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# VIETNAM BUSINESS REVIEW

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## FINANCE

### Vietnam Ministry of Finance announces 13 market makers for debt market

Thirteen commercial banks and securities firms will be allowed to join the debt market or Government bonds (G-bonds) market in Viet Nam this year. According to the Government's Decree No. 95/2018 / ND-CP, three securities firms, nine commercial banks and a member company of Agribank are identified as the market makers of government debt instruments, which are known as G-bonds, government-guaranteed bonds or Government notes.

Compared to 2019's version, the new list saw the inclusion of Orient Commercial Joint Stock Bank (OCB) and removal of Joint Stock Commercial Bank for Foreign Trade of Viet Nam (Vietcombank), Lien Viet Post Joint Stock Commercial Bank (LienVietPostBank) and Vietnam International Commercial Joint Stock Bank (VIB).

According to the Ministry of Finance (MoF), market makers have to send yearly reports to the ministry for evaluation between November 1 and 10 every year. The ministry will assess the conditions for maintaining the market maker status and announce it before December 31 every year. For market makers who did not meet the conditions, MoF will send them notices with reasons on why they were removed.

For the three banks removed from this year's list, however, MoF has not so far made an announcement.

Joining the G-bond market, market makers have the right to participate in the issuance and repurchase of Government bonds and notes by bidding, to be given priority as the main guarantee organisation for the issuance of G-bonds and other government guaranteed bonds as well as Government debt swaps or repurchase agreements.

They can also participate in discussions and policy making of the bond market.

According to a recent report of the Asian Development Bank (ADB), the local bond market has seen significant changes and steady progress over the past 10 years, adding that Viet Nam's bond and capital markets have improved significantly as the government continues to initiate reforms and pass enabling legislation.

As of December 31, 2019, the total value of G-bonds and other notes listed on the Ha Noi Stock Exchange (HNX) reached more than VND1.15 quadrillion (US\$49.45 billion). — VNS

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## IFC unloads VietinBank stake

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World Bank's International Finance Corp (IFC) has shed a 1.5 percent share in VietinBank following an earlier divestment.

IFC and equity arm IFC Capitalization Fund on January 8 lowered their combined ownership in VietinBank, the third largest lender in Vietnam by assets, from almost 6.49 percent to 4.99 percent, VietinBank stated Monday.

On January 8, IFC and its equity fund sold 55.7 million CTG shares on Ho Chi Minh Stock Exchange (HoSE) priced at VND20,500 (89 cents) apiece, valuing the deal at VND1.14 trillion (\$49.28 million).

IFC in November last year had already lowered ownership in VietinBank from 8 percent to almost 6.5 percent.

In 2019, VietinBank recorded a pre-tax profit of almost VND11.5 trillion (\$495 million), up 83 percent year-on-year. It targets 10 percent pre-tax profit growth this year. VNE

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## E-COMMERCE

### Winners to take it all in e-wallet race

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An economic expert has said e-wallet firms are breaking out promotions to try and win large chunks of the high potential market in Vietnam. Banking expert Nguyen Tri Hieu said millions of people in Vietnam already use e-wallet services to pay for everyday items like Grab rides, phone bills and groceries, but e-wallet firms are playing a long game.

MoMo, which has received 140 million USD of investment from Warburg Pincus, Goldman Sachs and Standard Chartered, leads the market with more than 12 million users, VinGroup's VinID and Grab-backed Moca follow with 8 million and 7 million users, respectively. There are no clear user figures for the other e-wallet firms in the country, which total about 30.

According to the Department of E-commerce and Digital Economy, Ministry of Industry and Trade, Vietnam is one of the countries with the highest growth in e-payments in the world, with annual growth of 35 percent. Nguyen Khac Quoc Bao, head of the Financial and Bank Department from HCM City Economics University, said he thought the growth of local e-wallets is thanks to the considerable money firms spend on promotions.

In the third quarter last year, Moca started refunding 20 percent up to 200,000 VND each electricity bill paid via the wallet. Most recently, Grab offered a promotion at 14 parking lots in Vietnam where users only pay 500 VND for their parking and Grab pays the rest via Moca.

Last November, Momo offered a viral promotion of 50 percent cashback with different types of services such as buying gasoline and shopping at convenience stores. VinID even offers users who pay bills via the wallet for the first time discounts worth up to 550,000 VND.

VnPay, after receiving 300 million USD investment from Vision Fund of SoftBank and the Singapore government's GIC investment fund, also refunded users for some in-store purchases. AirPay, which belongs to Singapore based SEA Group, the owner of Shopee, offered free shipping service for Shopee users. It has also recently offered a 30 percent discount for in-store purchases.

According to the expert, Việt Nam is a great market for Fintech firms including the e-wallets as more than 80 percent of the retail market is paid with cash. Hieu said Vietnam's population of 97 million made it a great market for e-wallet firms.

"The e-wallets are burning money now, but they will get the profit back in a certain time by starting to collect user fees for example," he said. Nguyen Ba Diep, CEO of e-wallet company Momo, seems to agree that the future is bright for firms like his. "We expand our services in Vietnam by proceeding the payment in public services in some cities and provinces in Vietnam, most recently, southern Khanh Hoa province," he said.

Hieu predicted that e-wallet firms would compete with each other by pouring money into promotion like Grab and Uber did two years ago. Hieu said losers will burn all their money, and a few winners “will take it all”.

According to the 'e.Economy SEA 2019' report by Google, Temasek Holding and Bain & Co, digital payments in Southeast Asia are expected to cross 1 trillion USD by 2025, becoming the payment method for nearly one in two dollars spent in the region.

E-wallets, though starting from a small base, are poised to grow even faster. Accounting for just over 22 billion USD in 2019, e-wallets in the region are likely to grow more than fivefold and exceed 114 billion USD by 2025.- VNP

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## START-UP

### Government encourages startup innovation: Deputy PM

The Government will develop an innovative and business-centred ecosystem, Deputy Prime Minister Trinh Dinh Dung said at the Vietnam Business Forum 2019 in Hanoi on January 10 2020. The primary goal of the Government is to improve the quality of growth and ensuring macro-economic stability, especially monetary and financial policies, Deputy PM Dung said.



Businesses play an important role in helping the Government realise this target, Therefore, the Government will always accompany the business community, the Deputy PM emphasised. In the coming time, the Government will improve the institutional system and not use administrative tools to interfere with enterprises' innovation activities, he said.

Prime Minister Nguyen Xuan Phuc will set up a special working group on promoting reform and improving business environment with the aim of reducing 20 percent of unnecessary administrative documents and at least 20 percent of administrative costs each year in accordance with law on business activities. Dung added that the Government will prioritise investment in developing infrastructure to create smart connectivity as well as improve businesses' competitiveness.

Particularly, the Government encourages strong investment in education and science-technology, improvement of human resources quality, and support for the business community to promote innovation. Specific plans and programmes will be carried out to develop businesses in the three sectors: agriculture, industry and service, Dung added.

The annual Vietnam Business Forum 2019 opened in Hanoi on January 10 under the theme "Roles and responsibilities of FDI community and sustainable development." Co-organised by the Ministry of Planning and Investment in coordination with the World Bank and the International Financial Corporation, the event is an on-going policy dialogue between the Government and business community aiming at a favourable business environment and sustainable economic development in Vietnam./.

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## RETAIL

### Masan to close hundreds of ineffective VinMart and VinMart+ stores

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After purchasing the retail chain from Vingroup's VinCommerce earlier this month, Masan Group plans to close hundreds of ineffective VinMart and VinMart + stores. A representative from Masan told Việt Nam News: "We will open between 300 and 500 new Vinmart supermarkets and Vinmart+ convenience stores this year." She also said the group would review and close down ineffective stores. So far, they have pinpointed about ten VinMart supermarkets and about 300 VinMart + stores which have struggled to turn a profit.

"Instead of expanding the number of stores, Masan aims to boost its presence by improving the business efficiency of existing locations," said the Masan representative. By the end of 2019, VinCommerce operated more than 3,000 VinMart and VinMart + stores all over Việt Nam. It reported an increase of 67 per cent in sales, reaching VNĐ26 trillion (US\$1.12 billion) but also saw losses of VNĐ2.1 trillion in EBITDA (earnings before interest, taxes and depreciation).

Reviewing its operation, Masan Group saw the performance of the retail chain, especially VinMart +, in Hà Nội was significantly better than in other cities. By the end of 2019, Hà Nội accounted for 34 per cent of VinMart stores and 29 per cent of VinMart + stores.

This year, Masan plans to reach over VNĐ42 trillion in revenue, a year-on-year increase of 64 per cent, after the merger. Of which, 24-25 per cent of the growth will come from the existing VinMart and VinMart + stores and the rest will be from new stores opened this year.

According to the group, its fresh food and meat produce will contribute significantly to the revenue of the chain. The group's pork brand Meat Deli is sold in a number of VinMart + locations. Masan estimated pork will contribute another 30 per cent in sales by the first half and 35 per cent in sales by the end of this year. On January 2, Masan announced ownership of 83.74 per cent of the total outstanding ordinary shares of Vingroup's subsidiary VCM Services and Trading Development Joint Stock Company, which operated Vinmart and Vinmart+ stores.

VCM was founded on August 5, 2019 with charter capital of VNĐ1 trillion, in which Vingroup held a stake of 64.3 per cent. VCM's charter capital was then raised to VNĐ6.4 trillion. Masan has spent an estimated VNĐ5.4 trillion to hold the controlling stake at VCM, which runs VinMart and VinMart+ stores in 50 provinces and cities and 14 VinEco hi-tech farms.

Before the deal, Masan Consumer was one of Việt Nam's largest FMCG firms, now it is one of the biggest retailers in Việt Nam. Last year, the retail sales of goods and services reached VNĐ4.94 quadrillion (\$214.8 billion), representing a rise of 11.8 per cent over the previous year, marking the highest growth rate in the last four years. In 2016, retail sales rose 10 per cent, and hit 11.6 per cent growth in 2017 and 2018, according to the General Statistics Office (GSO). — VNS

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## Japanese retailer Muji to open first store in Ho Chi Minh City

Muji, a retail company which sells a wide variety of household and consumer goods, will be the next popular Japanese firm to penetrate the Vietnamese market, according to a recent announcement of the company's plans to open a store in the Southeast Asian country. Ryohin Keikaku Co. Ltd., or Muji, said in a press release last year that the company will open its first store in Vietnam in the spring of 2020.



In preparation for its arrival in Vietnam, Muji Retail Vietnam LLC was established in August 2019 with 100-percent investment from Ryohin Keikaku. The

headquarters of the subsidiary is located in Ho Chi Minh City while Muji's maiden Vietnam store will also be opened in the southern metropolis, according to the press release.

The store will cover 3,900 square meters, Tu Thi Hong An, director of commercial leasing at the real estate services company Savills, told the online Vietnamese news site Zing. In comparison, a Uniqlo store, which was just opened at the Parkson Saigon Tourist Plaza in District 1 by the popular eponymous Japanese apparel retailer last month, spans 3,100 square meters.

Muji currently operates more than 900 stores in 29 countries and territories, nearly 500 of which are outside Japan. According to Zing, director An said that a number of other foreign brands will also debut in Vietnam this year, including Taiwanese dim sum chain Din Tai Fung, Hawker Chan - the Michelin-star chicken rice stall from Singapore, French make-up chain Sephora, and China's largest retailer JD.

Last year, retail space in Ho Chi Minh City grew to 1.46 million square meters, mostly in Districts 1, 2 and 7, as well as Tan Phu District. Revenue in the sector also increased 14 percent from 2018, and was mainly contributed by leaseholders in the food and beverage, apparel, and household appliance industries, Zing reported, citing a paper on the local real estate market recently published by Savills. VEN

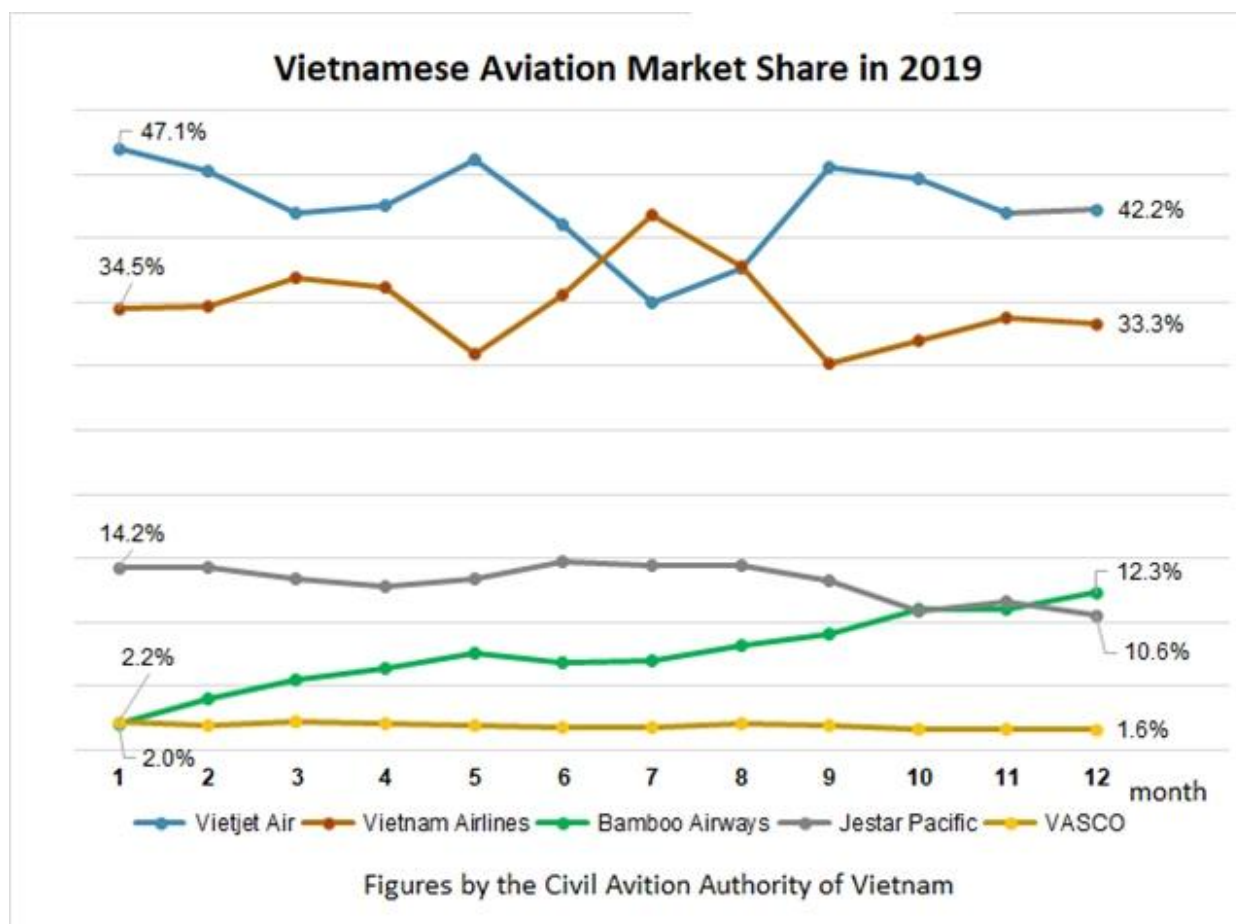
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## LOGISTICS

### New players reshape Vietnamese aviation market

The latest figures published by the Civil Aviation Authority of Việt Nam revealed that the Vietnamese aviation market saw noticeable changes in 2019, driven by the participation of private carriers.



Vietnam Airlines saw a drop to 33.3 per cent in market share in December 2019, from approximately 34.5 per cent at the beginning of the year.

Jetstar Pacific and VASCO respectively held market shares of 10.6 per cent (down from 14.2 per cent at the beginning of the year) and 1.6 per cent (down from 2 per cent).

While three carriers under Vietnam Airlines Group saw slight decreases in market share, private carriers saw expansion. Vietjet held 42.2 per cent market share in December 2019, compared to 41.2 per cent in January 2019. Bamboo Airways, after its official launch in January 2019, saw massive growth. In December 2019, the carrier owned more than 12.3 per cent market share, six times higher than its share of 2 per cent in January.

Bamboo Airways announced before its establishment that it would find new sources of customers, instead of competing with other airlines. The aviation industry saw growth of 13 per cent in 2019, indicating an expansion in market capacity.

However, the changes in aviation market over the past 12 months showed a significant shift in customers' selection of service providers.

Entering 2020, the Vietnamese aviation market is expected to see even more changes after Bamboo Airways announced its goal of 30 per cent domestic market share. — VNS

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## Vietnam's Vingroup scraps plan to launch airline to focus on tech

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Vietnam's largest conglomerate Vingroup JSC said on Tuesday it has scrapped a plan to launch an airline and will instead focus on technology development and industrial production. The company last year applied for a license to launch an airline in 2020 but had yet to order any planes.

It has now notified the Ministry of Transport that it will withdraw from the aviation transport services sector. "We need to focus our resources on the development of technologies and

industrial production, and therefore we have decided to withdraw," Chief Executive Nguyen Viet Quang said in a statement. Quang said Vietnam's aviation market has been developing rapidly but there are already several airlines, and that the group's move to launch another carrier would lead to oversupply.

Vingroup, once a real estate and retail conglomerate, has grown to become Vietnam's largest listed firm with a market capitalization of over \$16 billion. It now also sells vehicles, television sets and smartphones and is looking to enter the artificial intelligence sector.

Vietnam's aviation market has been growing at double-digit pace, attracting new entrants. Property and leisure firm FLC Group JSC's Bamboo Airways conducted its maiden commercial flight a year ago to become the country's fifth airline.

Other companies, including Thien Minh Group and tour operator Vietravel, also aim to launch airlines this year.

Vingroup said it will continue to train pilots at its VinAviation academy.

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## INVESTMENT

### Vietnam to select quality foreign investment



Viet Nam is earmarking environmentally friendly, high tech investment to best serve the sustainable growth of the country. The message was delivered by Minister of Planning and Investment Nguyen Chi Dung at the Vietnam Business Forum (VBF) in Ha Noi on Friday.

Appreciating the contributions made by foreign direct investment (FDI), he said: “FDI is again a bright spot. For the first time, disbursed capital of FDI projects reached US\$20.4 billion in 2019.” He added last year the total registered capital reached more than \$38 billion, the highest in the last 10 years. Dung told the forum: “Viet Nam will continue to select quality FDI projects with high value-added content, high technology and innovation to help the country enter the global value chain faster.”

Chairman of the Viet Nam Chamber of Commerce and Industry (VCCI) and co-chairman of the VBF Consortium, Vu Tien Loc said that local enterprises should work more closely with FDI to make good use of market expansion opportunities and reform. He added: “It is also a way to facilitate FDI businesses to take deeper roots in Viet Nam’s economy, through the value chains established with domestic businesses.” Regarding public-private partnerships (PPP), Loc said: “Viet Nam needs up to \$25 billion for infrastructure development projects each year.” He suggested foreign investors should join PPPs to finance the country’s development in the future.

Telling Viet Nam to priorities “a sustainable economy”, Virginia Foote, co-chair, Vietnam Business Forum Consortium thought innovation could be “the next chapter of Viet Nam’s success.” She told the forum: “Viet Nam is well known for its talents in science, internet.”

Foote said she believed the country could benefit further from the digital economy with innovations of IT and Fintech, IoT and other smart industries. But Fred Burke, head of BVF’s investment and trade working group said: “Viet Nam still confronts serious obstacles to maximize its tremendous potential.”

He raised concerns of the foreign investors in the capital limit in the local fintech, saying: “Non-cash payments are critical to innovation, smart cities, and Industry 4.0 but the current draft decree amending Decree No. 101/2012 / ND-CP that imposes a foreign-ownership cap may affect some foreign fintech companies in the country.” Burke thought the limit could drive out current innovation and prevent other foreign investment while most of the local fintech start-ups raised institutional capital from foreign investors.

As the result, it would restrict the ability of the local fintech firms and make them less competitive with others in the region, said Burke. Seck Yee Chung, Vice President, Singapore Business Group in Viet Nam said: “The Government should continue efforts to streamline the foreign investment licensing and

approval process. This can be achieved with the use of emails of courier between licensing authorities and regulators. "

Chung also asked the Government to develop the use of online applications for foreign investment and M&A approvals.

VPF is organized twice a year, providing regular policy dialogues between the Government and business community aiming at a favorable business environment and sustainable economic development in Viet Nam.- VIR

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## **Vietnam, Japan to boost trade, tourism, labor ties**

Vietnam and Japan continue to seek ways to strengthen cooperation in multiple sectors, while focusing on bilateral trade, tourism and labor initiatives, stated Deputy Prime Minister Vuong Dinh Hue at the opening of seminars and forums on the economy, tourism and labor cooperation between the two countries, held in Danang City on January 13. Hue, who is also head of the Intersectoral Steering Committee for Economic Integration, noted that the event will be a driving force for stronger ties between the two countries, especially for central Vietnam.



Both Vietnam and Japan support global free trade, Hue was cited by the local media as saying. Last year, despite global market volatility, Vietnam still obtained positive economic achievements. The country's macroeconomy was stable, while its inflation was kept under control. The country welcomed more than 18 million international tourists and was honored as Asia's leading destination for the second

consecutive year. Vietnam also saw a trade surplus for the fourth straight year and was among 25 countries with the largest trade value in the world.

It also placed among the top 12 countries for foreign investment attraction and usage, with US\$38 billion in foreign investment being pledged into the country last year. Vietnam is now calling for investment in hi-tech and clean projects that create high added-value products and do not cause environmental pollution.

Deputy PM Hue stressed that the Vietnamese Government has paid significant attention to improving the country's competitiveness and business model. The country is drawing up a development plan for the next decade and will amend the Laws on Investment and Enterprises to create favorable conditions for foreign investors, Hue added.

In addition, Vietnam is a member of the Greater Mekong Subregion, which has cooperated closely with Japan on traffic and energy infrastructure; trade facilitation; and manpower connections in association with digital connections. The two sides should continue bolstering their partnership in these three fields, Hue added.

The deputy prime minister confirmed that Vietnam hoped Japan would be its leading, and best, investor.

The country also expected Japan to further open its market to Vietnamese laborers and that Japanese enterprises would help them improve their understanding of the Japanese language and knowledge of local regulations and culture.

In terms of tourism, in 2019, only 900,000 Japanese tourists visited Vietnam, one-third the number of South Korean arrivals. Deputy PM Hue asked the authorities of localities in both countries to contribute to strengthening bilateral relations.

Speaking at the event, Nikai Toshihiro, secretary general of the Japanese Liberal Democratic Party and chairman of the Japan-Vietnam Friendship Parliamentary Alliance, said Japan has also attached great importance to boosting cooperation with Vietnam, adding that the two countries' relations have grown substantially in most sectors, including politics, the economy, culture and national defense.

He noted that some 1,900 Japanese enterprises are doing business in Vietnam. Meanwhile, 370,000 Vietnamese people are living, studying and working in Japan. People who have studied and worked in Japan are considered a bridge, connecting Japanese enterprises in Vietnam with local management agencies and firms, Nikai remarked.

On the same day, Deputy PM Hue and Nikai also attended Vietnamese air carrier Vietjet's ceremony to launch new air routes from Vietnam's Hanoi, Danang and HCMC to Japan's Nagoya, Fukuoka and Kagoshima.

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## Hai Phong continues to be magnet for investors

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With robust economic growth and a sound business climate, the northern port city of Hai Phong has remained popular among both domestic and foreign investors, said Chairman of the municipal People's Committee Nguyen Van Tung.

At a meeting with more than 300 domestic and FDI firms on January 13, Tung briefed the participants on the city's socio-economic achievements in 2019, with the gross regional domestic product (GRDP) expanding 16.68 percent, the highest ever.

State budget collection reached more than 89.68 trillion VND (3.87 billion USD), up 20.5 percent year on year, while Hai Phong port handled some 129.2 million tons of goods, increasing 18.51 percent from the previous year, he said.

Last year, a multitude of large corporations made big investments in the city, Vingroup splashed out hundreds of trillions of VND on entertainment, housing, urban areas and hospital projects, while BRG Group invested in the Do Son golf and villa project worth over 2.1 trillion VND, and the five-star Hilton hotel valued at over 1 trillion VND. Tung stressed the projects will give the city a facelift.

During 2019, the city had more than 1,000 enterprises that contributed more than 1 billion VND to the State budget, 11 firms in the top 500 largest enterprises in Vietnam, and 13 in the top 500 largest private businesses in the country. These firms also proactively engaged in a wide range of activities to support social welfare programs in the locality, he added. – VOV

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<b>Rep. Office</b>	〒220-0012, 8F Wework, Ocean Gate Building 3-7-1 Minatomirai, Nishi ward, Yokohama Kanagawa, Japan
<b>Telephone</b>	+84-24-6275-5246 ; +84-24-6273-6989
<b>Fax</b>	+84-24-6273-6988
<b>URL</b>	<a href="http://www.seiko-ideas.com">www.seiko-ideas.com</a>
<b>PIC</b>	Tram Nguyen (Ms.)
<b>Email</b>	<a href="mailto:tram.nguyen@seiko-ideas.com">tram.nguyen@seiko-ideas.com</a>

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