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VIETNAM BUSINESS REVIEW

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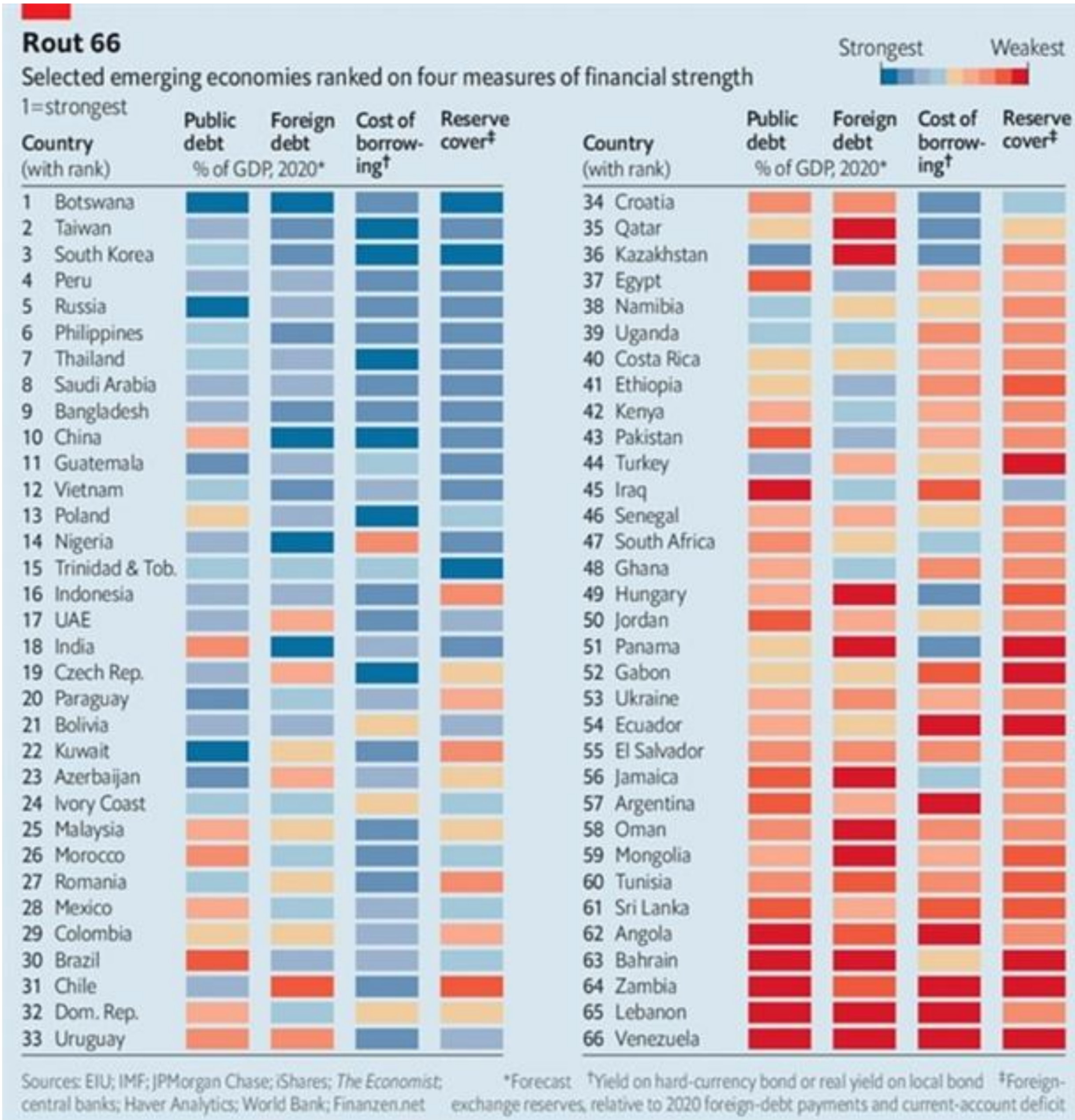
FINANCE

Vietnam among safe economies in wake of COVID-19

Vietnam has been listed as the 12th strongest economy, according to The Economist's report on the financial strength of the 66 emerging economies in the wake of the COVID-19 fallout.



The ranking examines the vulnerability of selected economies across four potential sources of peril – public debt, foreign debt and cost of borrowing and reserve cover.

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The Economist calculated their likely foreign payments this year (their current-account deficit plus their foreign-debt payments) and compare this with their stock of foreign-exchange reserves. A country's rank on each of these indicators is then averaged to determine its overall standing.

Vietnam is in the safe group thanks to stable and strong financial indicators.

Accordingly, more than 30 emerging economies are facing great pressure, the worst being Lebanon and Venezuela.

Botswana tops the list of the safe economies, followed by Taiwan (China) and the Republic of Korea.

The Economist said that most of the economies were strong enough to overcome the pandemic. The 30 weakest economies was relatively small, accounting for only 11 percent of the total GDP of the 66 economies.

It said the COVID-19 hurts emerging economies by locking down their populations, damaging their export earnings and deterring foreign capital.

Even if the pandemic fades in the second half of this year, GDP in developing countries, measured at purchasing-power parity, will be 6.6 percent smaller than the IMF's forecast in October, states the report./. VNA

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Vietnam must reach GDP growth of 5 per cent this year

Vietnam's GDP growth in 2020 must reach 5 per cent, higher than the 2.7 per cent the International Monetary Fund (IMF) has forecast, Prime Minister Nguyen Xuan Phuc has said.

The rate is already the highest the IMF has predicted for any Southeast Asian country this year, with the COVID-19 pandemic wreaking economic havoc around the world and threatening to drive the global economy into recession.

"It's very hard to reach the growth rate of the country's initial plan (6.8 per cent) but we cannot allow the growth rate to fall too low," PM Phúc said when he chaired a Government meeting on Tuesday in Hanoi.

The meeting aimed to discuss a draft resolution on supporting businesses, disbursing public investment and ensuring social order during the pandemic, after the country resumed most economic activities last week following nearly a month under a nationwide social distancing directive.

Phúc said global economic growth had turned negative in the first four months of this year due to the pandemic, however, Vietnam still recorded GDP growth of 3.8 per cent in the first quarter after the Government implemented measures to resolve difficulties for enterprises and ensure welfare policies.

PM Phúc said the country had the dual goal of effectively combating the COVID-19 pandemic while maintaining socio-economic development, as growth would create jobs, reduce poverty and ensure social security.

He ordered all relevant agencies to take prompt measures to quickly resume economic activities.

The five pillars of actions that would be critical to achieve the goal and overcome the current hardship are attracting foreign direct investment (FDI), boosting exports, stepping up public investment, attracting investment from the private sector, and promoting domestic consumption, PM Phúc said.

The Government leader also said it would be important to keep the inflation rate below 4 per cent because if inflation was too high, GDP growth would be rendered meaningless.

At the meeting, he added the country needed to disburse VNĐ700 trillion (US$29.9 billion) from the State budget for public investment projects this year and ordered all localities to work hard to implement the plan.

The Prime Minister asked the leaders of State agencies and local administrations to promptly resolve the pressing issues and complaints from people and businesses, demanding that Government officials must

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be working hard "for the country and the 100-million-strong population," and not let red tape and bureaucracy get in the way of economic development.

Draft resolution

Speaking at the meeting, Minister of Planning and Investment Nguyen Chi Dung said the draft resolution focused on several major issues.

The issues include tax and fee exemptions or reductions; extending payment time for export tax and special consumption tax on domestically assembled and manufactured cars until the end of December; allowing special entry procedures for foreign experts, business managers and technical workers; and promoting disbursement of public investment.

The draft plans to reduce interest rates by 2 per cent for direct and indirect loans to small and medium-sized (SME) businesses supported by the SME Development Fund.

At the same time, it will allow foreign professionals, business managers, technical labourers, working in investment and business projects in Vietnam, to apply special entry procedures to enter the country to maintain production and business activities of enterprises and comply with the regulations on prevention and control of pandemic.

The draft also schedules reducing 30 per cent of meeting and domestic travel expenses and 50 per cent of funds for business trips to foreign countries of ministries, agencies and localities this year.

Localities and relevant agencies will have to accelerate approval of dossiers of investment projects for production and business and take strict measures against individuals and organisations that cause difficulties for enterprises.

To hasten public investment disbursement, the draft proposes each locality assign an official to take responsibility for monitoring the disbursement progress in a public investment project. The progress will be used to assess the completion of the official's task this year. — VNS

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E-COMMERCE

Big Four in e-commerce keep taking on losses despite firm market presence

The "money burning" race in the local e-commerce scene is not over yet, with all Big Four competitors scampering to gain a larger market share.

The war of attrition in e-commerce was forecast to moderate as soon as the Big Four (Lazada, Tiki, Shopee, and Sendo) consolidate their supremacy. However, contrary to the prediction, the players' latest deficits are even bigger than in the previous years.

The annual report of VNG, which holds 24 per cent of the shares in Tiki, showed that the platform's losses in 2019 were nearly VND1.8 trillion ($78.26 million), more than double the losses of VND750 billion ($32.6 million) in 2018. Tiki's deficit has been steadily closing on Shopee and Lazada's losses that numbered VND1.901 trillion ($82.65 million) and VND1.773 trillion ($77.1 million) in 2018.

Despite running somewhat slighter losses, Tiki seems to be more out of breath than Shopee. According to iPrice Group, a privately-owned online shopping aggregator based in Malaysia, in the first quarter of 2020, the number of Tiki's visitors were 24 million while Shopee recorded about 43 million visitors.

Surprisingly, Lazada, with about VND5.129 trillion ($223 million) in total losses in 2016-2018 – making it the e-commerce platform wallowing in the highest losses – had only 19.8 million visitors in the same period.

Explaining Tiki's deficit last year, iPrice's survey showed that instead of pouring great capital into promotions like before, the e-commerce platform now focuses on developing its new live streaming sales channel named TikiLIVE and is accelerating investment in warehousing and markets itself by attaching advertisements in the music videos of local celebrities.

Similarly, Shopee also launched Shopee Live in March 2019 and is trying to reinforce its image by entering into a co-operation with Cristiano Ronaldo in last September. Moreover, the platform organised the shopping festival, Shopee Show, in last November.

Lazada refuses to acknowledge its losses and is pouring great volumes of capital into developing a variety of combinations between shopping and entertainment like Lazada Super Party and television game show Guess the Price, among others./.VIR

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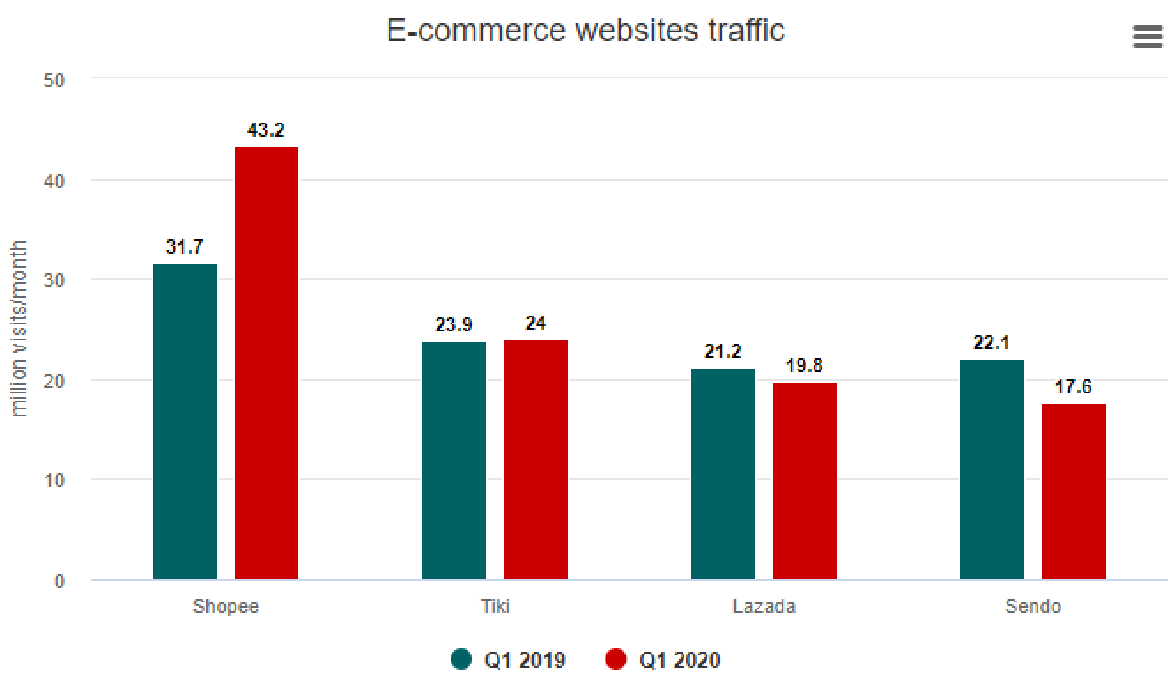
E-commerce fails to tap pandemic rise in demand

Website traffic for three major e-commerce platforms fell on average 9 percent year-on-year in the first quarter due to slow order response.

Vietnam's Sendo saw the biggest plunge at 20 percent to 17.6 million visits per month, while Singapore's Lazada dropped 7 percent and Vietnam's Tiki saw little change, according to a report by the Malaysia-based online shopping aggregator iPrice Group.



These e-commerce players were late in promoting healthcare products, the report stated, with most pushing fashion, electronics and cosmetics in the first two months, before turning to masks and hand sanitizer in March.

Vietnam recorded its first novel coronavirus cases by end January, with the rising number of infections resulting in the closure of many businesses in March.

Healthcare products should have been promoted earlier, as iPrice data showed searches for masks and hand sanitizer in February surged seven and eight times over January.

"This slow response somewhat prevented e-commerce from taking full advantage of opportunities brought on by Covid-19," the report revealed. Another reason for the drop in traffic is the small number of grocery-focused websites in Vietnam.

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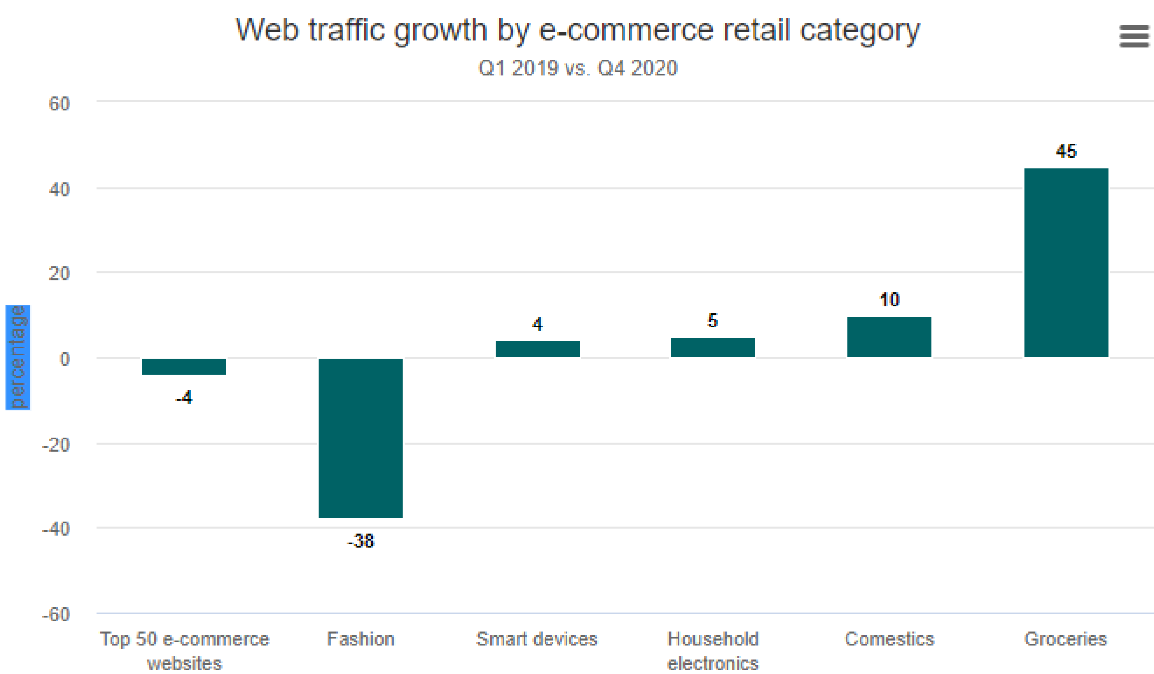
Demand for online groceries started growing in March when companies let their employees work from home. But among the top 50 e-commerce websites in Vietnam, only two specialized in online produce shopping.

Fashion retail websites saw a 38 percent decrease in traffic compared to the previous quarter, while household electronics retailers saw a slight increase of 5 percent.



"The 'golden egg' categories of Vietnamese e-commerce such as fashion and electronics were affected negatively during the epidemic," it was reported.

In the first quarter, Singapore's Shopee retained its top spot with 43.2 million visits per month, followed by Tiki, Lazada and Sendo.

Vietnam's Internet economy was estimated at $12 billion last year, with an annual growth rate of 38 percent since 2015 and is expected to surge to $43 billion by 2025, according to the "e-Conomy Southeast Asia report 2019" by Google, Singapore-based investment firm Temasek and U.S.-based global management consultancy Bain./. VNE

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START-UP

Home-delivers fresh farm food start-up FoodHub raises seed funding

FoodHub, a startup that home-delivers fresh farm food in Vietnam, said today it has raised “up to hundreds of thousands of USD” in seed round of funding.

ThinkZone Accelerator, which has previously invested in the startup, acted as a funding connector and consultant in the current round. It is not clear if ThinkZone has also joined the new round. When contacted, FoodHub declined to share the details of the investors and transaction.

The funds will be used to scale FoodHub’s business with a focus on Vietnam’s Northern market and to further promote its supply chain growth.

“After validating FoodHub’s product fit, it is time for us to accelerate and scale up. And we have been fortunate to meet a very suitable strategic investor, with not only a supplement of financial resources but also many other core competencies. The two parties have agreed on a roadmap to cover Vietnam’s Northern market right this year,” said Vinh Nguyen, Founder of FoodHub.

Launched in 2019, the startup aims to help customers buy fresh farm food via a mobile app easily and quickly.

According to the company, organic food market has been wholly neglected by the Vietnamese e-commerce platforms because of its distinctive characteristics, such as short shelf-life, complex packaging standards, difficulties for storage and non-uniformity in quality.

However, FoodHub claims to have grown its customer size more than three times since launch, primarily during COVID-19./.E27

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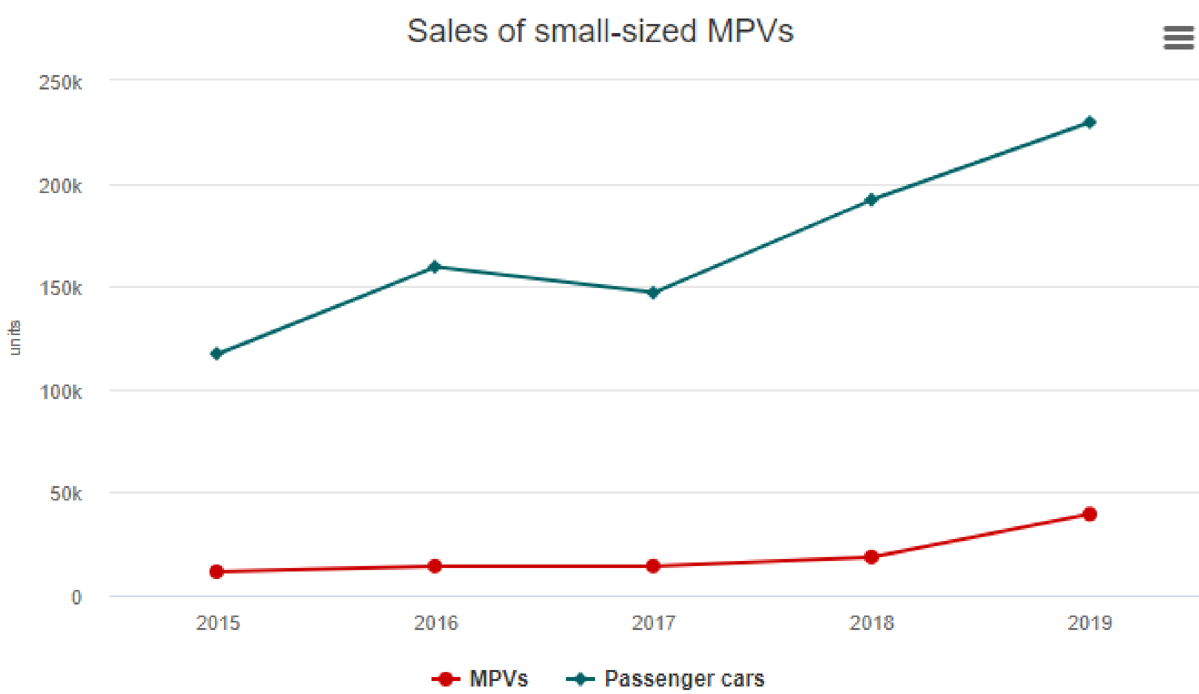
RETAIL

Vietnamese consumers increasingly favor multi-purpose family cars

Sales of multi-purpose family vehicles (MPVs) costing less than VND1 billion ($43,000) doubled in 2019, a report found.

39,442 seven-seater MPVs were sold in 2019, accounting for 17 percent of total sales of passenger cars in Vietnam last year, Vietnam Automobile Manufacturers Association (VAMA) stated in its latest report.

This is an increase of 112 percent over sales of the same segment in 2018, and almost three times higher than the 2015-2018 average of 14,652 small-sized MPVs sold per year.



A major driver of demand for these small-sized MPVs, most of which cost less than VND1 billion ($43,000), had been the boom of ride-hailing services in the past five years, which urged many people to think of investing in cars to do business, the report noted.

Small-sized MPVs are the third option for most people behind the traditional sedan or hatchback, as they are more spacious, allowing drivers to carry more passengers when using them as taxis, doubling down as a family vehicle when not used for commercial purposes. Most driver do not require larger MPVs for these purposes, according to VAMA.

Small MPVs also attract customers because of its low investment costs, with most banks willing to provide credit of up to 80 percent of the vehicle price with different credit purchase schemes, it said.

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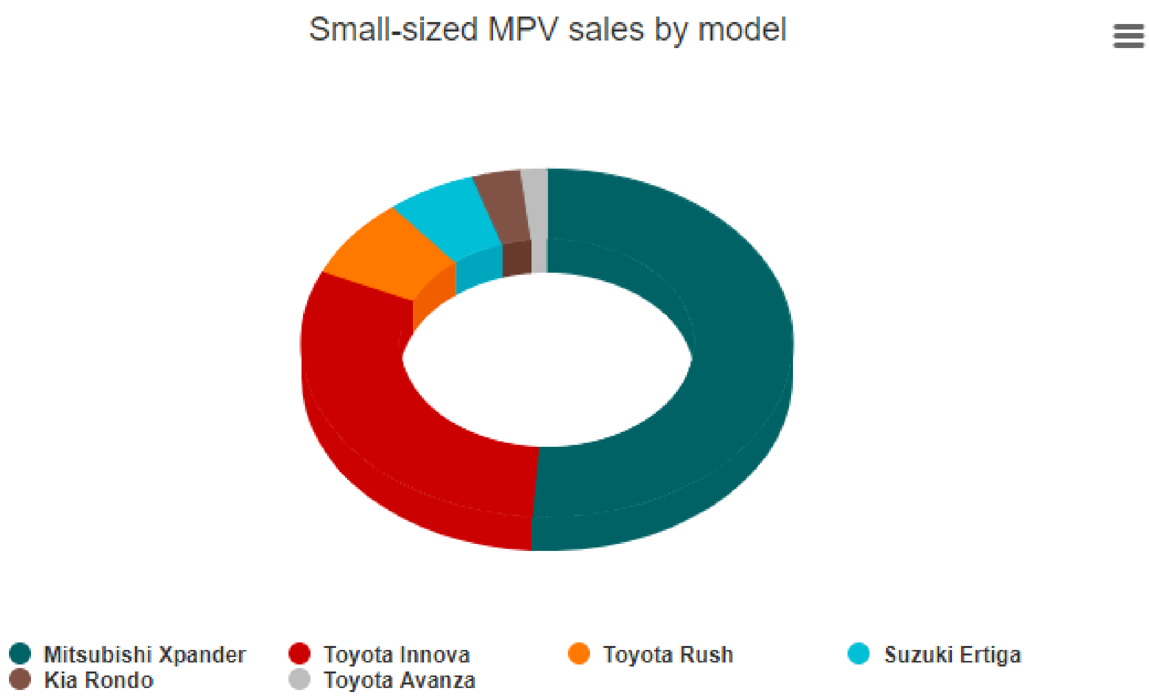
According to the report, the leading model in this segment last year was the Mitsubishi Xpander, accounting for 51 percent of small-sized MPVs sold. It was followed by the Toyota Innova with 31 percent, and the Toyota Rush at 7.5 percent.



Competition in this segment is expected to heat up this year with Japanese automaker Suzuki having just introduced the XL7, a new MPV model, last week.

Japan's Mitsubishi is also expected to release a new MPV model called Xpander Cross this year, which would bring the number of models competing for the family car segment to eight, double the number available in 2015, VAMA said.

A total 229,706 passenger cars were sold in 2019, up 19.6 percent over the previous year, it added./. VNE

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LOGISTICS

Vietnam Ministry of Finance to reduce charges and fees for airlines this year

The Ministry of Finance (MoF) has completed a draft circular that will help reduce many types of fees for aviation firms.

According to the draft, many airport operating fees shall be reduced 10 per cent from the rates specified in the current Article 4 in Circular No 247/2016/TT-BTC. The current rates for flight assurance service cost each flight VNĐ165,000 per landing or take off. It also stipulates the airport fee of VNĐ335,000 for landing or take off.

MoF said in order to help solve difficulties for aviation businesses during the COVID-19 pandemic, it also proposed to reduce other fees and charges of issuing certificates and licences in civil aviation activities or granting permits to access restricted areas of airports for the aviation firms.

Among the reductions in the draft, the assessment fee for issuance of licences for commercial air transport and general aviation firms, which is now between VNĐ5 million and VNĐ50 million, will be expected to decrease to between VNĐ10 million and VNĐ40 million. Thus, its can help an aviation firm save a maximum of VNĐ10 million (US$430).

MoF planned to apply the reduction by the end of 2020. From January 1, 2021, onwards, the rates will keep following current regulations. — VNS

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INVESTMENT

Vietnam offers tremendous investment opportunities

Consumer goods, healthcare, energy, construction materials, infrastructure, and technology are among the sectors with enormous potential for investment in Vietnam once the COVID-19 pandemic subsides, an expert has said.

Don Lam, co-founder and CEO of fund management company VinaCapital, recently spoke to a group of Korean investors through video conferencing about Vietnam's efforts to manage the outbreak, how the pandemic would affect the economy and investment opportunities now and post-pandemic. "We have always preferred those sectors that are benefiting from Vietnam's domestic consumption, which is driven by several factors including urbanization, young demographics, better jobs and high incomes, and a growing middle class."

The consumer discretionary sector had traditionally seen the highest growth since people with more money in their wallet spend it on dining out, consumer electronics, jewelry, and others, he said. "Although there is a short-term hit from the outbreak, we can continue to expect the sector to resume strong growth."

Healthcare is another sector benefiting from the growing middle class since the public healthcare system is expanding yet overburdened.

Private healthcare is expanding, enabling some people who previously would have gone to Bangkok or Singapore for treatment to get it at home today, according to Lam. Energy is another promising sector, with demand outstripping supply, requiring the country to import from neighboring countries. "LNG and renewables are the future," he said.

Domestic manufacturing, with companies that are involved in infrastructure or catering to the needs or desires of the growing middle class, is also an interesting sector as is technology, according to Lam. Vietnam has been going through a tech boom in the past few years, with start-ups working in a wide range of areas like fintech, AI, real estate technology, and logistics. "Tourism will definitely make a comeback in 2021," he said.

Vietnam could benefit enormously as it is seen as a safe haven amid the outbreak and offers great value for money in addition to its beautiful scenery and rich culture, he said. Of course the recovery time depends on the global economic condition, transportation options and the medical situation, but now is a good time to invest in the sector, according to Lam.

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The stock market is also an option since its valuation has declined by 30-40 per cent during the outbreak, and many stocks are now attractive. It now trades at a P/E of 10.3, the cheapest since 2012 and the lowest in the region.

But he also shared notes of caution about investing in Vietnam, saying there are some risks just like in any other frontier and emerging market.

"To mitigate the risks and prepare for the best possible outcomes, investors need to take a long-term view, do thorough due diligence, fully understand the market, and have a trusted local partner," he said.

"The days of 'fast money' are over and patience is important when operating in Vietnam," he warned. "One of the biggest mistakes foreign investors make is that they assume all of Southeast Asia is the same, but Vietnam is not the same as Thailand, Indonesia or Malaysia, and each country has its own development strategies and own way of working," he said.

Successful foreign investors would be those who tailor their products, services and workplaces to Vietnam.

The global economic recovery would take time, but Vietnam was well-positioned to rebound once the Covid-19 outbreak is under control, with revised forecasts still ranking Vietnam among the fastest growing economies in the world, he added. “The opportunity here is virtually endless” ./.VNS

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Vietnamese e-wallets attractive to investors

Vietnamese e-wallets have lured hefty sums from diverse partners over the past time, turning the segment into one of the investment hotspots.

Since late 2019, vast money flows have made its way to Vietnam, mainly into e-wallets via merger and acquisition deals. According to the Vietnam Investment Review, Vietnamese online gaming giant VNG Corporation has reduced its stake in wholly-owned e-wallet ZaloPay to 60% by issuing shares to other investors. VNG has earned more than VND464 billion (US$20.17 million) from the deal. ZaloPay had later on scaled up its charter capital to VND900 billion (US$39.13 million).

Last December, China's Ant Financial, the fintech affiliate of e-commerce giant Alibaba, has quietly acquired a sizeable stake in Vietnamese e-wallet eMonkey of small Vietnamese fintech firm M-Pay Trade. Although the deal value has not been disclosed, it was reported that after the deal, the foreign partner would have significant influence and provide technical expertise to the e-wallet.

Earlier, VNPAY, a leading Vietnamese digital payments firm, closed a deal with Japan-based SoftBank Vision Fund and Singapore-based sovereign fund GIC. Accordingly, SoftBank and GIC poured nearly US$300 million into VNPay, turning this fintech firm into a market leader who currently provides e-payment services to more than 40 banks, five telecom firms, an more than 20,000 local firms.

Another major deal last year involved VinID JSC which is 80% owned by Vingroup – the leading private conglomerate in Vietnam – which had completed procedures to acquire e-wallet MonPay. The deal value has not been disclosed. Last year's line-up of deals continues, including the merger of e-wallets Vimo and mPOS (both under the management of tech startup NextTech Group), or e-wallet Momo receiving a very large, undisclosed investment from US equity firm Warburg Pincus, just to name a few.

Economic experts forecast that the Vietnamese e-wallet market would be a mainstay on investors' radar this year due to the government's strong commitment to spurring non-cash payments and e-wallets' continuous tempting promotion programmes which help draw in users by the droves. According to the freshly-released report titled "FinTech in ASEAN: From Start-up to Scale-up" by United Overseas Bank (UOB), PwC, and the Singapore FinTech Association (SFA), investment in Vietnamese fintech accounts for 36% of total investment flowing into this field in the whole ASEAN region in 2019, attesting to the charm of Vietnamese fintech firms in the eyes of foreign investors.

A recent report by J.P.Morgan also shows that 19% of e-commerce transaction value in Vietnam takes place via e-wallets. This figure equals that of cash payments, and is behind card payments that take the lead with 34% and bank transfer (22%)./. VNA

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