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FINANCE

Deutsche Bank invests to support cross-border trade in Vietnam



Deutsche Bank has just announced making further investments into Vietnam to support higher trade flows from Europe, which are expected to increase following the recently ratified EU-Vietnam Free Trade Agreement (EVFTA).

Vietnam is already a significant trade partner for Germany, with annual trade of around €14 billion (\$15.6 billion) as the second-largest trade partner in the ASEAN. Deutsche Bank research shows that foreign direct investment (FDI)

into Vietnam has doubled in the past five years.

Deutsche Bank Vietnam chief country officer Hans-Dieter Holtzmann said, “The rise in FDI can be attributed to more foreign companies investing in supply chains in Vietnam to support intra-Asian trade. With supply chains facilitating more trade, we are clearly seeing more demand for both inbound and outbound Vietnamese Dong currency payments.”

As a result, the bank is investing in enhancing the digital capabilities of its award-winning FX platforms to cater for the higher demand for local currency settlement. Late last year, Deutsche Bank added the restricted Vietnamese Dong to its FX4Cash platform, which offers more than 130 currency pairs globally. “More corporate clients are choosing to settle payments in local VND rather than USD to better manage the costs of currency conversion, but this also requires local currency risk management,” he added.

As more clients trade and settle in local currency, there is also a greater demand for hedging currency exposure. The development of Vietnam’s Non-Deliverables Forward (NDF) market is providing clients with an avenue to hedge their VND exposure. “This year we are seeing more liquidity in the NDF market, so we are expanding our VND Deliverable and Non-Deliverable Forward capabilities on our Autobahn platform. This will allow our onshore and offshore clients to hedge their local currency exposure,” Holtzmann added. In addition to introducing its enhanced FX platform, the bank is also extending FX API technology to local clients who will be able to connect their own direct sales e-commerce infrastructure to the bank’s platform, while being supported with pre- and post-trade activities. Globally, Deutsche Bank most often sees API used by clients to expand their own B2B and B2C sales offering by introducing a wider range of currencies for online transactions. This solution gives end customers more choice around payment currencies to hedge against currency movements.

Deutsche Bank has been operating in Vietnam since 1992, providing banking and financing solutions to multinationals, large local corporates, and financial institutions, ranging from cash management and FX to custody and trade finance./VIR

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Vietnam banks' 2019 results show improved solvency

Rated banks in Vietnam posted solid profit growth and asset quality improvements last year, benefitting from the country's robust macroeconomic environment, the U.S.-based ratings agency Moody's Investors Service stated in a new report.



For 2020, capitalization will broadly stabilize, as assets grow at a similar pace to the rate of internal capital generation," said Rebaca Tan, a Moody's assistant vice president and analyst, in a statement.

Moody's pointed out that among 16 rated banks, 13 had adopted Basel II standards in 2019, and all of them already had capital adequacy ratios exceeding 8% as of late last year, the minimum under the new capital rules.

However, among them, State-owned banks and some smaller private sector banks will still need to raise additional capital from markets to support asset growth and bring their capitalization closer to their peers' levels, according to the agency.

The average ratio of tangible common equity to total assets for rated banks rose to 6.9% at the end of 2019 from 6.2% a year earlier, boosted by fresh capital from foreign investors at two major State-owned banks, Bank for Investment and Development of Vietnam (BIDV) and Bank for Foreign Trade of Vietnam.

Moody's predicted internal capital generation will cover banks' asset growth this year. In the case of some State-owned banks, dividend payouts will decrease, which will boost their modest internal capital generation.

Large dividend payouts have historically been a significant drag on State-owned banks' capitalization. For example, BIDV was required to distribute delayed cash dividends of some 30% of its net income for 2017-2018 to the Vietnamese Government and private shareholders, shortly after the bank raised capital in 2019.

However, there are signs that the Government will not demand large dividend payouts from State-owned banks in 2020 to help them improve capitalization, stated Moody's.

Early this year, Vietnam Bank for Agriculture and Rural Development and Vietnam Bank for Industry and Trade got the nod from the Government to retain their earnings fully.

Any improvements in asset quality to be limited

While asset quality will continue to be supported by the resolution of legacy problem assets, any further improvements will be marginal as a result of steady formation of nonperforming loans, according to Moody's.

However, the agency pointed out that prolonged disruptions from the novel coronavirus will lead to increases in these loans for the manufacturing and trade sectors given Vietnam's heavy exposure and close ties to global supply chains.

Other vulnerable sectors include tourism, aviation, hospitality, retail and agriculture because they rely heavily on China for agricultural exports.

The rapid expansion of retail and small- and medium-sized enterprises' loans in the past two years is another source of risk because the quality of these loans is largely untested.

"Higher credit growth limits granted to banks under Basel II with good financials could also pose renewed risks to the banks' asset quality in the long run," the agency warned.

An increasing number of rated banks have been cleaning up their balance sheets by writing off legacy problem loans. As a result, the average ratio of problem loans to adjusted gross loans at rated banks declined to 4% at the end of 2019 from 5.1% a year earlier, the lowest level in five years.

As for profitability, the gap will widen between banks that have adopted the new Basel II capital standards and those that have not," said Tan.

Moody's expected the State Bank of Vietnam to grant higher limits for loan growth to banks that have adopted Basel II and maintain good financials, as it did select early adopters of the new capital rules in 2019.

The agency explained that the higher growth limits will translate into larger gains in earnings and a wider gap in profitability between stronger banks under the new capital standard and the laggards in 2020.

However, improvements in profitability will slow overall as competition drives up funding costs. The aggregate return on assets rose to 1.2% in 2019 from 1% in 2018.

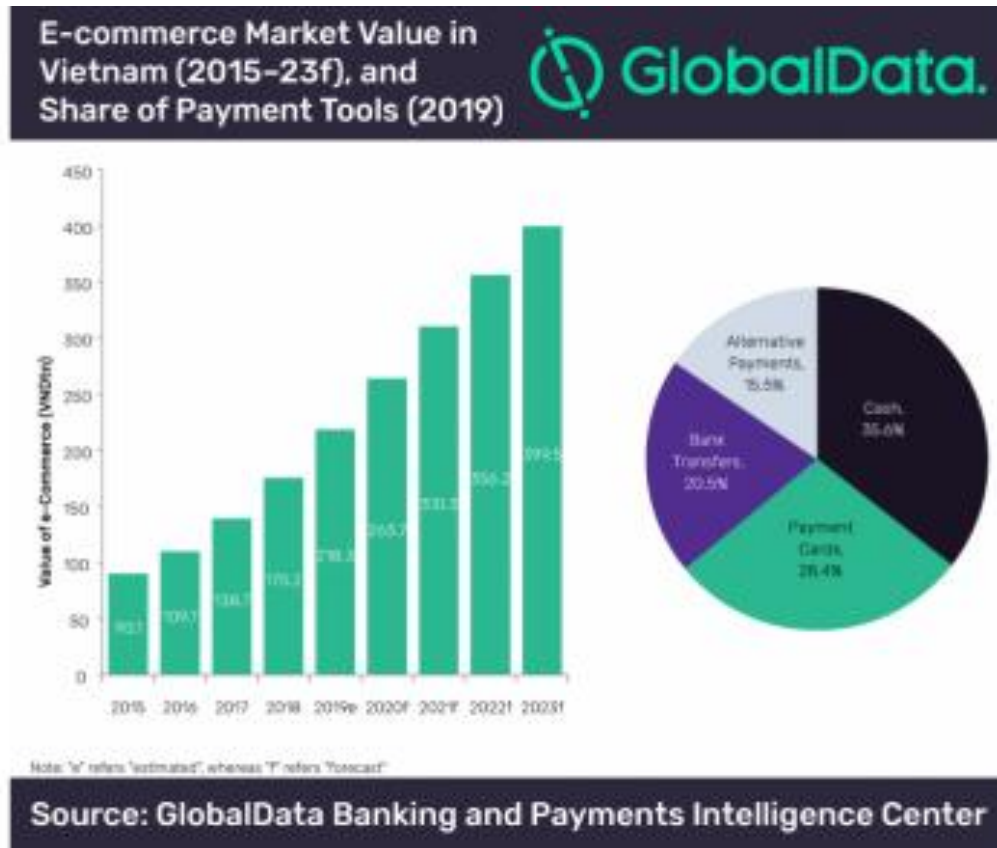
Moody's analysis is based on the latest released results of 16 Vietnamese banks, which together accounted for 61% of total banking system assets as of late June 2019. /.SGT

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E-COMMERCE

Vietnam's e-commerce market to surpass US\$17bn in 2023

Vietnam's e-commerce market is projected to hit VND 399.5 trillion (US\$17.3 billion) in 2023, from VND 218.3 trillion (US\$9.4 billion) in 2019, according to a forecast from data and analytics company GlobalData.



This represents a compound annual growth rate of 16.3 per cent. GlobalData further found that Vietnam's e-commerce market has doubled during the past five years, with total online spending increasing from VND90.1 trillion (US\$3.9bn) in 2015 to VND218.3 trillion (US\$9.4bn) in 2019.

Nikhil Reddy, Banking and Payments Analyst at GlobalData, said: “While the traditional payment instruments such as cash, cards and bank transfers are widely used for e-commerce purchases, consumer preference for alternative payments is on the rise. There is a growing demand for faster and convenient payment means, especially among tech-savvy millennials.”

According to GlobalData’s 2019 Banking and Payments Survey, cash is still the most preferred payment mode (35.6 per cent) for e-commerce purchases in Vietnam in 2019. Alternative payment solutions are gradually gaining ground and accounted for 15.5 per cent. MoMo is the most preferred alternative

payment solution in Vietnam, followed by PayPal. Meanwhile, global companies are investing in Vietnamese e-commerce companies, looking to ride on the strong growth.

In 2018, Tiki received US\$5.3m and US\$44.0m funding from VNG Corporation and Chinese investor JD.com, respectively. In the same year, Sendo secured US\$51m from SBI Group (a Japan-based financial services company) and other investors. Furthermore, Chinese e-commerce giant Alibaba invested an additional US\$2bn in Lazada, one of the leading e-commerce companies in the country./BusinessTimes

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Foreign owned e-commerce company owes \$2 mln to suppliers

Hundreds of suppliers of e-commerce website Leflair are accusing the company of not paying them after shutting down operations. The online seller of clothes, household items and cosmetics stopped partnering with local suppliers in early February before ceasing operations.



Pierre Antoine Brun, co-founder and chief operating officer of the Ho Chi Minh City-based company, said at a meeting with suppliers on Monday that the company owes \$2 million to 500 suppliers, but has less than \$50,000 in the bank.

Some 100 suppliers have said they have not received payments from the company which were due between December and February, and the shutdown announcement caught them by surprise.

Kim Hanh, a footwear supplier, said she and some other suppliers went to its office in District 10 on Tuesday and Wednesday but was informed it had been closed for two weeks. She said it owes them over VND132 million (\$5,700). A supplier who asked not be identified said: "I just want a Leflair representative to confirm the debt and give me a due date." Leflair has said to suppliers via email that it plans to hold another meeting with 50 suppliers on March 10, claiming that while it could not meet all 500 suppliers, it has no intention of leaving Vietnam and is making every effort to resolve the issue. One of the suppliers has sought authorities' intervention, while others are unclear whether they will be among the 50 invited to the meeting.

The company said it is holding discussions with some strategic investors, and they require a full list of debts, including those to suppliers. Some customers have said they did not receive delivery despite making payment, and employees claimed they have not been paid. Leflair was established in 2015 by two French businessmen claiming to sell authentic products from world-famous brands and has raised almost \$12 million from investors.

The company said during its four years of operations it had served over 120,000 customers and earned annual revenues of tens of millions of dollars./VNE

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START-UP

Vietnam start-ups continue to pull in investment

Investment in Vietnamese start-ups is growing sharply with millions of dollars pledged in 2019 and the first two months of 2020, according to Singaporean venture capital firm Cento Ventures. In a report, it pointed out that Việt Nam saw the highest increase in share in the region, from 4 per cent of investment in Southeast Asia in 2018 to 18 per cent last year after surging from US\$284 million to \$741 million.



This was attributed to the fact it had more late-stage companies such as e-commerce platform Sendo. Sendo, owned by Sen Do Technology JSC, completed a \$61 million series C funding round.

Besides existing investors, this round also saw the participation of two new investors, Indonesia's EV Growth and Thailand's Kasikornbank. Last year Sendo had mobilised \$51 million in the series B round. Trần Hải Linh, Sendo's general director,

said the company would use the money to expand its services and invest in AI and machine learning technologies.

JupViec.vn received several million dollars worth of investment from STI Holdings. It supplies domestic hourly and daily help and post-construction industrial cleaning service to more than 10,000 customers in Hà Nội and HCM City through its network of 3,000 maids. By applying modern technologies in the recruitment, training and management of workers, JupViec.vn has created a new model of technology-based hourly domestic help who have been screened and trained to meet certain standards.

Elsa Speak, an English learning app, successfully raised \$7 million in a series A round in February from investors led by Gradient Ventures, a Google fund for AI. It raised the total investment in Elsa Speak to \$12 million. Elsa Speak was co-founded in 2015 by Văn Đình Hồng Vũ and Portuguese national Xavier Anguera, an AI and voice recognition expert. It now has four million users in 101 countries, making it one of the top five AI apps along with Microsoft's Cortana and Google's Google Allo.

Grab, one of Southeast Asia's leading apps, last month announced the launch of Grab Ventures Ignite in Việt Nam, an accelerator programme for early-stage start-ups. It will nurture and support promising Vietnamese start-ups in line with the government's strategy to create at least five billion-dollar tech firms by 2025 and 10 by 2030. – VNS

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Grab to support Viet Nam's startup ecosystem

Grab has launched the Grab Ventures Ignite (GVI), an accelerator programme for early-stage startups, as part of the Grab for Good Development roadmap in Viet Nam which aims to create greater social and economic benefits for the country through technology.



Accordingly, GVI will nurture and support promising Vietnamese startups in their journey to become national champions in Viet Nam's tech startup ecosystem, in line with the national strategy to create 10 technology unicorns by 2030.

Viet Nam is the first country in Southeast Asia where Grab has launched GVI.

GVI brings Grab's unique strengths and capabilities as a regional tech platform to nurture Vietnamese early-stage start-ups.

The launch of GVI marks the expansion of Grab's umbrella of startup programmes which includes Grab Ventures Velocity (GVV), Grab's flagship startup scale-up programme.

In support of the Vietnamese Government's objective to develop a national start-up ecosystem, GVI has signed a strategic partnership with Viet Nam's National Innovation Center under the Ministry of Planning and Investment.

Under the partnership, GVI and the NIC will collaborate in planning and executing the GVI programme, accelerating the development of the digital economy and providing potential startups with support.

"The startup ecosystem in Viet Nam is growing incredibly fast, and tech clusters are also expanding geographically. We are proud to be part of this growth story and actively contributing to it, whether that's through our R&D centre in HCM City, investing in partnerships with local startups like Moca, or enabling millions of people in Viet Nam to have greater access to digital services. With Grab Ventures Ignite, we are committed to encouraging tech entrepreneurship and support the growth of a vibrant startup ecosystem in Viet Nam," said Nguyen Thai Hai Van, managing director of Grab Vietnam.

Grab Ventures Ignite will evaluate startups based on a range of criteria including but not limited to core team strength, sector attractiveness, value proposition, business model, and possible synergies with Grab's ecosystem.

In another development, Grab has started a campaign called Safer Everyday to present masks to 33 health-care centres in seven northern provinces./VNS

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RETAIL

Local Vsmart phones reports better sales than Apple in retail channel

Phones made by local manufacturer Vsmart have surpassed those of US giant Apple, in terms of retail revenue in the Vietnamese market in January.



According to the latest statistics from GfK, Germany's largest market research institute, in the first month of this year, the phone brand owned by billionaire Phạm Nhật Vượng accounted for 7.7 per cent of the smartphone market in the traditional retail segment. Meanwhile, Apple held 6.5 per cent.

In the market, Vsmart ranked fourth in sales in this retail channel, followed by Apple, while the top three positions went to Samsung, Oppo, and Vivo.

In the traditional retail channel, Vsmart's market share has increased by 5.8, 6.6, and 7.7 per cent in the three months since November. In January, Vsmart sold 107,498 smartphones, while Apple sold 90,745 iPhones.

However, Apple has a large market share in the online sales channel. The firm accounts for 15.7 per cent in non-traditional retail channels in Viet Nam, ranking behind Samsung. Meanwhile, Vsmart holds a 7.8 per cent of stake in the online channel.

Combining the two channels, in January, Vsmart sold 125,181 smartphones and Apple sold 126,338.

An industry insider told media that: "Vsmart had good sales thanks to a half-price promotion programme for its products of Vsmart Live a few months ago, then a VNĐ2 million (\$86.95) discount for the new Vsmart Active 3."

The insider continued: "If Vsmart can participate in the upcoming project to promote smartphones among the Vietnamese population by the Ministry of Information and Communications, its market share will continue to increase sharply."

According to GfK data, apart from Samsung and Oppo, which are firmly holding the first and second positions in the smartphone market, Apple's third position is under siege by rivals Xiaomi, Realme, Vivo, and Vsmart. The market share of these brands is relatively even, lagging far behind the second position, Oppo. /. VNS

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LOGISTICS

Vietnam court asks Grab to shell out \$206k for taxi firm Vinasun's losses

The High-Level People's Court of Ho Chi Minh City has concluded that Southeast Asian ride-hailing giant Grab's operations in Vietnam were partially responsible for local taxi firm Vinasun's past losses, asking Grab to pay 4.8 billion dong (\$206,000) as compensation. The court on Tuesday rejected the appeals by both companies and upheld the first-instance judgment. "The losses of Vinasun, either caused by Grab's presence in the market or by other factors, could not be distinguished. Therefore, the trial panel does not accept Vinasun's lawsuit in full," said a court statement.



The Vietnamese taxi firm had in 2017 sued Grab for 41 billion dong (\$1.8 million) in damages, claiming the latter enjoyed an unfair advantage as it operated as a technology company instead of a transportation firm. A preliminary court in December 2018 ruled that the Singapore-headquartered ride-hailing firm was a transportation business, and asked it to pay 4.8 billion dong to Vinasun. Both Vinasun and an independent assessor appointed by the court had failed to prove how much of the Vietnamese firm's losses could be attributed to Grab.

Grab said in a statement late Tuesday that the judgment was baseless, asserting the support of the People's Procuracy of Ho Chi Minh City and the High-level People's Procuracy in Ho Chi Minh City, which had previously confirmed that Grab's business activities in Vietnam did not violate the law. "There is no evidence proving that the damages claimed by Vinasun were caused by Grab's business activities," it said. In January this year, Vietnam came up with the regulations for taxi and ride-hailing services, after a four-year pilot programme.

The new law, Decree 10/2020/ND-CP, that will take effect in April requires technology ride-sharing companies to put the label of “contracted car” on its driver-partner vehicles, while taxi operators are granted the option of either installing lightboxes or using “taxi” decals (car stickers) on the windshield. “With the legalisation of e-hailing in Vietnam under Decree 10 beyond a pilot project, there are no grounds for Vinasun to use the courts to interfere with the implementation of the Government’s policies,” Grab said.

The super app operator affirmed that the appellate court’s decision will not affect its business and expansion in Vietnam. “We will seek recourse to ensure our basic right to a fair trial and due process is served.” Vinasun said during the hearing that it did not accept only 4.8 billion dong and requested the full compensation it had claimed. The company could not be immediately reached after the court verdict was announced. Vinasun had argued earlier that the 41 billion dong compensation was for its losses in 2016 and the first half of 2017. It managed to record a 47 billion dong profit in 2019, nearly five times higher than a year earlier, according to local media reports.

Meanwhile, also on Tuesday, Malaysia’s high court dismissed Grab’s application to challenge the country’s antitrust authorities that had proposed a fine of \$20.95 million on the company for violating the competition law by imposing restrictive clauses on its drivers. /. Dealstreetasia

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INVESTMENT

US\$564 million poured in Danang Hi-tech Park

Six projects including four FDI and two domestic investors were already put into operation. Head of the Hi-Tech park and the Industrial Zones management board, Pham Truong Son said the Hi-Tech Park was designed as one of three major national multi-functional hi-tech park in the country after HCM City and Hanoi.



He said four FDI enterprises – Tokyo Keiki Precision Technology Inc and Niwa Foundry from Japan; Dentium company from Korea and Universal Alloy Corporation from the US – had poured \$260 million for manufacturing product for exports and domestic market.

Two domestic investors – Long Hau company and the Bien Dong electric automation technology company with an investment of \$100 million – all started operating their projects from 2018. According to the management board, UAC will manufacture over 4,000 different aerospace parts at Danang-based Sunshine Aerospace components manufacturer plant in supplying for Boeing, Airbus, Embraer, Bombardier, and it will export these parts to North America, Europe and Asia in the near future.

UAC, who invested \$170 million for its factory at the park, had completed construction and begun production from late 2019, Son said. He said the park would present five investment licences worth \$148 million to investors, and four other feasibility studies projects with an estimate of \$275 million in the first quarter of 2020.

Up-to-date, the Danang Hi-Tech Park and six other Industrial Zones (IZs) have drawn 505 projects worth \$2.6 billion. These projects earned revenue of VND35.6 trillion (\$1.5 billion) in 2019, contributing \$213 million to the local budget.

The city has called for investment from Silicon Valley and the US in health care, hi-tech industries, Artificial Intelligence, education, real estate and automation at Danang Hi-tech Park and IZs./VNS

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Investors eye promise of booming fintech market in Vietnam

Despite Vietnam only accounting for 0.4 per cent of total fintech investment in Southeast Asia in 2018, this figure sharply increased in 2019 as venture capital funding pouring into Vietnamese fintech companies accounted for 36 per cent of total fintech investment in the region with Ho Chi Minh City and Hanoi emerging as regional as fintech hubs. The leading fields which have been attracting venture capital in fintech companies are peer-to-peer lending apps, credit scoring, and mobile payments.



According to a recent report released by the World Bank, the number of Internet users located in Southeast Asia has rapidly increased since 2011.

Despite this growth, 90 per cent of all Internet users still come from five major countries, mainly Indonesia, Malaysia, the Philippines, and Vietnam.

There are two nations that are leading the way in terms of the number of start-up accelerators, incubator models, and development labs in Southeast Asia. The region's strongest nation is Singapore which lead the way with 52 incubator models, while Vietnam is second with 24 models, according to ASEAN Today.

Vietnam has enjoyed impressive growth, developing into a prosperous start up centre in recent times. With 70 per cent of the population currently able to use the Internet, the country is now on a par with the same number of citizens using the digital applications as other regional peers such as the Philippines with 60 per cent and Malaysia with 81 per cent.

According to ASEAN Today, the Vietnamese government is striving to become a cashless society and bring individuals and businesses in rural areas the ability to access banking services.

As a means of fulfilling these goals, the government has begun to implement advanced policies aimed at promoting growth in the fintech field.

These policies have seen the number of fintech startups increase significantly, while the number of financial technological companies nationwide has risen from 40 in 2016 to 154 in 2019.

According to the survey conducted by the Institute for Development and Research in Banking Technology under the Vietnam National University Ho Chi Minh City, there are approximately 37 companies throughout the country that are operating in the digital payment field, 25 in peer-to-peer lending, and 22 fintech firms in the e-wallet and money transfer services.

With Vietnamese enterprises enjoying strong growth in the fintech field, international organisations have revised their market projections with the nation's fintech market predicted to grow to between

US\$7 billion and US\$8 billion before the end of 2020. In line with these projections, many economists are predicting that the fintech market will likely reach the US\$9 billion mark.

In addition, the country's banks and startups are starting to work in close co-ordination with 72 per cent of start-up businesses now working alongside banks. This is backed up by the opinion of experts who state when working with fintech companies, banks are able to significantly improve their products and services. A representative of the Banking Strategy Institute under the State Bank of Vietnam stated that through a partnership with fintech companies, banks have been able to increase 19.5 per cent of the amount of payments made via e-banking in 2018.

With robust growth figures and a rapid expansion of the middle-class, investors are able to enjoy bright prospects for the nation's fintech market. The country's population is expected to grow to 105 million before 2030, an increase of 14 per cent in comparison with 2014's figure.

As a result, this increase in the average income per capita and population growth has served to create an ideal business climate for investors. These macroeconomic shifts in terms of business climate and demographics have seen the government begin to lay the foundations for the country's fintech future.

Science, technology, engineering, and maths (STEM) has been made a key component of the national curriculum with students also able to enjoy greater access to computers. Moreover, before entering the fourth-grade students are able to develop computing skills and basic software development.

Aside from investing in future generations, the government has also made great strides to attract talented workers based overseas to return to their homeland to work.

The initial signs of these policies have shown that the government's efforts have received positive feedback. Among dozens of thousands of overseas Vietnamese who choose to return to the homeland, many of them are entrepreneurs, highly-skilled experts, or those who are able to assume important positions at local companies, or are themselves the founders of various companies.

According to ASEAN Today, the nation will continue to expand its footprint on the region's fintech map whilst simultaneously emerging as a major player in the region's fintech landscape, serving as a model for other regional players./VNS

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