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# VIETNAM BUSINESS REVIEW

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## FINANCE

### Consumer finance firm FE Credit turns joint-stock

The State Bank of Vietnam (SBV) has approved consumer finance firm FE Credit to change its legal status from limited liability to joint stock.



*An FE Credit saleswoman talks to a shopper about the company's financial products. The company has gained approval from the central bank to become a joint-stock business. — Photo cafes.vn*

The company is responsible for making a public announcement about the change in accordance with existing regulations. The central bank has also approved FE Credit to increase its charter capital by VNĐ5 billion (more than US\$215,000) to more than VNĐ7.3 trillion. FE Credit is fully owned by the Vietnam Prosperity Joint Stock Commercial Bank (VPBank).

The consumer finance firm is among the biggest in the sector, making total loans of VNĐ72.5 trillion in 2019, up 19 per cent on-year. The company reported outstanding lending was nearly VNĐ60.6 trillion in 2019, up 13.75 per cent on-year.

Pre-tax profit rose 8.2 per cent on-year to nearly VNĐ4.5 trillion in 2019. The company announced its return-on-asset (ROA) and return-on-equity (ROE) ratios were 5.5 per cent and 34.8 per cent, respectively.

The company has contributed 40-50 per cent of VPBank's total profit in recent years./.

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## Việt Nam records trade deficit in first half of February

Việt Nam recorded a trade deficit of US\$30 million in the first half of February, according to the General Department of Customs.



The nation's total trade value in the first half of this month was \$19.23 billion, an increase of 32 per cent compared to the second half of January and 3.3 per cent year on year, the general department reported.

Of which, the export value rose by 30 per cent year on year to \$9.6 billion, including \$6.78 million from foreign direct investment (FDI) enterprises.

Therefore, Việt Nam saw total export value increase by 5.4 per cent year on year to \$27.86 billion for the period from January 1 to February 15. Of which, the export value of FDI enterprises was \$18.5 billion.

Products gaining high growth rate in export value during this period included all kinds of telephones and their components; computers, electronic products and components; textiles; machinery, equipment, tools; and shoes.

Meanwhile, Việt Nam's import revenue in the first half of February reached \$9.62 billion, up 33.7 per cent compared to the second half of January, including \$5.8 billion from FDI firms.

This figure brought the total import value to \$28.27 billion in the period from the first day of this year until February 15, down 1.3 per cent year on year.

There were two groups of goods with import value of more than \$1 billion in the first half of February, including computers, electronic products and their components (\$2.3 billion) and the group of other machines, equipment, tools and spare parts (\$1.3 billion), said the general department. /.VNS

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## E-COMMERCE

### CIMB Bank joins hands with Sendo to promote fast digital loan solution

CIMB Bank (Vietnam) Ltd., under CIMB Group, the leading banking group in the ASEAN, and Sendo JSC today announced a strategic partnership to promote fast digital loans on Sendo's platform. This is the first collaboration between an international bank and a Vietnamese e-commerce platform to deliver outstanding digital experience to users.



The co-operation with Sendo is a milestone marking CIMB's commitment to improving user experience with new products and services as well as promoting its ecosystem of financial services for Vietnamese consumers in the 4.0 era. In particular, the tie-up between Sendo and CIMB offers customers easy access to CIMB's loans via Sendo's app and website. Customers will be able to

apply for loans completely online, get the appraisal results in just four working hours while enjoying attractive interest rates from only 1.67 per cent a month. With just an ID card, customers can safely and conveniently get a loan, promptly address their financial needs and in turn, improve the quality of life.

With over 97 million people, 60 per cent of whom are of a working age, the consumer finance industry is booming in Vietnam. According to a FiinGroup report, the value of Vietnam's consumer finance market is estimated to exceed \$43 billion by 2020. Consumption trends from recent years reflect that Vietnamese consumers are more willing to take up cash loans or instalment loans to buy consumer goods such as cell phones, laptops, cars, or machines, and to use travel, health, and beauty services instead of using their savings in order to address pressing needs and improve their living standards.

Speaking about CIMB's digital banking strategy, Thomson Fam Siew Kat, CEO of CIMB Bank Vietnam, said that, "Working with Sendo is a perfect start for a new year of dynamic opportunities. It is my utmost pleasure to announce that CIMB Vietnam is the first bank to offer digital loans in the market as well as to partner with Sendo – one of the leading e-commerce players in Vietnam. Together, CIMB Bank Vietnam and Sendo will deliver impressive and exciting services in 2020, contributing to the development of Vietnam's consumer finance industry."./.VIR

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## START-UP

### Vietnamese podcast startup Waves raises \$1.2m in Insignia-led round



Waves, an audio and podcast startup based in Ho Chi Minh City, has raised US\$1.2 million in seed funding led by Singapore's Insignia Ventures Partners. Other investors include Hustle Fund and Skystar Capital.

Founded in 2019 by Kevin Gao and Ben Minh Le, Waves aims to become one of the leading platforms in Southeast Asia for podcast and audio content. At the moment, it has more than 30 original programs and 50 programs created with partners. It also hosts 500,000

other programs for users to listen to for free.

Waves said it will release a mobile app on the Apple App Store and Google Play this month. The company will focus on working with Vietnam's top content creators to produce more original programs.

Currently, content creators in Vietnam primarily make videos for platforms like YouTube and TikTok. But Yinglan Tan, founder and managing partner of Insignia Ventures Partners, said that the dominance of audio platforms like Spotify has shown that audio content is the next evolutionary stage of digital content, and that the trend has landed in Southeast Asia. /Techinasia

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## RETAIL

### Japanese businesses to invest in Việt Nam's services and retail

Services and retail are forecast to attract a large amount of Japanese direct investment into Việt Nam this year. Takeo Nakajima, Chief Representative of the Japan Trade Promotion Organization (Jetro) told Việt Nam News: "As the consumption power of the Vietnamese increases across the country, more Japanese retail and service enterprises find opportunities in the growing markets."



He said there has also been an increase in FDI inflows from Japan into non-manufacturing activities to serve the Vietnamese market, with the footprints of two retail giants as Aeon and Uniqlo. He expected this trend to continue. Nakajima said though Japanese registered investment decreased last year, the number of new projects by Japanese investors increased compared to previous years. He said: "The number of licensed Japanese projects reached its highest ever, at 435 projects last year." The latest survey

from Jetro said 63.9 per cent of Japanese enterprises in Việt Nam intended to expand their business in the country, the highest rate of investment among the ASEAN region. Nakajima said as most of Japan's large manufacturing corporations had already moved into Viet Nam, the additional FDI inflows would be composed from their extended projects, forecasting that Japanese capital would increase thanks to non-manufacturing investment and from small and medium enterprises. At the same time, Tetsuo Konaka, chief representative of Japan International Cooperation Agency (JICA) told local media that Thailand was a more attractive market for Japanese investors and enterprises three years ago, but the trend had changed now as many Japanese investors had shifted their investments to Việt Nam. Konaka thought the investment trend in Việt Nam would continue over the next few years, not only focusing on manufacturing, but the whole service area of the country.

Konaka said "Việt Nam has a large market with more than 96 million people, so its service sector has huge potential," and said it was the reason why retailers like Uniqlo, Aeon and many other famous Japanese corporations entered the market. "Japanese retailers have poured investment in Viet Nam because the local middle class is growing rapidly and they are able to afford quality products," he said.

Besides retail and services, Takeo Nakajima also thought the investment would be also flowing strongly into other fields. He told Việt Nam News: "Hotels, healthcare, IT service, transportation, HR, and education have room to grow." Jetro's representative also said: "The rate of local procurement in Vietnam by Japanese manufacturers is 36.3 per cent, which is far below the number in China with 69.5 per cent" So he thought: "The Japanese SMEs will have more business opportunities". Đỗ Nhật Hoàng, Director of Foreign Investment Department, Ministry of Planning and Investment said that Japanese enterprises often took careful steps in investment. Last year, Japanese FDI with US\$1.07 billion ranked second after South Korea with \$1.58 billion./VNS

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## Japan's Miki House open first store in Việt Nam

Miki House, a Japanese children's clothing and product company, opened its first store in Việt Nam in 25 February



The store is located at the Akuruhi trade centre in HCM City's District 1.

Senda Hiroshi, international business manager at Miki House, said the Japanese brand was popular among Việt Nam's high-income earners.

After five years of exploring partners in Việt Nam, Miki House had decided to join this market, he added.

The company selected Vi Biển-Akushushi as its partner because this company had 20 years of experience in selling Japanese products with a large number of Japanese and Vietnamese customers, he explained.

Besides, through co-operation with Akuruhi as an exclusive distributor in Việt Nam, Miki House hoped to become a shopping destination for both Vietnamese and foreign customers.

Miki House is planning to open more two stores in HCM City and expand its chain in Hà Nội and Đà Nẵng. /VNS

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## LOGISTICS

### Japan supports HCM City to develop urban infrastructure

Japan on February 21 signed a memorandum of understanding (MoU) with Vietnam's southern economic hub of Ho Chi Minh City to strengthen the city's urban railway management capacity.



The sides concerned are the HCMC Management Authority for Urban Railways, the HCMC Urban Railway Company Limited No.1, and the Tokyo Metro. The signing aims to prepare for the operation of the HCM City Urban Railway – Line No.1 and Ben Thanh – Suoi Tien metro line.

The Japanese company will share experience in urban railway management, technical cooperation, construction consultancy, and personnel exchange. On this occasion, Japan pledged a non-refundable aid package for HCM City to upgrade the outdated sewer system.

Chairman of the provincial People's Committee Nguyen Thanh Phong said the aid will pave the way for Japanese companies to mobilise capital and utilise technology to implement projects in HCM City. Meanwhile, Japanese Ambassador to Vietnam Umeda Kunio thanked HCM City authorities for supporting Japanese firms in implementing the construction of the metro Line 1 and hoped for more attention from them to complete the project as scheduled.

He asked municipal authorities to help Japanese businesses to carry out projects in other fields such as real estate and water environment improvement./ VNA

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## Tiki will spin off a logistics firm after rumoured M&A with Sendo

Tiki will open a logistics company that could serve as an in-house provider of essential services for its e-commerce operations, appreciating its standing in the merger negotiations that it is rumoured to be having with Sendo.

Tiki recently announced to stop its on-demand fulfilment model (vendors taking goods to the storehouse) to shift to a new form where Tiki takes goods from vendors without intermediaries and delivers goods through a subsidiary specialised in delivery.



According to Nguyen Viet Hung, a key opinion leader in local technology startups, this will add more value to Tiki and make it a more valuable prospect for the merger with Sendo, or even the initial public offering (IPO) planned for the near future.

“Halting the old delivery model will help Tiki optimise its revenue and improve the shopping experience for customers,” said Hung.

Last week, DealStreetAsia has reported that the two largest local e-commerce platforms have held exploratory talks to merge. The two sides have yet to comment on the information. However, once negotiations are taking place, the relevant parties rarely issue comments, even to disclaim leaks.

A VIR source revealed that discussions about the merger had been taking place since August, and only leaders of each board knew of the details. As a result, even shareholders were taken by surprise by the news.

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## INVESTMENT

### Vietnam cloud services market projected to reach \$291 million by 2024

The Vietnamese cloud service market is projected to grow from \$165 million in 2018 to \$291 million by 2024, exhibiting double-digit compound annual growth rate (CAGR) of over 10 per cent during 2019-2024, according to the latest study by Research and Markets.



The study shows that growth in the market is led by the surging adoption of cloud services such as Infrastructure-as-a-Service and Software-as-a-Service, and a growing number of small- and medium-sized enterprises (SMEs).

Moreover, cloud is cost-efficient as users are not required to install any hardware or software. Additionally, enterprise mobility, along with rising need for data storage, is further anticipated to drive growth in the Vietnamese cloud service market in the

coming years.

By service type, Infrastructure-as-a-service dominates the Vietnamese cloud service market as it involves various solutions such as servers, storage, networking, and virtualisation, among others, which saves IT staff time as numerous users can work on a single piece of hardware anywhere and anytime.

However, Software-as-a-Service is expected to grow at the fastest CAGR during the forecast period because it helps companies lower up-front cost as it is subscription-based and has no up-front license fees resulting in lower initial costs.

Among end-use applications, corporates/private organisations account for the majority in the Vietnamese cloud service market, owing to the low costs of cloud services as well as open and transparent costs policy, which attract corporates/private organisations.

Northern Vietnam is the leading region in the Vietnamese cloud service market due to the presence of large corporates/private organisations, government and defence institutions, coupled with the growing number of SMEs in the region. Key players in the Vietnamese cloud service market are FPT Corporation, Viettel-CHT Limited Company, CMC Corporation, IBM Vietnam Company, Microsoft Vietnam, Amazon Web Services Vietnam Co., Ltd., Mat Bao Corporation, NTC Cloud Computing Co., Ltd., SAP Asia (Vietnam) Co., HPT Vietnam Corporation, Google LLC, and Salesforce.com, Inc. / .VIR

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## Foreign investors still eye Vietnam amid SARS-CoV-2 outbreak



Foreign investors still pay great attention to Vietnam albeit the complicated developments of the acute respiratory disease caused by SARS-CoV-2 which started to hit the world earlier this year. In January, the total newly registered capital, capital contributed and shares purchased by foreign investors reached 5.33 billion USD, up 179.5 percent against the same period last year.

The investment disbursement was estimated at 1.6 billion USD, a year-on-year rise of 3.2 percent.

According to head of the foreign investment department under the Ministry of Planning and Investment Do Nhat Hoang, a major group from the US is considering the registration of new projects worth billions of USD in Vietnam. Businesses of other countries have also arrived in Vietnam to study power and infrastructure projects.

The Japan External Trade Organisation (JETRO) reported that 122 Japanese businesses have decided to remove their production activities from China and over 42 percent of the firms surveyed revealed that Vietnam is a leading destination.

Director General of the General Statistics Office (GSO) Nguyen Bich Lam has forecast the outbreak of SARS-CoV-2 could speed up the removal of production facilities of foreign investors in China to other countries, including Vietnam./.

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