VIETNAM DAILY NEWS

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Market Analysis

1. Shares finish higher, foreign investors net buy at the beginning of new month

The market ended higher on Monday, boosted by gains in large-cap stocks, with foreign investors continuing to net buy on both main exchanges.

The VN-Index on the Ho Chi Minh Stock Exchange (HoSE) rose 0.32 per cent to 1,314.22 points, expanding last week's rally. The index finally surpassed the threshold of 1,300 points last Friday and gained 3.2 per cent for the week.

The market's breadth was positive as 210 stocks increased while 167 declined. The liquidity continued to improve with nearly VND19.8 trillion (US$861 million) poured into the southern bourse, equivalent to a trading volume of 614.5 million shares.

The gain was still driven by big stocks in all sectors. Accordingly, the 30 biggest stocks tracker VN30-Index witnessed an increase of 0.07 per cent to 1,448.21 points.

Fifteen stocks of the VN30 basket climbed while 15 fell.

Of the top five stocks influencing the bullish trend, PetroVietnam Gas JSC (PVGas, GAS) led the gain on Monday, up 4.35 per cent.

It was followed by JSC Bank for Investment and Development of Vietnam (BIDV, BID), Mobile World Investment Corporation (MWG), Masan Group (MSN) and Vietnam Airlines JSC (HVN). All these stocks jumped at least 1.64 per cent yesterday.

Other big stocks also recorded good performance such as FPT Corporation (FPT), up 1.7 per cent, and Vietjet Aviation JSC (VJC), up 2.21 per cent.

However the gain was capped by some profit-taking activities, mostly in bank stocks. Vietcombank (VCB) posted the biggest lost in market capitalisation, down 1.02 per cent. Vietinbank (CTG) and Asia Commercial Joint Stock Bank also lost 1.66 per cent and 1.89 per cent, respectively.

On the Ha Noi Stock Exchange (HNX), the HNX-Index also finished higher on Monday, up 0.03 per cent to 314.93 points.

During the session, over 107.6 million shares were traded on the northern bourse, worth more than VND2.6 trillion.

Meanwhile, foreign investors continued to be net buyers on both exchanges with a net value of VND301.34 billion. Of which, they net bought a value of VND296.85 billion on HoSE, and a value of VND4.49 billion on HNX.

Foreign investors net bought in the last trading week of July. In general, they bought 176 million shares, worth over VND8.2 trillion, while selling 168 million shares, worth nearly VND7.5 trillion. Therefore, they net bought 8.4 million share, worth VND723 billion last week.

Macro & Policies

2. Solutions sought for struggling aviation sector to overcome COVID-19 impacts

Economists gathered at an online conference on August 2 to seek financial solutions for struggling Vietnamese airlines amid COVID-19 pandemic.

Nguyen Quoc Hung, General Secretaryr of the Vietnamese Banks Association said that before the pandemic broke out, Vietnamese airlines had recorded outstanding growth, with many private airlines emerging such as Vietjet Air and Bamboo Airways.

The consecutive outbreaks of COVID-19 from the beginning of 2020 have posed adverse impacts on the firms, he noted, pointing out the Government's efforts to support them. However, the current fourth wave of the pandemic has worsened the situation.

So far, only Vietnam Airlines has received soft loans, while other are still struggling in accessing credit, he said, explaining that due to losses in revenue, airlines fail to meet requirements in borrowing loans from banks.

Meanwhile, Bui Doan Ne, Vice Chairman and General Secretary of the Vietnam Aviation Business Association said that the association has proposed a number of solutions to the Government, including the application of "vaccine passport," the loosening of travel restrictions for passengers who receive full two vaccine shots.

Besides, the association has suggested that the Government ask for the National Assembly's approval for refinancing 5-6 trillion VND to private airlines like Vietjet Air and Bamboo Airways for a duration of 12 months with two automatic extension.

The association also asked for a 70-percent reduction of the environmental protection tax for airlines to June 30, 2022, along with cuts of aviation fees in airports and corporate income taxes for aviation personnel training facilities, he added.

Can Van Luc, an economist from the Bank for Investment and Development of Vietnam (BIDV) said that it is necessary to support airlines in overcoming COVID-19 through flexible policies and measures, ensuring fairness among all firms.

Hung underlined the need for a legal corridor for the rescue of domestic airlines, for example a National Assembly resolution, and procedures for earlier support measures should be streamlined and new mechanisms created to give airlines easier access to bank loans.

According to Ne, the COVID-19 has resulted in 80-90 percent reduction in aviation sector's revenue. Last year, the sector's passenger transport dropped by nearly 50 percent compared to 2019. In the first six months of 2021, the sector transported only 13.5 million passengers, down 14.6 percent year on year.

3. Business conditions slightly improve in July: PMI

The Vietnam Manufacturing Purchasing Managers' Index™ (PMI) ticked up to 45.1 in July from June's reading of 44.1, which, however, signaled deterioration in business conditions across the sector for the second month in a row, according to Nikkei and IHS Markit.

A reading below the 50 neutral marks indicates no change from the previous month, while a reading below 50 indicates contractions and above 50 points to an expansion.

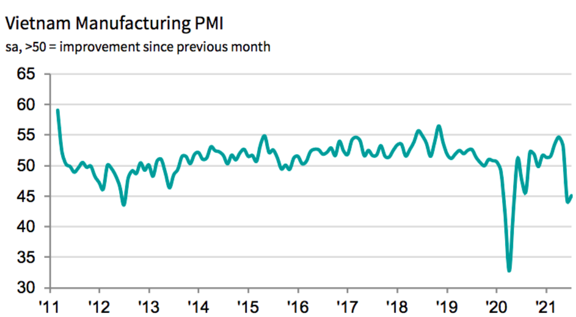
"The current wave of the Covid-19 pandemic is having a severe impact on Vietnamese manufacturers, with company closures and social distancing contributing to a steep drop off in production. Rules are also limiting how many staff members can be on-site at any time, further disrupting production lines," stated Andrew Harker, economics director at IHS Markit.

"The sector is likely to remain under pressure and struggle to generate growth until the outbreak can be brought under control, so it will be important to keep watching the Covid-19 case numbers for signs of improvement," he noted.

According to the report, the current outbreak in Vietnam led to further disruption across the manufacturing sector during July.

Anecdotal evidence from manufacturers highlighted the impact that the latest Covid-19 outbreak has had on operations. Some firms have been forced to close temporarily, while others are having to operate with reduced capacity due to social distancing measures.

These effects, alongside a marked drop in new orders, resulted in a further sharp reduction in manufacturing production at the start of the third quarter. The decline in output was softer only than those seen following the initial outbreak of the Covid-19 pandemic in March and April last year.



Source: IHS Markit.

Alongside lower total new orders, new business from abroad was also down. That said, the reduction in exports was softer than that seen for the total number of new businesses amid some reports of improving demand in international markets. Lower workloads, temporary closures, and limits on staff numbers due to social distancing requirements meant that employment decreased markedly for the second month running. While disruption to operations led to backlogs of work to build up at some firms, this was outweighed by a sharp drop in new orders. Overall, outstanding business decreased moderately.

Severe disruption to supply chains was noted in July, with the extent of delivery delays the most marked since the survey began more than a decade ago. Panelists linked longer lead times to difficulties with transportation both domestically and internationally due to the pandemic, as well as raw material shortages.

Manufacturers were also faced with surging input costs. The rate of input price inflation accelerated to the fastest since April 2011. Higher costs for raw materials such as iron and steel, products imported from China, and freight charges were all reported by respondents.

While some firms passed on these higher cost burdens to clients, others were reluctant to do so given a weak demand environment. As a result, the rate of output price inflation was much softer than that seen for input costs, suggesting pressure on profit margins.

Concerns around the ongoing impact of the pandemic meant that business confidence remained below the series average in July, although firms remained optimistic overall of output growth over the coming year.

4. Vietnam's express delivery market reached $700.4 million in 2020

The report points out that many domestic express delivery companies are operating in Vietnam and they are constantly witnessing huge growth by investing in the adoption of modern technology to meet the expanding demand in the delivery of goods through e-commerce.

High adoption of express delivery services has been observed across major essential sectors, such as food and beverages and healthcare. The demand from Vietnamese customers to receive the items on the same day or in a day's time has increased over the years.

The highest adoption is noticed across the healthcare sector. In the healthcare sector, the high demand for quality, availability, accuracy, and cost control place similarly high expectations on logistic solutions. Thus, the above-mentioned factors are likely to influence the growth of the Vietnam express delivery services market during the forecast period.

The emergence of COVID-19 across Vietnam – which led to lockdown scenarios – has led the industry experts to analyse that the industry would face at least a quarter of lag in offering express delivery services. This disruption is expected to create tremors through mid-2021. The express delivery of parcels and electronics equipment is likely to pick up pace soon as governments across Vietnam lift the various containment measures in order to revive the economy.

The flight cancellations restricting international delivery and travel to curb the spread of the pandemic, have led to substantial slowdown of express delivery service activities. There has been a decrease in letters and document parcels due to the pandemic. However, there is an increase in e-commerce parcels, owing to the rising number of people shopping through online platforms. The delivery of daily essentials and e-commerce industry is anticipated to influence the express delivery services industry in Vietnam positively throughout the COVID-19 outbreak.

The country's B2B express delivery services experienced a slowdown and came to a halt whereas B2C services are witnessing growth during the pandemic, owing to huge growth of the online retail and e-commerce industry. Further, due the interruption in supply chain and logistics, the procurement rate of various delivery services, including domestic and international, has been quite affected.

Despite the challenges, Vietnam's express delivery services market is expected to grow at a compound annual growth rate of 11.9 per cent from 2021 to 2028.

5. Actions urged to benefit from future ICT prospects

The first six months of 2021 witnessed some impressive highlights in the telecoms industry.

Telecommunications revenues rose 5 per cent, mainly attributed to mobile broadband (up 14 per cent) and fixed broadband (up 8 per cent). However, phones and texting strongly fell at 11 per cent. Therefore, to enable high growth, we cannot rely on only traditional spaces – we need new spaces for development. This means an extension of telecommunications concepts and business if we want to grow over 10 per cent.

The broadband rate, both mobile and fixed, rose 35 per cent but the national international ranking remains in the top 60. Thus, mobile network operators have to pay more due attention to service quality. Our target is to be in the top 30. The ministry has completed a measurement system on service quality and will measure and announce on the quarterly basis.

Important issues to be focused on from now to the end of the year:

First is completing digital technology platforms to serve COVID-19 prevention and fight in cities and provinces. Secondly, we have to increase the rate of online public services at level 4 from the current 41 per cent, with the target of reaching 100 per cent. Third is putting into operation virtual assistants to support state staff.

There must also be a focus on granting 4/5G frequency; developing agro platforms into e-commerce platforms; completing a measurement system for supervising the journalism space and cyberspace; and accelerating digital transformation in society in a comprehensive manner.

During the pandemic, the industry has boosted IT applications in the workplace and promoted digital transformation in the southern provinces. It also mobilised digital tech businesses to join forces in developing apps for the fight against COVID-19 from testing, and tracing to quarantine and vaccinations.

We once expected that 2021 would be better and COVID-19 could be fully stamped out. However, things do not always happen as expected. We need to take action to create a brighter future instead of waiting.

Elsewhere, the future of the post industry is e-commerce and logistics. This market is expected to hit $70-80 billion by 2025. The recent platform for e-transaction of litchi – the famous fruit of the northern province of Bac Giang has brought about the expectation of developing such a platform of farm produce into an e-commerce platform for ViettelPost and VNPost.

AI also opens new futures for e-commerce. If accounting for only 5 per cent of the e-commerce and logistics market share, by 2025, Viettel Post and VNPost will gain $4 billion revenue.

The telecommunications market segment seemed to see no growth in recent years. However, it will be able have an additional 250 million subscribers of Internet of Things (IoT) services, and an extra 50 million subscribers on digital platforms. This is the future of the next five years.

The cloud market is estimated to be valued at $5 billion by 2025. How much percentage of the market share will telcos make up: 10 per cent, or 80 per cent? If 80 per cent, the new space for them will value $4 billion. Let's invest and market. For telecoms giants, they should not set a yearly growth target of 3-5 per cent, but 10-15 per cent instead.

In the field of information security, if businesses only focus on institutions and organisations, revenues will soon reach a limit. Each family needs information security, and incidents in cyberspace happen daily and are numerous. Businesses should think about providing protection services for 125 million smartphones and tens of millions of PCs and tablets. Their growth is not 25 per cent, but 50-60 per cent.

Digital transformation should cover the whole population in a comprehensive manner, meaning 100 million people and all sectors. This market is so big that we may find it hard to imagine the possibilities. But the more customers spend on digital transformation, the more businesses gain.

"Make in Vietnam" can refer to the IoT electronics industry, telecoms devices, medical devices, IT in industry, and all that we design and do in Vietnam. The number of 100,000 Vietnamese digital technology businesses by 2025 will be a small number. And the growth of the ICT industry will be higher than the current 15 per cent.

It is time for us to think about what we are doing and the ways we are doing it. Industry 4.0 is creating opportunities for great changes. COVID-19 is a big push for us to make faster changes towards going greener and becoming more digital.

6. Deputy minister stresses significance of processing, manufacturing sector

The processing and manufacturing sector is a prerequisite to improve capacity for industrial firms and those operating in supporting industries in particular, Deputy Minister of Industry and Trade Do Thang Hai has said.

In an interview granted to the Vietnam News Agency, Hai said Vietnam should foster its processing and manufacturing sector to open up market opportunities for businesses operating in supporting industries, helping them become suppliers and join supply chains.

Hai also suggested policies to orient social resources towards production, and the allocation of resources to processing and manufacturing enterprises, thus enabling them to meet regional and international standards, and optimise free trade agreements.

Under Resolution No. 115/NQ-CP, Vietnam aims to be able to churn out supporting industrial products with high competitiveness by 2025, meeting 45 percent of the essential production and consumption demands at home, and making up around 11 percent of the total industrial value.

By 2030, supporting industrial products are expected to satisfy up to 70 percent of the domestic demands, and account for about 14 percent of the accumulative value.

To that end, the Ministry of Industry and Trade will continue its coordination with other ministries, agencies, localities and concerned organisations to speed up the building of relevant mechanisms and policies to create a comprehensive legal framework for industrial growth.

Hai said the ministry will also step up international cooperation, maximise the support of international organisations and foreign countries to raise personnel quality, transfer technologies, improve competitiveness of domestic firms, create connectivity and exchange opportunities between domestic and foreign enterprises, and further join the global production chain.

Asked about priorities in the time ahead, the official said during the 2030-2045 period, Vietnam will focus on developing new generations of IT and telecom, promoting digital technology, automation, high-end equipment, new materials and bio-technology.

The Politburo's Resolution No. 23-NQ/TW has also ordered great attention to seven major policy groups to boost priority for processing and manufacturing industries.

The groups cover industrial structure transformation, development of priority industries, investment environment, corporate development, personnel development, science and technology, natural resources exploitation, environmental protection, and climate change adaptation during industrial development.

Stable supporting industries and restructuring of chains for industrial production are crucial to improving the country's manufacturing sector, according to Vietnam Chamber of Commerce and Industry (VCCI).

The organisation has worked out a plan to develop appropriate policies for supporting industries towards minimising reliance on the import of raw materials as well as reducing prolonged, simple and low-value-added processes like packaging and plastic components.

This will enable Vietnam to not only create more value and put the country in a better position in the global supply chain, but also create more opportunities for Vietnam in terms of free trade agreements (FTAs).

According to the VCCI, high dependence on imports for supporting industries will lead to higher risks and increase the costs for enterprises. Dau Anh Tuan, Director of VCCI's Legal Department, said Vietnam's COVID-19 response could make it an attractive investment destination as economies seek to make their supply chains less dependent on other countries.

Foreign investors were considering shifting investments to Vietnam due to their trust in the country's safety amid the pandemic. With a number of new generation FTAs, Vietnam would have more opportunities if the Government could offer better policies and clear targets to encourage and create favourable conditions for Vietnamese businesses and attract foreign investment into prioritised manufacturing sectors, they said.

7. Vietnam earns nearly 19 billion from textile exports in H1

Vietnam's garment-textile export turnover hit nearly 19 billion USD in the first six months of 2021, up more than 20 percent year-on-year. The positive results was attributed to early post-pandemic recovery of markets.

However, Chairman of Chairman of the Vietnam National Textile and Garment Group (Vinatex) Le Tien Truong, said businesses are facing new challenges due to severe impacts of the fourth wave of COVID-19 outbreaks, which started from late April in the country.

According to Chairman of the Vietnam Textile and Apparel Association (VITAS) Vu Duc Giang, Vietnam set to earn 39 billion USD from garment and textile exports in 2021.

To realise the target, businesses need to proactively seek sources of raw materials for domestic production in order to take advantage of opportunities from new-generation free trade agreements that Vietnam has joined.

Businesses need to promote chain-based production and have specific measures to expand markets, thus further pushing exports, Giang suggested.

Representatives from other garment and textile companies said businesses should pay attention to moderlising production equipment, expanding production and improving workers' capacity, thus meeting high quality orders and demanding requirements of importers.

Corporate News

8. VIC: Vingroup to build vaccine factory with annual capacity of 100-200 million doses

↑ 0.19%

Hanoi People's Committee has just approved a list of urgent key projects to be operated during the social distancing period. These include the vaccine factory project in Hoa Lac Hi-Tech Park in Hanoi led by Vingroup's Vinsmart Research and Production JSC.

Vingroup is currently in negotiation with the US' Arcturus for COVID-19 vaccine technology transfer with expectations of beginning clinical trials in Vietnam in August. After completing the trial, production will be deployed at the factory in Hoa Lac Hi-Tech Park. The finished products will be launched on the market in 2022.

The plant will produce has a capacity of 100-200 million doses of vaccines per year. Vaccines are produced by using the same mRNA technology as the vaccines of Pfizer and Moderna.

In June 2021, Vingroup has joined forces with Viet A Corp to establish Vinbiocare Biotechnology JSC (Vinbiocare) with a charter capital of VND200 billion($8.7 million). Vingroup is the largest shareholder of Vinbiocare, contributing VND138 billion ($6 million) to own 69 per cent.

Vinbiocare focuses on manufacturing drugs, pharmaceutical chemicals, and medicinal herbs including vaccine production, scientific research, and technology development.

9. MSN: Masan net revenues up 16.4% in H1

↑ 1.49%

Its consolidated earnings before interest, taxes, depreciation, and amortisation (EBITDA) in H1 grew 84.1 per cent and EBITDA margins rose to 16.7 per cent from 10.6 per cent a year earlier, primarily driven by VinCommerce's EBITDA margin improving by 8.48 percentage points to positive 2.1 per cent.

Masan Group EBITDA margins in Q2 rose by 180 basis points from the previous quarter, and are expected to grow further in H2 as strategic investments made in the first half start to yield results.

Net profit after tax post minority interest (NPAT Post-MI) grew 8.4 times in H1 to VND979 billion ($42.68 million), driven by significantly better bottom-line results across all business segments.

Among its subsidiaries, the CrownX, Masan's integrated consumer-retail platform that consolidates VinCommerce (VCM) and Masan Consumer Holdings (MCH), delivered EBITDA of VND2.85 trillion ($124.2 million) during the first half, more than double the VND1.31 trillion in the same period last year, as EBITDA margins expanded by 610 bps to 11.2 per cent.

VCM has delivered three consecutive quarters of positive EBITDA as it improved from 0.2 per cent in Q4 last year to 2.2 per cent in Q2 this year.

It delivered a 2.1 per cent EBITDA margin for H1, up 848 basis points from a year earlier, driven by total commercial margin improvement, store operating costs optimisation, logistics initiatives, and management plans to achieve break-even EBIT in Q3.

The trial of setting up Phuc Long kiosks inside VinMart+ stores has shown positive signs with lesser time required for new stores to break even.

MCH's net revenues grew by 11.7 per cent in H1 to VND11.47 trillion ($499.7 million) driven by an innovation-led growth strategy.

Masan MEATLife's meat category has become a sizeable standalone business, contributing VND2.07 trillion in revenues and VND163 billion in EBITDA, including 3F Viet.

The next milestone is to deliver positive net profits, which management believes will occur by year-end when its meat processing plants reach 25-30 per cent capacity utilisation in Q4 this year, up from the current rate of 11 per cent.

Masan High-Tech Materials (MHT) posted net revenues of VND6.1 trillion in H1, a 137.6 per cent increase year-on-year.

It delivered VND2 billion in net profits for Q2, a VND295 billion improvement over Q1 driven by rising demand for its hi-tech products and higher pricing for all segments.

Management believes tungsten prices will continue to rise in H2, further improving the financial performance.

Techcombank, MSN's associated company, delivered profit before tax growth of 71.2 per cent to reach VND11.5 trillion in H1 driven by net interest margin (NIM) of 5.81 per cent and 46.1 per cent CASA (current account and savings account) ratio.

MSN achieved 44.8 per cent of its lower-end revenue target of VND92 trillion ($4 billion) and 39.1 per cent of its lower-end profit target of VND2.5 trillion ($108.8 million) for full-year 2021.

It expects to deliver over 20 per cent topline growth and double profit margins in Q3.

Chairman Dr Nguyen Dang Quang, said, "I am extremely grateful for the thousands of Masaners who are making sacrifices every day to ensure that each and every VinMart is open to serve our consumers and that each essential product we produce is readily available.

"During these trying, emotional and stressful times, we are committed to providing our people their daily needs to the best of our abilities and beyond. We will play our part to uplift the spirits of our people as Vietnam tackles this pandemic. We will 'Keep Going' to deliver on our promise.".

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