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FINANCE

State Bank of Vietnam won't apply foreign ownership limit in local intermediary payment firms

The State Bank of Việt Nam (SBV) announced it would remove regulations limiting foreign ownership in local intermediary payment firms from its draft Decree No 101.

Last November, the SBV announced the draft decree on the management of non-cash payments and set a foreign ownership limit of 49 per cent in intermediary payment firms. Many fintech firms expressed concern over the regulation, as foreign investors have not only made great contributions in terms of investment but also in technology and know-how.

Three months later, on the SBV's website, the central bank said the removal was based on the consideration that foreign investment played an important role in the development of local firms.

The SBV thought the restriction may affect the attraction of foreign investment capital to local firms and the fintech sector. In addition, there are a number of big firms with foreign investor equity ratio of more than 49 per cent and the change in the rate could affect their activities, said the website.

Nghiêm Thanh Sơn, SBV's Deputy Head of Payment, said by the end of Q1, Việt Nam was home to 27 e-wallets, including five big ones with more than 90 per cent market share. Foreign ownership in the five firms accounted for between 30 and 90 per cent. For example, the foreign ownership in Di Động Trực Tuyến Services Joint Stock Company operating MoMo, the biggest e-wallet in the country, was 66 per cent, according to data from the Ministry of Planning and Investment.

SBV said the removal would also help make finance more inclusive for those not yet bankable, especially in remote areas. At the same time, the development of intermediary firms has helped banks reach customers without having to expand their network of branches and offices, saving costs and improving business efficiency./. VNS

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Vietnam's new consumer finance restrictions to challenge business models

Vietnam's new regulatory limits on unsecured consumer finance personal loans will pressure the business models of more exposed companies over the next few years, Fitch Ratings said in a statement on February 6.

"The rules highlight regulatory efforts to temper risks from rising consumer leverage, following aggressive consumer credit growth over the past few years. However, they may also push industry competition toward other product segments as lenders seek to grow," stated the U.S.-based ratings agency. The State Bank of Vietnam released a circular late last year, which caps the ratio of personal loans for a finance company to 70% of its total consumer loans from January 2021. This falls to 60% from 2022, 50% from 2023 and 30% by 2024.

Only customers with total personal loans exceeding VND20 million (US$860) with the company will count toward the cap. These unsecured loans are typically higher risk and known as "cash loans" locally. "The rules also add to consumer protection requirements, which should strengthen the sector's social and governance aspects if well enforced," said Fitch Ratings.

The transition timeline follows a year-long industry consultation and provides breathing room for more-concentrated lenders to adjust their portfolios. However, companies will still have to grapple with the challenge of diversifying their loan portfolios while maintaining growth and profitability. "The rules are likely to weigh on industry receivables growth, as we estimate that cash loans accounted for over half of the total loans of the top three finance companies in 2018," remarked Fitch Ratings.

The agency believed larger, more established finance companies are better placed to meet the new requirements. It pointed out that the two largest financiers – FE Credit and Home Credit Vietnam Finance Co., Ltd (B+/Stable) – have significant exposure to cash loans.

These loans were roughly 73% of FE Credit's and 58% of Home Credit Vietnam's total loans at end-March 2019 and end-2018, respectively, based on a catch-all cash loan definition. However, the companies should be able to reposition their portfolios over the next four years in light of their broad distribution networks and product sets.

Fitch Ratings stated that the third-largest competitor, HD Saison, should be barely affected by the rules as cash loans only accounted for some 32% of its total loans at end-2018.

By contrast, newer, smaller companies that concentrate on cash loans may find it harder to shift their business models, according to the agency.

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They may need to develop additional product expertise and distribution channels to diversify away from cash loans. This may entail greater investment costs and execution risks in testing new business models and product lines.

Fitch expected the operating environment and business models of Vietnam's consumer finance companies to continue evolving rapidly.

"Margins are likely to be compressed in other consumer finance products as companies seek to expand beyond cash loans. Credit cards, an emerging product for consumer finance companies, and durable goods financing may be two of these products," noted the agency.

Industry profitability remains attractive, but returns have narrowed amid increased competition from new entrants, including some subsidiaries of local banks and fresh capital from large regional financial institutions.

Greater exposure to credit cards may bring finance companies into closer competition with banks, which generally enjoy greater benefits of scale and access to lower costs and more stable deposit funding.

Relationships with foreign shareholders who can transfer product know-how or help lower funding costs will be an advantage, though any imported expertise will still need to be calibrated to local conditions.

Korea's Shinhan Card Co., Ltd, Lotte Card Co., Ltd and Hyundai Card Co., Ltd (BBB/Stable) and Japan's Shinsei Bank have each recently purchased or are in the process of purchasing stakes in Vietnamese finance companies./. SGT

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E-COMMERCE

Tiki and Sendo in merger talks?

Tiki and Sendo may be in talks over a potential merger to break the dominance of Shopee and Lazada and their foreign backers. DealStreetAsia has reported that the two largest local e-commerce platforms have held exploratory talks to merge. Currently, the two sides have yet to comment on the information. Once the negotiations are taking place, the relevant parties rarely issue comments, even to disclaim leaks.

Thanks to the huge support of Singapore-based Sea Group and the leading Chinese e-commerce company Alibaba, Shopee and Lazada have quickly seized the upper hand in the local market. Meanwhile, Tiki and Sendo, with their fragmented shareholder structure, have been constantly calling for investment to maintain their performance. As e-commerce platforms in the local market have been suffering tremendous losses, a merger would be a good solution for the two local companies. The step would not only eliminate one competitor but also create a new partnership with the stronger financial potential to beat foreign firms.

The financial issue is the largest one for any e-commerce player. Their deficits are forecast to grow because the firms have been pouring a lot of investment to maintain their positions in Vietnam. In 2015-2016, Lazada surprised the market by reporting an annual loss of about VND1 trillion ($43.48 million). As of now, along with the Shopee's losses, their total losses amount to VND2 trillion ($86.96 million) per year. In 2016, the total losses of the Big Four (Lazada, Tiki, Sendo, and Shopee) hit VND1.7 trillion ($73.9 million). The losses doubled to VND3.4 trillion ($147.83 million) in 2017 and VND5.1 trillion ($221.74 million) in 2018. As of the end of 2018, Tiki recorded VND1.4 trillion ($60.87 million) in accumulated deficit and Sendo reported VND1.3 trillion ($56.5 million) in losses.

Otherwise, constantly welcoming new investments has fragmented local firms' shareholder structure. At the end of 2019, 61.1 per cent of Sendo's shares were held by overseas investors after getting $61 million capital in its Series C investment round. In addition to FPT, Sendo's shares have been picked up by SBI, Beenext, Econtext Asia, and Daiwa.

Tiki also raised capital in June and December last year. The two main shareholders are VNG with 24.6 per cent and JD.com with 21 per cent of the shares. The others include Ubiquitous Traders Pte., Ltd. (nearly 9 per cent), CyberAgent, STIC, and Sumitomo./. VIR

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Leflair – the “new victim” of e-commerce in Vietnam

Leflair, an e-commerce platform specialised in flash sales and branded goods, officially announced suspending operations in Vietnam, yielding to the capital and cost pressure.

Leflair, a retail website providing premium products in Vietnam, once announced strong ambitions to “become the No.1 online destination for brand shopping in Vietnam”. However, since then, Vietnam’s competitive e-commerce landscape has taken its toll on the niche market player, forcing the startup to decide on cease its local business.

In a letter to merchants, Leflair said, “The changes in the investment landscape for startups have made Leflair's current business strategy difficult to pursue. Under the capital crunch and requirements to cut costs, we had to make the tough decision to cease our operations in Vietnam.” The local high-end online sales market is promising as Vietnamese people rank the third in Asia after China and India in their preference for premium brands.

At the same time, Pierre-Antoine Brun, co-founder of Leflair, explained why many e-commerce sites had to cease operations in Vietnam as they sold similar products to the same customer group, leading to fierce price competition.

Leflair has a journey of about four years doing business in the Vietnamese market up to the time of official announcement of the shutdown. During that period, Lefair served a total of more than 120,000 customers, with the annual net sales reached tens of millions of dollars.

According to ndh.com, over the past four years, Leflair reached the highest average order value (AOV) in the Vietnamese e-commerce market, with its website receiving about 1.6 million visits per month and the company receiving the total investment of $12 million.

However, this investment is dwarfed by the capital mobilised by the giants of the Vietnamese e-commerce market. For instance, Alibaba has poured billions of dollar into Lazada, while Tiki, Sendo, and Shopee have received hundreds of millions of dollars from foreign giants from China, Japan, or Singapore.

Media expert Nguyen Khoa Hong Thanh, deputy director of iSobar Media Company, said that with e-commerce being so fiercely competitive in Vietnam among the "Big Four", investors will have to think carefully whether to invest in smaller platforms. This may be one of the reasons why Leflair was struggling to raise capital.

The difficulty in raising capital is one of the leading reasons why startups, especially in the field of e-commerce, go belly up.

Another example, vuivui.com (the e-commerce website of The Gioi Di Dong) also had to close at the end of November 2018 after a year of operation, also cracking under the heat of the war of attrition waged by the "Big Four"./. VIR

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START-UP

Startup CricketOne pursues sustainable food concept

CricketOne, a Vietnam based startup supplying food ingredients extracted from crickets, was recently named the winner of a competition for social startups called Blue Venture Awards. The company's sustainable food development target has helped it win many other awards. Cricket One was founded by Nam Dang and Bicky Nguyen in 2017 to promote one of the world's most environmentally friendly food sources beyond the East and Southeast Asian countries. The company initiates to farm and process crickets as a high-protein, high-mineral food source whilst helping to improve the livelihood of farmers and to productively utilise their agricultural by-products through technology.

Two billion people in the Southeast Asia region are responsible for over 90 per cent of global insect consumption today, that spends mere 2 liters of water and 1.5kg of feed needed to produce 1kg of edible weight, making it an order of magnitude more environmentally friendly source of protein than beef or chicken. "In fact, with each hectare able to produce over 250 tons of pure protein per year, it is almost 50 times more productive than growing soybeans for the famous Impossible Burger," said Masik Enterprises director, Mikhail Zeldovich. "The tailwind for such a product is massive."

Today, Cricket One is already managing over 25 million crickets per month, with the flagship Cricket One product — a 60-70 per cent protein and 7% fiber cricket powder — being sold to bakeries and chip makers in the EU and USA.

In addition to protein, cricket powder is a full nutritional package, delivering high quantities of calcium, potassium, zinc, iron, copper, manganese and prebiotic fiber, low cholesterol, almost no carbohydrates, and 5 times the antioxidants of orange juice. New products, such as sausage and mayonnaise made of cricket protein and oil, and a full range of protein beverages out of soluble cricket powder are currently in trials in Vietnam, Russia, and Korea; and their frass as organic fertilizer.

Cricket One also has received an undisclosed amount of funding, co-led by 500 Startups and Singapore-based Masik Enterprises. The company said that funding will be used for further R&D and study of the cricket protein structure; specifically, whether its bioactive peptide chain is defined and extracted correctly for biological assemblies to provide the highest-quality ingredients not only for food but also cosmetics and pharmaceuticals./. VNS & E27

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RETAIL

HCM City's retail sales, services revenue surge by 11.2 percent

Total retail sales and services revenue in Ho Chi Minh City were estimated at 112.77 trillion VND (4.8 billion USD) in January this year, an increase of 11.2 percent compared to the same period last year.

Of which, the total retail sales of goods reached 76.24 trillion VND, an increase of 13.2 percent compared to the same period last year, accounting for 67.61 percent of the total retail sales and services revenue, as the consumption demand of consumers increased heavily due to the festive season, HCM City-based Sai Gon Giai phong reported. The revenues of products for Tet holidays were fairly high. Particularly, food and foodstuffs rose by 5.4 percent over the previous month and 13.8 percent year-on-year; garments edged up 4.4 percent over the previous month and 14.8 percent year-on-year; household appliances surged by 7.2 percent over the previous month and 13.7 percent year-on-year.

Supermarkets, shopping centres, traditional markets, and stores increased goods supply to meet the buying demand of people before the lunar New Year with purchasing power increased by about 30 percent compared to normal months, concentrating on sweetmeat and Tet gift baskets. Similarly, the purchasing power for home interior decor products also climbed swiftly.

Large distribution channels, including Saigon Co.op, Satra, Aeon-Citimart, and BigC, also ran several promotional campaigns, offering discounts from 5 to 49 percent on thousands of products, boosting purchasing power in the first month of this year. As for import-export activities, the total export turnover of HCM City-based enterprises at border gates across the country was estimated at more than 3.93 billion USD, down 5 percent compared to December last year but up 10.2 percent compared to the same period last year. The total export turnover of HCM City-based enterprises via the border gate in the city was estimated at more than 3.92 billion USD, an increase of 17.3 percent compared to the same period last year. If excluding crude oil, the figure was estimated at more than 3.73 billion USD, up 19.4 percent over the same period last year.

Among products with higher export turnover, rice saw an increase of 25.1 percent; vegetables and fruits 22.6 percent; computers, electronic products, and electronic components 92.6 percent.

The import turnover of HCM City-based enterprises at border gates in the country was estimated at more than 4.52 billion USD in January, down 8 percent compared to December last year but up 10.5 percent compared to the same period last year. The import turnover via ports in the city exceeded 4.14 billion USD, down 4.1 percent compared to last month but up 17 percent compared to the same period last year./. VNA

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Korean cosmetic enterprise seeks entry into Vietnamese market

A beauty centre ran by the famous Korean brand ID is poised to open a new premise in Hanoi in the area close to Hoan Kiem lake during the second quarter of the year, according to the Economic Times of AJU.

The move comes as part of the recently signed franchise contract between Korean ID Hospital and Gorgeous Beauty Vietnam.

The beauty centre will be located in a 10-storey building and will be designed to resemble ID Hospital in the Republic of Korea, which contains dermatology, beauty, and dentistry departments.

Vietnam is set to represent the fourth market that ID has successfully entered into following moves to launch in Thailand, Japan, and Indonesia.

Park Sang-hoon, CEO of ID Hospital, stated that with the co-operation of Gorgeous Beauty Vietnam, the company wishes to offer customers a new kind of service through the creation of the ID Hospital in Vietnam./. VOV

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LOGISTICS

The path to $500 billion import/export turnover

Just within five years, from 2015 to 2019, Vietnam’s import/export turnover reached $2.106 trillion, which was higher than the total import/export turnover of the 15 years before. In recent years, Vietnam's economy has made strong gains in the context of a complicated economic and political situation globally.

Vietnam has been step by step implementing the foreign policy of multilateralization, taking advantage of the trade cooperation, investment, integration and technology transfer opportunities for the national economic development.

Vietnam has made big leaps, especially in recent years, in boosting import/export. The total import/export turnover in the last 20 years, 2000-2019 reached $3.995 trillion. In 2001, Vietnam’s total import/export turnover was modest, just $30 billion. After six years, in 2017, the figure rose to $100 billion, after Vietnam officially became a member of the World Trade Organization (WTO).

Four years later, in 2011, the total import/export turnover increased by two folds to $200 billion. In 2015, the figure hit $300 billion. Just two years after that, in mid-December 2017, the total import/export turnover hit $400 billion. And turnover hit $500 billion as of mid-December 2019. Thanks to this, Vietnam’s position in import and export as per WTO’s ranking has improved significantly.

In 2006, Vietnam ranked 50th in the world in exports and 44th in imports. In 2018, it ranked 26th in exports and 23rd in imports. With the results, Vietnam is among the top 30 countries and territories with the highest import/export value. In ASEAN, Vietnam ranks third in import/export, just after Singapore and Thailand. After a long period of witnessing a trade deficit, Vietnam has continuously had a trade surplus in recent years. In 2011 and earlier years, Vietnam's trade balance of goods was always in a deficit, with the deficit of billions of dollars, peaking at $18.02 billion in 2008.

However, from 2012 to now, the trade balance has reversed with trade surplus seen more regularly, except 2015 which had the trade deficit of $3.55 billion.

In 2018, the trade surplus hit $6.83 billion and in the first 11 months of 2019, with the sharp increase in exports, the trade surplus reached $10.94 billion. In the first 11 months of 2019, the total import/export value of the foreign invested enterprises (FIEs) reached $297.87 billion, up by 3.2 percent compared with the same period last year.

Meanwhile, the import/export turnover of Vietnamese enterprises during the same time increased by 15.1 percent. This was the third time they obtained the growth rate of over 10 percent./.VNN

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Private investors have few opportunities to develop airports

A large part of the national plan on mobilizing different investment sources for the development of airports is reserved to analyze the important role of the Airports Corporation of Vietnam (ACV) in the development and management of airports.

The Ministry of Transport (MOT) wants to assign ACV to develop and manage the 22 operational airports and the Long Thanh Airport to be built in the future. Meanwhile, the ministry proposes to call for private investments to the three remaining airports of Sa Pa which has received approval, Lai Chau and Quang Tri.

The three are small airports, located in disadvantageous areas and they are not promising in numbers of passengers. An analyst commented that MOT seems to favor ACV when assigning the most profitable airports to the corporation, while offering unpromising projects for private investors. ACV is now a joint stock corporation, where the state is holding the controlling stake (95.4 percent). “Why does MOT only offer hard-to-do projects to private investors? Why not large and profitable airports?” he said.

The Ministry of Justice (MOJ) has proposed to make overall assessments of the ACV’s capability of managing the 22 airports. The assessments will give information to the government to decide whether to continue allocating the airports to ACV to manage, or to call for private investments to all the airports. If ACV is found ineffectively managing the airports, the government should open the airports, except the special ones, to private investors.

The ministry also emphasized that ACV is a joint stock company, not an agency which can represent the state to select private investors for airport projects. Sharing the same view, the Ministry of Planning and Investment (MPI) also thinks that it is unreasonable to assign ACV to come forward and organize the diversification of investment sources for items at the airports.

Vietjet Air, a private air carrier, has asked for permission to develop airport infrastructure. It has also asked to accelerate the diversification of investment sources in developing airports. In fact, many proposals by private investors to develop infrastructure items at some large airports have been refused. Van Don International Airport is managed successfully by Sungroup, a private corporation.

According to the analyst, when discussing the investment plan for T3 Terminal at Tan Son Nhat Airport, Vietstar designed the investment rate of VND42 million per square meter, lower than the VND84.5 million per square meter by ACV./.VNN

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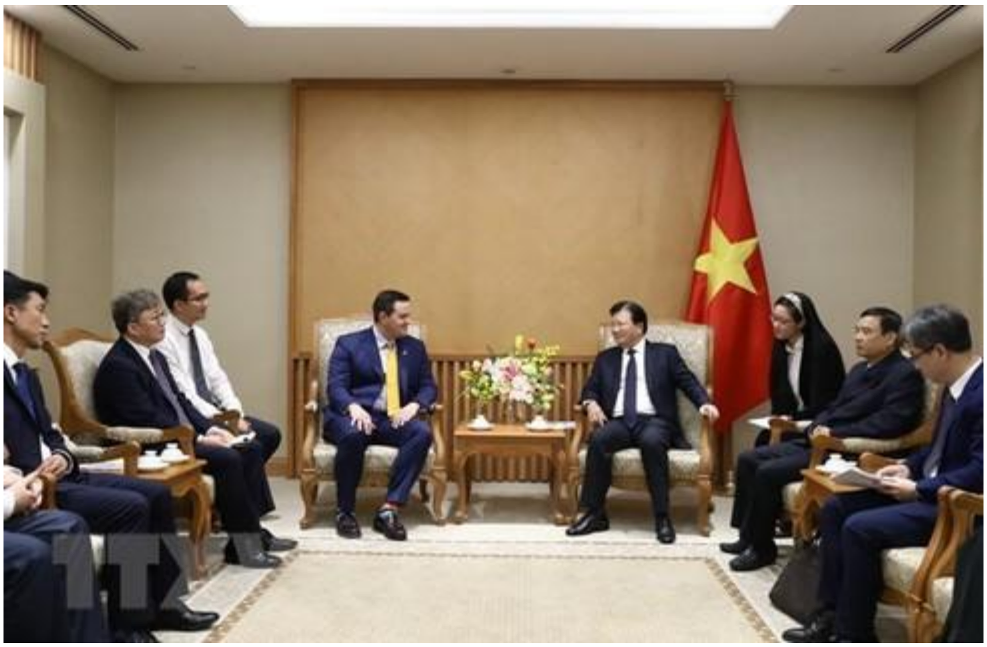
INVESTMENT

US, RoK investors interested in LNG power development in Vietnam

Deputy Prime Minister Trinh Dinh Dung on February 11 hosted a reception in Hanoi for a group of investors from the US and the Republic of Korea (RoK) who show their interest in liquefied natural gas (LNG) power development in Vietnam.



During the reception, the Deputy PM noted with the serious intention of the investors while affirming the Vietnamese Government's readiness to incentivize and facilitate the involvement of domestic and foreign firms in power projects in Vietnam.

The demand for electricity in Vietnam is seeing an annual average surge of 10% and the country is diversifying its sources of power towards reducing coal-fired power and raising the share of gas-fuelled power and renewable energy, Dung said, adding that gas-fired power is set to hold 12% of total electricity generation or 17,000 MW, by 2030.

Investment by US investors in Vietnam will contribute to improving the trade balance between the two countries, Deputy PM Dung noted. The investors expressed their desire to invest in LNG power projects in Vietnam to develop the clean energy source, ensure sufficient power supply for both production and consumption and expand the high quality workforce in the gas-fired power sector.

They said they had undertaken a careful study of conditions related to investment, and pledged to make long-term and effective investment in LNG power projects in Vietnam.

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Phu Yen seek investment

he south-central province of Phú Yên is encouraging domestic and foreign businesses to invest in Hòa Tâm Industrial Zone, Bãi Gốc Port and a hi-tech park all located in its southern area, according to the provincial People's Committee vice chairman Nguyễn Chí Hiếu.

Hiếu told online newspaper baodautu.vn that many investors have shown interest so the province needed to develop criteria to select investors with experience, financial capacities and effective project plans.

The committee has assigned Phú Yên Economic Zone Authority to draw up a draft set of criteria for selecting investors and granting in-principle approval for these projects, the vice-chairman said, adding that the board was collecting opinions from relevant departments and localities on the draft.

As of last year, the province's economic and industrial zones had lured 100 projects with a total investment of nearly US$520 million, statistics from the committee revealed. Of the total, 75 projects have been operational, generating more than 8,000 local jobs while the remaining projects are fulfilling investment procedures.

The province is determined to improve its business climate and attract capable investors who can help exploit its untapped potential, local authorities have said. With a strategic geographical location, Phú Yên has a road system that is part of the national north-south route as well as railway, aviation, and sea routes. It also boasts diverse natural resources to develop the sea-based economy, tourism, hi-tech agriculture, mining, and renewable energy. — VNS

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