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# VIETNAM BUSINESS REVIEW

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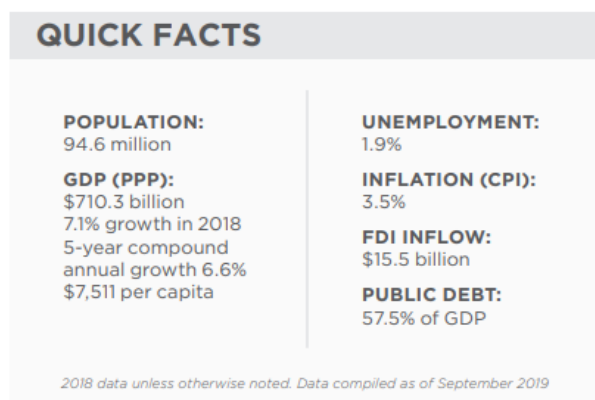
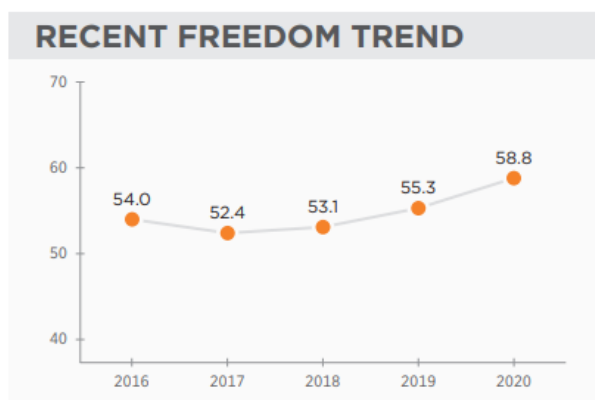
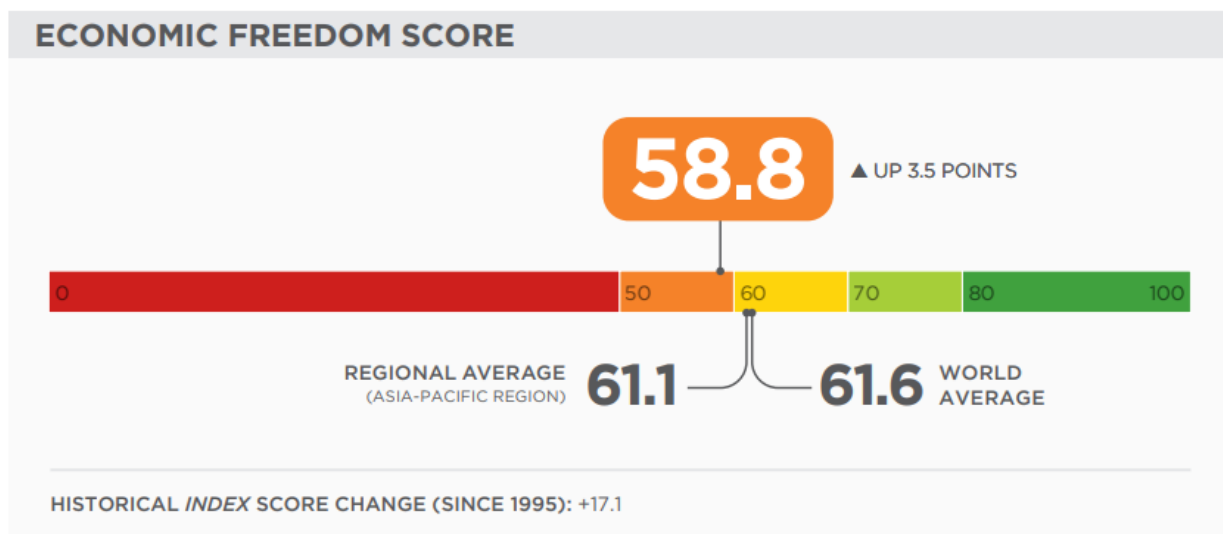
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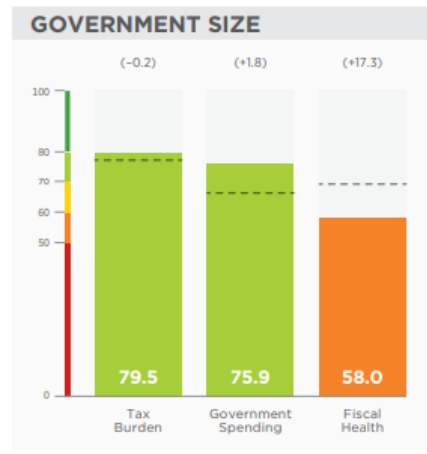
## FINANCE

### Vietnam's economic freedom score has increased

Vietnam's economic freedom score is 58.8, making its economy the 105th freest in the 2020 Index. Its overall score has increased by 3.5 points due to a dramatic gain in fiscal health. Vietnam is ranked 21<sup>st</sup> among 42 countries in the Asia-Pacific region, and its overall score is slightly below the regional and world averages. The Vietnamese economy has gradually been climbing the ranks of the mostly unfree since 2011. Strong GDP growth over the past five years has mirrored this improvement, driven by export-focused manufacturing and processing sectors. Economic freedom will be enhanced in Vietnam if the government can successfully expand economic liberalization by promoting international trade and restructuring state-owned enterprises, but progress on the latter is likely to be limited by pushback from established interests within the Communist Party. Improvement of the investment climate will be slow without improvements in judicial effectiveness and stronger efforts to fight corruption.

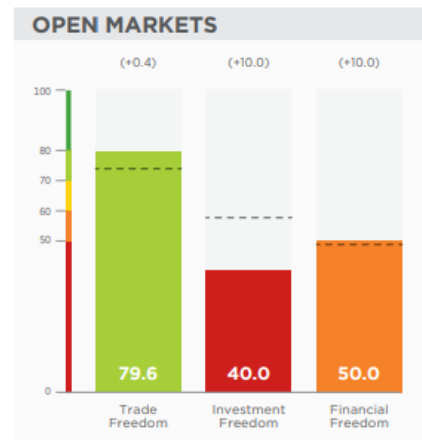
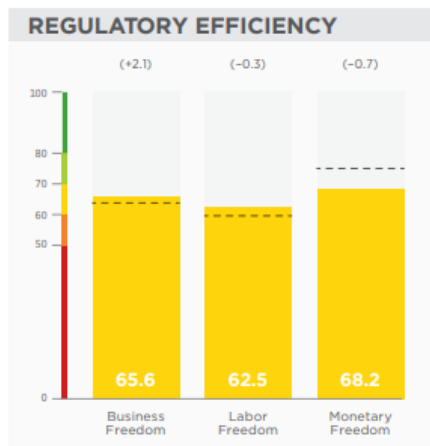


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Although all land is collectively owned and managed by the state, as of September 2018, the government had issued land use rights certificates for 96.9 percent of land in Vietnam. The underdeveloped judiciary is subordinate to the Communist Party of Vietnam, which controls the courts at all levels. Corruption and nepotism are endemic and plague almost every sector of the government, the Communist Party, and state-owned companies.

The top personal income tax rate is 35 percent, and the top corporate tax rate is 22 percent. Other taxes include value-added and property taxes. The overall tax burden equals 18.6 percent of total domestic income. Government spending has amounted to 28.3 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 4.7 percent of GDP. Public debt is equivalent to 57.5 percent of GDP



Starting a business has become easier, and the cost of business registration has been cut. Corporate governance standards and the enforcement of labor laws are weak. Price stabilization controls remain in effect for fuel, energy and water utilities, natural resources, and pharmaceuticals. In 2019, the government pledged to continue subsidies to the national air carrier for up to 10 years.

The total value of exports and imports of goods and services equals 187.5 percent of GDP. The average applied tariff rate is 2.7 percent, and 80 nontariff measures are in force. The overall investment framework has been modernized and facilitates foreign investment, but it lacks efficiency. The financial sector continues to evolve, and directed lending by state-owned commercial banks has been scaled back in recent years./ Heritage.org [Back to top](#)

## Central bank cuts key interest rates to cushion pandemic impact

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The State Bank of Việt Nam (SBV) has announced it would cut many key interest rates, starting from today, in an attempt to support the economy which has been hurt by the COVID-19 outbreak.



Accordingly, the refinancing rate has been reduced by 1 percentage point to 5 per cent while the discount rate has been lowered by half a percentage point to 3.5 per cent.

The overnight lending rate in the inter-bank market has been also adjusted down to 6 per cent from 7 per cent and the open-market-operation (OMO) rate, to 3.5 per cent from 4 per cent.

The central bank has also reduced the caps on the interest rate of Vietnamese đồng-denominated deposits and loans by 0.25-0.5 percentage points, depending on the maturities.

The COVID-19 pandemic is evolving quickly, having a negative impact on the global economy, it said, citing the fact that to prevent recession, many foreign governments have adopted economic stimulus policies, one of which is policy rate cuts made by central banks. For example, the US Federal Reserve has slashed its interest rates sharply to 0-0.25 per cent to improve the market's liquidity.

In a meeting last week, SBV Deputy Governor Đào Minh Tú said the reduction of the benchmark interest rate is a solution to help credit institutions with abundant liquidity, thus putting them in a better position to support affected businesses.

The central bank made the last interest rate cut by 0.25 percentage point in September last year. /.VNS

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## E-COMMERCE

### Tiki reports unusual growth in February

Vietnamese e-commerce platform Tiki has reported an increase of 15 per cent in sales since the beginning of February, saying in a newsletter it indicates the significant increase in shopping needs since the Covid-19 outbreak began.



It made a comparison with the last two months of 2019, highlighting the fact that the fourth quarter was a shopping festival on all e-commerce platforms.

The remarkable growth means there are 3,000-4,000 orders a minute, it said.

The most purchased products since the beginning of February are masks, wet towels and air purifiers.

“Besides controlling the prices of products, we also strive to ensure supply, particularly hand sanitizers, since cleaning hands is considered one of the most effective disease prevention methods recommended by medical experts and doctors,” Ngô Hoàng Gia Khánh, vice president of corporate development at Tiki, said.

The first two months of 2020 also witnessed a 1.5-fold growth in Tiki’s book sales year-on-year.

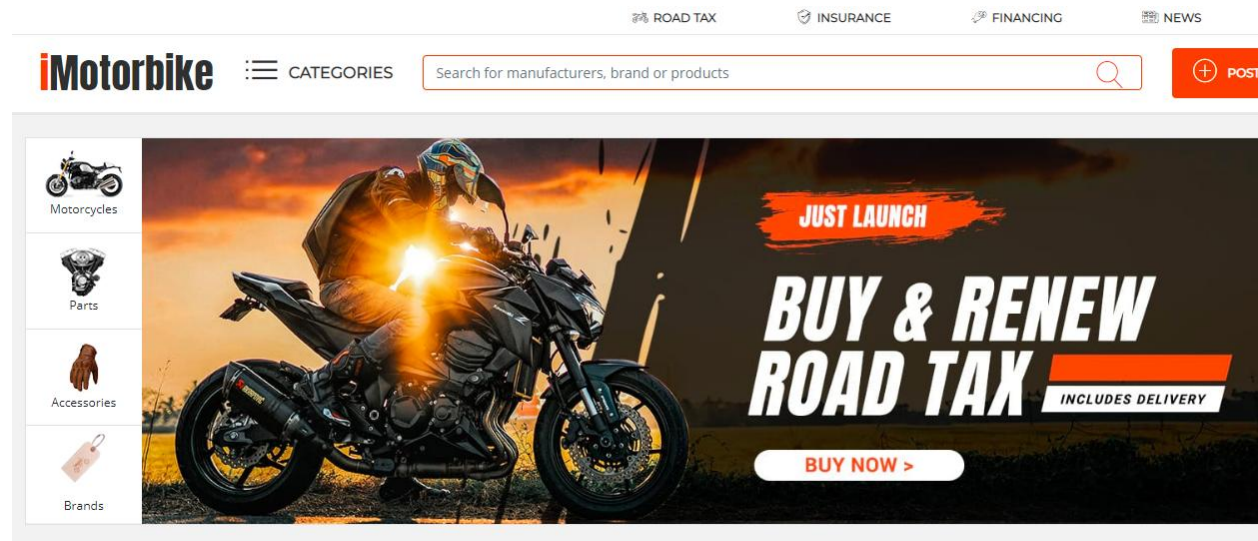
The five bestselling categories have been literature, self-help, children, economics, and manga. Some others have also been selling, such as books for foreign language learning, reference, mother-baby, and medicine.

The two categories with the highest growth are medical books and family knowledge books, whose sales increased by 2.7 and two times. /VNS

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## iMotorbike- a Malaysian Start-up to venture into Vietnamese market

Following its successful penetration of the Indonesian market, Malaysia’s motorcycle e-commerce platform, iMotorbike.com, is planning to roll into Vietnam’s market soon. Founder and CEO Gil Carmo (picture) said Vietnam is an obvious choice as the people in the country are very digitally savvy.



“They are also probably the region’s third-largest motorbike market, with between 50 million and 60 million registered motorbikes. “The team is getting ready. All the fundamentals are pretty much done. We don’t have an exact date (to enter the market), but we will go live pretty soon,” he told Bernama recently.

The iMotorbike platform serves motorcycle manufacturers, dealers, service providers and consumers exclusively, providing an extensive range of services such as market research, motorbike financing and insurance. It also includes a customer-to-customer marketplace where users can buy and sell used motorbike parts and accessories. “Our vision is always growing. The more we can support, the more we can serve. “We need to plan carefully to guarantee that we will be able to serve the market efficiently,” said Carmo.

Moving forward, he said the company aims to not only support the users — both buyers and sellers — but also dealers, brands, manufacturers and producers of parts and related products such as lubricants. “We want to properly support regional players and mechanics in upgrading their businesses and we are currently working with more than 2,800 dealers (companies). “Every single user that we onboard, whether they are professional entities or private individuals, will have to undergo a screening process to guarantee their trustworthiness,” said Carmo.

With the participation from dealers and individual users, the platform has an extensive range of old and new motorbikes for sale, he said, adding that currently, there is a huge demand for the underbone motorcycle (the kapchai) and motorbikes with engine capacities of 250cc and below. Commenting on the rising popularity for motorbikes in South-East Asia, he said it is a natural progression due to the increasing volume of traffic.

“The middle class is growing. A big portion of the population in Vietnam, Indonesia and the Philippines are now entering the middleclass category, “As such, there is a bit of an issue with the expanding population in the big cities, so riding the motorcycle to work is just much more efficient,” he said.

Aside from the growing traffic volume, Carmo said the region also has the perfect weather for riding compared to Europe and other countries in the western hemisphere, where the weather can be too cold. “It is just not possible to use the motorbike on a daily basis (in those countries) throughout the year. But in this (Asia-Pacific) region, you can ride the bike every day,” he added.

Carmo said 65% of the population in the Asia-Pacific region own motorbikes, adding that the number of motorbike owners in Malaysia has also increased by 8.89% in just three years.

To support its wide range of services, iMotorbike has partnered established brands, including Berjaya Sampo Insurance Bhd, Direct Lending Sdn Bhd and Zurich Malaysia.

iMotorbike is also a proud holder of the MSC Status Tier 1, which gives them a competitive advantage to further their work for the motorcycle industry./Bernama

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## START-UP

### UpStar Labs-Vietnam tech start-up incubator links up with Swiss Entrepreneurship Program

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UpStar Labs, the start-up incubation and investment arm of KMS Technology, has entered into a strategic partnership with the Swiss Entrepreneurship Program



Swiss EP will help UpStar Labs improve its incubation framework and support its product teams through its global network of experienced start-up mentors and entrepreneurs. The two also plan to organise start-up and product development events and workshops to benefit the start-up community in HCM City. UpStar Labs builds software products using Vietnamese engineering talent and invests in start-ups in the US and Việt Nam.

KMS Technology is a tech company with more than 1,200 employees in six offices in the US and Việt Nam.

The company has incubated a number of successful products since 2011, including QASymphony, one of the leading agile testing tools in the world, Kobiton, a mobile testing platform that recently raised US\$5.2 million and has over 500 enterprise customers including Office Depot, Frontier Airlines and Capgemini, and Katalon, a leading test automation platform with over 300,000 users.

Swiss EP, funded by the Swiss Government, was launched in 2015 to strengthen emerging entrepreneurial eco-systems to drive job creation and facilitate sustainable economic growth.

With a presence in seven countries, Swiss EP has been recognised as a leading organisation in providing support for key drivers of entrepreneurship eco-systems. /. VNS

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## RETAIL

### Latest retail movements in Vietnam amidst escalating COVID-19 pandemic

While COVID-19 will be disrupting FMCG businesses, not all product categories and retailers will see a negative impact, according to Kantar Worldpanel Vietnam.

#### Channel movements

The research shows that online shopping prevails and booms significantly, with an increasing number of transactions. Vietnam witnesses more people shopping online than usual, accelerating the growth of online FMCG spending to a triple digit rate in just one month since the official announcement in Vietnam.

This trend is expected to continue in the coming months, especially when even local authorities are recommending online shopping in order to avoid the crowds and physical contact.



Top growing online shopping platforms



Top growing retailers

With the surge in demand for protection masks and hand sanitiser among Vietnamese consumers these days, it is no surprise to see the robust growth of consumer spending in pharmacies and drugstores, including Medicare and Guardian. More purchases of hygiene products were made through these channels as consumers' priority now is to protect and enhance their safety.

The swelling number of people affected by COVID-19 results in panic buying among Vietnamese in some areas, especially where there have been confirmed cases. It drives demand, leading to the notable growth of major modern retail formats including hypermarkets, supermarkets, and minimarkets which offer hygiene, product variety, and lots of epidemic support programmes such as home-delivery, masks and hand sanitiser at a stable price, and sales supporting local farmers, among others.

Among big retailers, Big C – one of the key retailers – achieved the strongest performance, driven by both increasing footfall and spending per trip. MM Mega market (cash-and-carry retail model) also picked up during this time, despite a downturn in recent years.

Meanwhile, shopping places most frequented for daily needs are losing traffic as shoppers preferring “less physical contact” make fewer shopping trips but with larger spending per trip. As such, street shops – another key shopping channel – and convenience stores are seeing short-term impacts caused by the COVID-19.

Food for thought

<p><b>1</b></p> <p>Respond fast, demonstrate brand care and corporate social responsibility to <b>stay connected</b> to community and society amid the spread of Covid-19</p>	<p><b>2</b></p> <p><b>Be proactive in corporate communications</b> both internal and external.</p> <p>Maintaining brand credibility with public interest ads should be prioritized over any sales promotions, product-driven communications during the outbreak.</p>	<p><b>3</b></p> <p>Take the lead on <b>doing meaningful things</b> to support others and community amid challenging times where relevant.</p>	<p><b>4</b></p> <p><b>Adjust media investment</b></p> <ul style="list-style-type: none"> <li>• Minimize OOH (cinema, airport, shopping mall).</li> <li>• Increase digital (social, news and info sites, online video, official media).</li> <li>• Focus but be careful in content marketing.</li> </ul>	<p><b>5</b></p> <p><b>Plan ahead</b> in the long run</p> <ul style="list-style-type: none"> <li>• New health-related offerings.</li> <li>• Invest in digital platform and delivery service.</li> <li>• Enhance digital experience and service quality.</li> </ul>
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The unexpected virus outbreak continues, with more people affected each day. Economic activities and business operations have been continuously disrupted. Above is some food for thought to stay safe and strong during challenging times and to be well-prepared for the post-pandemic period. / .VIR

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## LOGISTICS

### Logistics firms to lose revenue during pandemic

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Fifteen per cent of Việt Nam's logistics firms estimate they will see revenue cut in half this year compared to 2019 because of the Covid-19 pandemic.



The latest survey conducted by the Việt Nam Logistics Business Association (VLA) in early March also found that more than 50 per cent of firms thought they would lose from 10 and 30 per cent from their last year's results due to the pandemic. According to VLA, freight activities have been affected by the decline in rotation and goods suspended by factories in China. Since the outbreak, manufacturing activities in China have been stagnant, leading to low output of exports. As a result, many

international shipping lines have had to abandon their activities at Chinese ports due to low cargo volume.

According to data from the General Department of Customs, the import value from China decreased by 7 per cent in the first two months of 2020. That led a sharp decline in value for items that Việt Nam imported from China, including fabric, fiber, yarn, iron and steel in the first two months this year. Meanwhile, items commonly transported by air, such as phones, computers, and machinery, have lower levels of decline, said VLA.

“As most of the imported materials are to serve manufacturing for export, the prolonged pandemic will affect local exports and indirectly the logistics demand,” the report stated. A representative of the VLA said as Việt Nam's fleet mainly operated on short routes in Southeast Asia and Northeast Asia, in which the output and turnover of the Chinese market accounted for a major proportion, logistics firms' result fell badly in the first quarter.

He continued: “Similar to sea transport, many Vietnamese ports also have a relatively high degree of dependence on imports and exports related to the Chinese and Hong Kong markets as they are among the largest hubs in the world.” According to Rồng Việt Securities Company (VDSC), 40 to 45 per cent of the total number of international ships arriving at the northern port of Hải Phòng were from Hong Kong and Chinese ports. In the pandemic, they skipped the two destinations and as a result skipped Hải Phòng Port.

VDSC estimated container throughput of the northern port could be reduced by 10-15 per cent in the first two months. In such a situation, VLA asked the Government to reduce 50 per cent of corporate income tax for 2019 and 2020 to help firms overcome difficulties. It also asked the Government to delay and reduce the contributions of those firms to the different insurance funds.

For logistics firms working in the cold storage industry, it asked for a preferential electricity price, which was currently 25 and 30 per cent higher than the electricity prices for other production while asking for incentives such as tax reductions, no late payment penalties for related partners of restaurants, hotels and food supply chains, which were also influenced.

In the longer term, VLA asked the Government to support firms with more trade promotions and enhancing e-commerce, online trading exchanges and online payment. More importantly, VLA thought: “Việt Nam’s logistics now largely depends on China.” So, it hoped the Government would boost local logistics as well as expand the connectivity with other countries in ASEAN such as Thailand to compensate for the shortage from China during the epidemic.

According to VLA, there were 3,000 logistics firms including ones with less than 50 workers and more than 1,000 workers each in Việt Nam. — VNS

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## INVESTMENT

### Can Tho solicits investment in housing

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Can Tho city, the most developed locality in the Mekong Delta, continues to seek investment in housing projects. According to analysts, the city housing market will enjoy steady growth this year. Thieu Quang Thai, Vice Chairman of the Can Tho Real Estate Association, said the market would continue to grow thanks to the Government's investment in transport infrastructure.



Investment by city-based real estate firms as well as those from other localities in lands has perked up the market. Nguyen Minh Tri, Director of Tin Phat Real Estate Company, said the market would continue to grow strongly because the city is the delta's urban hub and economic growth would cause housing demand to surge. The prices of some residential projects have risen by up three times in two years.

In the Cuu Long - Him Lam urban area, the price is now 20-22 million VND (some 865-950 USD) per square metre. It is 22-25 million VND (950-1,079 USD) in the Hong Loan Residential Area Lot 5C, 17-25 million VND (733-1,079 USD) in the Stella Mega City residential area, 15-23 million VND (about 647-992 USD) in the Con Khuong Cuu Long- Him Lam residential area, and 35-40 million VND (1,508-1,724 USD) in the Nam Long-Hong Phat residential area.

An 80-100sq.m of land in Phu An and Tan Phu resettlement areas in Cai Rang district now costs 1.2 - 1.5 billion VND (51,700-64,700 USD), up from just 250-300 million VND two years ago. The availability of proper infrastructure is one of the factors stimulating the growth of the market, Thai said.

The city is carrying out a scheme to exploit lands in 2017-2021 while conforming with overall planning. It will quickly clear encumbrances on lands to ensure investors can begin work quickly and achieve maximum investment efficiency. Can Tho has a number of advantages that can enable it to become one of the country's real estate hubs. It has attracted many large developers like Vingroup, Novaland, FLC, and LDG./.VNS

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## Vingroup steps into industrial real estate

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Vingroup has restructured a startup venture into an industrial real estate investment unit, identifying it as a new growth pillar. The biggest private conglomerate in Vietnam has changed the name of its Vingroup Ventures into Vinhomes Industrial Zone Investment (Vinhomes IZ).



The majority of Vinhomes IZ stake, which was not revealed, was transferred to Vinhomes, the real estate arm of Vingroup. Vingroup Ventures was established in December 2018 to support startups. It had a charter capital of VND70 billion (\$3 billion), in which Vingroup held a 70 percent stake.

Vinhomes said in a statement that industrial real estate will be one of three pillars of real estate growth, with the other two being apartments and

offices.

The development of industrial real estate will also create opportunities for Vietnamese manufacturers to join the auto supply chain and produce made-in-Vietnam cars, it added.

Vingroup's revenue last year rose 7.3 percent to VND130.79 trillion (\$5.6 billion), in which almost half came from Vinhomes./.VNE

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