



VIETNAM DAILY NEWS



July 22nd, 2021

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Market Analysis

1. Shares reverse course, foreign investors flee market

Shares settled lower on Wednesday as selling force overweighed bullish sentiment gathering in the previous session. Foreign investors also net sold a great value of shares.

On the Ho Chi Minh Stock Exchange (HoSE), the market benchmark VN-Index fell 0.2 per cent to close on Wednesday at 1,270.79 points.

The index reclaimed nearly 30 points in Tuesday's trade as investors' risk appetite returned. The trend continued in Wednesday's morning trade, then reversed course in the afternoon.

The market's breadth was still positive with 171 stocks declining, while 185 stocks climbed. Meanwhile, the liquidity was weaker as VND16 trillion (over US\$694 million) was poured into the market, worth a trading volume of nearly 452 million shares.

The index's reversal was mainly due to losses in many large-cap stocks, mostly in banking, utilities and material sectors. The VN30-Index, which tracks 30 biggest stocks in HoSE, also dropped 0.32 per cent to 1,406.54 points.

Twenty-one of 30 biggest stocks in the VN30 basket plunged while nine rose.

Bank stocks led the downward trend on Wednesday, followed by utilities and material stocks. Of which Vietcombank (VCB) lost the most in market capitalisation, down 1.2 per cent.

PetroVietnam Gas JSC (PVGas, GAS), Hoa Phat Group (HPG), Vietnam Rubber Group (GVR) and Vietinbank (CTG) also posted losses of more than 1 per cent.

The fall was capped by gains in some pillar stocks, especially in real estate sectors. Accordingly, three out of five most influential stocks were in this sector, with Vinhomes being the biggest gainer yesterday, up 1.31 per cent. It was followed by Vingroup JSC (VIC), Techcombank (TCB) and Vincom Retail JSC (VRE) with all rising in a range of 0.97 - 1.62 per cent.

Other stocks supporting the market were Saigon Beer - Alcohol - Beverage Corporation (SAB), Viet Nam National Petroleum Group (Petrolimex, PLX) and Vietnam Airlines JSC (HVN).

On the Ha Noi Stock Exchange (HNX), the HNX-Index also declined by 0.1 per cent to 300.8 points.

During the session, over 62.4 million shares were traded on the northern bourse, worth more than VND1.4 trillion.

In a daily report to customers, analysts from Saigon-Hanoi Securities JSC (SHS) recommended investors take the wait-and-see approach towards market movements.

On the other hand, foreign investors fled from the market again as they net sold a value of nearly VND1.39 trillion on HoSE. Meanwhile they net bought a value of VND9.66 billion on HNX.

Macro & Policies

2. Lending interest rates unlikely to decline sharply

Shareholders' consensus required

About a week after the call of the State Bank of Vietnam (SBV), more than ten commercial banks have announced to lower lending interest rates from now until the end of the year. Commercial banks have introduced specific and public policies from the time of implementation to beneficiaries. The reduction of lending interest rates from 1 percent to more than 2 percent per annum, depending on the difficulty level of customers. Some commercial banks specified the total amount, the outstanding balance, and the number of customers that will enjoy interest-rate cuts this time. They even announced the total decrease in profits if they fully implement the interest rate cut.

Vietcombank's leader said that this was Vietcombank's largest interest rate cut in 2021, with a reduction of about VND1.8 trillion. However, Vietcombank will continue to launch many low-interest lending programs for new loans to help customers overcome difficulties from now until the end of the year. Agribank will spare about VND5.5 trillion to support existing customers from now until the end of the year. With this interest rate reduction, Agribank's income will decrease by nearly VND10 trillion in 2021.

Not only State-owned banks, private commercial banks, like VPBank, also said that it would support VND14 trillion of outstanding loans of both individual customers, small and medium-sized enterprises. VPBank's profit is expected to decline by VND1.5 trillion in 2021. TPBank will reduce lending interest rates by 0.5-1.2 percent per annum from now until the end of the year for nearly VND45 trillion. HDBank will lower lending interest rates for more than 18,000 customers affected by the Covid-19 pandemic, with an interest rate cut of 1-2 percent per annum. This lender focuses on supporting customer groups producing essential products, such as healthcare and food, enterprises with a large number of workers, enterprises, and individuals directly affected by the Covid-19 pandemic.

Commercial banks agree to reduce lending interest rates from now until the end of the year, but the

time to consider cutting and applying interest rates is different. Specifically, according to VPBank, small and medium-sized enterprises in the fields of tourism, hotels, education, restaurants, and passenger transport with existing loans will enjoy interest rate cuts from July 20 to the end of December 31, 2021. ACB considers adjusting interest rates for customers from July 15 to October 15. However, the interest rate reduction will depend on the extent of the impact of the pandemic on the business results of enterprises and the income of individual customers.

A leader of a private commercial bank in Ho Chi Minh City acknowledged that although there was still room to reduce lending interest rates, especially when the business results of commercial banks in the first six months of the year remained good, it was not easy to cut the lending interest rates sharply. The bank itself is also an enterprise, and the reduction of interest rates will affect its profit, so it must be agreed upon by shareholders.

Commercial banks also have to set aside financial resources to prevent the risk of increasing bad debt in the coming time. Reducing interest rates to share difficulties with enterprises at this time is necessary, but the banks themselves must give top priority to the safety of the banking system. Therefore, a wave of deep and wide reduction in lending interest rates is unlikely to happen, he said.

Synchronous policy – the decisive factor

Currently, the lending interest rate has been at the lowest level ever. This situation not only occurred at four State-owned commercial banks but also at private commercial banks, with lending interest rates dropping by 3-4 percent compared to last year.

According to the Vietnam Small and Medium-sized Enterprises Association, lending interest rates have never been as low as they are now. However, this association also said that this interest rate level is still high compared to the endurance of enterprises in the context of interrupted liquidity and no revenue. For tourism and hotel enterprises, the

decrease of 1-2 percent is not high enough due to the loss of cash flow to repay debt.

The leader of a branch of a State-owned commercial bank in HCMC said that during this time, the support provided according to the situation and the actual health of each enterprise would be more substantive than reducing interest rates equally. According to this leader, banks lending at higher interest rates than the market level should lower interest rates more sharply. Many businesses with large outstanding loans at the bank shared that reducing the interest rate by 1-2 percent per annum is not as necessary as increasing the credit limit to have more capital to cover expenses and business activities.

"We are currently revaluing collaterals, as well as the cash flow management of some enterprises, to consider increasing the credit limit according to the needs of businesses, instead of reducing interest rates for customers," he said.

The ability of enterprises to endure the fourth wave of Covid-19 is worse and worse because they have suffered the pandemic for too long. The bank's move to reduce lending interest rates is more meaningful because it helps to ease the cost burden and difficulties for enterprises. However, many people said that for enterprises to survive through the Covid-19 pandemic, authorities must have

synchronous solutions, such as promoting vaccination for workers as soon as possible, exempting land rents, fees, and taxes for enterprises. Because only when enterprises operate stably again, will the economy actually recover.

According to Dr. Nguyen Tri Hieu, a finance-banking expert, credit support for enterprises is now an urgent issue because, without credit, enterprises are on the verge of bankruptcy. As for the interest rate, it must move according to the market. The lending interest rate depends on the deposit interest rate. If the deposit interest rate declines steeply, it will cause the cash flow to run out of the banking system. Therefore, authorities and the SBV need to have mechanisms and policies to create incentives for commercial banks to boldly lower lending interest rates through reducing the refinancing interest rates and the cash reserve ratio.

"The SBV needs to mobilize commercial banks to provide a credit package of VND300 trillion with low-interest rates of about 3-5 percent per annum to support small and medium-sized enterprises. Accordingly, each commercial bank only needs to deduct 3 percent of the total credit balance to participate in this support package," Mr. Hieu suggested.

3. Vietnam, EU review bilateral trade deal implementation

Minister of Industry and Trade Nguyen Hong Dien and European Commission Vice-President and EU trade commissioner Valdis Dombrovskis have co-chaired the first meeting of the EU-Vietnam Free Trade Agreement (EVFTA)'s Trade Committee.

The meeting, held in online format, aimed to review the implementation of the deal and discuss issues related to trade and investment in both bilateral and multilateral frameworks.

Participants adopted Decision No. 01 of the committee on its operation mechanism, which comprises regulations on its function, membership, secretariat, decision-making procedure, and information transparency.

Both sides agreed to coordinate closely to speed up the implementation of the deal and cope with

matters that may pose negative impacts on the operation of businesses of both sides, thus maintaining and developing the supply chain amid COVID-19 pandemic.

At the meeting, the two sides also mentioned a number of multilateral issues such as the reform of the World Trade Organisation (WTO) and the preparation for the 12th WTO Ministerial Conference, which is scheduled to take place from November 30 to December 1 in Switzerland.

The Vietnamese side highly valued and supported the EU's efforts over the years in ensuring that the WTO operates in line with new reality in international trade and investment as well as interests of member countries, especially underdeveloped and developing ones, said Minister Dien.

The EVFTA became effective on August 1, 2020. After nearly one year of implementation, the two sides have enjoyed positive growth in bilateral

trade. Their import-export value hit 27.67 billion USD in the first six months of 2021, up 18.4 percent over the same period last year.

4. US\$10.4 billion over ten years needed to expand railway network

The ministry has submitted a draft master plan on railway development up to 2030, with a vision toward 2050, to the Prime Minister for approval. It aims to raise the sector's market share to 0.27 per cent in cargo transportation and 4.4 per cent in passenger transportation by 2030, Tuoi tre (Youth) has reported.

The volume of cargo will reach 11.8 million tonnes by 2030, up 2.3 times over 2019's figure and passenger transportation will reach 460 million people.

To achieve this goal, the national railway network will be extended to 16 routes with a total length of 4,871km. The number includes seven existing routes and nine new lines.

The seven existing routes namely Ha Noi-HCM City, Ha Noi – Hai Phong, Yen Vien - Lao Cai, Ha Noi –

Dong Dang, Ha Noi – Thai Nguyen, Kep – Ha Long – Cai Lan, Kep – Luu Xa will all be upgraded to meet domestic transport demand.

Among the nine new routes, top priority will be the North-South high-speed railway project with a plan to build a double-track railway of 1,435mm size, stretching over 1,545km.

By 2050, the national railway network will consist of 25 routes with a total length of 6,409km. This will be an increase of nine with an additional length of 1,538km.

According to Nguyen Ngoc Dong, Deputy Minister of Transport, the railway network planning for 2050 will basically not change much compared to the plan approved in Decision 1468/QD-TTg in 2015 of the Prime Minister.

5. ADB revises down growth outlook for Vietnam

The Asian Development Bank (ADB) has lowered its forecast of Vietnam's gross domestic product (GDP) growth in 2021 to 5.8 percent from its previous prediction of 6.7 percent in April, as the fourth wave of COVID-19 infections hampers the country's recovery.

Vietnam's economic growth accelerated from 1.8 percent in the first half of 2020 to 5.6 percent in the same period this year as the global recovery from the pandemic boosted export, the bank said in a report released on July 20.

However, the ongoing wave of COVID-19 infections has led to disruption in supply chains and prolonged social distancing measures in many provinces and cities whose growth rates are high. These have severely affected the circulation of goods and greatly limited economic activities in 2021.

Also as part of the report, the bank is projecting 7.2 percent economic growth for developing Asia in 2021, compared with its forecast of 7.3 percent in April, as new COVID-19 outbreaks slow the recovery in some regional economies.

Excluding the newly industrialised economies of Hong Kong (China); the Republic of Korea; Singapore; and Taiwan (China), developing Asia's updated growth outlook is 7.5 percent for 2021 and 5.7 percent for 2022, compared with earlier projections of 7.7 percent and 5.6 percent, respectively.

“Asia and the Pacific's recovery from the COVID-19 pandemic continues, although the path remains precarious amid renewed outbreaks, new virus variants, and an uneven vaccine rollout,” said ADB Chief Economist Yasuyuki Sawada.

“On top of containment and vaccination measures, phased and strategic rejuvenation of economic

activities - for instance, trade, manufacturing, and tourism - will be key to ensure that the recovery is green, inclusive, and resilient.”

The COVID-19 pandemic remains the biggest risk to the region's outlook, as outbreaks continue in many economies.

6. Thermal power companies face stiff competition from renewable energy

The intense heatwave has caused the country's electricity demand to skyrocket. According to Vietnam Electricity (EVN), the national electricity consumption has set a new peak at 42,146MW. Power consumption in the North and in Ha Noi has also set new records of 18,700MW and 4,700MW, respectively.

SSI Securities Company said in the first five months of this year, renewable energy sources took about 13 per cent of total consumption from traditional energy sources. The consumption of thermal power has also been reduced due to favourable hydrological conditions for hydropower plants to operate.

Hai Phong Thermal Power Joint Stock Company (HND) said that the electricity output in Q2 reached 95.5 per cent of the quarter's target. Profit in the quarter reached VND166 billion (US\$7.2 million). But in the first quarter, the company suffered a loss of VND11.2 billion, mainly due to the decrease in actual power output.

In the group of thermal power businesses, gas power companies have become less competitive than coal power companies. Power output from gas power plants in the first five months decreased by 16.8 per cent over the same period last year.

Profits of Nhon Trach 2 Thermal Power Joint Stock Company (NT2) have been relatively low in recent quarters. NT2 leaders attributed this to the participation of renewable energy in the country's power system.

In 2021, NT2 plans to produce 4.6 billion kWh of electricity, with total revenue of VND7.7 trillion and profit after tax of VND462.2 billion. With this plan, NT2 revenue is estimated to increase by 26.8 per cent but profit will fall by 26 per cent compared to last year's performance.

According to SSI, in the context of rising gas prices, the average selling price of electricity from gas

power plants has exceeded that of coal power plants since the beginning of 2021.

A series of thermal power stocks such as Pha Lai Thermal Power Joint Stock Company (PPC), PetroVietnam Power Nhon Trach 2 Joint Stock Company (NT2) and Hai Phong Thermal Power Joint Stock Company (HND) have undergone strong declines.

PPC has lost 14.2 per cent in the last three months and remains almost flat compared to the beginning of this year. NT2 has declined 16.2 per cent compared to early this year and HND has decreased by 6.25 per cent.

Renewable energy

Some renewable power stocks have recorded good gains since the beginning of this year.

Vinh Son-Song Hinh Hydropower JSC (VSH) has risen nearly 16 per cent since early this year. Da Nhim – Ham Thuan – Da Mi Hydro Power Joint Stock Company (NDH) increased by 15 per cent.

In the context of prosperous renewable energy development, Bamboo Capital Joint Stock Company (BCG) is focusing on developing wind power projects and rooftop solar power projects, with the goal of completing a 200MW of solar power in 2021.

Truong Thanh Development and Construction Investment Joint Stock Company (TTA) has set a revenue target of VND680 billion, profit after tax of VND150 billion, up 37 per cent and 16.2 per cent, respectively compared to last year.

The company said its power plants had stable operation and Phuong Mai Wind Power Plant project, invested by TTA and the associated company, was expected to come into operation in the second quarter of this year.

At the end of the first quarter, TTA recorded profit of VND31 billion, double that of the same period last year, because it had two plants coming into operation in the quarter, namely Pa Hu Hydropower and Ho Nui Mot Solar Power.

At Sao Mai Group Corporation, revenue from solar power has contributed positively to the business in

recent years. In 2020, this business segment brought in VND515 billion of profit for ASM, reaching 136 per cent of the yearly plan and up 227 per cent year-on-year.

In 2021, ASM sets a target of VND13 trillion in revenue, VND700 billion in profit after tax, and 10-20 per cent dividend payout ratio.

7. Six priority strategies of banks amid COVID-19 pandemic

Domestic banks will continue striving to ensure business performance and deliver on commitments to investors while supporting clients amid difficulties this year.

A survey conducted by Vietnam Report JSC pointed out six priority strategies of domestic banks at present, including accelerating digital transformation; diversifying products and expanding markets; increasing charter capital; changing operating structure; enhancing risk management; and promoting human resources training to adapt to digital transformation.

General Director of the Vietnam Report JSC Vu Dang Vinh said amid the fourth wave of COVID-19 infections, banks were forced to cut lending rates, resulting in reduction in net profits. To maintain business performance, they will increase non-credit incomes, restructure capital by cutting costs and attracting more demand deposits.

This year, banks will race to cut inter-bank money transfer fees to draw demand deposits. With an

additional registered capital of nearly 82 trillion VND, there will be more room to propel credit growth and develop the securities market, he said.

According to the survey, several banks began expanding markets in rural areas and agriculture, and linking with partners and customers in ecological system.

Experts suggested that the Government and the State Bank of Vietnam should continue assisting credit organisations in supplying capital to clients hit by the pandemic, and make it easier for them to hike capital to meet Basel II standards.

At the same time, it is necessary to perfect legal mechanisms with new business models, upgrade infrastructure, payment and data systems.

In a survey carried out by Vietnam Report in June, 75 percent of banks said the national data system has yet to be completed, which needs the Government's support to speed up digitalisation.

Corporate News

8. SSB: SeABank (Vietnam) achieving pre-tax profit of nearly VND 1,557 billion, completing 115% of the business plan for the first half of 2021

↓ -0.13%

In the face of the COVID-19's complicated developments, SeABank has proactively and effectively taken preventive measures against the pandemic while flexibly adjusting its business plan, focusing on developing online banking products, cards, and SeAMobile digital banking applications, thereby maintaining a stable growth rate.

SeABank was formally allowed by the State Bank of Vietnam on June 22, 2021, to increase its charter capital by a maximum amount of VND 2,697 billion, bringing the total charter capital of the Bank to nearly VND 14,785 billion. In addition, SeABank is evaluated as one of 17 credit institutions with significant impacts on the financial sector and Moody's has assigned SeABank B1 long-term credit rating for the third year in a row and upgraded its development prospects from Stable to Positive.

SeABank also affirms its prestigious brand internationally by receiving outstanding awards such as: Best Digital Bank in Vietnam 2021 (World Business Outlook Magazine), Top 50 Best Growth Enterprises in Vietnam, Top 500 Fastest Growing Enterprises Vietnam, Top 50 Best Enterprises, and Top 500 Largest Enterprises in Vietnam 2020 - VNR500 (Vietnam Report), etc.

To join hands with the Government and people nationwide in preventing and controlling the COVID-19 pandemic, SeABank has donated VND 10 billion to the Government's COVID-19 Vaccine Fund, VND 5 billion to Hanoi vaccination program and approximately VND 2 billion including cash and necessities to support authorities, people and laborers, especially those in Bac Giang and Bac Ninh provinces to quickly overcome the current phase of the COVID-19 pandemic.

9. FPT: FPT sees double-digit growth in first half with 11 million-dollar deals won

↓ -0.23%

The growth rate remained in the double digits thanks to increasing demand for technology and improved margin from telecom services.

With the result, in the first half of 2021, FPT has fulfilled almost 50 per cent of its annual revenue and pre-tax profit targets.

11 projects valued over \$5 million each

The technology sector (including both domestic and global IT services) maintained a critical role within FPT's ecosystem and accounted for 56 per cent in the revenue and 44 per cent in the pre-tax profit of the whole corporation.

Thanks to the rising demand in both domestic and global markets, the total value of FPT's new technology contracts escalated by 43.9 per cent

compared to the second quarter of 2020, reaching VND5.85 trillion (\$254.35 million).

The total revenue from digital transformation projects was VND2.11 trillion (\$91.74 million), a 19.3 per cent rise compared to the first six months of 2020. The growth rate was stably high thanks to FPT's efforts in delivering new technology solutions in low code, cloud, and blockchain for international clients.

In the global market, the total revenue for IT services reached VND6.68 trillion (\$290.43 million), up 15 per cent on-year while pre-tax profit reached VND1.06 trillion (\$46.1 million), up 18.4 per cent compared to last year. Revenues across all markets accelerated, especially in the US with the growth rate of 41 per cent on-year. Additionally, the corporation also won 11 deals with the size of more than \$5 million each during the first half of 2021, a drastic increase from two deals during the same period of 2020.

In the domestic market, both revenue and pre-tax profit of IT services saw great expansion. Specifically, in the first six months, total revenue reached VND2.415 trillion (\$105 million), equivalent to a 40.7 per cent rise; pre-tax profit surged by 245.1 per cent, equivalent to a total of VND246 billion (\$10.7 million). This was a remarkable result thanks to the focus on digital transformation of the government and large corporations, as well as the development of Made-by-FPT products.

A significant acquisition that happened during the first six months was the strategic investment into Base.vn. The collaboration between FPT and Base.vn will speed up the digital transformation process of over 800,000 Vietnamese small- and medium-sized enterprises.

Improved profit margin of telecom services

With a rise in PayTV profit, along with the pause in capital expenditure in new facilities due to the current pandemic situation, the pre-tax profit margin of telecom services continued to improve. Accordingly, in the first half of 2021, total revenue and pre-tax profit of this business line respectively reached VND5.847 trillion (\$254.2 million) and VND1.07 trillion (\$46.5 million), up 12.1 and 28.2 per cent on-year.

Meanwhile, the surging demand for technology education has led the revenue of the education sector to rise by 53 per cent on-year during the first half of 2021, equivalent to VND1.362 trillion (\$59.2 million).



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