VIETNAM DAILY NEWS

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Market Analysis

1. Shares rise a second day but liquidity lowest since early Feb

Shares rose for a second day this week but liquidity continued to decline, showing investor scepticism about the market outlook in the short term.

On the Ho Chi Minh Stock Exchange, the VN-Index added 0.45 per cent to close Wednesday at 1,459.33 points. The southern bourse's index also gained 0.45 per cent on Tuesday.

The market breadth was positive with 273 shares rising, 155 falling and 82 closing unchanged.

Financial shares were the market drivers. Twelve of the 18 listed lenders on HCM City's exchange gained value while only four dropped and two were flat. Vietcombank was the biggest contributor to the VN-Index with a growth of 1.7 per cent, followed by Military Bank (MBB) which rose 1.6 per cent and Techcombank (TCB) increased 0.9 per cent.

Insurance companies also performed well with Bao Viet Holdings (BVH), Bao Minh Insurance (BMI) and Petrolimex Insurance (PGI) climbing 2 per cent each and BIDV Insurance (BIC) up over 1 per cent.

Big gainers also included PV Gas (GAS), brewer Sabeco (SAB), property developers Becamex IDC Corp (BCM), Dat Xanh Group (DXG) and No Va Land Investment Group (NVL) with increases of between 1 per cent and 3.6 per cent.

However, liquidity was drained with just 624 million shares worth VND18.7 trillion (US$813 million) being traded, the lowest since February 7 and much lower than the average of VND26.1 trillion since the beginning of this year.

"The transactions were moderate and volatility by sectors as a whole was not large. The fact that the VN-Index traded above the reference threshold throughout today is a positive signal if taking into account the complicated situation in the global financial market," market analysts wrote in vietstock.vn.

On the Ha Noi Stock Exchange, the HNX-Index gained 0.6 per cent to end at 446.18 points.

Liquidity also decreased sharply here with just 83 million shares worth VND2.3 trillion being exchanged, down 20 per cent in both volume and value compared to the previous session.

According to analysts at Viet Dragon Securities JSC (VDSC), the selling pressure temporarily weakened but liquidity remained at a low level, around the 20-day average, showing that the trading sentiment is still cautious since the market lost its support levels.

"It's expected that the VN-Index will retest the range of 1,460 -1,465 points and this area might put pressure on the index. Therefore, investors still need to be cautious and could take advantage of the market's recovery to take profits," Phuong Pham, VDSC's analyst wrote in a note.

Foreign traders were net sellers on both exchanges, unloading shares worth a net value of VND306 billion..

Macro & Policies

2. Foreign capital flows into VN logistics sector

According to experts, Vietnam's logistics sector is still attractive to foreign investors despite barriers caused by legal regulations. Meanwhile, domestic logistics enterprises are mainly small and micro-size with traditional warehouses, lacking infrastructure, technology and capital.

Foreign-invested businesses generate more revenue in the Vietnamese market because they have more competitive advantages compared to domestic companies. With Vietnam's increasingly important role in the global supply chain, the logistics sector will continue to develop at a faster pace, with many opportunities for foreign investors.

According to the Ministry of Industry and Trade, more than 4,000 logistics companies operate in the country. Statistics of the Vietnam Logistics Association show that in the period from January to September 2021, more than 2,500 logistics companies had to suspend operations due to social distancing, while more than 570 others had to stop operation completely.

Also, customer habits are changing and shifting to e-commerce logistics. The sharp increase in the number of e-commerce businesses is expected to continue in the coming years, leading to an increase in demand for warehousing and delivery services.

Positive outlook

Many foreign investors are pouring capital into the Vietnamese market. Recently, GLP officially announced the establishment of GLP Vietnam Development Partners I with a total investment of 1.1 billion USD. The fund receives commitment from a diverse group of investors from pension funds, national investment funds and insurance companies from Asia, Europe, North America and the Middle East.

An expert said the cash flow from professional corporations into the logistics segment in Asia-Pacific is very strong and especially in South Asia. In particular, Vietnam is considered one of the most attractive markets thanks to its dynamic population, growing economy, and increasing domestic consumption of the middle class.

Similarly, WHA Corporation PCL (Thailand) has announced a plan for a new revenue stream by investing 50 billion baht ($1.51 billion) over the next five years. Of this investment, part of it will be used to expand in Vietnam. Specifically, WHA plans to expand 352 hectares of an industrial park in Nghe An province in the first quarter of 2022. The group expects sales in Thailand and Vietnam to increase by 46 percent this year.

In a recent report, the Organization for Economic Co-operation and Development (OECD) advised Vietnam to liberalize the logistics sector because barriers to entry for foreign investment are the main cause affecting the growth of the domestic logistics companies, leading to higher logistics costs. The OECD has called on Vietnam to gradually relax regulations on foreign ownership ratio (FOL) towards allowing foreign ownership of up to 100% in the medium and long term.

According to experts, the main opportunity for foreign companies to penetrate Vietnam's logistics market comes from the structure of the industry. With mainly small companies and high logistic costs, foreign companies can penetrate the market quickly by taking advantage of superior technologies and efficient processes.

However, foreign investors will also face some challenges. Specifically, an FDI enterprise cannot hold more than 51% of the shares in a local logistics business, and there are also requirements for the infrastructure used such as warehouses and vehicles.

Development prospects

The prospects for Vietnam's economic development will create a strong momentum for the logistics service industry to develop based on the world and Vietnamese economy having a strong recovery supported by economic stimulus policies.

Vietnam is integrating deeply with the world economy, taking advantage of 15 ongoing FTAs, especially CPTTP, EVFTA and RCEP, promoting high import-export growth along with the recovery of foreign investment capital flows. This is an opportunity for logistics service providers to expand their markets and cooperate internationally.

Digital transformation is progressing strongly. Vietnam is one of the countries with the highest e-commerce growth in Southeast Asia, thereby creating conditions for e-logistic development.

"Green" logistics will lead the transformation of supply chains. The priorities in the logistics sector will be concretized by the use of electric vehicles and solar energy, biodegradable packaging, environmentally-friendly warehouses and reduced carbon emissions. Eco-friendly smart supply chain planning will play an important role.

3. Price control of key commodity a top priority for central government

Khai ordered them to stay on top of the supply and demand of said commodities and be ready to heavily sanction firms who engaged in price manipulation practices. He urged them to work with the media to ensure people are well-informed, to avoid panic and hoarding.

The deputy PM said, for the time being, there was no plan to increase prices for key commodities under the government's price control scheme and administrative fees. However, ministries should be making preparations for possible future adjustments.

He said firms and individuals found to have violated pricing regulations would face severe penalties, especially hoarders.

Answering a question on the recent proposal by the Government to slash environmental tax for petrol products by 50 per cent, Khai said the cut would likely put petrol prices in the domestic market lower than that of neighbouring countries. As this may lead to increased petrol smuggling across the borders, he asked local authorities and border guard forces to double their effort in combating smugglers.

He acknowledged Viet Nam would likely face many difficulties in regulating prices, especially for petrol products, as the global market remains unstable and volatile as the Russia-Ukraine conflict drags on.

Economists have called for ministries and firms to make preparations for all scenarios in order to adapt to sudden changes and mitigate damage to the economy.

"Our top priority is to ensure the supply of goods and services remains stable, to prevent price hikes and panic," he said.

He asked the State Bank of Viet Nam to conduct a comprehensive review of the economy to design resilient monetary policies that support the Government's price control effort and economic recovery.

Viet Nam's CPI has increased by one per cent in February and 1.42 per cent from the same period last year, according to the General Statistics Office of Viet Nam.

In the first two months of 2022, CPI climbed by 1.68 per cent over the same period last year, and core inflation by 0.67 per cent.

The GSO pointed out that core inflation in February rose by 0.49 per cent over the previous month, and by 0.68 per cent over the same period last year. In the first two months, core inflation increased by 0.67 per cent year-on-year, lower than the general average CPI, which reflects the fluctuation of consumer prices mainly due to rising prices of food and fuel.

4. Russia-Ukraine conflict forces Vietnam to look for alternative fertiliser suppliers

The Russia–Ukraine conflict is forcing Vietnam to look for alternative suppliers of fertilisers to cope with the shortage of supply and rising prices.

According to the Ministry of Agriculture and Rural Development (MARD), the Russia–Ukraine conflict is badly affecting the fertiliser market, which had already been suffering supply shortage and price increase from the prolonged COVID-19 pandemic as the supply chain was disrupted.

Russia was one of the world's major low-cost fertiliser exporters, ranking first in urea, NPK, among nitrate export, third in potash and fourth in phosphate.

Late last week, Russia's trade and industry ministry recommended that the country's fertiliser producers temporarily halt exports in a move that threatened to shock the global market.

China, a significant fertiliser exporter, tightened the export of 29 types of plant nutrition from mid-October last year to cope with the domestic shortage.

Domestic fertiliser prices set a new high in the past 50 years. According to the ministry, fertiliser prices rose by more than 20 percent in recent months. The soaring prices of oil and gas, which accounted for a significant part of production cost, also pushed up fertiliser prices.

The storm of fertiliser prices was forecast to continue when these export restrictions were still in place, causing a severe shortage of fertilisers, including potash and DAP.

Vinacam Group Joint Stock Company, one of Vietnam's leading fertiliser importers, said that quotations of urea at 540-560 USD per tonne were all cancelled. Suppliers from Egypt increased quotation prices by 140 USD to 730 USD per tonne.

This meant that in the short term, urea might climb to around 800-1,000 USD per tonne in April if the oil price reaches 150 USD per barrel. DAP was forecast to reach 950 USD per tonne in April and hit 1,200-1,500 USD soon.

Vinacam predicted that the domestic market would see a severe shortage of DAP in the second quarter, and its price could soar to 25 million VND per tonne. Urea could return to the record of 18 million VND per tonne set in 2021.

For potash, Vietnam relied entirely on imports. Vinacam said that potash price might soon hit 15-20 million VND per tonne and set a new high of around 24-25 million VND.

The skyrocketing prices of fertilisers are pushing farmers into a cost crisis, threatening to push up food prices. Fertilisers accounted for around 40-60 percent of the input cost of agricultural production. Worse, fertiliser prices soured when the summer-autumn crop was coming in April and May.

The ministry pointed out that Vietnam uses around 10 million tonnes of fertilisers each year. Last year, the country consumed 10.7 million tonnes, up by 4.67 percent over 2020, the ministry pointed out, forecasting the domestic demand for fertilisers was stable this year.

Domestic producers could supply major fertiliser products like phosphate, urea and NPK to meet the domestic demand.

Domestic DAP production could meet around 60 percent of demand while potash and SA fertilisers were entirely dependent on imports.

The Plant Protection Department said that it would keep a close watch on the global and domestic fertiliser market to timely raise measures to ensure agricultural production, urging import companies to look for alternative fertiliser suppliers, especially potash.

The MARD urged the Ministry of Industry and Trade to consider lifting the imposition of trade defence measures on imported DAP and MAP while enhancing market inspections to prevent speculation and fake and low-quality fertiliser.

The MARD said it was also necessary to review tax policies on fertilisers.

It also said that farmers should increase the application of new farming techniques to reduce chemical fertilisers and replace them with organic fertilisers.

The ministry's statistics showed that Vietnam must import around 2.7-3.5 million tonnes of fertilisers each year, of which potash accounted for 25-28 percent and SA 25-31 percent.

The fertiliser import from Russia made up around 130,000-380,000 tonnes, accounting for 3-9.5 percent of Vietnam's fertiliser imports, mainly potash, NPK and DAP.

Last year, Vietnam imported more than 5.1 million tonnes, 31.1 percent of which was SA, and 25.3 percent was potash. Potash was imported from 30 markets. Vietnam imported 320,000 tonnes of fertilisers from Russia in 2021, mostly potash with 195,000 tonnes, accounting for more than 15 percent of potash import.

In the first two months of this year, Vietnam imported more than 706,000 tonnes, 73,800 tonnes of which came from Russia worth 40 million USD. Potash import from Russia accounted for 18 percent of the country's potash import in the period.

5. Prospects for economic recovery this year look bright

The rebound in consumption, strong export growth and public spending would be key factors in Vietnam's economic recovery this year, analysts said.

Nguyen Phuoc Hung, Vice Chairman of the Ho Chi Minh City Business Association, said that Vietnam's exports would continue to outperform the region by benefiting from cost competitiveness and a number of major free trade agreements.

The trade deals the country had signed had opened up access to countless markets, he said.

Despite a major outbreak of COVID-19 last year exports rose by 19 percent to 336.3 billion USD for a trade surplus of 4.08 billion USD, he pointed out.

Foreign investment is also forecast to pick up this year, according to Hung.

Most small and medium-sized enterprises still lack labour and capital.

Enterprises should be prepared to deal with unexpected hurdles like the rising oil prices and long-term impacts of the sanctions on Russia by diversifying export markets, Hung said.

They should embrace digital transformation and e-commerce.

Nguyen Dang Hien, General Director of Tan Quang Minh Co. Ltd, said the pandemic had disrupted global supply chains and urged the company to look for alternative sources.

"The imports of raw materials face delays due to the conflict and increases in transportation costs.

"My company has shifted to buying domestic raw materials to cut costs and transport time."

Nguyen Tu Anh, director of the general economic affairs department under the Central Party Committee's Economic Commission, said most businesses resumed normal operations at the end of 2021.

As of the end of last year the country had 854,000 enterprises, and the number was on the rise, he said.

Tourism to rebound

The services and tourism sectors are expected to recover this year since the country has announced a road map to reopen the tourism industry starting on Tuesday and plans to remove most entry restrictions for visitors.

International flights have resumed, an important factor in the recovery of tourism and business investment.

Deputy Minister of Planning and Investment Tran Quoc Phuong said the recent Government support package of 350 trillion VND (15.42 billion USD) would play a major role in reviving the economy.

Tran Du Lich, a member of the Prime Minister's economic advisory group, said HCM City was hit hard by the pandemic and so required more intensive recovery policies.

Removing problems hindering public and private investments, and providing financial support to small businesses were needed to speed up recovery, he said.

The economy was very likely to achieve the targets set for this year, but it was very important to accelerate public investment in key projects, he warned.

Major projects included Ring Road Nos 2 and 3, clearing slums along canals and developing social housing.

It was also important to control land prices, he added.

Experts said the Russia-Ukraine conflict was unlikely to have a significant direct impact on Vietnamese businesses, but warned they must prepare for the long-term impacts.

International organisations are optimistic about the recovery of the Vietnamese economy with Fitch Ratings being the most upbeat, saying it is set to grow by 7.9 percent this year and 6.5 percent next year..

6. UKVFTA - Solid lever for Vietnamese businesses

As the COVID-19 pandemic has been reducing the market demand and the container crisis lasting from the beginning of 2021, the export result of Vietnamese enterprises last year can be considered a miracle.

Contributing to this result, the United Kingdom-Vietnam Free Trade Agreement (UKVFTA) has played the role as a solid lever, thanks to the reduction of import tax to zero after January 1, 2021. Therefore, many products have outstanding competitive advantages in the UK market compared to similar products from China, Thailand, Malaysia, Indonesia and many other countries.

The information was shared by Deputy Minister of Industry and Trade Tran Quoc Khanh at a conference named "One-year journey of the UKVFTA: Remarkable achievement and the vision ahead", jointly held by the Ministry of Industry and Trade and the UK Embassy in Vietnam on March 15 in both online and in-person formats.

Data from the Ministry of Industry and Trade showed that one year after the UKVFTA took temporary effect, trade exchange between the two countries has grown well. In 2021, two-way trade hit 6.61 billion USD, up 17.24 percent year-on-year, in which Vietnam's exports to the UK increased by 16.4 percent and the latter's exports rose by 24 percent.

In the year, there were 48 direct investment projects from the UK into Vietnam, with newly registered capital of more than 53 million USD, a year-on-year surge of 157 percent, thus helping maintain its total direct investment in the Southeast Asian nation at 4 billion USD. Currently, the UK is among 12 countries with the largest FDI capital in Vietnam.

These figures showed that the UKVFTA is really a "two-way expressway", helping to promote bilateral trade between the two countries in a more and more balanced direction.

Khanh emphasised that the UKVFTA is expected to help Vietnam accelerate its institutional reform, improve the investment environment in a modern and transparent manner and create maximum convenience for businesses.

However, after leaving the European Union, the UK is actively negotiating free trade agreements with many partners around the world, including some ASEAN countries. Therefore, the competitive advantage Vietnam has will soon be lost if the UK inks similar pacts with other countries, he noted, asking Vietnamese enterprises to quickly gain a firm foothold in this market, because the potential remains huge.

Sharing the same view, Luong Hoang Thai, Director of the Multilateral Trade Policy Department under the Ministry of Industry and Trade, stated that Vietnamese goods exported to the UK account for less than 1 percent of the European country's total imports. On the other hand, the UK's exports also account for a small portion of Vietnam's imports.

Speaking at the event, MP Graham Stuart, trade envoy of the British Prime Minister in charge of Laos, Vietnam and Cambodia, emphasised that the UK has strengths and experience in renewable energy, including offshore wind power. Therefore, the UK is willing to share its experience with Vietnam to promote trade between the two countries.

7. Two-thirds of SMEs in ASEAN unable to secure funding

The 'Small business, big growth' report surveyed over 1,000 SME owners globally, who set up their company and applied for a business loan in the last five years. It reveals that reliance on personal networks has increased 11 per cent globally during the pandemic, with shrinking access to external capital for SMEs.

Of the Southeast Asian SMEs unable to secure sufficient funding, 40 per cent experienced cash flow issues, 38 per cent were unable to launch new products or services and 36 per cent were unable to hire effectively - a major impact amid the 'Great Resignation'.

Despite the boom in new SMEs created in the last two years, access to funding remains a constant roadblock with 32 per cent of these businesses experiencing difficulty securing starting capital, rising to 33 per cent of SMEs launching soon.

In Viet Nam, according to statistics of the Ministry of Planning and Investment, by the end of 2020, the country had about 800,000 operating enterprises, of which 98 per cent are SMEs, attracting more than 5.6 million workers. The role of SMEs is very important to the national economy, but the SME sector is still facing many difficulties and obstacles in accessing funding.

Pham Quang Minh, General Manager of Mambu Vietnam, said: "There have been tens of thousands of SMEs that had to suspend or dissolve recently. This number has increased 10 per cent year-on-year in 2020. The latest statistics show that 32,700 SMEs have suspended or dissolved in the first two months of the year, an increase of 51.3 per cent year-on-year. The main reason is that SMEs could not secure funding to continue the business. While financial accessibility through traditional banks is still difficult because SMEs could not fully meet the lending application requirements. SMEs need a new way of funding to fill this financial gap".

Mambu's findings come amid a rise in alternative lending, as SMEs turn to challenger banks and fintech to overcome common barriers. The opportunity for new entrants is clear as the vast majority (92 per cent) of SMEs say they are open to changing lenders for different or simpler digital support. This number is larger in Southeast Asia (94 per cent).

Minh added: "The reason that SMEs are open to changing lenders also comes from the increasing number of fintechs appearing in the financial market. In Viet Nam, according to the State Bank of Viet Nam, the number of fintechs increased by nearly four times, from 40 companies (in 2016) to 150 companies (in 2020). They provide services such as payment, money transfer, lending and personal finance, offering SMEs many funding opportunities and different services. Business lenders need to harness the power of new technologies and offer the products and services that their customers want and need, in order to remain relevant and competitive."

More than half of SMEs in Southeast Asia cite better borrowing benefits and incentives as the top reason to change lenders. Meanwhile, 52 per cent would switch for better financial options and 42 per cent for improved digital services.

Financial institutions must do more to tackle challenging application processes for loans. The research found that the length of time it takes to apply for a loan is a major influence on SMEs when choosing a lender.

Corporate News

8. FPT: FPT, Sierra Leona sign deal to promote digital transformation

↑ 0.66%

FPT Technology Corporation of Vietnam and the Republic of Sierra Leone on March 16 signed a memorandum of understanding (MoU) on cooperation to promote digital transformation and human resources training for the African country.

The MoU was inked by Leone Jacob Jusu Saffa, Chief Minister of the Republic of Sierra Leone, and Truong Gia Binh, FPT chairman, within the framework of an official visit to Vietnam of Sierra Leonean President Julius Maada Bio.

This is also the first time FPT has signed a cooperation agreement to promote national digital transformation for a country outside of Vietnam.

Under the MoU, FPT will coordinate with the world's leading consulting firms to provide consultation to the Sierra Leone Government on socio-economic development and digital transformation strategies.

The corporation will also support the Government in building a digital government, digital economy, and digital society towards a digital nation model.

Regarding the training segment, FPT will provide high-quality Bachelor of Technology programmes in Vietnam to students selected and funded by the Government of Sierra Leone.

FPT Chairman Truong Gia Binh emphasised two aspects where Vietnam can cooperate with and support the Republic of Sierra Leone, including high-quality education and training and technology-based solutions to agricultural problems.

"This is a great opportunity for Vietnam's technology businesses and agricultural enterprises," he said, adding that the agreement contributes to affirming FPT's technological capabilities and position in the world, helping it realise the goal of being in the world's top 50 leading digital transformation service providers.

9. BSI: Plan for share private placement

↓ 0.25%

The Board resolution dated March 15, 2022, the Board of Directors of BIDV Securities Joint Stock Company approved the plan for share private placement with details as follows

- Stock name: BIDV Securities Joint Stock Company
- Stock code: BSI
- Stock type: common share
- Par value: VND10,000/share
- Charter capital after the issuance: VND1,220,700,780,000
- Number of outstanding shares: 121,570,618 shares
- Number of treasury shares: 499,460 shares
- Number of outstanding shares: 58,756,321 shares
- Offering volume: 65,730,042 shares
- Total value (at par value): VND657,300,420,000
- Estimated volume after the offering: 187,300,660 shares
- Charter capital after the issuance (estimated): VND1,878,001,200,000

- Offering price: VND41,000/share
- Transfer restriction: 03 years from the ending date of the offering
- Time of implementation: expected in 2022, after being approved the State Securities Commission of Vietnam (SSC).

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