VIETNAM DAILY NEWS

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Market Analysis

1. Blue chips drive VN-Index up

Vietnam's benchmark VN rose 0.36 percent to 1198.47 points Thursday with most blue chips ending in the green.

It stayed in the green for most of the day and closed 4.3 points higher after gaining almost 16 points Wednesday.

Trading on the Ho Chi Minh Stock Exchange fell over 18 percent to VND11.5 trillion ($491.7 million).

The VN-30 basket, comprising the 30 largest capped stocks, saw 21 tickers gain.

MWG of electronics retailer Mobile World led with a 4.7 percent gain.

It was followed by two consumer staples stocks, SAB of brewer Sabeco (up 3.3 percent) and MSN of conglomerate Masan Group (up 2.4 percent).

Other winners included CTG of lender VietinBank, up 1.7 percent, and HPG of steel giant Hoa Phat, up 1.6 percent.

Seven tickers bucked the trend, with BVH of insurance company Bao Viet Holdings losing 1.4 percent.

VHM of property giant Vinhomes dropped 1.3 percent to a near 20-month low.

Two energy blue chips, PLX of fuel distributor Petrolimex and POW of Petrovietnam Power, lost 1.1-1.2 percent.

Foreign investors were net buyers for the second straight session to the tune of VND386.8 billion.

They focused on buying SSI of leading brokerage SSI Securities, LPB of lender Lien Viet Post JSB, and GAS of Petrovietnam Gas.

The HNX-Index at the Hanoi Stock Exchange, where mid and small caps list, was down 0.27 percent while the UPCoM-Index at the Unlisted Public Companies Market was up by 0.27 percent.

Macro & Policies

2. Apparel industry persists with export target of US$43.5 billion

The Vietnamese textile-garment industry is set to earn up to US$21 billion from exports in the second half of the year, raising annual total shipments to between US$42 billion and US$43.5 billion.

This information was provided by Vu Duc Giang, chairman of the Vietnam Textile & Apparel Association (VITAS), during a press conference held on July 21.

Apparel enterprises have continued to adapt quickly to changes and have duly restructured the market and changed technological equipment in order to meet the high requirements set by importing countries.

According to details given by the Vietnam Textile and Apparel Association (VITAS), this year marks the first step in the gradual recovery of textile enterprises after two years of being heavily impacted by the global COVID-19 pandemic.

During the first half of the year, textile and garment export turnover stood at an estimated US$22.3 billion, up 17.7% over the same period from last year. This represents a great effort by the textile and garment industry amid the global economy continuing to face plenty of challenges and difficulties.

In the sector, major export items include garments with a turnover of US$16.94 billion, thereby representing an annual rise of 19.5%.

Furthermore, the prices of cotton, crude oil, and petrol soared by 19.1%, 40%, and 67%, respectively, compared to the beginning of this year, with transportation costs tripling from the average rate of the last five years, driving the total expenditure of Vietnamese exporters up as much as 20% to 25%, Giang explained.

This year, the entire Vietnamese apparel industry aims to reach US$43.5 billion. From now until the end of the year, this sector still faces many immediate risks and challenges, particularly when the risk of re-emergence caused by new strains of COVID-19 remains.

Many countries and territories that are important trading partners to the nation, such as China, Japan, and Taiwan (China), are still applying strict anti-pandemic measures, greatly impacting the supply chain of auxiliary materials and consumption of textile products of the country.

Moreover, high inflation in major textile and garment consuming markets such as the United States and the EU, along with complicated developments in the Russia-Ukraine conflict, have caused the prices of raw materials and fuels to rise continuously since the beginning of the year.

In order to stabilise production towards achieving a sustainable goal moving forward, Vu Duc Giang, chairman of VITAS, said that businesses themselves need to catch up with market trends, invest in machinery and technology, as well as green transformation. This should be done to adapt to the requirements of brands, intensify solutions for the training of human resources and adapt to the difficult situation of the market, especially focusing on training designers for the fashion industry.

VITAS has been working to connect domestic and foreign firms for the formation of supply chains, expand markets, and enhance international co-operation in implementing projects in renewable energy, efficient water use, designing, branding and labour management, he added.

3. Vietnam's FinTech market expected to reach US$18 billion by 2024

The FinTech market in Vietnam is expected to grow to US$18 billion by 2024, according to analysts at financial holding Robocash Group.

Vietnam is one of the leaders among ASEAN in terms of the volume of financing for FinTech, second only to Singapore.

93% of all venture investments in the country is directed at e-wallets and the e-money segment.

The total number of FinTech companies has grown to 97 since 2016, an 84.5% increase. However, the number of newly launched start-ups each year decreased from 11 to 2.

The market features high competitiveness and a high entry bar.

Transaction volume has seen a 152.8% growth since 2016, with 29.5 million new FinTech users.

As a result, every second Vietnamese uses at least one FinTech service. The Vietnamese population's demand for digital services (transactions, payments and wallets) is remarkable.

According to company analysts, Vietnam FinTech is young and promising. The market valuation has increased from US$0.7 billion to US$4.5 billion since 2016.

In the near future, the government will become more involved in FinTech, evidenced by the growing favourable legislation for financial technologies.

The FinTech regulatory sandbox and the legal framework for digital assets and cryptocurrencies will also further develop in the industry.

4. SOEs earn revenue worth nearly VND900 trillion in H1, up 27 per cent

Nineteen corporations and enterprises under the management of the Committee for Management of State Capital at Enterprises (CMSC) reported total revenue of more than VND982 trillion in the first half of this year, equivalent to 90 per cent of the plan for the full year and 27 per cent higher than the same period last year.

The revenue excluded the State Capital Investment Corporation (SCIC) and Viet Nam Expressway Corporation (VCE).

The information was disclosed at CMSC's meeting to review the results in the first half of this year and implement tasks for the second half held this week.

Of them, 17 enterprises reported pre-tax profit of VND53.2 trillion, 39 per cent higher than the target for the full year. Those reporting high profits included the National Oil and Gas Group, Viet Nam National Chemical Group and Airport Corporation of Viet Nam.

Major projects were also hastened, including Song Hau 1 Thermopower Plant going operational in May, Thai Binh 2 Thermopower Plant synchronised alternating current in June, the evaluation of Dung Quat Refinery expansion project submitted to the Government in June and Long Thanh International Airport in line with the schedule.

CMSC's Chairman Nguyen Hoang Anh urged enterprises to make stronger efforts to take advantage of opportunities, overcome challenges and achieve the goals for 2022.

Anh said that the committee would continue to remove difficulties and obstacles for enterprises while creating the most favourable conditions for enterprises to recover and develop production and business.

The committee would push the restructuring and divestment of State capital, rearrange land as well as focusing on strengthening financial and investment supervision to accelerate the implementation of key projects.

Anh asked corporations and enterprises to speed up the disbursement of capital and the implementation of major projects to promote socio-economic development with a focus on projects which played important roles in infrastructure development, socio-economic development, national defence and energy security.

Anh also noted that 19 corporations and enterprises must carry out the restructuring and divestment of State capital in accordance with the approved plan and with transparency. At the same time, attention must be paid to thoroughly handling loss-making and inefficient projects and unprofitable assets.

Co-operation for "Net-Zero"

On the same day, CMSC joined the Southeast Asia Energy Transition Partnership Programme to implement a conference that aimed to support SOEs in energy to develop a roadmap toward "Net Zero".

At COP 26 in November 2021, Prime Minister Pham Minh Chinh committed that Viet Nam would achieve "Net Zero" in 2050.

CMSC said that SOEs operating in the energy sector would play important roles in promoting energy transition in a cleaner and more sustainable direction, adding that support would be provided to energy SOEs to develop a roadmap towards net zero emissions.

The cooperation with the Energy Transition Partnership, a multi-donor partnership formed by governmental and philanthropic partners to accelerate the sustainable energy transition, would create conditions for the transparent and trustworthy development of the clean energy market in Viet Nam.

5. Real estate businesses return to the bond channel

Many real estate businesses have returned to the bond channel to raise capital after an absence in April, mobilising thousands of billions of Vietnamese dong.

Data of the Viet Nam Bond Market Association (VBMA) shows that in May 2022, real estate businesses have begun to return to find capital on the bond channel and accelerate bond issuance in June. In May, realty businesses issued a total of nearly VND6.9 trillion (US$294.6 million) of bonds, then in June, the figure was more than VND7.5 trillion.

In May, Long Thanh Riverside Joint Stock Company issued VND105 billion, An Gia Real Estate Development and Investment Joint Stock Company issued VND300 billion and My Phu Real Estate Trading and Investment Co Ltd issued VND700 billion.

Multiple resort real estate enterprises also issued bonds to mobilise capital in May, including Phu Quoc Tourism Development and Investment Joint Stock Company, issuing corporate bonds worth VND717.2 billion; Sunbay Ninh Thuan Joint Stock Company issuing corporate bonds to mobilise VND900 billion.

In June, Hung Loc Real Estate Investment Joint Stock Company issued VND150 billion of bonds; Nam Long Investment Joint Stock Company issued VND500 billion and Novaland Group issued more than VND2 trillion.

It is estimated that from the beginning of this year to the end of June, real estate businesses issued a total of VND152.4 trillion of bonds, of which more than 94 per cent were issued privately. Also during this period, VBMA said real estate was the group of enterprises with the second highest bond issuance volume, after commercial banks.

According to experts, bonds still account for a large proportion of the capital used for projects of real estate enterprises, especially in the context that bank credit is under tight control.

According to Nguyen Quang Thuan, Chairman and General Director of FiinGroup Joint Stock Company, the State Bank has recently moved to tighten real estate credit to limit speculative activities and help the market become more transparent. The policy of tightening credit makes it difficult for people and investors, especially real estate businesses, to access loans from banks.

In this context, realty businesses try to diversify and perfect the channels to mobilise capital for investment.

Thuan said the bond channel was a positive source of capital supporting businesses when bank credit is not enough.

The bond channel plays a positive role because this is still a large capital flow, supporting businesses when bank credit is not enough.

Bond offering in private placement requires a credit rating, which is an independent third-party assessment of the level of risk, Thuan said.

Talking to the Bao Dau Tu (Investment Review), a financial director of a large real estate enterprise in HCM City said that controlling bond credit channels is necessary, but not a sustainable solution.

"A sudden brake on the bond channels that flow to real estate can create many consequences. In the short term, it causes the market's liquidity to decrease, businesses do not dare to expand investment, causing a scarcity of supply and pushing up real estate prices," he said.

KB Securities Viet Nam Joint Stock Company (KBSV) said in the context of strict control of credit in the real estate sector and strict supervision of corporate bond issuance, real estate businesses will find it more difficult to raise capital in the next few quarters.

In addition to the two traditional capital mobilisation channels, which are credit and domestic bonds, listed real estate enterprises have also diversified their sources of capital, accessing new channels such as investment funds, mergers and acquisitions (M&A) and international joint ventures.

For example, Novaland Group recently completed the sale of $250 million of convertible bonds and bonds with warrants to foreign partners, Dat Xanh Group is expected to complete the issuance of $300 million of international convertible bonds in the third quarter of 2022.

6. Vietnam business credit late payment rate higher than Asia average: survey

Half of receivables is not received on the due date and another 6 percent is written off as bad debts, a survey of businesses has found.

Trade credit insurer Atradius surveyed 200 businesses, who said they transacted an average of 58 percent of their business-to-business sales on credit, and the figure is on the rise, driven by loyalty and lack of liquidity.

But 48 percent of the dues are paid late, and another 6 percent are uncollectible, they said.

Nearly half said their days sales outstanding (the average number of days it takes for a company to collect payment for a sale) rate is worsening.

Customers defaulted mainly due to liquidity issues and administrative inefficiencies, especially in the agriculture and food industry, 70 and 52 percent of the respondents said. A quarter blamed it on disputes mostly in the steel/metals industry.

Another reason cited was intentional late payment for various reasons, chiefly in the textile/clothing and chemicals industries.

Speaking to VnExpress, Atradius director for Vietnam, Vu Thi Duc Hanh, said late payment is not uncommon and firms should be adaptive to protect themselves.

Vietnam's late payment ratio is higher than the Asian average, but its overdue and bad debts are lower, according to Atradius data.

This is the first time Atradius conducted its payment practices barometer in Vietnam.

7. Textile, garment industry exports on target to hit $43b this year

Viet Nam's textile and garment industry is still on track to achieve its export target of US$42-43 billion this year, despite the industry facing many difficulties in the second half of this year.

Vu Duc Giang, chairman of the Viet Nam Textile and Apparel Association (VITAS) said that at the press conference on the business results of the textile industry in the first six months of the year held in Ha Noi on Thursday.

According to VITAS, 2022 is the year that enterprises of the textile and garment industry gradually recover after two years of being heavily affected by the COVID-19 pandemic.

In the first six months, Viet Nam's textile and garment export value was estimated at $22.3 billion, up 17.7 per cent on year, including $16.94 billion from the garment exports (up 19.5 per cent), $1.4 billion from fabric exports (up 20.8 per cent), and $2.76 billion from the fiber exports (up 4.4 per cent).

Meanwhile, the total import value of raw materials and accessories for textile and garment in the first six months was estimated at $13.4 billion, up 9.8 per cent on year.

Thus, the textile and garment industry had a trade surplus of $8.86 billion in the first half of this year, up 32 per cent on year. This was the effort of textile and garment enterprises in the context of that the world economy still has many difficulties.

However, according to Giang, Viet Nam's textile and garment industry still faces many risks and challenges in the second half of this year, including the new strain of COVID-19 that is still present.

Many markets being important trade partners of Viet Nam such as mainland China, Japan and Taiwan are still applying strict pandemic prevention measures. That affects significantly on the supply chain of raw materials and accessories as well as consumption of textile products made in Viet Nam.

In addition, high inflation in Viet Nam's major textile and garment consumption markets such as the US and Europe, and complicated development of Russia-Ukraine conflict have caused the prices of raw materials and fuels to rise continuously since the beginning of the year.

Specifically, the price has increased by 19.1 per cent for cotton; 40 per cent for crude oil in the global market; 67 per cent for the domestic gasoline price. Meanwhile, transportation cost has been three times higher than the average of the past five years.

Those have made the cost of enterprises increase by about 20-25 per cent.

"Vietnamese textile and garment enterprises are still facing disadvantage in exchange rate with countries being competitors, labour shortage after the pandemic, requirements for traceability of cotton, fabric, yarn or green industry of textiles and garment from new-generation free trade agreements (FTAs)," Giang said.

For example, the devaluation of the euro has a great impact on the textile and garment exports because it will increase the price of goods in the context that consumers in this market tighten spending, he said.

"In general, purchasing power in the EU market will decrease, the competitiveness of textiles and garments imported from all countries to the EU market will be affected, not only textiles and garments from Viet Nam," said Giang.

However, Giang said that it is expected that textile and garment export value will reach $20-21 billion in the second half of the year.

To achieve this goal, the textile and garment enterprises need to quickly restructure export markets to not depend on a few markets. They should change technology and equipment to meet requirements from importing countries, such as requirements on recycled garments of the EU market.

In fact, Vietnamese textile and garment enterprises have set a growth target in exports from the beginning of the year, but it is important to keep stability in export markets, employees, customers.

In general, to stabilise production and achieve sustainable goals in the future, the businesses themselves need to catch up with market trends, invest in machinery and technology, and switch to green production according to the brands' requirements. They also need to build human resources, especially designers for the fashion industry.

In the past time, VITAS has connected domestic enterprises with each other and with foreign-invested enterprises to form supply chains and expand export markets. It has been also an effective bridge between State management agencies and textile and garment enterprises.

The association will continue to accompany the businesses to propose recommendations and call for supports from the Government and ministries, sectors and localities in terms of pandemic prevention, production, market information, administration reform, and human resource development.

Corporate News

8. FPT: profits surge 24 pct in H1

↑ 0.12%

IT giant FPT Corp has reported pre-tax profits of VND3.6 trillion ($153.8 million) for the first half, a 23.9 percent rise year-on-year.

Its revenues were up 22.2 percent to VND19.8 trillion.

Rising demand for technologies, especially for digital transformation and telecommunication, was the main growth driver, its management said.

Technology remained FPT's key business, accounting for 57 percent of sales and 45 percent of pre-tax profits, with most foreign markets seeing double-digit growth, including the U.S (48.4 percent), Asia - Pacific (55.5 percent) and Japan (18 percent).

Sales related to digital transformation rose by 65 percent to VND3.5 trillion.

FPT's telecommunications business saw revenues rise by 15 percent to VND7 trillion, and profits by 40 percent to 1.4 trillion.

FPT Education reported a 42 percent increase in revenues to VND1.9 trillion.

9. TCB: Reducing provision, Techcombank reported a 22% increase in Q2 profit

↑ 1.52%

According to the recently announced consolidated financial statements for the second quarter of 2022, Vietnam Technological and Commercial Joint Stock Bank (Techcombank, HOSE : TCB) reduced the cost of provisioning for credit risks by 30% in the period, thus reporting a pre-tax profit of more than 7,312 billion dong. VND, up 22% over the same period.

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