VIETNAM DAILY NEWS

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Market Analysis

1. Shares manage to rise but investors still cautious

Vietnamese shares ended Monday on a positive note thanks to the rise of some individual large-caps in the final minutes of trading but investors were still cautious about the market's short-term outlook amid a lack of supportive information.

The VN-Index on the Ho Chi Minh Stock Exchange (HoSE) gained 0.31 per cent to close the trade at 1,272.71 points.

The southern market index had lost 2.34 per cent last week.

"The stock market has not shown any clear trend. Whenever a correction happens, buying demand, although not too strong, appeared," said financial news site cafef.vn.

"There is an absence of supportive information amid the complexity of the COVID-19 pandemic, which will undermine the business results of companies in the second quarter," said Nguyen Anh Khoa, specialist at Agribank Securities Co (Agriseco).

"The liquidity in recent sessions was just below VND20 trillion, showing that a large amount of money is being withdrawn. This trend is expected to continue in the short term when the number of new COVID-19 cases is still climbing," he said.

"However, with massive prevention measures implemented by the Government, this outbreak will soon be controlled, thereby helping to stabilise market sentiment," he said.

The market's breadth was neutral with 190 stocks increasing while 182 stocks declined.

The liquidity was low as over VND16 trillion was poured into the market, equivalent to a trading volume of more than 508.5 million shares.

The VN30-Index, which tracks 30 biggest stocks on the southern bourse, witnessed a rise of 0.17 per cent to 1,403.96 points. Of the VN30 basket, 16 stocks climbed while 12 slid.

The best performers in VN30 group were real estate company Novaland (NVL) with a gain of more than 4 per cent, IT giant FPT Corporation (FPT), gaining over 3 per cent, Phat Dat Real Estate (PDR) and Khang DIen House (KDH) were the two advancers with over 2 per cent. Meanwhile Thanh Thanh Cong - Bien Hoa JSC (SBT), Vinhomes (VHM), Masan Group (MSN), Vinamilk (VNM) and Refrigeration Electric Engineering Co (REE) all gained over 1 per cent.

On the other side, many banking stocks dropped. VPBank (VPB) was the biggest loser in the group as it dropped more than 3 per cent, Military Bank (MBB) dropped over 2 per cent.

On a sector basis, 16 out of 25 sector indices on the market gained ground, including wholesale, insurance, real estate, IT, healthcare, mining, rubber production, seafood processing, logistics, and construction.

On the negative side, losers were retail, banking, agriculture and securities.

On the Ha Noi Stock Exchange (HNX), the HNX-Index also gained 0.36 per cent to 302.88 points.

The northern market index had plummeted 1.95 per cent last week.

Nearly 71.6 million shares were traded on the northern market, worth VND1.6 trillion.

Macro & Policies

2. Banks set conditions to lower interest rates

However, lowering loan interest rates is difficult to achieve. Deputy Governor Dao Minh Tu of the State Bank of Vietnam had assigned the Vietnam Banks Association (VNBA) to gather consensus on reducing of interest rates. After VNBA held an online meeting, a record sixteen Commercial Banks agreed to reduce interest rates to support businesses facing difficulties during the current ongoing Covid-19 pandemic.

It is believed by many, that reduced interest rates at this time will prove to be a salvation for businesses, besides also providing support for banks. In a nutshell, it will be a boon for businesses, and also lend support to debtors in recovering from their debts. If enterprises are in trouble and unable to pay their debts, it causes more bad debts, besides increasing risk provisions, and as a result, reducing profits. Most interest rate cuts usually take place under such pressure. This time too, sixteen banks have agreed to simultaneously reduce interest rates because the State Bank of Vietnam intervened after recommendations from businesses and business associations.

However, although the banks have agreed, they have also set certain conditions. There will be no mass reduction in interest rates for all businesses in general, and banks will remain selective, only reducing for those businesses in real difficult crisis. This selection process will cause loan interest to decrease in nominal terms as compared to the needs of the business community.

It is understandable for banks to make such a proposal because the question of reducing loan interest when the period of low interest rates is coming to an end is a challenge for them. Lending and deposit interest rates in the world are increasing under the pressure of rising global inflation. Inflation in our country is higher than that of many countries in the region and the world, and this year as forecast, it has touched the risk factor.

If the State Bank of Vietnam reduces the operating interest rate at this time, it will be pouring more fuel on fire. Therefore, the State Bank of Vietnam must mobilize Commercial Banks. Most Commercial Banks are in a difficult position when the pressure to balance benefits for depositors increases when low deposit interest rates are maintained for more than a year, creating a trend of shifting idle money to other highly profitable investment channels such as real estate and securities.

Recently, some banks had to slightly increase deposit rates to hold their position to attract capital. As deposit rates increase, the risk of Vietnamese enterprises also increases in the context of the pandemic, so the loan interest rate cannot be too low. Therefore, the banks can only support a target group as per their criteria.

The calculation of the banks is not wrong, because they are in reality only credit institutions. They do business and earn profit by depositing and lending, while enjoying the difference in the interest rates. This difference is currently higher than usual, but it is the law of the market that high risk is high interest rate. The profit commitment to shareholders is still there, and it is wrong for shareholders to criticize. As a leader of a joint stock commercial bank shared, if the interest rate is reduced by 1% for the total loan balance of about VND 350,000 bn, the bank profit will decrease by about VND 1,000 bn, equivalent to 40% of the bank profit plan.

At this time, enterprises that are facing immense difficulties can hardly resolve their serious ongoing issues by just waiting for Commercial Banks to come up with solutions to bring down interest rates. What is needed now and immediately is financial support to help businesses with more liquidity to stay afloat and maintain their operations and retain their workers.

However, at this time with a raging pandemic and a tight and limited budget, the Government has to prioritize more towards its fight against the pandemic. Designing an economic support package for 2021 will be much more challenging than it was in 2020. Even the proposal to reduce interest rates by 2% on all existing loans for a term of at least one year, in which the budget provides 1% compensation and 1% support comes from Commercial Banks, is not an easy task at all, but extremely difficult to achieve.

3. PropertyGuru plans to go public in partnership with Bridgetown 2

In Vietnam, PropertyGuru is the parent group of Batdongsan.com.vn, one of the leading property sites in Vietnam.

Upon closing, the combined company is expected to begin trading on the New York Stock Exchange.

The combined company will have an enterprise value of approximately $1.35 billion and an equity value of approximately $1.78 billion at closing

The transaction is expected to deliver up to $431 million of gross proceeds through the contribution of up to $299 million of cash held in Bridgetown 2's trust account, a concurrent $100 million private investment in private equity of common stock anchored by Baillie Gifford, Naya, REA Group, Akaris Global Partners, and one of Malaysia's largest asset managers, priced at $10.00 per share.

REA Group has also committed to an additional $32 million investment. KKR, TPG Group, and REA Group will roll 100 per cent of their equity into the combined company, demonstrating their continued commitment to the company's growth strategy.

The transaction is expected to close in the fourth quarter of 2021 or the first quarter of 2022, subject to regulatory and stockholder approvals and other customary closing conditions.

PropertyGuru's management team, led by CEO and managing director Hari V. Krishnan and CFO Joe Dische will continue to lead the public company after the completion of the transaction.

Hari V. Krishnan said that the company has established a market leadership position in the Southeast Asian property ecosystem and a track record of revenue growth.

"Much of our success is the result of our investment in technology over the years and capturing strategic growth opportunities in recent times. We have a story to be told and found the right partner to help us tell it to public market investors. We are delighted to partner with Bridgetown 2 as we accelerate our mission to be the trusted advisor for property. This process of becoming a public company will provide us with greater financial resources to do what we do best – helping people find, finance, and own their homes in an efficient and transparent manner. We believe the strategic, proactive steps that we have taken over the past 18 months will enable us to stay ahead of the market's evolving needs, which are increasingly being shaped by the growth of affluent and digitally-enabled populations living in cities across Southeast Asia," said Krishnan.

Founded in 2007, PropertyGuru has grown to become Southeast Asia's No.1 digital property marketplace with leading positions in Singapore, Vietnam, Malaysia, and Thailand.

The company currently hosts more than 2.8 million monthly real estate listings and serves 37 million monthly property seekers and 49,000 active property agents across the five largest economies in Southeast Asia – Indonesia, Malaysia, Singapore, Thailand, and Vietnam.

4. Economic uncertainty weighs on Vietnamese businesses

According to Grant Thornton International Business Report for the first half of 2021, despite the strong increase in business optimism, economic uncertainty remains an issue globally with 61 per cent of firms citing ongoing uncertainty as a constraint to business.

In Vietnam, economic uncertainty has risen to its highest level on record with 68 per cent of companies identifying this as a constraint to growth, whilst a shortage of orders has been cited as a concern by 65 per cent of the companies.

The report indicates that optimism is up 8 percentage points with 58 per cent of mid-market companies now feeling optimistic, which is lower than the 64 per cent in ASEAN. Whilst revenue and profit expectations have fallen by 5 and 4 percentage points, respectively, over 63 per cent of the companies expect yearly increases in both.

Whilst a little disappointing, this is still above the ASEAN averages.

Kenneth Atkinson, founder and senior adviser of Grant Thornton Vietnam said: "In Vietnam, whilst mid-market companies displayed amazing levels of health, at the beginning of the pandemic compared to other countries in our survey this has been slowly deteriorating over the last 12 months. In the last six months companies have been impacted by worsening barriers to growth, primarily related to economic uncertainty and demand constraints, largely due to the continued outbreaks of COVID-19. There is some improvement in the general outlook but the elements are mixed with economic optimism and investment intentions strengthening and growth expectations weakening."

Vietnam has shown historic strength in export expectations but the most recent results have shown growth expectations falling by 10 percentage points. This could be due to the timing of the survey which was conducted during the start of the most recent outbreak and the export expectations had increased by 7 percentage points in the second half of 2020.

In terms of the impact of COVID-19 on Vietnamese companies, 59 per cent reported a decrease in sales, whilst 54 per cent cited a loss of business opportunities probably due to the continuing barriers to travel. 41 per cent of companies had faced difficulties because of supply chain interruptions and 40 per cent had experienced work force issues. Another popular challenge citied by 45 per cent of the companies was challenges managing stakeholders.

When looking at COVID-19 impact on earnings before interest, taxes, depreciation, and amortisation (EBITDA), 39 per cent of companies had experienced no change or an increase in 2020. A decrease of 1-9 per cent in EBITDA was reported by 23 per cent of the companies and 18 per cent reported a decrease of 10-19 per cent. 15 per cent reported a negative impact of 20 per cent or greater.

Approximately 90 per cent of companies stated that they would be making major new investments in the coming 12 months. The top four categories for operating system investment were IT security management (55 per cent), companywide IT infrastructure (49 per cent), supply chain (46 per cent), and sales optimisation and accuracy (44 per cent). Interestingly, 33 per cent of companies were going to make investments into enterprise resource planning (ERP) systems.

Vietnam saw a record number of mergers and acquisitions (M&A) transactions last year and 53 per cent of the companies stated that they were considering M&A as a way of strengthening their business whilst 26 per cent were considering M&A as a means of exiting the business.

5. Germany to provide €113.56 million of ODA to Vietnam

After online meetings between July 20 and 23 chaired by Vietnam's Ministry of Planning and Investment (MPI) and the German Federal Ministry for Economic Cooperation and Development (BMZ), the German government pledged to provide Vietnam €113.559 million in official development assistance (ODA) in 2021, including €63.559 million ($74.84 million) in non-refundable ODA for 14 investment and technical assistance projects.

Of these, the centre for disease prediction and management project operated by the Ministry of Health would be an urgent measure to cope with the COVID-19 pandemic. The project would include €15 million ($$17.66 million) in non-refundable ODA.

Deputy Minister Tran Quoc Phuong and Norbert Barthle, German Parliamentary State Secretary to the BMZ highly appreciated the relations of the two countries, including 10 years of strategic partnership, and 63 years of development cooperation.

Therefore, Barthle proposed upgrading bilateral ties to a global partnership to implement BMZ Strategies 2030 together to provide solutions for global troubles like climate change, environmental protection, and economic issues.

"Germany is the most important trade partner of Vietnam in the EU, while Vietnam is one of the very few countries where quite a high portion of the population can speak German, with the proportion getting higher. Additionally, the EU-Vietnam Free Trade Agreement (EVFTA) enables bilateral ties to be drawn even tighter," Norbert Barthle said, adding that the German government is loosening policies for trained migrant workers, which will be a good opportunity for Vietnamese people to work in Germany.

Thanks to support from the German government, 3.4 million people in the Mekong River Delta have been saved from climate change impacts, 110,000 households have managed to find employment with better income. Additionally, German partnership has been contributing to protecting Vietnam's forest resources.

However, Vietnam is still facing mounting troubles due to climate change, with 10 per cent of its agricultural areas is being affected by global warming, floods, and heavy storms, negatively affecting incomes in the sector and destabilising food security not only in Vietnam, but also in other countries. "This is a global trouble, which needs the cooperation of numerous countries and Vietnam can play an important role," he emphasised.

On June 22, Prime Minister Pham Minh Chinh had a telephone talk with his German counterpart Angela Merkel on the occasion of the 10th anniversary of the strategic partnership of the two countries (2011-2021).

"The PM and the German Chancellor agreed to exchange high-level delegations soon, boost cooperation, build a Vietnam-Germany strategic action plan in 2022-2023, as well as boost development cooperation projects in Vietnam," Deputy Minister of Planning and Investment Tran Quoc Phuong said, affirming that the government has been doing its utmost to revise decrees on the management and use of ODA and foreign concessional loans.

Thanks to amending policies and simplifying administrative procedures, in 2021, the German government pledged to accelerate projects in infrastructure and climate change, including groundwater protection (Ministry of Natural Resources and Environment), Mekong FC, disaster risk management (Ministry of Agricultural and Rural Development), data centre (Ministry of Health), macroeconomic reforms, green growth, as well as technical and vocational education and training, in addition to on-going projects like combining coastal protection and the restoration of mangrove forests in Kien Giang and Ca Mau provinces, drainage and wastewater treatment system in Son La, Lang Son, and Hoa Binh provinces, medical wastewater treatment, and Metro 2 in Ho Chi Minh City.

Three priority areas for development cooperation under BMZ Strategies 2030 are energy; vocational training; and environment, which will be renamed to training and sustainable growth for decent jobs, responsibilities for the planet; climate and energy, protecting life on earth; the environment and natural resources.

Besides these, Germany also supports Vietnam in the health sector to cope with the COVID-19 health crisis.

We always appreciate the assistance of international development partners to promote the growth of Vietnam, especially the support of the German government. Germany is one of the most trusted and important partners of Vietnam in the EU, and we are overjoyed to strengthen German-Vietnamese relations in all areas.

Development cooperation is always a key area in the bilateral strategic partnership. The priority sectors where the German government provides ODA to Vietnam are quite suitable with the goals of the country's socioeconomic development, such as high-quality human resources, sustainable energy, environmental protection, and coping with climate change. These are also priority areas for Vietnam in the time to come.

Vietnam is one of the countries most vulnerable to climate change and related natural disasters like floods, droughts, salinisation, and soil erosion, especially in the Mekong River Delta. To cope with climate change, on July 2, 2021, PM Pham Minh Chinh signed Decision No.1054/QD-TTg establishing the Mekong River Delta Coordination Council in 2021-2025 and assigned Deputy PM Le Van Thanh as chairman and MPI Minister Nguyen Chi Dung as permanent vice chairman. The Coordination Council will advise and propose the PM mechanisms, policies, strategies, plans, programmes, projects, and tasks of a regional scale, to support the sustainable development of the Mekong Delta and promote climate change adaptation.

We would like to collaborate with the German government to carry out infrastructure projects and inter-regional projects to support Vietnam in coping with climate change.

6. Seafood exporters to EU to face challenges in second half of year

It is estimated that seafood exports to the EU in the second half of the year will reach about US$600 million, with year-on-year growth of 8 per cent.

Customs statistics showed that Viet Nam's seafood exports to the EU market in the first six months of this year increased by 20 per cent to over $486 million.

VASEP said EU economies are recovering thanks to positive changes after the anti-Covid vaccination programme and post-Covid support packages.

The demand for seafood imports in the EU market started to increase strongly from March and is expected to continue to prosper in the second half of the year.

Viet Nam could seize the opportunity to boost exports to this market if it quickly controls the outbreak of COVID-19 in HCM City and other Mekong Delta provinces.

However, with the current situation of the pandemic and the IUU yellow card issue seafood exporters will have difficulty exporting to the EU in the second half of the year.

The limited source of marine fish, along with regulations on the certification of raw materials caught in accordance with EU's IUU regulations, make it more difficult for marine fish to be exported to the EU.

The EU is currently Viet Nam's fourth-largest seafood export market, after the US, Japan and China, accounting for over 11 per cent of seafood sold overseas.

The Netherlands, Germany, Belgium, and Italy, are the main markets for Viet Nam's shrimp and tuna.

7. Vietnam sees decline in textile orders

In April this year, Italian fast-fashion group Teddy began signing contracts to place orders with the HCMC-based MyOne Fashion Company, with their cooperation extending until the end of September 2021. However, while MyOne is ramping up efforts to complete orders that have already been signed, it has not made headway with several orders due to Covid-19 related complications in Vietnam.

Le Van Tam, director of MyOne Company, said, "It is impossible for the firm to complete orders signed this year in a timely manner, let alone securing new orders."

Other businesses in the textile-garment industry are also facing similar problems.

Pham Van Viet, board chairman of the Viet Thang Jean Company in HCMC, said that the stay-at-home mandate under the prime minister's Directive 16 has significantly affected the firm's operations.

During the social distancing period, the firm could arrange accommodation for only one-third of its 3,500 workers who were required to work, eat, and sleep at the firm as per the mandate. The firm's output declined sharply and the productivity of its remaining workers also decreased due to their concern over the spread of Covid-19.

Many business partners of the Viet Thang Jean Company will only place orders once the firm commits that it will resume normal operations. However, since it is still difficult to determine exactly when this will happen, the firm has yet to sign any deal for new orders.

Commenting on the probable shift of orders from Vietnam to other countries, Vu Duc Giang, chairman of the Vietnam Textile and Apparel Association, said that the shift is likely to happen.

According to Giang, 97% of textile-garment makers in the southern localities had to suspend their operations due to the resurgence of the coronavirus, thus making it tough to commit to business partners and consequently, creating concerns among business partners about the disruption of their supply chain.

Some international garment brands have also sought permission to make late payments in 2-3 months, or even six months. This is beyond the original financial plans of local textile and garment firms.

If local textile makers accept the request, they would face obstacles in rotating capital, as the access to long-term loans offered by local banks is currently challenging and risky. If they refuse the request for late payments, these brands would seek new business partners in other countries.

Giang said that the shift of orders to other countries is a temporary move. Once the pandemic is over, Vietnam will still be one of the best destinations for garment brands.

He cited the business performance of the local textile-garment industry, saying that the sector in the first half of this year exported products worth US$18.79 billion, improving 21.27% compared to the same period last year and up 4.23% against the 2019 figure. Of this, the number of textile-garment items shipped to European Union accounted for US$2.263 billion, rising 4.85% versus last year's figure.

Further, the local workforce has been increasingly upskilled, creating more quality products to meet the requirements of garment brands. Therefore, it is not a big problem when business partners shift orders to other countries, he added.

It is crucial for local textile-garment makers to take measures to retain their employees and ensure they have stable jobs and adequate benefits and allowances, as there will be a number of employees who will seek new job opportunities, resulting in a decline in the number of textile-garment employees returning to work once the pandemic has eased, Giang advised.

Corporate News

8. MBB: Financial behemoth MB Group likely to secure $5 billion in revenue by 2026

↓ -1.98%

Military Commercial Joint Stock Bank (MB) held its online Analyst Meeting on July 22. The event saw the participation of 300 guests, including representatives of 90 domestic and international investment funds and 30 securities firms, both domestically and internationally. The meeting discussed MB Group's achievements in the first six months of the year and important strategic goals in its next phase of development.

Although the COVID-19 pandemic has exerted adverse pressure on the whole economy, MB Group has proven resilient by maintaining stable operations and upbeat business performance.

By the end of the second quarter, MB achieved total consolidated assets of more than VND523 trillion ($22.74 billion), up 5.65 per cent compared to the end of 2020. Its total operating income in H1 reached VND18.117 trillion ($787.7 million), up 40 per cent on-year. Total consolidated pre-tax profit in H1 reached VND7.968 trillion ($346.43 million), a remarkable increase of 56 per cent on-year. MB also enjoyed top business performance in the period with a return on assets (ROA) ratio of 2.48 per cent and a return on equity (ROE) ratio of 23.28 per cent.

These outstanding results are a testament to MB's effective business strategy with a focus on digital transformation. Within H1, with a series of innovative products conveying MB's competitive advantages, such as introducing payments with VietQR code, personalised bank account number, phone number as account number, MB has successfully gained customers' trust, clearly illustrated by its 2.5 million new customers. The number of digital transactions nearly tripling on-year with transaction value reaching VND1.7 quadrillion ($73.9 billion), five times as much as in the same period of 2020.

MB commits to invest $50 million in radical technology infrastructure development over the past three years and at least in the next five years

MB's ambition to become a leading digital bank as well as cement its leadership has been clearly illustrated in its commitment to make an annual investment of $50 million in technology infrastructure over the past three years and at least in the next five years.

At the online Analyst Meeting, vice chairman of the Board of Directors cum CEO Luu Trung Thai emphasised that MB is determined to become the most convenient bank. “We aspire to elevate our position to greater heights to address the urgent needs of our clients with best-of-its-kind, diverse banking services.”

“We are determined to cement our solid position in the top 5 largest and most prestigious lenders in Vietnam while striving to broaden our horizon and fulfill more ambitious targets in the new strategic phase of our development. We believe the pandemic has created even bigger windows of opportunity for digitalisation. MB – as one of the most trusted banks in Vietnam – together with other subsidiaries, will move full-steam ahead to deliver seamless digitally-led financial products to customers,” he told VIR.

In addition to MB's solid performance, in the first six months of the year, MB's six subsidiaries also achieved an outstanding growth in business scale. More specifically, Military Insurance JSC (MIC) jumped up one rank to be in the Top 5 of the industry, while MB Ageas Life Insurance Co., Ltd. rose one rank up to be in the Top 11 agency channel APE (with 2.5 per cent of the market share), accompanied by the growth rate of 266 per cent – the highest in the market.

“The subsidiaries' contribution to MB Group's total profit accounted for 13.2 per cent, which is a strong improvement compared to five years ago,” said Thai.

Speaking at the meeting, Dam Nhan Duc, head of Research and Corporate Development stressed that in the 2017-2021 phase, MB has achieved consistently faster growth rates than the average of the seven largest Vietnamese commercial banks and the top three banks of each country in the region and the world. Thanks to that, MB's ranking has been remarkably improved. The revenue and profit of MB Group by the end of 2021 are forecast to triple compared to 2016.

"In the next five years, if MB Group can maintain this growth or a bit slower due to the increasing scale, the group will be highly likely to achieve $5 billion in revenue and $2 billion by the end of 2026."

9. FPT: FPT sees six-months profit up 21 per cent

↑ 3.54%

FPT attributed the positive earning results to the increased demand for technology and improved profit margins in the telecommunications segment.

After the first half of this year, the company has completed nearly 50 per cent of the year's revenue and profit targets.

The technology sector, including domestic and overseas information technology services, continued to play a key role, contributing 56 per cent of FPT's revenue and 44 per cent of pre-tax profit, equivalent to VND9 trillion and VND1.3 trillion, respectively.

Due to the constantly increasing demand for tech investment in both domestic and foreign markets, the value of new orders for FPT's technology segment increased by 43.9 per cent, reaching VND5.8 trillion.

Digital transformation revenue reached VND2.1 trillion, up 19.3 per cent compared to the first six months of 2020. The positive growth rate was thanks to FPT's efforts in implementing new technology solutions in the field of Low Code, Cloud and Blockchain for international customers.

Thanks to the increased profit from the television segment, along with the postponement of investment in infrastructure due to the complicated situation of the COVID-19 pandemic, the pre-tax profit margin of the telecommunications services segment continued to improve.

In the first half of this year, revenue and profit before tax of this segment reached VND5.8 trillion and VND1 trillion, respectively, up 12.1 per cent and 28.2 per cent, over the same period last year.

Meanwhile, a strong increase in demand for education in the information technology industry has contributed to boost FPT's education service revenue by 53 per cent in the first half of 2021 compared to the same period last year, reaching VND1.36 trillion.

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