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FINANCE

Vietnam banks still register encouraging performance amid COVID-19

Many banks are posting optimistic business results as the full force of the disruptions of the global COVID-19 pandemic are not felt in their operations yet.

Nguyen Duc Vinh, CEO of VPBank has just sent a letter to shareholders, detailing the unprecedented adverse impacts the coronavirus (COVID-19) outbreak has cast across the board.

Vinh noted in the letter that despite the pandemic, VPBank has managed to post encouraging business outcomes in the first quarter of this year in credit growth, revenue, and consolidated profit.

However, he warned that as the pandemic remains a significant and unpredictable variable, reaching the full-year business targets would be a challenging task for the bank and that he expects COVID-19 to be contained in the second quarter. Do Anh Tuan, deputy chairman of Techcombank, another privately-held bank, disclosed that despite COVID-19, the bank has been honing on quarterly projections.

Tuan said that the pandemic began in February and the bank saw fair credit growth in January by virtue of soaring customer demand ahead of the traditional Lunar New Year, and this would make up for the remaining months of the first quarter.

Techcombank posted nearly VND13 trillion ($565.2 million) in pre-tax profit last year. However, it will not diclose its profit targets for 2020 until its annual general shareholders' meeting which was delayed to June 2020 instead of the proposed late March.

Leveraging the recently-released banking sector perfomance assessment report by SSI Research, a subsidiary of SSI Securities Corporation, TPBank's pre-tax profit in the first quarter was forecast at about VND1 trillion ($43.48 million), a 17.3 per cent jump on-year which came by virtue of raising credit and deposit by 9 and 6 per cent, respectively, compared to early 2020.

Meanwhile, also according to SSI Research, the pre-tax profit of state-owned Vietcombank was forecast to reach VND6.1 trillion ($265.2 million), up 3 per cent on-year, after gaining 3 and 2 per cent in credit and deposit volumes compared to early 2020.Taking the lead with a forecast 30 per cent on-year growth in first-quarter pre-tax profit is privately-held Vietnam International Bank (VIB), surpassing VND1 trillion ($43.48 million).

Meanwhile, with fair credit growth of nearly 6 per cent in the first quarter and earnings from its bond investment portfolio in the first two months of this year, VPBank is expected to post double-digit profit growth in the first quarter.

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SSI Rearch has also estimated the pre-tax profit in the period of Ho Chi Minh City-based commercial lender ACB at about VND1.8 trillion ($78.26 million), up 5 per cent on-year.

For Military Bank (MB Bank), SSI Research forecast an increase in provisioning in the first quarter this year to create a safe buffer for operations in the subsequent quarters. This would lead to 30-35 per cent hike in provisioning. The bank's pre-tax profit in the period, therefore, is foreast to remain almost unchanged or see a slight decrease of 0.5-0.7 per cent compared to the corresponsing period last year.

Banks are expected to deliver their official reports on first-quarter business results later this month or at their upcoming annual general shareholders' meetings which might include new business indexes to supersede ones which were established at the beginning of the year when the COVID-19 situation was not too critical.

According to Nguyen Quoc Hung, head of the Credit Department of the State Bank of Vietnam (SBV), the banking sector's credit expanded by 1.3 per cent as of March 31, 2020. Earlier, the sector's credit growth was just 0.06 per cent, a six-year record low due to the COVID-19.

According to the SBV's preliminary assessment, as COVID-19 disruptions unfolded in full from mid-March, its impacts on the performance of most banks will not be felt in the first quarter.

SSI Research's update report on the implications of COVID-19 on the banking sector has revised the pre-tax profit prospects of 10 large-scale banks in a negative direction.

Along with this, in the base scenario, if the pandemic was brought under control late in the second quarter, the pre-tax profits of these banks would jump 7.2 per cent on-year, and in the worst scenario that the pandemic remains out of control until the end of the year, the growth level would be 0.8 per cent only./. VIR

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Fitch Ratings lowers outlook of Vietnamese banks amid the pandemic

Fitch Ratings previously revised the outlook on Vietnam's IDR to Stable from Positive and affirmed the rating at 'BB'.

Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank), Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank), and ANZ Bank (Vietnam) Limited (ANZV) had their outlooks lowered to Stable from Postive. Meanwhile, Fitch lowered the outlooks of Asia Commercial Joint Stock Bank (ACB) and Military Commercial Joint Stock Bank (MB) to Negative from Stable.

Vietnam's GDP growth slowed to 3.8% in the first quarter (Q1) of 2020 from 7% in the previous quarter and Fitch forecasts full-year growth at 3.3%, which would be slowest pace since the first year of the Doi Moi reforms in 1987. The sharp economic shock will cause unemployment to rise and can quickly tip Vietnam's large proportion of informal workers and micro business owners into severe financial hardship.

In response, the State Bank of Vietnam (SBV) cut its policy rates and directed banks to extend debt relief to affected borrowers, while easing requirements on loan classification and provisioning. As a result, the banking sector has become a key intermediary – and will likely bear much of the policy burden – of financial relief.Fitch has lowered Vietnam's operating environment midpoint to 'b+' from 'bb-', but kept the outlook at stable as the rating agency expects the slowdown to be sharp before a sizeable recovery in 2021, with growth forecast at 7.3%.

The sudden loss of economic momentum that banks in Vietnam have grown accustomed to in recent years will most directly affect their asset quality and earnings. Moreover, risk appetite, capitalization and governance scores could also be lowered should pressure for banks to undertake policy lending manifest in large scale non-risk-based lending.

The negative outlook also considers banks' rapid credit growth in recent years, especially in consumer loans and unsecured lending, which have not been tested through a down cycle. Some banks' credit allowances have lagged their dash for market share, such that loss-absorption buffers remain thin at many banks. More than a few banks continue to hold Vietnam Asset Management Company bonds – a legacy of bad debt from the 2010-11 downturn.

It is expected profitability to come under significant pressure due to waning credit demand and lower lending rates after the SBV's rate cuts and authorities' orders to reduce debt burden for affected borrowers.Fitch's assessment of banks' funding and liquidity has not changed materially as a result of the Covid-19 pandemic. Meanwhile, the agency's expectations of slower credit growth and highly accommodative liquidity management from the SBV have kept the factor outlook at stable. Fitch expects the SBV will continue to provide liquidity to the system as directed by the government./.Hanoitimes

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E-COMMERCE

Anti-panic commodities trading floor founded amid pandemic

An anti-panic commodities trading floor has been established amid the COVID-19 pandemic to boost e-commerce and help people buy necessities at a stable price.

The trading floor vnshop.vn was launched in this April by CIB Corporation to help local authorities, manufacturing companies, logistic companies and consumers suffer less from false demand and supply fluctuations.

“During the pandemic, people have rushed to buy necessities, causing a higher demand for necessities than the real requirement,” said CEO and founder of CIB Albert Ma.

“The false supply and demand will impact the whole economy in even the short or long term. That’s the reason why we launched a trading floor managed by the Government via the Ministry of Industry and Trade.”

If there is any demand for necessities, consumers can pre-order online in a limited quantity. Those orders will be guaranteed by manufacturing enterprises to supply in a timely manner, with orders made under a specific passport or ID card.

“By keeping those demands transparent, society will avoid psychological panic during the COVID-19 outbreak. It can regulate real supply-demand to avoid social waste and the loss of medical workers and patients without medical equipment. Without the burden of false demand, enterprises can prevent themselves from over-investment after the end of natural disasters and epidemics.” ./.VNS

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START-UP

TopCV receives US$424,000 investment

The recruitment platform TopCV has received nearly VND10 billion (US$424,000) in investment from NextTech Group through the group's start-up fund Next100.

The investment aims to help labourers nationwide seek job opportunities to increase incomes from working at home. It would also help firms choose high quality human resources with suitable fees, thus promoting their businesses during and after the COVID-19 pandemic.

After receiving the investment, TopCV quickly launched its portal to help businesses recruit labourers remotely at http://remote.topcv.vn.

The COVID-19 pandemic has seen complicated developments, causing an increase in the unemployment rate due to an economic downturn and halting of production and business.

Statistics from TopCV showed that after three months of the COVID-19 outbreak in Viet Nam, the number companies recruiting was reduced by 30 to 35 per cent. Many firms had to halt their operations or shut down completely, causing workers to lose their jobs or take a pay cut.

"It's time for firms to have flexible changes not only in business models but also recruiting labourers in a new way, enhancing remote working ability," said Tran Trung Hieu, CEO of TopCV.

The TopCV platform collects jobs according to kinds of projects, part-time or full-time jobs. During the pilot project, there were 100 companies changing their business model and recruiting around 1,000 people remotely on the TopCV platform.

Shark Nguyen Hoa Binh, CEO of NextTech Group, said providing technology solutions that help accelerate digital transformation of traditional sectors to increase value has been one of key investments of Next100.

Established in 2015, TopCV is the second biggest job platform in Viet Nam with nearly three million candidates, 95,000 employers and 10,000 applications updated everyday. TopCV connects more than 150,000 candidates with recruiters a month. More than 80 per cent of CVs sent to employers are built in TopCV. — VNS

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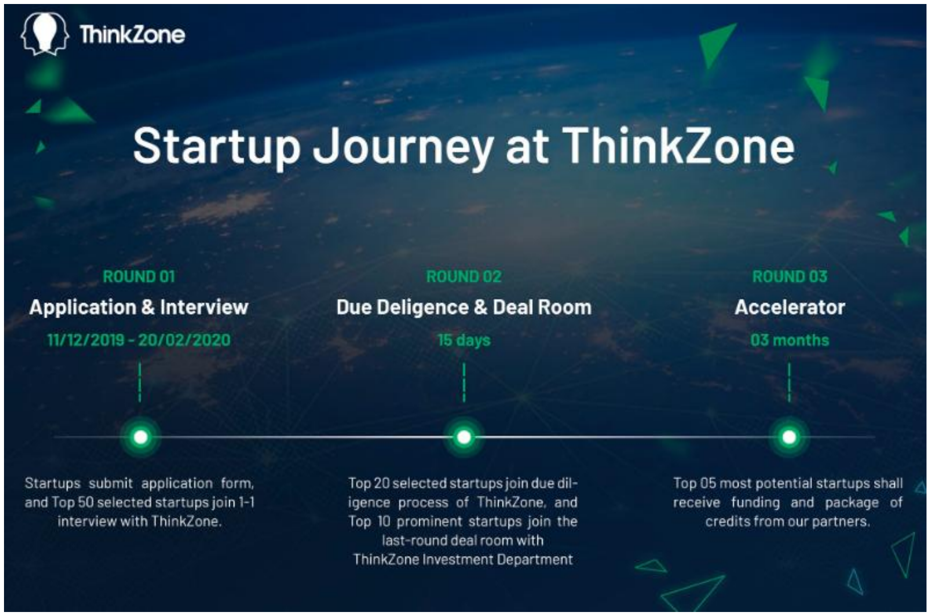
Vietnam's ThinkZone invests in 5 startups

Vietnam's accelerator ThinkZone has announced the list of top five startups that are slated to receive an investment of $250,000 and other support packages from large corporates. According to an announcement, these startups come from a variety of verticals including manufacturing, healthcare, and edtech.



Top 5 startups will receive a $50,000 each from ThinkZone, with a 3-month acceleration programme. During the programme, the startups will be connected to ThinkZone's network of experts and successful founders from Silicon Valley, receiving office-hour to boost their business metrics. Top 5 startups that receive investment are iSalon, an application for spa scheduling, hair care, hair advice and discounts for customers on off-peak hours; Bluecare, a platform that allows users to schedule home health-care services for babies; and Housecare, a household tasks support platform.

The two others are Hachium, a SaaS platform that helps professionals, teachers, schools create an online training system; and Airiot, a compact IoT product that applies Big Data to sensor and analyze data of electricity consumption in home appliances. "Our goal is to help the startups with comprehensive support packages, so that they can save up to billions VND of expenses. These resources become even more significant in the context that startups need a lot of support to overcome the difficulties caused by the Covid-19 pandemic", said Catalina Catana, Head of ThinkZone Accelerator.

In February, we reported that ThinkZone is seeking to raise a $30-million venture capital fund focused on tech startups in Vietnam and Southeast Asia. The fund, ThinkZone Ventures, is expected to close by the first half of this year. It will focus on investing across industries such as logistics, supply chain, medtech, fintech, edtech, agritech, proptech and AI./. Dealstreetasia

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RETAIL

Retail industry face difficulties during COVID-19

Many businesses have been forced to implement social distancing rules due to the COVID-19 outbreak, and the retail sector has been hit hard. A recent report published by the Ministry of Industry and Trade showed the pandemic was having a direct impact on distribution businesses.

Total retail sales of goods and services in the first three months were estimated at VNĐ1.25 trillion (US$53.19 million), up 4.67 per cent compared to the same period last year, but the lowest increase in recent years. In March alone, total retail sales of goods and services decreased by 0.8 per cent over the same period last year for the first time since 2016.

Reduced purchasing power has caused the whole retail industry to tumble. Many big supermarkets such as Lotte, Co.opmart, Intimex and Aeon Mall are in crisis, with revenue dropping by up to 50 per cent. Specifically, Lotte's revenue declined by about 50 per cent in February compared to January and more than 20 per cent over the same period last year. Aeon Mall Việt Nam's January revenue decreased by 2 per cent, and February was 6 per cent below target.

Saigon Co.op Mart's retail sales in the first two months of this year dropped by about 50 per cent year-on-year. Only fast food products, dry products, masks and hand sanitiser are selling faster. Due to the outbreak, people in some sectors are out of work, so many families have had to tighten spnding, which has greatly affected the retail industry.

Khổng Thu Trang, who lives in Cầu Giấy District, Hà Nội, shared that COVID-19 had put a lot of financial pressure on family spending. She and her husband have stayed at home without work for nearly a month, resulting in a significant cut to their income. They have been forced to reduce living expenses and cut unnecessary purchases to help her family overcome this difficult time, Trang told the Voice of Vietnam (VOV) news portal. Similarly, Trần Quang Hiếu's family in Hà Nội have also been finding ways to reduce spending during the outbreak, such as limiting shopping and shopping economically.

Experts said saving was necessary in the current situation, but this had posed a problem for businesses trying to grasp consumer psychology to adjust production and business plans in line with market fluctuations to maintain operations and overcome the difficulties caused by the COVID-19 pandemic. Retail expert Vũ Vinh Phú said the situation was a huge challenge which the retail industry must overcome, but also an opportunity for the retail industry to look back on itself to be more innovative in purchasing goods to serve society more effectively.

The retail industry must innovate comprehensively and overcome shortcomings for better efficiency, he said. Phú said the quality and price of goods must be raised, especially in supermarkets and trade centres where consumers felt safe in their purchases. It was also necessary to review unreasonable prices and adjust to an acceptable level.This should also be considered an opportunity to continue renewing the way we serve consumers and build a brand sustainably, he added. /.VNS

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LOGISTICS

Transport Ministry rejects proposal of lowering container service charges

The Ministry of Transport has rejected a proposal of cutting container loading and unloading service fees at seaports by 30 per cent, Nguyen Tri Duc, chief of the ministry's office said.

The ministry said that the current container loading and unloading service fees of Viet Nam were much lower than other countries in Southeast Asia. Thus, a 30 per cent reduction would negatively affect Viet Nam's seaport enterprises. Meanwhile, the reduction would bring benefits to foreign shipping lines because they still collect relatively high fees on Viet Nam's import and export companies.

A representative from Cai Mep International Terminal said that the volume of goods transported through seaports saw significant declines and was forecast to drop by 60 per cent in the second quarter of this year, which would significantly erode seaport revenues .Further cuts in container landing and unloading service fees would be unreasonable in the context that seaport companies were already facing difficulties.

The Ministry also urged Viet Nam Maritime Administration to propose amendments to the Circular 54/2018/TT-BGTVT about seaport service fees for approval in September to ensure harmonization of benefits. Previously, the associations of logistics and import-export companies proposed container loading and unloading service fees to be cut by 30 per cent so logistics costs could be reduced as imports and exports collapsed globally due to the COVID-19 pandemic.

In another move, several towage service providers recently announced cuts on towage service fees by 10 per cent for Viet Nam's ships operating domestically to the lowest level regulated in the Circular 54 to support firms to overcome the difficult time.The reduction would be applied for three months, starting from May 1.The Viet Nam Maritime Administration has recently urged cuts on towage and pilot service fees for Viet Nam's ships operating domestically by 10 per cent.

The volume of goods via seaports started to slow down due to the COVID-19 pandemic, however, the reduction was not significant, Trinh The Cuong from the Viet Nam Maritime Administration said. He added that seaport and marine transport companies must support each other to overcome difficulties. Statistics showed that nearly 161.5 million tonnes goods were shipped through seaports in January-March, up by 8 per cent.

However, the volume of goods shipped through seaports in April saw a drop of 7 per cent to 53.8 million tonnes. /.VNS

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Bamboo Airways sticks with 30 percent market share target

The Covid-19 pandemic has not changed Bamboo Airways's market share target of 30 percent for 2020 despite a reduction in fleet strength from 50 to 40 aircraft, says the carrier's chairman Trinh Van Quyet. Bamboo Airways's target of 30 percent market share by the end of 2020, which is focused primarily on the domestic routes that we have determined as important routes, remains unchanged, Quyet said Friday at an online meeting of the airline's senior managers.

While target of increasing the fleet strength has been adjusted to 40 aircraft by the end of 2020, the earlier goal of 50 aircraft planned at the end of 2019 will still be pursued if market conditions prove favorable and business activities meet the requirements for scaling up in Q3 and Q4, he told VnExpress.

Asked what the strategy would be when the market recovers, Quyet said the company would continue to research and promote new routes to strengthen its domestic flights network. For international markets, depending on the situation of Covid-19 being overcome in other countries, Bamboo Airways will restore operations on established regular routes such as Vietnam -South Korea, Taiwan and the Czech Republic. We will also reopen the process of establishing and connecting new routes to East Asia, Europe, America and Australia as well as explore new potential routes.

While aviation is one of the industries most severely affected by pandemics, it is also among those that stage rapid recoveries later, Quyet noted. Besides, the steep fall in oil prices as of the first week of April is also a good sign for the transportation sector in general, and aviation in particular. He also said that despite the complicated development of the coronavirus pandemic, Bamboo Airways has maintained an outstanding operational performance in the first four months of 2020.

The carrier's on-time performance rate was the highest in the Vietnamese aviation industry in the first quarter at more than 95 percent. Flight safety rate was an absolute 100 percent. Thanks to internal epidemic prevention measures, no Bamboo Airways staff has been reported infected with he novel coronavirus.

Following the outbreak, Bamboo Airways adjusted its business focus, suspending all international routes, reducing the frequency of domestic routes, diverting from affected areas. During this tough period, the carrier has promoted charter flights repatriating EU passengers and cargo for both humanitarian and commercial purposes.

Many new products and services have been launched to meet the special needs of the market in this unprecedented period, such as the promotion of "Get 03 seats for 01 ticket" campaign to ensure the safety of passengers, and Bamboo Pass - an unlimited flights pass program.

Bamboo Airways has carefully researched and planned our temporary adjustments in operations, especially in human resources, flight network and fleet, which follow recommendations made by authorities. Most importantly, we are working to minimize the risks to the health and safety of passengers, staff of Bamboo Airways and the community, Quyet said.

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INVESTMENT

Ba Ria-Vung Tau calls for investment in 17 seaport projects

Calling for investment into ports is one of the five sectors that Ba Ria-Vung Tau will focus on to realise its target to become one of the three provinces attracting the highest foreign direct investment this year.

Ba Ria-Vung Tau People's Committee has assigned the Department of Transport to collect information and statistics of all seaports and local water ports in the province, while simultaneously co-operating with the Department of Planning and Investment to check and build plans to call for investment in projects in the planning.

The Department of Planning and Investment will check the province's ports which have come into operation but have yet to reach their designed capacity in order to identify appropriate support measures for the project investors.

According to the Department of Transport, there are 69 seaport projects included in the planning of Ba Ria-Vung Tau. 48 projects are already operational, while four are under construction, 10 projects have yet to be implemented, and investors ignored the remaining seven projects.

The planning of the Cai Mep-Thi Vai area includes 35 ports. 22 of these operate smoothly, while two are currently undergoing construction and nine others have yet to be kicked off. The remaining two projects have not managed to attract investors.

A total of 26.4 million tonnes of cargo has gone through the seaports of Ba Ria-Vung Tau in the first three months of this year. The volume of goods handled by ship reached 17.7 million tonnes (up 11 per cent). The total volume of container cargo reached 13.3 million tonnes (up 27 per cent). The volume of containers handled by ship reached 7.4 million tonnes (up 18 per cent).

Ba Ria-Vung Tau has set the target of becoming one of the three provinces attracting the highest foreign direct investment this year. Thus, it has been calling on investors with deep pockets and extensive experience as well as advanced technology to invest in large-scale projects. The five main areas it focuses on to attract investment are industry, ports, logistics, tourism, and high-tech agriculture./.VIR

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More foreign manufacturers turn to Vietnam amid pandemic

With the novel coronavirus pandemic and trade tensions driving the shift of production lines from China to Southeast Asia, Vietnam, in particular, seems to have emerged as an attractive destination for investors and manufacturers alike, according to Jones Lang LaSalle (JLL) Vietnam.

The real estate consultancy said in a recent statement that multinational manufacturers have been setting up operations in Vietnam for a number of years and this trend is poised to strengthened. "This movement has accelerated over the past 12-24 months, with companies looking to diversify their operations and supply chains due to tariffs on goods exported from China to the United States. More companies are expected to follow suit, as the cost of production rises," said JLL Vietnam.

Data from the U.S. Census Bureau revealed a 35.6% surge in goods imported from Vietnam last year, compared with a 16.2% contraction in goods imported from China.

"Data for this year will be distorted by the effects of the coronavirus on global supply chains, but the trend of manufacturing moving from China to South East Asia will continue," according to Stuart Ross, head of industrial for South East Asia at JLL, as quoted in a statement.

Stephen Wyatt, Country Head at JLL Vietnam, noted that Vietnam remains a promising market, with a growing trend during the past few years of manufacturing companies looking to set up operations in the country. "Industrial park developers remain confident that demand for land will continue to grow and, therefore, land prices are expected to increase, in line with the long-term potential of Vietnam's industrial segment," Wyatt said.

Companies looking to diversify their manufacturing portfolios outside China are attracted to Vietnam, thanks to its proximity to China, free trade agreements and the Government's plans to develop Vietnam into a manufacturing hub for Southeast Asia, according to JLL's latest market report.

Also, the report noted that the average price of land in northern Vietnam reached US$99 per square meter per lease term, up 6.5% year-on-year in the first quarter of 2020. Meanwhile, the figure for the southern region was US$101, a year-on-year increase of 12.2%, compared with the fourth quarter of 2019.

In addition, ready-built factories recorded an average price of US$3.5-5 per square meter per month in both regions. In light of the escalating Covid-19 crisis, JLL Vietnam predicted a delay in the decision-making process for ongoing lease negotiations and new requirements.

However, the firm believed the key fundamentals of the market remain strong and will recover, after the epidemic is under control."The disruption in the global supply chain caused by the virus outbreak is encouraging businesses to diversify their manufacturing portfolios geographically, instead of being over reliant on one market," said the firm.

However, "not all manufacturing can be easily outsourced to Vietnam. Manufacturing wages in China are now more than three times those in Vietnam, but skilled labor in China is also higher," said Wyatt.

He noted that the sheer scale of China cannot be replicated, as there are more migrant industrial workers in China than people in Vietnam. Furthermore, a large percentage of China's manufacturing is meant to serve their domestic market.

LL predicted that many businesses are likely to rethink their supply chains, in the long term, to ensure continuity of their operations and to reduce risks from future shocks.

Coupled with initiatives to improve the sustainability performance and limit the environmental impact of wider operations, retailers may opt to produce and house more stock locally./.SGT

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