17 Asia-Pacific gas markets as per the CIA Factbook in terms of total gas pipeline length, despite having historically been self-sufficient in gas.

The current gas demand is predicted to be more than double over the next decade, from about 9.7 billion cubic meters (bcm) in 2020 to above 25.3 bcm in 2030. It is also expected that influx of LNG will help counter the decline in domestic production.

However, long-term growth has the potential to far outpace the current forecast, as more projects in the pipeline gain clarity and are brought online, stated Fitch Solutions.

Under the draft PDP VIII, the Ministry of Industry and Trade (MoIT) outlines ambitious growth targets for power generation from natural gas and renewables.

The share of gas-fired generation capacity is forecast to grow from about 14.9% in 2020 to 21% in 2030 and further to 24% in 2045, while that for renewables is expected to increase from 9.9% in 2020 to 29% in 2030, and to over 40% in 2045.

"These are expected to occur at the expense of coal and hydropower, which are more pollutive and environmentally damaging to produce domestically," added Fitch Solutions.

The PDP does indicate that coal use in the domestic market would continue even as emphasis shifts to using cleaner forms of energy, although consumption will increasingly become dependent on imports as domestic supply declines.

The share of imported energy is also expected to see marginal growth, so as to minimize the environmental footprint from producing own energy.

Capital inflows into the sector also look set to strengthen over the duration of the PDP. The Plan estimates that an investment of about US$128.3 billion will be needed over the next decade in order to realize the aforementioned growth targets in natural gas and renewables generation.

From the sum, US$95.4 billion is expected to be allocated to the development of power sources with an excess of US$56 billion worth of LNG regasification and LNG-to-power projects already lined up to be commissioned over the next decade.

The current pipeline features 23 different projects and is notable for its strong US presence; of the 23, 11 projects worth a combined US$35.9 billion and 32.6GW in generation capacity, are backed up by pledges of funding from US firms, to be completed over 2023-2030.

In addition, about US$32.9 billion will be set aside for the duration of the PDP for expanding the national grid network.

6. MoIT proposes 35 percent cap on foreign investment in petrol market

The Ministry of Industry and Trade (MoIT) has proposed a 35 percent cap on foreign investment in local oil and petrol businesses, but said it was open to scrapping the regulation.

The proposal is part of the draft revision and supplement of several articles in Government Decree No 83/2014/ND-CP on petrol and oil trading, which currently does not regulate a cap on foreign investment in the sector.

The ministry said 24 out of 25 comments from Government members approved the draft decree with the 35 percent cap, while one disagreed.

The MoIT said foreign investment into the local petrol and oil market has caused controversy over the years and the Ministries of Public Security, Planning and Investment, and Finance have long had concerns about energy security, legality and the intrinsic benefits of investment from foreign firms.

The MoIT said despite these concerns, several firms already have sizeable foreign ownership, including Petrolimex (20 percent owned by foreign investors), PVOil (35 percent) and BSR (49 percent) through equitisation, capital mobilisation and receiving approval from the Prime Minister. All the above firms have operated stably.

Foreign investors have contributed to a significant improvement in governance and transparency in financial statements, improving efficiency and competitiveness, while helping businesses increase their value, the MoIT said.

According to the ministry, foreign investors have abided by Vietnamese laws and regulations in the sector, but a lack of specific regulations on the shareholding ratios of foreign investors has caused confusion among domestic firms and regulators when discussing investment and capital increases.

The issue has even caused a lack of consistency in the shareholding rate when listing on the stock exchange.

In addition to the State-owned enterprises that have been permitted to sell stakes to foreign investors by the PM upon equitisation, there are thousands of listed petroleum companies that wish to attract foreign investors. Foreign businesses are also interested in their stocks but face difficulties due to the lack of clear and specific regulations.

These issues prompted the draft revision of the decree and the ministry is in favour of the 35 percent cap.

"The proposal to open the petroleum market stems from the needs of domestic petroleum businesses, not from foreign enterprises," said the MoIT, adding that many countries have opened their petroleum markets such as China, Singapore, Thailand and Japan.

The ministry said petroleum enterprises, regardless of economic sector, when doing business in Vietnam, must comply with the conditions and provisions of this decree and other documents.

Any stake transfer is an indirect investment activity that does not allow enterprises to directly exercise the right to distribute petroleum in Vietnam. The exercise of the right to distribute petroleum in the country is only possible when a foreign enterprise establishes a branch in Vietnam.

7. Processing industry leads Q1 export growth

According to the Ministry of Industry and Trade, Viet Nam's export turnover in the first three months was estimated at $77.34 billion, up 22 per cent year-on-year.

Products posting the highest turnover included phones and components ($14.08 billion), computers, electronic devices and components ($11.96 billion), and machinery, equipment, and spare parts ($9.1 billion).

Agro-forestry-fishery exports, despite being hit hard by COVID-19, brought in approximately $5.97 billion, an annual increase of 6.6 per cent.

The growth was attributable to companies effectively taking advantage of new-generation free trade agreements.

Cao Quoc Hung, Deputy Minister of Industry and Trade, said that since the EU-Vietnam Free Trade Agreement (EVFTA) took effect in August last year, Viet Nam's exports to the bloc had been rising and grew 18 per cent in the first quarter.

Viet Nam also posted high growth in export value to members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), such as Canada (up 13.7 per cent), Australia (17 per cent), Chile (25.6 per cent), and Mexico (12.7 per cent).

Optimising the advantages from FTAs would be a key factor in stimulating Vietnam's exports in the time to come, he said.

Trade surplus over 2 billion USD

Viet Nam's imports in the first quarter, meanwhile, stood at $75.31 billion, a year-on-year increase of 26.3 per cent.

Of the total import value, $66.1 billion came from purchasing raw materials and accessories for domestic production. This showed that firms were preparing for a new post-pandemic business cycle.

Ho Le Tung, general director of the Hanoi Textile & Garment JSC (Hanosimex), said that yarn had sold well in the market since the fourth quarter of last year.

Hanosimex's yarn factories were working at full capacity, as the company had contracts until May, he added.

Viet Nam posted a trade surplus of $2.03 billion in the first quarter, supporting its current and overall payment balance.

But its exports are forecast to face continued difficulties due to COVID-19, which may cause further interruptions to supply chains.

To accomplish the target set for the year, the Ministry of Industry and Trade is intensifying export promotion activities, including those online, to support businesses.

Corporate News

8. POW: PV Power reports over 31.2 mln USD in post-tax profit in Q1

↑ 3.26%

PetroVietnam Power Corporation (PV Power) reported a post-tax profit of 720 billion VND (over 31.2 million USD) the first quarter of 2021, surpassing the quarterly plan by 6 percent.

Deputy Director of PV Power Nguyen Thi Ngoc Bich attributed the firm's strong growth profit to its finance investment activities in the period, including the successful divestment of over 19.93 million shares at Petro Vietnam machinery-technology JSC (PV MACHINO), which generated a pre-tax profit of 350 billion VND.

Dividends worth about 170 billion VND that PV Power received from Nhon Trach 2 thermal power JSC also contributed significantly to its profit in the last three months.

However, PV Power's electricity output reached 4.64 billion kWh in the reviewed period, equal to only 90 percent of the set plan for the first quarter, and 88 percent of the same period last year.

PV Power will closely work with the Electricity of Vietnam, the National Load Dispatch Centre (A0), the Vietnam National Coal and Mineral Industries Group (Vinacomin), and the PetroVietnam Gas Joint Stock Corporation (PV GAS) in operating its power plants, towards producing 5.923 billion kWh in the second quarter.

It also plans to pour investment into Nhon Trach 3 and 4 power plants in the coming time.

9. STB: Sacombank, Bamboo Airways in strategic tie-up

↑ 3.30%

Under the agreement, Sacombank will provide credit, bank guarantees, domestic and international payment services, and cash flow management and foreign exchange services to Bamboo Airways and its eco-system, helping the carrier save time and manpower, optimise costs and be proactive in cash flow management.

It will also offer individual financial services at preferential rates to employees of the airline's eco-system.

It will use the services of Bamboo Airways and its eco-system as much as possible.

Bamboo Airways with its domestic and international flight networks will provide Sacombank with passenger and goods transport services, MICE- and golf-related services, and other commercial services with special offers.

With its eco-system covering aviation, hospitality and golf, Bamboo Airways will design and offer policies based on Sacombank's customers' needs.

In its media campaigns, the airline will also promote its partners' products and services, ensuring Sacombank's brand image reaches millions of local and foreign customers.

The co-operation will maximise both sides' customers and partners' benefits.

Duong Cong Minh, the lender's chairman, said: "Sacombank has a customer network of more than 14 million and is one of the banks with the largest customer network in Viet Nam.

"With the motto of "Always strive to serve customers the best way', Sacombank never stops researching and developing modern, versatile and optimal financial solutions and products for customers.

"In co-operating with Bamboo Airways, a newly launched airline but one that has made impressive strides thanks to its dedication and responsibility towards customers, I expect the two sides to bring practical benefits to customers, shareholders and the whole economy."

As part of their collaboration, Sacombank, Bamboo Airways will launch attractive promotions, and versatile and modern products.

They are expected to soon launch a co-branded credit card that offers a series of unique benefits to their customers.

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