



VIETNAM BUSINESS REVIEW

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What's in it today?



FINANCE

Vietnam improves significantly in public budget accountability

Banks eye post-pandemic business opportunities



E-COMMERCE

E-commerce targets to grow 25 per cent per year, more than half of population to shop online by 2025

E-commerce platform helps diverse foreign brands click in Vietnam



START-UP

Korea's Nextrans sets up a Venture Capital foundation program in Vietnam

Ho Chi Minh City -based skills platform Vibeji raises US\$70,000



INVESTMENT

Singapore becomes biggest investor in Vietnam during Jan-April 2020

Japanese property group Haseko buys 36% of Vietnam-based construction firm Ecoba



LOGISTICS

Hai Phong international terminal welcomes super-heavy vessels



RETAIL

Consumer spending growth on seafood to outpace other segments

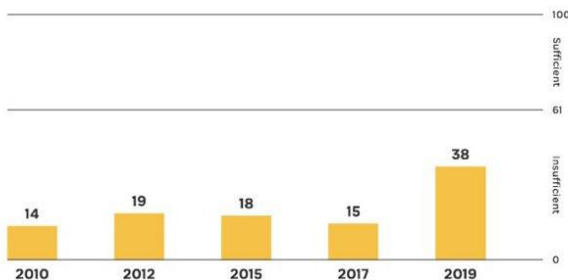
Local dairy expected to continue growing in 2020

FINANCE

Vietnam improves significantly in public budget accountability

The Ministry of Finance announced on May 18 that Vietnam ranks 77th out of 117 countries in the Open Budget Survey 2019, jumping 14 places versus the previous survey in 2017.

How has the transparency score for Vietnam changed over time?



Conducted by the International Budget Partnership biannually since 2006, the survey provides an independent and comparative assessment of the three pillars of public budget accountability: transparency, oversight and public participation.

Vietnam's budget transparency scored 38 out of 100, an increase of 23 points compared with the 2017 survey. Although the country made a significant improvement, its score was far lower than that of several other Southeast Asian

countries such as the Philippines (76), Indonesia (70) and Thailand (71).

A transparency score of 61 or higher indicates a country is likely publishing enough material to support an informed public debate on the budget. The average score globally is 45. Vietnam scored 11 out of 100 points for public participation and 74 out of 100 points for budget oversight, up four points and two points, respectively, from 2017.

According to the survey, the country has increased the availability of budget information by publishing the Executive's Budget Proposal online, publishing the Citizens Budget and Audit Report online and increasing the information provided in its in-year reports.

To further improve budget transparency, the International Budget Partnership suggested Vietnam produce and publish a mid-year review online, which would include revised projections for the full fiscal year for expenditures, revenue and debt. The country should improve the comprehensiveness of the pre-budget statement by including information on anticipated borrowing and debt for the upcoming year.

In addition, further details and information, such as prior year outcomes for expenditures and revenue; a complete macroeconomic forecast; and information on fiscal risks such as extrabudgetary funds, contingent liabilities and the financial and nonfinancial assets held by the government, need to be included in the executive budget proposal./SGT

[Back to top](#)

Banks eye post-pandemic business opportunities



Banks are ready to seize business opportunities in the coming months as the COVID-19 pandemic has been basically controlled in Việt Nam and domestic production and business are expected to accelerate soon.

Experts have forecast that credit demand will increase faster in the coming months as production and business activities in the country return to a normal pace. The recovery of domestic production is also expected to receive more support when other countries re-open their economies.

According to data from the State Bank of Việt Nam, credit by the end of April increased by 1.32 per cent compared to the end of 2019. After declining in March and early April, credit increased again in the last two weeks of April thanks to loan packages with preferential interest rates to support businesses and individuals affected by COVID-19. By the end of April, credit packages announced by banks were worth more than VNĐ650 trillion (US\$28.26 billion).

According to Nguyễn Đức Vinh, general director of Vietnam Prosperity Joint-Stock Commercial Bank (VPBank), his bank built plans for the post-COVID-19 pandemic quite early. Right after the COVID-19 outbreak was controlled and the Government eased social distancing, VPBank has launched programmes to boost domestic business and production. As of May 4, the bank provided new loans worth VNĐ18 trillion for 13,000 individual and corporate borrowers. Vietnam Bank for Agriculture and Rural Development (Agribank) has so far this year also provided loans worth VNĐ481 trillion with preferential interest rates.

A representative of a bank, who declined to be named, said after the pandemic, consumers would tend to increase the use of online services and prioritise health care. According to Nguyễn Toàn Thắng, general secretary of the Vietnam Banking Association, there would be many big changes when the pandemic ends.

Business and production conditions, operating environment, market structure and production methods of firms will change to create better supply and value chains, which will require banks to adapt to seize business opportunities, Thắng said. Banking expert Cấn Văn Lực said banks needed to carefully study market recovery trends after the pandemic to optimise business opportunities.

In addition, Lực suggested banks enhance IT applications and develop new business models based on technology and that suit new tastes of customers to increase labour productivity, cut costs and meet customer's needs./.VNS

[Back to top](#)

E-COMMERCE

E-commerce targets to grow 25 per cent per year, more than half of population to shop online by 2025



Việt Nam has set a target that the e-commerce industry would grow by 25 per cent per year to reach US\$35 billion with more than half of the population shopping online by the end of 2025. The goals were highlighted in the master plan for national e-commerce development in 2021-25, which got the Government's approval late last week. The plan would focus on accelerating the development of e-commerce towards a healthy, competitive and sustainable market as well as narrowing the gaps in e-commerce development between localities.

In addition, it also targeted to expand the export markets for Vietnamese goods through the development of e-commerce, especially cross-border e-commerce transactions. Specifically, the Government targeted that 55 per cent of the country's population would do online shopping by the end of 2025 and the average spending for online shopping would be about US\$600 per person per year.

Business-to-consumer (B2C) e-commerce of goods and services would grow 25 per cent per year to reach US\$35 billion, accounting for 10 per cent of the country's total retail sales of goods and services. Cashless payments in e-commerce would account for 50 per cent. About 70 per cent of transactions on e-commerce platforms would have electronic invoices. Hà Nội and HCM City would account for 50 per cent of the country's B2C e-commerce transaction value by 2025. In addition, half of the communes throughout the country would see the presence of online sellers. Other goals included that 70 per cent of electric, water and telecommunications service providers would provide electronic contracts to consumers and 50 per cent of higher education and vocational education institutions would provide training on e-commerce.

To achieve the targets, the plan would focus on completing the legal framework for e-commerce in the context of Industry 4.0. Solutions would also be raised to enhance consumer trust in e-commerce and improve the infrastructure system and support services. According to the e-Commerce White Book 2019 by the Việt Nam e-Commerce and Digital Economy Agency under the Ministry of Industry and Trade, e-commerce revenue jumped 30 per cent from \$6.2 billion in 2017 to \$8.06 billion in 2018. The size of the local e-commerce market was expected to reach \$13 billion this year. About 39.9 million people shopped online in 2018, up by 6.3 million people against the previous year. Average spending for online shopping was \$202 per person in 2018, \$16 higher than in 2017. The e-Economy SEA 2019 report by Google and Temasek predicted that e-commerce in Việt Nam would expand 43 per cent per year in the 2015-25 period, making Việt Nam the fastest growing e-commerce market in the region. Việt Nam is now the second fastest growing e-commerce market in Southeast Asia, after Indonesia. /VNS

[Back to top](#)

E-commerce platform helps diverse foreign brands click in Vietnam

Buy2Sell has distributed a diverse range of branded goods to the medium and high-end market segments in Vietnam over the last five years.

The company, which belongs to Singapore's LLHP Group, has signed distribution agreements with



thousands of international suppliers and distributed over 200,000 items, including cosmetics, food & beverage, fashion, household appliances, pharmaceuticals and electronics items since entering Vietnam in 2015. The imported products on Buy2Sell's platform for Vietnamese consumers come from over 60 countries around the world including South Korea, Australia, Europe Union and the U.S.

The company provides its suppliers with direct orders, product registration, customs clearance and market channel development. Its B2B platform has built a wide distribution network with high-end retail chain stores and supermarket chains nationwide.

Buy2Sell develops different market channels to increase visibility and brand awareness for its customers. It organizes annual conferences and match-up events in Vietnam's largest cities, Hanoi, Da Nang and Ho Chi Minh City, to introduce new products to buyers and provide them with a hands-on experience.

"Foreign suppliers choose to work with Buy2Sell because of our genuine business model and professional investment in our website, which carries many products," a company representative said. "Our upcoming goal is to develop our market share by representing more brands, connecting more Vietnamese buyers and offering them easy access to purchase international goods through the supply chain, bringing consumers quality products at reasonable prices," he added.

The rep said Vietnam has improved its position in the global economy and its consumer market is among those with the highest potential in Southeast Asia. "Notably, the country's economy has maintained an impressive growth rate with an open business climate. It is now a member of many bilateral and multilateral free trade agreements, including those with great influence, like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the European Union-Vietnam Free Trade Agreement (EVFTA)".

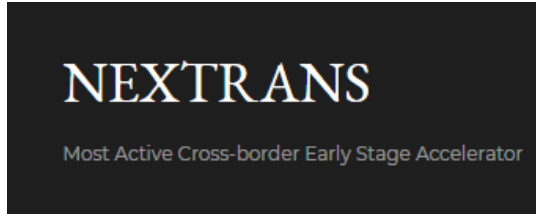
Buy2Sell is also well-known for its franchise connection platform (infranchise.vn) and B2B marketing services (marketedin.com). It has recently expanded to Hong Kong and provided financial solutions for buyers via Finaxar Singapore.

[Back to top](#)

START-UP

Korea's Nextrans sets up a Venture Capital foundation program in Vietnam

South Korean early-stage investor Nextrans has set up the Venture Capital Foundation Program to train potential VCs in Vietnam, according to an announcement. The 10-week program seeks to promote the development of Vietnam's startup ecosystem to catch up with top regional countries in terms of both scale and professional capacity.



The program will offer knowledge of the venture capital field, analysis of venture deals and sessions with successful startups and famous VCs in the region. Candidates will be taught by experts from Vietnam, South Korea, Nextrans partners in Singapore, Japan and the US. "The boom of the startup ecosystem in Vietnam has attracted the attention of many domestic and foreign venture capital funds," the firm said in its announcement.

"However, one of the biggest challenges that draw a gap within the picture is the lack of skilled human resources in the field of VC or dealing with VC, leading to a lack of professionalism in the process of raising capital among startups, or a call on exotic consultant with very high costs," it added. Nextrans is seeking to hit a target of a total of 100 investments this year in Vietnam. It deployed \$4 million across 17 deals in the country and typically makes seed-stage investments in fintech, logistics and healthcare sectors./Dealstreetasia

HCMC-based skills platform Vibeji raises US\$70,000



Vietnam's skill sharing marketplace Vibeji has raised S\$100,000 (\$70,000) from Singaporean venture builder Reapra, according to an announcement. Founded in 2018, Vibeji allows users to offer and book activities online.

The business, Vibeji said, encourages young people to commit to social distancing without fully giving up on entertainment, meeting people, and other experiences. Additionally, it provides a second source of income for those who lost their full-time jobs or are suffering from unpaid job termination, the startup said./ Dealstreetasia.

[Back to top](#)

RETAIL

Consumer spending growth on seafood to outpace other segments

Vietnamese consumer spending on fish and seafood products will grow at an annual average of 12.5% to rise from US\$3.2 billion in 2020 to US\$4.9 billion in 2024, outpacing the projected growth of overall food spending in the country over this period (11.2%), analysts from Fitch Solutions have forecast.



Per capita spending on fish and seafood by Vietnamese consumers is predicted to reach US\$48.8 in 2024, from an estimated US\$33.4 in 2020. This growth outlook will benefit foreign exporters of fish and seafood to Vietnam, as imported items currently make up half of the seafood consumed in the country.

According to Fitch Solutions, opportunities will increase for premium fish and seafood imports into Vietnam as incomes in the country continue to rise. Foreign imports have increased significantly, as a

share of total fish and seafood consumption over the past decade, from 18.1% in 2009 to 68.8% in 2019.

Saltwater fish substitute cheaper river fish

Data collected by Fitch Solutions showed that Vietnamese consumers have been substituting cheaper local river fish such as carp and catfish for higher priced, imported saltwater fish.

In 2018, Vietnam exported US\$2.2 billion worth of carp and catfish, a 29.8% increase over the US\$1.6 billion worth of products it exported in 2012. At the same time, the country imported US\$1 billion worth of saltwater fish in 2018, a 150% increase over the US\$413 million import value recorded in 2012.

The most popular varieties of saltwater fish imported by Vietnam (in order of popularity) are mackerel, tuna, anchovies, trout, salmon and skipjacks.

Besides this, octopuses and squid, which tend to be more expensive compared with other seafood products, have recorded an increase in imports versus other fish and seafood products over the last decade, rising from 7% in 2010 to 10.1% in 2019. Fitch Solutions' experts noted that three groups of foreign seafood exporters will benefit the most from the increased spending by Vietnamese consumers in this segment.

They include nations that are both the world's largest seafood exporters and are already Vietnam's top seafood import partners (China, Norway, India, Chile, the United States and Russia); nations that are Vietnam's top seafood import partners (Japan, Indonesia and South Korea); and nations that are the world's top seafood exporters but currently play a smaller role or no role in Vietnam's seafood import market (Canada, the Netherlands, Sweden and Ecuador).

[Back to top](#)

Local dairy expected to continue growing in 2020

The Vietnam Industry Research and Consultancy (VIRAC) forecasts that the dairy industry prospect in 2020 will continue to grow at a high level, increase investment capital in dairy farms to reduce dependence on imported milk and to meet the needs of people's domestic consumption.



The goal for 2020 is to produce 2.6 billion liters of liquid milk, with an average consumption of 27 liters/person/year. Domestic fresh milk will reach 1 billion liters to meet 38 percent of demand, export turnover will reach 120-130 million USD. The VIRAC's latest report said local dairy firms plan to produce at least 2.6 billion litres of milk to meet domestic consumption, with average consumption of 27 litres per person per year.

According to statistics from the General Statistics Office, liquid milk and yogurt reported the best growth last year. Liquid milk production in 2019 reached over one million litres, up 8.32 percent compared to 2018. The country produced about 390,000 tonnes of yogurt, an increase of 17.65 percent. Regarding sales revenue, liquid milk also increased by 8.32 percent and yogurt grew by 17.8 percent.

Import turnover of milk and dairy products to Vietnam reached over 1 million USD, up 8.8 percent over the same period in 2018, mainly from markets of New Zealand, Southeast Asia, EU and the US. In the same year, the export of the products also reached over 10 trillion VND (442.5 million USD), up 13.46 percent compared to 2018.

Although the prevalence of health problems among the elderly in Vietnam is high, the use of nutritional supplements such as milk for the ageing group still limited. Dairy firms saw increasing chances in serving those customers. In 2019, the powdered milk market for adults in Vietnam grew by 11 percent. This shows the potential for good growth of nutritious milk products for the elderly in the country in 2020.

VIRAC mentioned the promising revenue and profit from the market of nearly 100 million Vietnamese people and the future market of 600 million ASEAN people. While the company considers the dairy industry an attractive market, it said: "It is also not a piece of cake," due to fierce competition between big local firms such as Vinamilk, TH True Milk and the foreign enterprises of Nestle and Abbott. Recently, two multidisciplinary business giants of Vingroup and Masan have shown their eagerness to find opportunities to enter the local dairy market.

With the promise of huge revenue and profit from the market of nearly 100 million Vietnamese people, as a stepping stone to develop in the market of 600 million ASEAN people, and seeing an opportunity to step into the Chinese billion market, the Vingroup and Masan's joining the industry is just a story sooner or later, VIRAC said in its report./VNA

[Back to top](#)

LOGISTICS

Hai Phong international terminal welcomes super-heavy vessels

The Cang Hai Phong International Container Terminal Co., Ltd (TC-HICT) on May 19 berthed a super tonnage ship called one contribution. TC-HICT had already successfully berthed a mother vessel, CSCL BOHAI SEA, of COSCO shipping, which directly connects Hai Phong and California, in late April.



With a capacity of 8,560 TEUs and a length of 316 metres, ONE CONTRIBUTION is one of 11 super-heavy vessels belonging to a joint venture between Taiwan (China)'s Yang Ming, Japan's ONE, Germany's Lloyd, and HMM from the Republic of Korea. It provides direct services from the northern and southern regions of Vietnam to the west coast of the US.

TC-HICT is a joint venture between the Tan Cang Saigon (Saigon Newport) Corporation, MOL Shipping and the Itochu Group from Japan, and Wan Hai Lines Ltd. from Taiwan. Commencing operations on May 13, 2018, TC-HICT is the first deep-water port in the northern key economic region and boasts two 750-metre-long container terminals, a 13.4-metre-deep access channel, and a 660-metre turning basin.

The port can accommodate mother vessels of up to 12,000 TEUs and ensure a cargo throughput of 1.1 million TEUs each year. TC-HICT currently provides eight direct service routes a week, including three trans-Pacific routes, two to India, and three intra-Asia routes for Vietnam's exports and imports, shortening the lead time by three to five days compared to current services and substantially minimising logistics costs and risks./.VNA

[Back to top](#)

INVESTMENT

Singapore becomes biggest investor in Vietnam during Jan-April 2020

Singapore rose to become the biggest foreign investor in Vietnam in the first four months of 2020 with 5.07 billion USD, accounting for 41 percent of the total.



It was followed by Thailand and Japan, with 1.46 billion USD and 1.16 billion USD, respectively, according to the Ministry of Planning and Investment's Foreign Investment Agency (FIA). Foreign investors poured 12.33 billion USD in total into Vietnam during January-April, a year-on-year decrease of 15.5 percent due to the impact of the COVID-19 pandemic.

The period saw 984 new foreign-invested projects licensed with a total registered capital of 6.78 billion USD, down 9.1 percent in term of number of projects but up 26.9 percent in value year-on-year. Meanwhile, 335 existing projects were allowed to raise their investments by more than 3.07 billion USD, surging 45.6 percent over the same period last year.

According to the agency, FDI disbursement reached 5.15 billion USD in the four months or equivalent to 90.4 percent of the last year's corresponding period. Foreign investors pledged to pour capital in 18 sectors, in which manufacturing and processing took the lead with nearly 6 billion USD, accounting for 48.4 percent of the total capital. It was followed by power production and distribution (3.9 billion USD); wholesale and retail (776 million USD); and real estate (665 million USD), the FIA said.

Among 54 localities receiving FDI in the four-month period, the southern province of Bac Lieu ranked top with 4 billion USD. Southern Ba Ria-Vung Tau province came next with 1.9 billion USD and HCM City placed third with 1.31 billion USD, followed by Hanoi capital city and Ha Nam and Binh Duong provinces./VNA

[Back to top](#)

Japanese property group Haseko buys 36% of Vietnam-based construction firm Ecoba



Japan's listed real estate group Haseko has agreed to acquire a 36 per cent stake in Vietnam-based construction firm Ecoba, according to a statement. The quantum of the investment was not disclosed, but sources familiar with the Vietnamese company said it had raised tens of millions of US dollar. As part of the financing, Haseko will appoint a representative to Ecoba's board of directors, the Hanoi-based firm said. Ernst & Young (EY) acted as an adviser for the transaction.

Established in 2000, Ecoba is a construction and project management contractor for urban development, industrial and renewable energy projects. Its client base includes major local property developers such as Vingroup, Trung Thuy Group, Flamingo Group and Alphanam, among others. "This strategic cooperation between Haseko and our company will help both of us leverage the technology and market potential to further develop our business in Southeast Asia," Ecoba said in a statement. The \$6.8-billion Japanese firm's first investment in Vietnam was a capital injection in The Authentic condominium project in Hanoi in 2012.

It said it will explore new projects in Vietnam and Indonesia to broaden its presence in the Southeast Asia market. The Tokyo-headquartered firm has said in its five-year business strategy that it will set aside 60 billion yen (\$560 million) for overseas business expansion until 2025. Its plans include establishing a design and construction production system in Southeast Asia, participation in real estate development projects and investments in the US.

Haseko targets to earn 100 billion yen in consolidated ordinary income in the fiscal year ending March 2025, and at least 30 billion yen of ordinary income from its subsidiaries./ . Dealstreetasia

[Back to top](#)

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