



Highlight

Mitsubishi Corp. and Nomura Real Estate Development team up with Vingroup in smart urban building

VIETNAM BUSINESS REVIEW

What's in it today?

Vol 4, January 29th 2020



FINANCE

Finance ministry acts to improve business climate
Banking profit grows 22.5% in 2020



E-COMMERCE

Singaporean outlet names Vietnam fastest growing digital economy



START-UP

2019: prosperous year for Vietnam's e-commerce, fintech firms



INVESTMENT

Mitsubishi Corp. and Nomura Real Estate Development team up with Vingroup in smart urban building
ADB, partners fund TTC Energy's solar power plant



LOGISTICS

Vietnam's Ho Chi Minh city to launch public bicycle rental service



RETAIL

Retail giant Masan's after-tax profit hits 274.62 million USD in 2019
International fast fashion brands see opportunities in Vietnamese market

FINANCE

Finance ministry acts to improve business climate

The Ministry of Finance plans to hasten tax and customs administrative reforms this year to improve the business climate. This was a highlight of Minister Đinh Tiến Dũng's recent decision for an action programme to implement a National Assembly resolution about solutions to improve the business climate and national competitiveness.

Accordingly, the finance ministry hopes to move up 7-10 spots in the World Bank's ranking of paying taxes and social insurance and up 5-10 spots in trading across borders. The ministry hopes to accelerate tax and customs administrative reforms, shorten procedures, modernise and use information technology in management to reduce the time spent conducting administrative procedures while ensuring transparency.

The ministry aims to provide at least 30 per cent of its public services online at level four, the highest level of online public services. To gain a higher ranking in paying tax, the ministry plans to review the tax legal document system, including regulations about tax exemptions for agricultural land as well as issuing detailed regulations about freezing tax debts, remission of fines for late payment and overdue payables of payers no longer able to pay taxes.

In 2019, the ministry removed 49 administrative procedures, amended 23 and issued 38 new procedures. Việt Nam's paying tax indicator jumped 22 spots from 131st to 109th out of 190 countries in the World Bank's ranking announced on October 24, 2019.

The satisfaction of businesses about tax reforms also increased. A report by the Việt Nam Chamber of Commerce and Industry announced in November 2019 showed 78 per cent of surveyed firms said they were satisfied with tax reforms, three percentage points higher than the 2016 survey.

The Ministry of Finance was always top of Government agencies in administrative reforms. The Ministry of Finance ranked second in the Public Administrative Reform Index released in May 2019 and topped the Vietnam ICT Index for the seven consecutive years among Government ministries and ministerial-level agencies with public services. VNS

[Back to top](#)

Banking profit grows 22.5% in 2020

Local banks may increase their pre-tax profits by 22.5 per cent on-year in 2020, SSI Securities Corporation's research unit has forecast.



Vietcombank, Bank for Investment and Development of Vietnam (BIDV), VPBank and Techcombank may record the highest profit growth rates, according to SSI Research.

Profit growth of the banking sector in 2019 was estimated at 23 per cent.

Banks will see their profits increase, as some of them, such as BIDV and VPBank, will complete settling the bonds they sold to the Vietnam Asset Management Corporation (VAMC). Others will improve earnings in their core divisions, raise revenues from bancassurance and transaction fees.

Credit growth is estimated at 13-13.5 per cent in 2020 as financial and fiscal policies are being tightened and the corporate bond market is growing strongly. A number of large-cap companies have turned to issuing corporate bonds instead of borrowing from banks and a lot of individual investors are looking for opportunities in this market.

At Techcombank Securities (TCBS), about VNĐ39.5 trillion (US\$1.7 billion) worth of corporate bonds was sold to individual investors in the January-September period. Securities firms, including foreign players, are expanding their operations in corporate bond brokerage. There is room for State-run banks such as BIDV, Vietinbank and Vietcombank to increase their stakes in retail banking as the division accounts for a small part of their business operation.

The percentage of retail lending in total lending at 12 listed banks increased to 40 per cent at the end of September 2019 from a total of 32.2 per cent in 2017 and 35.5 per cent in 2018.

In addition, as banks are trying to comply with Basel II standards, their total cost will increase. But those that have met the standards will gain a comparative advantage in the future.

Basel II-compliant banks had an average credit growth rate of 13.8 per cent, higher than the sector's average of 9.54 per cent as of the end of the third quarter in 2019.

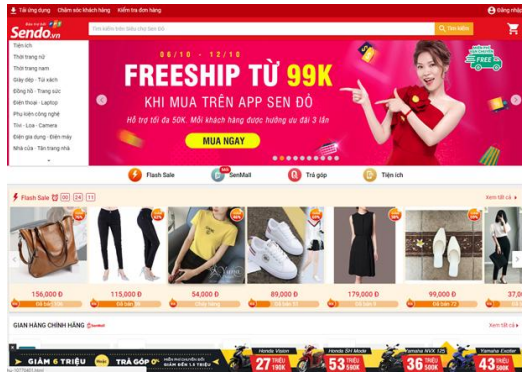
Those banks will be given more room for credit growth and their market shares will increase thanks to the owner equity capital and healthier financial status, SSI Research said. — VNS

[Back to top](#)

E-COMMERCE

Singaporean outlet names Vietnam fastest growing digital economy

Vietnam is the fastest-growing digital economy in the region, largely due to investment inflow which is still on an unprecedented rise, The Business Times has reported.



“Over the last four years, approximately 1 billion USD in funding has poured into Vietnam's e-commerce sector, reaching a record high in 2019,” the Singapore-based news outlet said.

The last two years has seen the emergence of Vietnamese e-commerce players, such as Tiki, Thegioididong and Sendo, which are among the most successful e-commerce platforms in the region, it said. According to their report "Vietnam's booming e-commerce market" released by ISEAS Yusof Ishak Institute last week, the greatest potential of Vietnam's e-commerce sector can be seen via its enormous expansion, which is predicted to reach 15 billion USD in terms of revenue in 2020.

In revenue terms, Vietnam's e-commerce surged 30 percent in 2018 to reach a new high of about 8 billion USD. User penetration was recorded at about 56.7 percent in 2019 and is expected to reach 64.4 percent in the next four years. If the sector can keep its current growth rate of 30 percent, its market size might hit 33 billion USD by 2025, ranking third in Southeast Asia, after Indonesia (100 billion USD) and Thailand (43 billion USD), said report author Dang Hoang Linh, who is Dean and senior lecturer of the Faculty of International Economics, the Diplomatic Academy of Vietnam.

The logistics and delivery business also saw a phenomenal growth rate of 70 percent amid intense competition in 2018. They are also investing heavily in advanced technologies, such as automatic item sorting and big data.

Regarding the supporting legal framework, compared to other ASEAN countries, Vietnam has a relatively favourable legal environment for the development of e-commerce, with five out of six main laws fully enacted to regulate e-commerce activities. - VNA

[Back to top](#)

START-UP

2019: prosperous year for Vietnam's e-commerce, fintech firms

Start-up activities are growing fast despite the slowdown of the global economy. The gap between Vietnam and the two regional leading countries, Indonesia and Singapore, has narrowed. In the first 10 months of 2019 alone, Vietnam's startups attracted \$750 million worth of capital, according to Minister of Science and Technology Chu Ngoc Anh at Techfest 2019.

The e-commerce platform belonging to the Vietnamese largest IT group FPT in November announced the completion of the Series C funding round. There were two new investors – EV Growth from Indonesia and Kasikornbank from Thailand, and the existing investors - SBI Group, BEENOS, SoftBank Ventures Asia, Daiwa PI Partners and Digital Garage. With the additional capital, Sendo said it would expand business and make further investment in technology, including AI and machine learning.

Tiki received \$75 million

In March 2019, Tiki, a marketplace successfully raised funds worth \$75 million in a funding round led by Northstar Group. This is an investment fund with the value of \$2 billion specializing in injecting money into the companies in the growth phase in Southeast Asia. As of August 2018, Vietnamese investors had remained the biggest investors, holding 51.33 percent of shares in Tiki. 21.47 percent of shares belonged to Chinese investors and 27.2 percent belonged to investors with other nationalities.

Scommerce received \$100 million from Temasek Holdings

On October 28, 2019, Scommerce, the logistics service provider, the holding company of Giao Hang Nhanh (GHN) and AhaMove, confirmed the investment by Temasek, the Singaporean state's investment fund. The company declined to reveal the exact value of the deal, but said this was the biggest funding round of the company so far. According to DealStreetAsia, the value of the deal was \$100 million.

MoMo receives \$100 million in Series C funding round

The deal was made in early 2019. The US-based Warburg Pincus investment fund agreed to pour \$100 million into the Vietnamese e-wallet. Prior to that, MoMo received the investment worth \$28 million from Goldman Sachs (\$3 million) and Standard Chartered Private Equity (\$25 million). In Vietnam, Warburg Pincus has made four investment deals so far, including ones in Vincom Retail, Lodgis, Techcombank, and BW Industrial Development JSC. The deals all are worth \$100 million and more.

VNPAY got \$300 million from SoftBank and GIC

This was the biggest investment deal in Vietnam's startups in 2019. Tran Tri Manh, president of Vnlife, the holding company of VNPAY, in July confirmed the deal was wrapped up, but declined to give detailed information about the deal. DealStreetAsia said Vision Fund of SoftBank invested \$200 million, while GIC committed \$100 million.

[Back to top](#)

RETAIL

Retail giant Masan's after-tax profit hits 274.62 million USD in 2019

Retail giant Masan Group posted an after-tax profit of more than 6.36 trillion VND (274.62 million USD) last year, a year-on-year rise of 13.2 percent. In Q4 2019, Masan Consumer Holdings, the group's retail consumer business, recorded a revenue growth of 15 percent against the same period a year earlier and 20 percent quarter-on-quarter, respectively.



Meanwhile, unaudited financial statement showed that the fresh meat platform “MeatDeli” of another Masan’s subsidiary Masan MeatLife (MML) raked in nearly 330 billion VND in revenue after only one year since its establishment. In December last year, conglomerate Vingroup entered into a share swap agreement to merge its retail and agriculture arms with Masan Consumer Holdings to create the country’s biggest retail company.

Vingroup will swap all shares in its retail’s arm VinCommerce into shares of the post-merger company. Masan Group will operate the new company, while Vingroup will be a shareholder. The new company will own a distribution network of 2,800 VinMart+ stores, along with a system of 14 high-tech farms of VinEco.

In 2020, Masan Group is set to make a list of its high quality products and beverages and work to enhance the meat sector which is hoped to account for 20-25 percent of MML’s net revenue. It will also devise a roadmap to bolster revenue of VinCommerce and digitalise its retail platforms./ VNA

[Back to top](#)

International fast fashion brands see opportunities in Vietnamese market



A number of famous international fast fashion brands have arrived in the promising Vietnamese market. After opening its first store in HCM City in December 2019, Japanese fast-fashion brand Uniqlo is already planning its second store in the country, which will be located in the capital city of Hanoi.

It is said that Uniqlo's Hanoi 2,500 square-metre store will be located on two floors of a big shopping centre on Pham Ngoc Thach Street. In 2019, Vietnam saw the arriving of two famous fast fashion brands including Cotton On and Uniqlo. Over the past two years, many international brands have arrived in the country including the much-awaited H&M and Zara.

International companies have also acquired some local brands. MTV Global Fashion which owns the Vascara, a strong Vietnamese footwear and bag brand established in 2007, said that they have merged into Japan's Stripe International. Stripe International also bought Nem fashion brand in 2017.

According to the Vietnam Retailers Association, there are now more than 200 foreign fashion brands in Vietnam, making up over 60% of the local market which is said to have an average growth rate of between 15-20%. A recent survey by Nielsen showed that the number of Vietnamese people who love well-known brands stands third in the world, just after China (74%) and India (59%). A forecast by BMI said that Vietnamese people's spending on fashion is growing at an average rate of 10% per year during 2017-2021 against 7% of previous years.

"This is a lucrative market for international fashion brands," the forecast said. Statistics from the Vietnam National Textile and Garment Group showed that the local market has seen a high growth rate of 20% per year.

"The value of the local garment and textile market is about USD4.5 billion/year which is equivalent to 40 million sets of clothes," the statistics said. "Vietnamese people are spending some VND100 trillion (USD4.4 million) on clothing,"

The great attraction of the Vietnamese fashion market to international companies can be seen from Zara's business results. A report by the Vietnam Industry Research And Consultancy showed that Zara made a revenues of VND321 billion (USD13,956) after just four months operating in Vietnam in 2016.

In 2017, Zara Vietnam's revenues climbed up to over VND1.1 trillion (USD48 million), and to nearly VND950 billion in the first half of 2018, according to Mitra Adiperkasa.

H&M also said they saw a big opportunities in the Vietnamese market with a young population and a fast-growing economy. However, many foreign brands said that they have faced some difficulties when expanding to Vietnam, especially in space rentals which are skyrocketing over the past two years.- VNN

[Back to top](#)

LOGISTICS

Vietnam's Ho Chi Minh city to launch public bicycle rental service

The logistics sector is forecast to continue growing strongly this year, with expansion in both retail and e-commerce channels. The Ho Chi Minh City Department of Transport has sought approval from the People's Committee for a public bicycle rental service.



According to Tri Nam Technology Development Investment JSC, the company that will run the project, dubbed Mobike, it will offer 800-1,000 bicycles at 70-80 public places in District 1 in the first phase this year. People can hire the bikes through its mobile application or website, pay via QR code and use an e-card to unlock the vehicles.

The company will offer the bicycles at VNĐ5,000 (US\$0.22) for 30 minutes and VNĐ10,000 (\$0.43) for an hour. They will be free for the first 15 minutes for the first three months to encourage people to use them.

In the next phases, the company will offer daily, weekly and monthly tickets. A Tri Nam spokesperson told Thanh Niên (Young People) newspaper that each parking lot would have 10 to 20 bicycles, and they would be situated on some central streets in District 1 near bus stops.

Trần Trí Trung, director of the city Management Centre for Public Passenger Transportation, said the bicycles would enable people to reach bus stations easily. The city also plans to earmark a separate lane each for buses and bicycles in District 1, he added.

This is not the first time the city is encouraging people to use bicycles to prevent congestion and protect the environment. In 2007, the department announced to pilot a public bicycle service in the city centre and also bought a number of bicycles to encourage its staff to ride to work.

But the project stalled for long due to lack of adequate infrastructure in the city. Đoàn Hồng Đức, a lecturer at the city's University of Transport, said if the city focuses on developing infrastructure for bicycles, they would become an important link in the traffic system and complete the public transportation system. It has become impossible to bicycle in the city amid the huge numbers of motorbikes and cars now, he said.

Besides, the sidewalks on many streets are degraded and illegally encroached upon, making it difficult for the authorities to implement the bicycle project, he said. They need breakthrough solutions such as demarcating separate lanes for bicycles or cracking down on illegal road encroachment, he added.

[Back to top](#)

INVESTMENT

Mitsubishi Corp. and Nomura Real Estate Development team up with Vingroup in smart urban building

Japan's Mitsubishi Corp. and Nomura Real Estate Development will join hands with Vietnamese conglomerate Vingroup on a smart urban development project in Ho Chi Minh City, according to Nihon Keizai daily business newspaper.



The Japanese companies will invest nearly 100 billion yen (908 million USD) in the project. Vingroup's commercial real estate developer Vinhomes is carrying out a massive residential area project in HCM City and the project is expected to be completed in 2023. It will be equipped with nearly 50,000 residences as well as schools, hospitals and commercial centres.

For the urban development project, Mitsubishi and Nomura Real Estate are partnering with Vinhomes to construct 21 apartment buildings. The project is expected to add approximately 10,000 homes to the city. The two Japanese firms will each invest 40 percent and Vinhomes the remaining 20 percent in the subdivision. Mitsubishi and Nomura intend to move out in front of the competition as Asia rushes toward smart cities. The companies will propose a facial recognition system to monitor those entering the area, autonomous buses and other technologies.

According to the United Nations, 61 percent of Asia's population is expected to be concentrated in urban areas in 2040, surging from 47 percent in 2015.- VNA

[Back to top](#)

ADB, partners fund TTC Energy's solar power plant

The Asian Development Bank (ADB) on January 22 signed a US\$37.8 million loan deal with TTC Energy Development Investment JSC to provide long-term financing to develop and operate a 50-megawatt (MW) photovoltaic solar power plant in the southern province of Tay Ninh.

ADB's assistance for the Gulf solar power project was provided through an innovative project finance structure, which ensured the bankability of the project. It will help catalyze commercial financing for one of the first large-scale solar power project finance transactions in the country.

The loan is composed of an US\$11.3 million A loan and a B loan of up to US\$18.9 million, according to the bank. An additional US\$7.6 million loan was provided by the Leading Asia's Private Infrastructure Fund, which is supported by the Japan International Cooperation Agency.

The loan marks the first transaction under the fund's non-parallel program and improves the bankability and financial viability of the project to allow other lenders to provide long tenor, U.S. dollar-denominated financing. The B loan will be funded by Bangkok Bank PCL, Siam Commercial Bank PCL, and Standard Chartered Bank (Thai) PCL.

"ADB is excited about this transaction because the project will have a significant impact on the sustainability and security of Vietnam's energy sector for years to come," said Jackie B. Surtani, director of the Infrastructure Finance Division of ADB's Private Sector Operations Department, in a statement.

He added that apart from providing much-needed financing to develop solar power in Vietnam, the project will also help reduce perceived risks in the Southeast Asian country's renewable energy sector.

"We believe the project's fundamentals were improved significantly as a result of its competitive financing structure and longer tenor led by ADB, and we are confident that the project will be developed successfully according to plan," said Yupapin Wangviwat, executive director of Gulf Energy Development Public Co., Ltd. (GED). The Vietnamese Government plans to increase the share of renewable energy sources, such as hydropower, solar, wind and biomass, as a percentage of total installed capacity to 21% by 2030 to meet rapidly growing energy needs and reduce greenhouse gas emissions by up to 25% by 2030.

The project will develop and operate the 50-MW solar power plant and its associated facilities in Tay Ninh Province, which is about 50 kilometers northwest of HCMC. The solar power plant will directly serve the electricity demand of residents and businesses of the city and its surrounding areas. It will reduce annual carbon dioxide emissions by 29,760 tons by 2020.

Founded in 2017, TTC Energy is 90% owned by GED, a leading private power generation company which has the largest portfolio of gas-fired power projects in Thailand. The Philippines-based ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members – 49 from the region.

[Back to top](#)

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