

Vietnam Growth GDP Forecast



Highlight

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VIETNAM BUSINESS REVIEW

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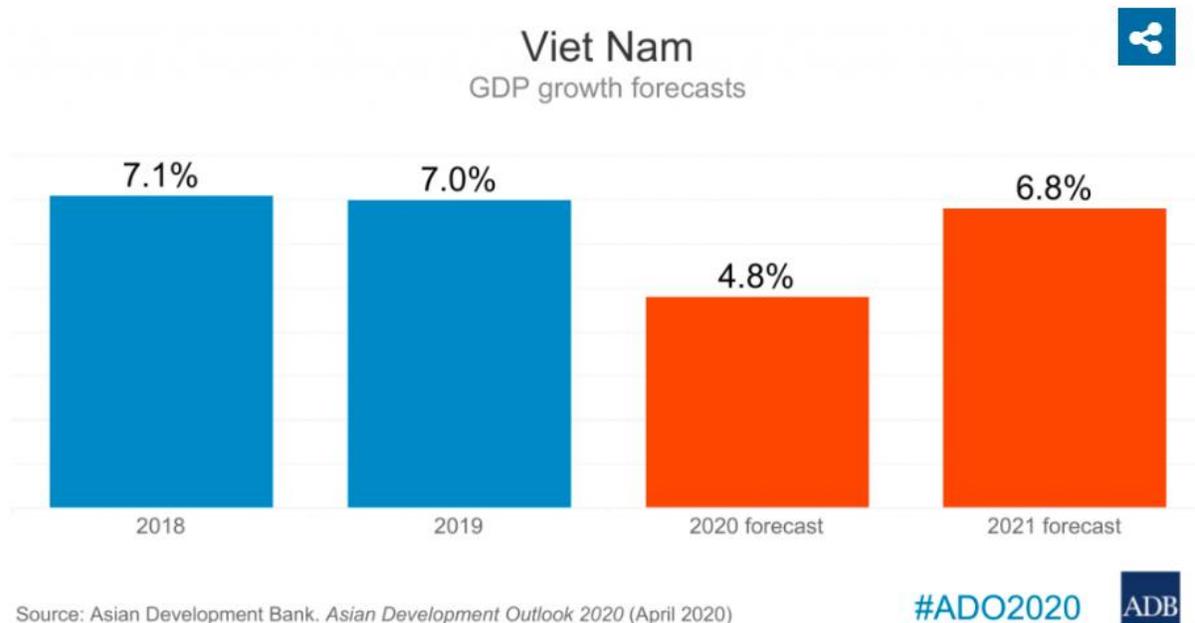
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FINANCE

Vietnam among fastest growing economies in Asia despite COVID-19

The Asian Development Bank (ADB) released its Asian Development Outlook 2020 on April 3, outlining in their analysis that the Vietnamese economy remains one of the fastest growing in all of Asia, despite enduring a sharp slowdown as a result of the novel coronavirus (COVID-19) pandemic.



Viet Nam's economic growth rate is expected to slow sharply in 2020, to 4.8%, from the initial supply shock to economic activity from the outbreak of the novel coronavirus (COVID-19) and the subsequent and ongoing drop in demand from Viet Nam's principal trade and investment partners.

Economic growth decelerated to 3.8% in the first quarter of 2020, from 6.8% in the corresponding period in 2019. Travel and other restrictions imposed by the government to slow the spread of the virus led to lower domestic consumption. Manufacturing managed to weather the headwinds early on but the inventory of inputs, including those part of global value chains, are being depleted. Growth in agriculture stagnated because of lower demand for agricultural exports and severe salinity intrusion in the Mekong Delta. Growth in services, the sector hardest hit by the pandemic, was halved to 3.2% in the first quarter of 2020, down from 6.5% in the corresponding period in 2019.

To support economic activity, in early March the government unveiled a \$10.8 billion (0.4% of gross domestic product) credit relief package of debt restructuring and lowered interest rates and fees. The government also launched a fiscal package worth \$1.3 billion that reduces taxes and fees for affected firms and defers tax payment, and the fiscal support is expected to rise. The central bank also cut policy rates by 0.5% to 1.0%, lowered interest rate caps on dong deposits of less than 6 months and on short-term dong lending to prioritized sectors.

The economy's fundamentals remain resilient, according to ADB's flagship annual economic publication, the Asian Development Outlook (ADO) 2020. If the pandemic is contained within the first half of 2020, growth should rebound to 6.8% in 2021—ADB's pre-COVID-19 forecast for Viet Nam in 2020—and remain strong over the medium and long-term.

“Despite the deceleration in economic activity and the downside risks posed by the COVID-19 pandemic, Viet Nam's economic growth is projected to remain one of the highest in Southeast Asia,” said ADB Country Director for Viet Nam Eric Sidgwick.

Drivers of economic growth—a growing middle class and a dynamic private sector—remain robust. The country's business environment continues to improve. Public spending to combat the impact of the pandemic, which rose significantly in January and February, will likely be raised further. The large number of bilateral and multilateral trade agreements Viet Nam participates in, which promise improved market access, will help the country's economic rebound. Viet Nam would also benefit from the containment of the COVID-19 pandemic and eventual return of economic growth in the People's Republic of China, which would help revive the global value chains./ADB

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Thailand has been acquiring more Vietnamese manufacturers

Stark Corporation PCL of Thailand is acquiring Vietnam-based Think Phat Cables (Thipha) and Dong Viet Non-Ferrous & Plastic (Dovina) for a combined enterprise value of \$240 million. The transaction will be implemented by Stark Corporation’s subsidiary Phelps Dodge International, the SET-listed firm said in a stock exchange filing.



“The overall business of the company and the target companies is similar and complement the company’s core business and also enhance the competitive advantages of the group company for domestic and international markets,” Stark Corporation added. The group has a market capitalisation of 44 billion baht (\$1.3 billion). Phelps Dodge International produces and exports wires and cables to various countries, while the

Vietnamese businesses operate in the same sector and have also reached to several Southeast Asian markets.

The acquisition represents the largest inbound private sector industrial transaction in Vietnam within the last three years, according to BDA Partners, the financial advisor for the deal. Stark Corporation said it will hold online meetings to finalise the acquisition process in light of the COVID-19 pandemic impact. Thipha was established in 1987, manufacturing low-to-high voltage power cables and electric wires. It has garnered a presence across both business-to-government and business-to-business market segments.

In 2009, the shareholders of Thipha founded Dovina to import and process copper and aluminum businesses for the production of electrical wires and cables. Both are among the 100 largest private companies in Vietnam, according to BDA Partners. This week, another Thai major, Siam Cement, announced it will be acquiring Ho Chi Minh City-based Bien Hoa Packaging. Earlier this year, SK Lubricants purchased a 49 per cent stake of Mekong Petrochemical for \$42.1 million. Meanwhile, another M&A attempt in Vietnam has collapsed, as Aboitiz Power terminated its planned acquisition of wind turbine mill Mekong Wind, even as the Philippine-listed electricity giant had intended to take over the Vietnamese firm for about \$46 million

Siam Cement buys Vietnamese packaging materials maker



Siam Cement will buy a Vietnamese packaging materials maker, the Thai industrial group said Friday, drawn by the growth of online shopping as Southeast Asia hunkers down to avoid the coronavirus. The group will purchase Bien Hoa Packaging through a joint venture with top Japanese cardboard maker Rengo.

Siam Cement said the size of the deal has yet to be determined, but estimated it would be less than 15% of the Thai group's total assets as of the end of December, which came to 634.7 billion baht (\$19.2 million). Bien Hoa produces 90,000 tons of cardboard boxes and 10,000 tons of food packaging materials a year. The company, listed on the Ho Chi Minh City Stock Exchange, earned a \$6 million net profit for 2019 on about \$73 million in revenue. Recent stock sell-offs have pushed Bien Hoa's share price down 9% from the start of the year.

Siam Cement "has been closely monitoring the situation and thoroughly considered this strategic opportunity," the Thai company said in a statement. Siam Cement has been active in acquisitions, largely in Southeast Asia. It operates production sites in Vietnam, Indonesia, the Philippines and Malaysia, in addition to Thailand./Dealstreetasia

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E-COMMERCE

Hanoi promotes cashless payment, e-commerce



Hà Nội plans to promote cashless payments as part of efforts to develop e-commerce in the capital.

Under a plan recently issued by the municipal People's Committee, the capital city targets that 90 per cent of modern retailers and water, electricity and telecommunications services providers together with 25 per cent of petrol stations would accept cashless payments by the end of this year.

The move aims to strengthen online shopping to gradually change consumers' shopping habit from traditional to modern channels. The capital city will also encourage the application of e-commerce in business and start-ups, with a focus on improving the logistics system to boost e-commerce development.

The city wants 75 per cent of internet users to shop online by the end of this year, up 7 per cent against 2019. It would also want all safe food chains joining the payment system using QR Code for origin traceability. Online services in transportation such as booking, ticket purchase and ride-hailing as well as online education, health care and communications activity would also be promoted.

The platform for safe agricultural products in Hà Nội at www.chonhaminh.gov.vn will continue to be updated. The city asked the municipal Department of Industry and Trade to work with the Trade Promotion Agency and Amazon Global Selling to provide instruction to small firms to do business on the Amazon.com platform.

According to the Việt Nam E-commerce Association, Hà Nội ranks second after HCM City in the e-commerce business index with a score of 84.3. The capital city hopes to maintain the position this year./ . VNS

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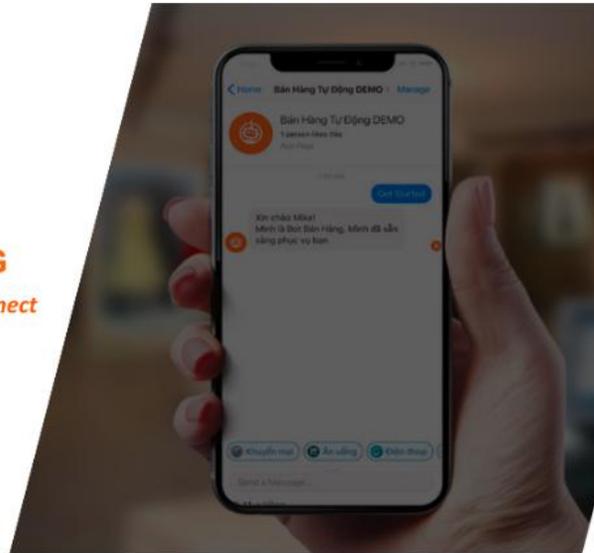
START-UP

NextTech invests in chatbot platform

NextTech Group on Monday announced it will invest US\$500,000 into Chatbot Việt Nam Technology Joint Stock Company, which runs Bot Bán Hàng – a chatbot platform for sellers and advertisers in Việt Nam.



botbanhang.vn
fb.com/botbanhang



The investment through the group’s start-up fund Next100 aims to support small and medium enterprises and shops to maximise trading time on Facebook amid the COVID-19 pandemic. Bot Bán Hàng, one of the first Vietnamese-made chatbot platforms, provides online chat conversation via text for businesses and sellers. The platform helps manage supply chain by building potential customers, interacting with customers, increasing revenue and saving time and human resource costs.

The platform has been used at many agencies and businesses such as the Ministry of Science and Technology, VTC, Cốc Cốc, Vinmart, VnPay, VinID, Grab and Viettelpost. More than 14,700 firms have installed the platform with some 10 million users from five countries and territories including Việt Nam, Taiwan, the US, South Korea and Japan. The company’s CEO Lê Anh Tiến said: “Bot Bán Hàng is expected to become a super-platform acting as a useful sales tool in the context of rising demand for online sales and the trend of automation in the business activities”.

Nguyễn Hòa Bình, NextTech’s CEO said developing chatbots has been one of common trends for start-ups in the world and Việt Nam since 2017.

“I believe chatbots could create an ecosystem connecting users and bringing changes to the world’s

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technology and trade situation. Especially, firms are urged to accelerate digital transformation after damages caused by the COVID-19 pandemic. It was the reason that NextTech Group invested in the platform,” he said.

Established in 2017, Bot Bán Hàng has received many big prizes such as the excellent E-Business project of WSIS Prize 2019 and 'People's Choice Award' at the Asean Rice Bowl Startup Awards 2019. /. VNS

Cooky- the Vietnamese Recipe portal raises undisclosed sum from Foody's founder



Cooky, the Vietnamese food recipe portal, said it has raised an undisclosed amount from Dang Hoang Minh, founder of Foody, a gourmet media platform owned by Singapore-based consumer internet group Sea Limited. The fresh funding will be used to boost its home delivery service Cooky Market, the company said in an announcement.

Cooky, founded in 2015, had earlier raised \$500,000 in a funding round led by existing backer ESP Capital. In 2017, we reported that Sea Limited acquired 82 per cent of Foody Corporation for around \$64 million. Foody, founded in 2012, has become one of the biggest success stories in the Vietnamese startup space. It secured seed and Series A investments from Japanese VC firm Cyberagent Ventures and Pix Vine Capital. Sea was the Series B investor in July 2015, while US-based Tiger Global Management invested in Foody's Series C round soon after./Dealstreetasia

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RETAIL

Tech retailers manage to survive COVID-19 pandemic

Many retailers in phone and electronics segments focus on developing online channels to survive the coronavirus pandemic. To soften the adverse impact of the coronavirus pandemic, many Vietnamese tech retailers have quickly boosted online sales as their stores nationwide have to close until April 15 to comply with the prime ministerial directive on social distancing.



Significant demand on tech products

Mobile World Investment JSC (MWG), the largest tech retailer in Vietnam, saw a surge in online shopping demand since the beginning of April as more than 10% of its 2,000 phone and electronics stores, mainly in Hanoi, were forced to close. Dang Thanh Phong, PR manager of MWG, told Hanoitimes that its revenue from online sales accounted for 13% of the total phone and electronics revenue in

March, higher than that of the previous months.

Due to the closure of its stores, sales in brick-and-mortar stores slightly dropped in March to the levels lower than those of January and February, according to MWG's CEO Doan Van Hieu Em. During the pandemic period, online sales in some typical categories such as refrigerators, tablets and laptops increased by 200% compared to the pre-pandemic period. In the first three months this year, sales in the segments recorded 40% of total 250,000 products for 2020's plan.

Online sales of another retailer, FPT Digital Retail JSC (FRT), also reached an increase of 40% between March 28 and April 2 at street stores prior to the business restriction under the government directive on curbing the pandemic expansion. The demand for online shopping of mobile products, tablets and laptops is increasing for learning, working and entertainment at home in the context of the nationwide social distancing campaign in place from April 1. In March alone, FPT Shop's revenue from the online segment rose 46% compared to February.

"The demand for mobile products changes a little bit during the pandemic period, however, our FPT Shop stores in the first three months posted positive business results as planned," a representative from FRT told Hanoitimes.

MWG's Chairman Nguyen Van Tai said at an online shareholders meeting on April 2 that mobile phones and electronics products used to be upmarket items, so in the context of the pandemic outbreak, they might be not a primary choice of many local consumers. However, the retailer's revenue has not

declined as Van Tai anticipated. “Perhaps, there is a decline in demand from a few people who prefer to buy new and latest-version products,” he said.

According to Lazada, one of the top e-commerce platforms, orders for technology goods also increased in recent times. In March alone, sales of mobile phones and tablets saw a seven-fold increase compared to the previous month. Of them, five mobile phones were the five best-selling items according to the e-commerce platform’s data, which is explained by the increasing need to work from home in the social distancing period. According to local insiders, the trend of shopping has shifted notably from offline to online.

Survival after the pandemic ends

The largest consumer electronics retailer’s chairman predicted that the worldwide pandemic would take its toll on businesses worldwide, including in Vietnam. Total demand for mobile and electronics devices in Vietnam will decline as the pandemic forced consumers to tighten their belt, alongside sport events postponement this year. As such, he added, many players in the retail industry would feel the pinch of the pandemic.

Another mobile chain retailer, Hanoi-based CellphoneS, is applying cost-cutting measures such as reducing store rent, advertising budget and non-fixed expenses to struggle in the pandemic time. It also tries to maintain sales by reducing prices and increasing promotion programs; and promoting selling via phone and online to stimulate purchasing power. Small-sized chains like 24H Store and Di Dong Viet contemplate cutting employees’ wages or even salaries due to the closure of stores in this period.

MWG has drawn up some scenarios when the pandemic is over. The company’s current advantages rely on online system supported by information technology talents, call-center and in-house technical staff, with thousands of employees participating in delivery. To reach its goal set for 2020, it also plans to deploy promotion campaigns after the pandemic ends. For Thegioididong and Dien May Xanh, mobile and consumer electronics chains account for nearly 80% of total revenue and which will continue contributing to its growth in total revenue and profit this year, CEO Hieu Em added.

“The COVID-19 pandemic period is time to sort out businesses. Those who have good capacity, technology platform and human resources will survive and win,” MWG’s Chairman Tai underlined. “We will certainly take over the market shares and soon lead the top leading group,” he said./Hanoitimes

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LOGISTICS

Prime Minister approves establishment of Vietravel Airlines

Prime Minister Nguyen Xuan Phuc has approved the establishment of Vietravel Airlines, whose maiden commercial flight is scheduled for early 2021, adding more options for recovery for the country's tourism sector, which is currently grappling with the fallout from the novel coronavirus.



The airline, owned by local tour operator Vietravel, has a starting investment of VND700 billion (US\$30 million) and will operate for 50 years. It will be headquartered at Phu Bai International Airport in the central province of Thua Thien-Hue, according to Nguoi Lao Dong newspaper.

The newcomer will have nine months, starting today, to make preparations before official operations begin. In the first year of operations, Vietravel Airlines will manage a fleet of three planes and this number may increase to eight by 2025. The Thua Thien-Hue Province government will be responsible for monitoring the project to ensure it complies with the relevant laws, policies and regulations of the

Ministry of Planning and Investment.

The Ministry of Transport is in charge of monitoring the airline's fleet development to ensure it aligns with the capacity of the local aviation infrastructure as well as security and safety requirements.

According to the Ministry of Planning and Investment, the airline will provide air transport services at home and to other countries, contributing to the development of Vietnam's aviation and tourism sectors. Fifty-five percent of its seats will serve Vietravel's tourists and 45% will serve other travel companies.

It is expected to create jobs for nearly 600 people and contribute VND2.460 trillion in taxes to the State budget in the first five years of operation./Saigontimes

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INVESTMENT

Thai Srithai Superware to push investment in Viet Nam

Leading melamine maker Thailand's Srithai Superware Plc is pushing its investment in Viet Nam, Vietnam News Agency reported.



Srithai Network

ข่าวประชาสัมพันธ์ - ผู้ประกอบการชั้นนำในอุตสาหกรรมเครื่องเคลือบเมลามีนระดับโลกกำลังขยายการลงทุน "สู่ตลาดเวียดนาม" โดยมี
 วัตถุประสงค์เพื่อขยายการผลิตเครื่องเคลือบเมลามีนในเวียดนามและเพิ่มขีดความสามารถในการแข่งขันในตลาด
 เครื่องเคลือบเมลามีนในเวียดนาม "One step One World"

Bangkok Post quoted the firm's chairman and president Sanan Angubolkul as saying that it will splash out 450 million baht (US\$13.64 million) this year to expand its business in Viet Nam. Of the total, about 300 million baht is to install new machines to increase production capacity of its PET preform and closure products at its two factories in HCM City and Ha Noi.

The remaining 150 million baht will be used to build a new melamine factory in HCM City and install new machinery at this factory. The construction of the new melamine facility is scheduled to start in 1-2 months, with operations commencing in the first quarter of next year.

The new factory will serve the demand of the Vietnamese domestic market.

Upon the completion of the new factory, the company will have four in Viet Nam. One is a PET preform and closure factory in Ha Noi, another in HCM City and two melamine factories in the southern hub. With the market facing a host of negative factors, particularly the COVID-19 pandemic, Sanan expects sales to stand at 8.62 billion baht this year, 2.6 per cent lower than last year's 8.84 billion baht.

Despite the huge demand for food and beverage packaging for delivery channels, the company foresees sales in the first quarter of about 10 million baht lower than its earlier expectation. But the bottom line is likely to improve as the baht weakens from last year's rate, Sanan said./. VNS

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Majority of German firms set to continue with investment plans in Vietnam

Despite German businesses operating in Vietnam express their concerns about the negative impact of the novel coronavirus (COVID-19) on the nation's business situation, 72% of them will continue to pursue their investment plans, whilst 27% of them are poised to recruit additional employees.



The results from the annual Global German Business Confidence Survey were published by the Delegate of the German Industry and Commerce in Vietnam (GIC/AHK Vietnam). GIC/AHK Vietnam distributed the survey among German investors and businesses based in the country from a range of different sectors, including industry-construction, making up 41%, services 50%, and commerce 36% of the total.

The remainder of the year is expected to pose challenges for the global economy due to the wide spread of the COVID-19 pandemic in recent weeks and its unpredictable nature. Although the Vietnamese government promptly responded to prevent the spread of the virus, its impact on all socio-economic life, as well as on the investment climate of German businesses, has still been felt.

Indeed, the survey reveals that 43% of German businesses feel that the COVID-19 has impacted on the development of the Vietnamese economy in spite of impressive annual growth and a range of strengths. One out of five respondents affirmed their belief that the country will be able to revive the economy and continue its forward development momentum in the medium term.

In response to the global spread of the epidemic, the government of Vietnam has been implementing bailout packages aimed at helping businesses get through the ongoing crisis. With bailout packages set to be provided for enterprises swiftly, many respondents expect the economy to bounce back soon and continue to record growth in the near future.

Elsewhere, 14% of German businesses believe that their business performance this year will be worse than the figures posted last year. Slightly more optimistic were 59% of respondents, who expect to match 2019's performance. Despite this, only 27% of German firms are optimistic about 2020's business development in comparison to that of 2019, with the index showing that 77% were optimistic when asked last year.

Compared with the average indicators assessed by German businesses and investors in Southeast Asia, the country's indicators remain higher, outlining the optimism that German enterprises have about their future development in the nation.

9% of businesses estimate revenue will fall by over 50%

One notable aspect of this year's survey is that the majority of German firms are significantly lowering their financial goals. According to the results, 82% of them have seen simultaneous reductions to their

sales due to the COVID-19, with 9% confirming that their revenue is set to drop by over 50% and more than 63% stating that their revenue will decline by between 10% and 50%.

The majority of German firms based in the country are already beginning to feel and experience the effects of the disease on their businesses with 86% of firms noting that temporary travel restrictions have greatly affected their situation. A total of 59% of respondents indicated that the disease has disrupted their supply chains. Moreover, 55% of German enterprises have faced cancellations, with 50% of them being forced to indefinitely postpone their new investment plans as a result of the epidemic escalating.

High hopes on EVFTA

A positive feature of the survey was 72% of firms stating their intentions to continue their investment schemes in the country, with 27% of them drawing up plans to recruit more people to their workforce.

This shows the superb efforts being put in to improve the investment environment by the Vietnamese government, in addition to the positive effects of free trade agreements, especially the Europe-Vietnam Free Trade Agreement (EVFTA). When the EVFTA comes into full force it is expected to serve as a lever to help the country's economy rebound and return to its current growth rate, therefore attracting more major investors from Europe and Germany in both the medium and long term.

Market demand and economic policy are seen as the main challenges for the further development of German enterprises when operating in the nation moving forward. According to the survey results, 68% of German firms believe that the COVID-19 pandemic will drastically reduce market demand, thereby leading to great losses for them in their Vietnamese investments.

The survey reveals that 59% of them think that the country's economic policy will pose a challenge to their business development plans over the next 12 months.

Matters regarding finance, infrastructure, and a shortage of high-skilled workers also remain causes for concern among German businesses in the medium term./VOV

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