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Highlight

Vietnam's logistics industry hit hard by Covid-19 pandemic

VIETNAM BUSINESS REVIEW

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What's in it today?

FINANCE

VietinBank to sell 50% of capital in Vietinbank Leasing

Vietinbank (CTG) has approved a plan to sell 50 percent of its holdings in the bank's financial arm Vietinbank Leasing Company Limited.

Pham Ngoc Long, CEO of VietinBank Leasing. VietinBank Leasing is wholly owned by VietinBank, operating in the field of financial leasing for businesses, individuals, households and other organisations.

The bank will sell 49% of its capital in Vietinbank Leasing to Mitsubishi UFJ Lease & Finance Co Ltd and 1% to another domestic investor.

The bank's Board of Directors also approved the plan to transfer the legal form of VietinBank Leasing, from single-member limited liability company to a limited liability company with two or more members.

VietinBank Leasing is wholly owned by VietinBank, operating in the field of financial leasing for businesses, individuals, households and other organisations.

By the end of 2019, total assets of VietinBank Leasing reached VND3 trillion (US$129.5 million), up 6% compared to the beginning of the year.

Total revenue last year hit VND274 billion, an increase of 10% compared to 2018, mainly from financial leasing activities which totalled VND272 billion, up 33% compared to 2018. Total expenses were VND152 billion, a rise of 15% year-on-year.

Total outstanding loans for financial leasing reached VND2.8 trillion, up 12% compared to 2018. Non-performing loans ratio accounted for 0.4%. Pre-tax profit in 2019 was VND122 billion, down 7% compared to 2018 mainly due to the rise in input costs.

Divesting capital from subsidiaries and associates is one of the options that help VietinBank increase its capital adequacy ratio. Last year, Vietinbank also divested capital from Saigonbank, VietinBank Gold & Jewellery Co Ltd and VietinBank Fund Management Company Limited. — VNS

July to be a hard month for Vietnamese shares

July looks set to be a hard month for investors as market turbulence continues due to the unpredictability of global stocks and with attention on second-quarter earnings expectations.

The local market has stalled in the last two weeks after the benchmark VN-Index on the Ho Chi Minh Stock Exchange climbed to a four-month high of 900 points on June 10.

The benchmark index had gained 36.36% from the three-year low of 660 points in late March. But from the four-month peak, the index has lost 5.33% in two weeks.

In comparison, US stock indices S&P 500 and Dow Jones declined by 6.91% and 9.27%, respectively, from their four-month highs in the same period.

On both markets, individual investors have played the key role driving stock indices up as global stocks hit rock bottom in late March on worries about the recession caused by the COVID-19 pandemic.

The pattern of the VN-Index is quite similar to that of the US stock indices in the last two weeks, which indicates the US market is taking a toll on the Vietnamese market.

Last week, the VN-Index fell 1.91% to finish at 851.98 points.

The Vietnamese stock market was affected by US stocks as investors worried about the second wave of coronavirus given the easing of travel restrictions and re-opening of some states, according to Sài Gòn-Hà Nội Securities Co (SHS).

The total number of coronavirus cases in the world exceeded 10 million as of 3am on Sunday and the death toll was nearly 500,000, according to Worldometer. The US-led the board in both total cases (more than 2.58 million) and total deaths (nearly 128,000).

Aside from the worldwide spread of the coronavirus, investors are also worried about another stage of the trade war as the economic relationship between the US and China has deteriorated in recent weeks.

Such concerns have made international economic and financial institutions such as the International Monetary Fund (IMF) and Federal Reserve deliver bad forecasts for global economic growth this year.

Besides the impact of US stocks, investors in Việt Nam are entering the time in which corporate information is limited. As most listed firms have organised their annual shareholders' meetings, attention now will turn to second-quarter earnings reports.

Some large-cap companies such as dairy producer Vinamilk, steel producer Hòa Phát, Vietcombank, HDBank, retailer Mobile World Investment, petrol firm Petrolimex, Techcombank and VPBank have already released their earnings for the second quarter.

There are some positive signals in those firms' second-quarter earnings reports but they generally are not too optimistic about this year's performance.

The VN-Index will move sideways in July and it will not be easy for the benchmark to beat 900-point level this month, according to Phan Dũng Khánh, director of the investment consultancy at Maybank Kim Eng Securities Co.

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E-COMMERCE

Vietnam’s e-commerce growth rate exceeds 32% last year

The Vietnam e-Commerce and Digital Economy Agency under the Ministry of Industry and Trade on June 25 said that the country’s e-commerce growth rate exceeded 32% last year.

The scale of retail e-commerce of consumer goods and services was at US$11.5 billion last year.

The Vietnam E-commerce Association forecasted that the growth rate of e-commerce this year will continue to be maintained at over 30% and the scale of Vietnam’s e-commerce will surpass $15b.

From early February to April this year, most socio-economic activities were stopped, but the e-commerce sector was still forecasted to be optimistic by experts. According to an analysis by the Vietnam e-Commerce and Digital Economy Agency, the Covid-19 pandemic is considered as a catalyst to change consumer behavior. Vietnamese consumers still keep optimism and quickly shift to the online shopping channel.

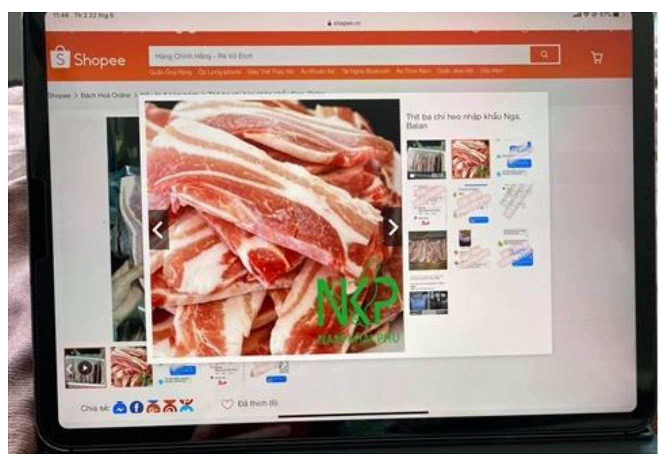
Currently, enterprises in the e-commerce sector have almost been able to maintain their staff in the peak-three months of the Covid-19 outbreak, and are likely to increase their personnel shortly. Noticeably, the e-commerce index in recent years showed that most of the e-commerce activities took place in two big cities, namely Hanoi, and Ho Chi Minh City. In 2019, Hanoi and Ho Chi Minh City accounted for over 70% of electronic transactions while only accounting for 18% of the population.

Consumer buying habits change as online purchases increase in Vietnam

More food products have been bought online since the COVID-19 outbreak, online sellers have said.

More food products have been bought online since the COVID-19 outbreak, online sellers have said.

A recent report released by online shopping platform Shopee said that Vietnamese had become more comfortable with buying food and groceries online, including items that are usually bought offline.



More and more Vietnamese consumers are buying food products through online channels.

In April demand for dairy products grew seven times on their platform, the company said.

The top products include cooking oils, frozen fish, grains, nuts, dried chicken, and healthy fruit chips.

Vietnamese often go to traditional markets to buy daily needs like meat, vegetable, cooking oil, and rice. However, many have continued to order online, even now after the control of the outbreak in the country.

E-commerce is making it more convenient for consumers to shop for food items at any time.

Minh Thu from District 7 of HCM City now no longer goes to traditional markets because she orders all goods online.

This new habit was created during the social distancing period when she spent her days at home and did not go out.

Tran Tuan Anh, managing director, Shopee Vietnam, said: “Social distancing has been a big part of our lives, and we have seen major changes in the way people think about and shop for their daily needs. In particular, buying food and groceries has become ‘online-first’ as consumers view e-commerce as a one-stop channel for their needs. Sellers and brands are adapting quickly...We see this as a long-term evolution and Shopee will continue to lead this trend in the years ahead.”

Shopee’s report said that people are doing a larger share of food shopping online, with a 3.5-time increase in users who buy food items multiple times a month on their platform. This shows that people are shifting a larger share of food and grocery shopping online to reap the convenience of e-commerce.

Sellers and brands are adapting to this new normal by offering a wider variety of food products online and using live streaming to assure buyers of quality in real time, it said.

Shopee said people are also buying a wider variety of food items online, as they make lifestyles changes at different stages of social distancing and the Covid-19 pandemic.

The onset of social distancing motivated people to ensure ready food supplies at home, with demand for cooking and baking supplies increasing by three times.

As buying food products online becomes a norm, shopping activity is growing quickly among rural and male consumers.

Consumers outside HCM City and Ha Noi are also seeing e-commerce as a key channel for food and groceries because of reduced access to physical stores. Food shopping activity in provinces such as Binh Duong and Dong Nai has doubled in recent months.

Shopee's report said that male food shopping activity increased up to four times from 2019. Men appear to be doing more home cooking and grocery shopping in recent months, with snacks foods, cooking and baking as well as canned products, the most popular among male users on Shopee.

To meet the demand, brands and sellers offer food products online, creating more choices for buyers. They use live streaming to sell food products more effectively.

“The Covid-19 situation and social distancing measures have created major changes in consumers’ lifestyles, affecting how brands and sellers conduct their business,” Tuan Anh said. — VNS

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START-UP

Japanese edu-tech startup Manabie pushes its expansion into Vietnam

Japanese-led online learning startup Manabie is stepping into Vietnam after raising US$4.8 million through a seed funding campaign with a strong ambition to expand to Southeast Asia's market in the near future.

Japanese-led online learning startup Manabie is stepping into Vietnam with innovative solutions

Manabie, established in Singapore in 2019 by Mr. Takuya Honma - Founder and CEO of this start-up, launched the online education platform service in Vietnam recently. The company currently attracts over 100,000 users, which is considered as a surge in demand for its learning platform during and after COVID-19. According to The Japanese Times, this Japanese edu-tech startup has mutual partnerships with 30 private and Japanese schools for their long-term business development.

In Vietnam, the number of registered users, ranging from elementary to high school students, is recorded with rapid growth during the COVID-19 pandemic, which has resulted in school closures for over three months.

Honma, an educational expert coming from Quipper (a UK-based online learning service) revealed that families in Vietnam spend about 20% of their household income to education, and the distance learning market has a huge potential for investment.

Manabie is offering e-learning services through apps for a wide range of target groups of elementary, secondary, and high school students in Vietnam as well as preparing for its expansion in the Southeast Asian region in the long run.

Two Vietnamese start-up winners for 2020 Asia-Pacific Low Carbon Lifestyles Challenge

Two Vietnamese start-ups, among 07 others in Asia and the Pacific, to be proundly announced as the 2020 winners of a UN Environment Programme (UNEP) start-up initiative. They are demonstrating business solutions that will help Asia build back better and greener after the COVID-19 pandemic.

Two Vietnamese start-ups, among the nine entrepreneurs from Bhutan, China, India, Pakistan, and Thailand, were selected as the winners by the 2020 Asia-Pacific Low Carbon Lifestyles Challenge. They are advancing green businesses in the categories of low-carbon energy, plastic waste prevention and low-carbon mobility. Each winner receives $10,000 in funding, in addition to training, business mentoring and technical analysis of their environmental impacts.

Specifically, in the category of **Plastic waste prevention** which promoting reuse, sharing, upcycling, extended product lifespans, and sustainable materials, Cup-lending startup AYA founded by Le Thuy Linh from Vietnam is the winner.

AYA - An exchange cups system for takeaways and home delivery.

Linh's reusable cup share system, AYA Cup, is taking aim at the 27 tons of plastic and Styrofoam generated by Vietnam's food delivery and take-away industry every year. Since Vietnam has been one of the worst polluters of ocean plastic waste in Asia and the globe, with 13 million tonnes of waste released to the ocean every year, Linh's environmental efforts are not only to deal with this big issue, but also aim to turn a profit – the single-use plastic industry in Vietnam is worth up to US$1.6 billion each year.

AYA creates convenience idea for users which enable them to use and return the cup rather than throwing single-use plastic cup. It means that, everyone can request an eco-friendly cup at any participating coffee shop or smoothie bar with an AYA's registered ID code. Notwithsatnding a very new idea, AYA has targeted to achieve hundreds of vendors with more than 6,000 plastic cups saved per year.

"Some customers told me that they found lugging along their tumblers every day inconvenient. And they are busy all day, so they keep forgetting the tumblers," said AYA's founder Le Thuy Linh. "Therefore, the launch of AYA aims to help them better protect the environment and take away their guilty for constantly using single-use plastic cups."

Similar services are popular in developed countries like in Germany where people drew more than 2,500 coffee stores and restaurants on board. However, this model is considering as a practical initiative in Vietnam where plastic use is currently a serious environmental issue.

In the category of **Low-carbon energy,** start-up Airiot from Vietnam managed by the founder Tran Nguyen Duy Tuan is targeting the hotel and homestay market in Vietnam, where guests tend to leave air conditioning on even when they're not in the room. Airiot's simple solution, already piloted in 500 rooms across Vietnam, has shown a 25-40 per cent reduction in electricity usage each month – with associated carbon emissions reductions.

Airiot is a Vietnamese innovative tech startup that makes Internet of Things (IoT) devices that helps homestay businesses to track and manage power consumption habits to reduce energy costs, as well as to collect and analyze data of energy consumption patterns for home appliances. One of the goals of

Airiot is to create sustainable energy solutions that can help reduce electricity wastage and lessen the impact of energy pollution on the environment.

AIRIOT - IoT device to turn off AC when occupants leave home

According to Tran Nguyen Duy Tuan, this startup's IoT solution offers a comprehensive power management platform and device for homestay businesses to remotely monitor and control electricity consumption through the Internet based on user behavior. For instance, their IoT products can automatically switch off air conditioning systems five minutes after guests have left the room. When the guests return to the premises, the device is also smart enough to remotely turn the air conditioning systems back on. Moreover, Airiot's power management platform provides tools that allow hosts and homestay operators to track power consumption habits and to remotely control electricity consumption via the Internet, and it can also be integrated with other management software for gathering and analyzing data, all done with performance optimization in mind.

"COVID-19 has brought about an unprecedented halt to many human activities, including some that have wreaked significant damage on environmental systems in Asia," said Dechen Tsering, UNEP's Regional Director for Asia and the Pacific. "Lessons learned from the management of this crisis provide an opportunity to both revisit our relationship with nature and rebuild a more environmentally responsible economy. Entrepreneurs in Asia stand ready with innovative business solutions that work for economic recovery and the environment. The Asia Pacific Low Carbon Lifestyles Challenge will help them overcome systemic barriers that innovations usually face, with grants, partnerships, training and visibility."

The Asia-Pacific Low-Carbon Lifestyles Challenge is an initiative funded by the Ministry of Environment Japan, as part of SWITCH-Asia's Regional Policy Advocacy, the Asia-Pacific Regional Roadmap on Sustainable Consumption and Production and the One Planet network (the network of the 10 Year Framework of Programmes on Sustainable Consumption and Production). Partners include the Asia Pacific Roundtable on Sustainable Consumption and Production, Massive Earth Foundation, the Institute for Global Environmental Strategies, Mitsui Chemicals International, and GCL Power.

The innitiative aims to mobilize and support young people with business ideas on how to foster energy-efficient, low-waste and low-carbon lifestyles.

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RETAIL

AEON Vietnam plans a massive expansion

Japanese retail giant Aeon Vietnam says it will invest US$2 billion expanding its presence across the country. Aeon Vietnam opened its fifth shopping center in the country last November, its second in the capital city Hanoi. Now, the general director of Aeonmall Vietnam, Iwamura Yasutsugu, says the company is eyeing 25 centers across the country

Aeon launched in Vietnam in 2013, opening its first mall, Celadon City, in a remote suburb of Ho Chi MInh City, which was expanded last June. More malls have been built in locations including the industrial city of Binh Duong, near Ho Chi Minh City, and Hanoi’s Long Bien district.

The latest center, in the Duong Noi commune at Ha Dong, covers 150,000sqm and has about 200 tenant stores as well as the Aeon hypermarket and food anchor.

Aeon’s strategy to date of expanding in Vietnam is to build centers in suburban districts rather than downtown locations, shaping its offer to local communities and mixing local goods with imported products.

Aeon Vietnam also has a program to boost exports of Vietnamese goods to stores it operates outside the country. It aims to export US$500 million of goods this calendar year and reach $1b within 5 years.

Last August, Aeon’s Japanese board held a meeting in Ho Chi Minh City and toured the Celadon City site, further evidence of the company’s commitment to the market. At the time, chairman Hiroshi Yokoo described Vietnam as “the most significant market of the company in Southeast Asia”.

Japanese brand Muji announces pop-up store in Saigon

Following in the footsteps of fast-fashion clothing brand Uniqlo, MUJI will be the next major Japanese retailer to launch in Saigon in the near future.

On June 30, the official account of MUJI Vietnam posted on both its Instagram and Facebook pages an announcement about the brand’s imminent arrival in Vietnam, to quick and eager reception by netizens.

According to the notice, MUJI’s first Vietnam presence will be a pop-up store based on the first floor of Parkson Saigon Tourist Plaza, at the intersection of Dong Khoi and Le Thanh Ton streets. A fixed date for the launch wasn’t mentioned, though once opened, the store will be one of two tenants of the District 1 department store; the other is Uniqlo’s first Vietnam outlet.

Last week, keen-eyed followers might have noticed that the Japanese homeware brand started listing job postings on its social media as well, looking for Store Staff, Store Supervisor Assistant and Interior Advisor to join its Ho Chi Minh City office.

Back in February last year, MUJI declared in a press release that its next expansion would be Saigon, and plans were underway for a first store in spring 2020. The company went ahead and established a subsidiary in Vietnam that August.

The plan was reiterated by an executive from real estate services company Savills in an interview with Zing in January 2020. Nonetheless, the advent of the COVID-19 pandemic might have thrown a wrench into the process, prompting the brand to reschedule its expansion to later in the year.

Established in 1980, Ryohin Keikaku — the parent company of MUJI — began as a private label of the Seiyu Japanese supermarket chain, according to *Nikkei Asian Review*. Vietnam is the last major overseas market in the Asia-Pacific region without a MUJI presence.

Hundreds of VinMart+ stores will be closed

Under the management of Masan, hundreds of VinMart+ convenience stores will be closed this year.

Gone are the days when convenience stores popped up like mushrooms, the arrival of COVID-19 has changed everything. The social distancing during the pandemic has weakened physical establishments as well as companies running the business at them. Local food giant Masan is one of the highlight examples of the case.

According to documents submitted to the coming shareholders' meeting, Masan – which holds 83.74 per cent shares in Vincommerce the operator of VinMart+ convenience stores and VinMart supermarkets – will shut about 10 supermarkets and 150-300 inefficient stores.

Explaining the closure, Masan stated that this is a part of its expansion blueprint. Specifically, the group will accelerate investment in selected and efficient stores and release weak establishments to save operation costs. Additionally, Masan also announced the plan to launch 20-30 supermarkets and 300-500 convenience stores in the next time.

Moreover, Masan will also work with suppliers regarding terms of trade specified in contracts between the two sides, aiming to reach a common voice on putting the goods on th eshelves at market prices.

After falling into the hands of Masan, the diversity of goods, especially food, has been improved at VinMart and VinMart+ that were once estimated inferior to the Saigon Co.opMart supermarket chain.

As soon as the merger deal between Masan and Vincommerce went through late last year, Masan declared every VinMart+ store a sales point for its MeatDeli meat business.

According to the document, Masan targets VND42 trillion ($1.83 billion) in revenue for Vincommerce, up 64 per cent on-year. Of this, VinMart and VinMart+ will occupy about a quarter of the total earnings.

The group also hopes to reduce losses for the establishments and even reach the breakeven point during 2020.

The first quarter of this year saw Masan report a net deficit of VND216 billion ($9.4 million). This is its first loss over the past six years. VIR

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LOGISTICS

Vietnam Railways estimates a $60 million loss due to pandemic

Vietnam Railway Corporation (VNR) estimates a loss of nearly VND1.4 trillion (US$60 million) after tax in 2020, a massive blow to the company due to impacts of the COVID-19 pandemic.

In the recent filing to the State Securities Commission on business results in the last three years, the corporation expected this year's combined production and revenue will decrease by 23% compared to 2019.

Last year, the corporation posted a consolidated revenue of more than VND8.3 trillion and pre-tax profit of VND180 billion.

According to VNR, the loss is mainly due to the falling demand for transportation and travel as the result of the pandemic and the corporation's re-adjustment of its operation to upgrade and repair the Hanoi – HCM City railway line.

Of the VND1.4 trillion loss, VND711 billion came from main railway business operation, of which two subsidiaries – Hanoi Railway Transport and Sài Gòn Railway Transport – are expected to record a combined loss of VND618 billion

The parent company VNR estimates a loss of VND168 billion.

Three subsidiaries in the mechanical industries and 20 railways joint stock companies are the only firms expecting profits of VND75 billion.

Other burdens include financial losses from previous years, provisional expenses for contingency plans and bad debts worth a combined total of VND682 billion. Also depreciation and amortisation expenses reached VND59 billion this year but has no revenue to offset.

In terms of investment, apart from improving infrastructure, VNR plans to invest more than VND602 billion in locomotive assemblies. The corporation also seeks to mobilise VND414 billion from investors to carry out new carriage building project.

Under fierce competition

According to VNR Chairman Vũ Anh Minh, the railway industry is facing fierce competition from other modes of transport, especially low-cost carriers in both air and road transport, while there is a lack of mechanisms and policies to boost railway development.

Last year was also a difficult year for VNR when all business indicators declined.

He cited an example of Sông Lũy station in Bình Thuận Province which needs about VND30 billion to extend the railway lines and can generate an annual revenue of VND200 billion but cannot be invested.

Nguyễn Thị Phú Hà, vice chairwoman of the Committee for Management of State Capital, said the railway industry still relied heavily on ticket revenue while its management and competition is weak and infrastructure underdeveloped.

She has asked VNR to work with ministries and local authorities to submit to the Government a plan to improve competitiveness and reshape sector development strategy in the future.

Due to the pandemic, the railway industry saw a decline in number of passengers but still had to maintain operations. Since February, about 3,000 workers have been furloughed or worked only on a shift basis. VNR has proposed the Government support its business with tax exemptions, fee reductions or by freezing debts.

In a move to revitalise the railway industry post-COVID-19, VNR is offering discounted prices and promotion programmes to stimulate domestic tourism, as well as focusing on more on freight transport.

It plans to operate more international freight trains with plans to transport fruits and aquatic products directly from southern provinces to China using refrigerated containers and onward to third countries such as Russia and others in Europe this year./VNS

Vietnam's logistics industry hit hard by Covid-19 pandemic

The Vietnamese logistics industry is among those hit the hardest by Covid-19, as the unpredictability and duration of the pandemic have presented multiple challenges in both the short and long terms, jeopardizing the viability of many businesses, especially small- and medium-sized enterprises.

According to a recent report released by the Logistics Industry Reference Council and the Vietnam Chamber of Commerce and Industry – HCMC branch, preventive measures have led to a sharp decline in the demand for essential commodities in the country. Stagnant production and decreased business have caused a sharp rise in unemployment in the logistics and other sectors.

Logistics activities such as transport have declined due to closed borders, while warehousing services and freight rates have also been seriously affected.

Border posts with China, which were normally busy and overcrowded, have been facing mounting backlogs due to the complicated and time-consuming vehicle and customs clearance processes. This has caused damages to goods and transport difficulties, jeopardizing consignors' finances and posing new challenges for logistics businesses.

Reports from the Ministry of Transport showed that Vietnam's logistics businesses have faced several problems while dealing with transport providers. From mid-January to mid-March this year, container shipping companies cut 23% of commercial routes.

In the first quarter of 2020, the number of vessels entering and leaving Vietnamese ports dropped by 15%, while international passenger vessels decreased by 30% compared to the same period last year.

The initial losses reported by Vietnamese airlines due to the suspension of flight routes were estimated to be over VND30 trillion. Inland water transport declined by 10.7% in terms of cargo volume and by 2% in terms of passenger traffic.

Cargo and passenger transport decreased by between 40 and 80% compared to the same period last year. More than 150 passenger trains were terminated, resulting in a VND84 billion loss of revenue, while the revenue from rail cargo transport also decreased by VND6 billion.

Moreover, the risk of mass bankruptcy among logistics businesses and disruptions to supply chains have seriously hurt the Vietnamese labor market. The pressing need to respond to the spread of Covid-19 through social distancing has forced retail stores and trade centers to close, leading to a decline in productivity and a shift in the operating models of distribution systems and logistics supply chains.

To ensure a sustainable and long-term business, a paradigm shift is required in the long run involving industry 4.0 technologies and the diversification of supply chains. An important factor for logistics businesses is to ensure a supply of skilled labor, especially after the pandemic. This will require joint efforts from the Government and businesses.

In the first quarter of 2020, prior to the global spread of Covid-19, warehouses accommodated substantial goods and materials for production and business. In the second quarter, the quantity of goods in warehouses dropped significantly and may continue to worsen in the second half of 2020, so logistics businesses and related parties need to be prepared and take proactive measures to cope with the situation.

Businesses should focus on flexible measures while ensuring the safety of workers. Industry 4.0 technologies should be introduced, taking advantage of lessons learned during the pandemic to devise long-term development and crisis management strategies./SGT

Vietnam's logistics service industry ready for opportunities from EVFTA

Vietnam's logistics service industry is preparing infrastructure and techniques to grasp opportunities from the Europe-Vietnam Free Trade Agreement (EVFTA) to attract foreign investors with a wave of factories.

Insiders predict that the agreement would be a lever for Vietnam to receive foreign direct investment (FDI) capital sources from European countries, bringing many advantages for the local logistics service in the future.

Many businesses have been developing and expanding industrial parks in cities and provinces nationwide, including HCM City, the southern provinces of Binh Duong, Long An, Dong Nai and Ba Ria – Vung Tau and northern localities.

Vietnam's industrial real estate market has become busy with the increase of land lease contracts and factories concentrated in industrial parks and provinces with deep-water seaports across the country. Therefore, this increase will lead to a greater supply of logistics transport services in the country.

Experts said that this is understandable because manufacturing enterprises are still leaving China due to the impact from COVID-19, as well as trade conflicts with the US and manufacturers' strategies to minimise reliance on one market. This gives Vietnam an opportunity to become a new global production hub and an essential foundation for the strong development of logistics services.

In this trend, authorities in the central province of Ha Tinh have recently approved a plan for logistics centre development and Son Duong Port service at Vung Ang Economic Zone.

The 159ha logistics centre is located behind Son Duong Port to become an important link in the supply chain connecting the Son Duong-Vung Ang port complex with other areas. This location is not only a key logistics centre of the province, but also a hub in the central region connecting with the East-West Economic Corridor and serving international trade activities.

Meanwhile, the major city of Hai Phong, the largest import and export gateway to the northern region of Vietnam, has also conducted planning on a logistics service system in the city. In 2019, cargo transported via this port reached nearly 130 million tonnes.

Authorities in the southern province of Ba Ria-Vung Tau early this week rolled out a plan to spend 20 trillion VND (850 million USD) from now through 2025 on infrastructure to achieve their goal of comprehensive development. In which it has a master plan including 69 ports, of which 48 are operational with a capacity of more than 141 million tonnes a year. The total area of the specialised warehousing in the plan is 2,312ha, and the current availability is around 224ha.

According to Bu Le Anh Hieu, Marketing Director of Long Hau Joint Stock Company, which is the owner of Long Hau Industrial Park (IP) in the southern province of Long An, the demand of warehouses will sharply increase after the EVFTA comes into effect.

Marko Walde, Chief Representative of the German Chamber of Commerce and Industry in Vietnam (AHK Vietnam), said Vietnam is Germany's second largest trading partner in Asia with more than 4,000 German businesses exporting to this country. However, in order to promote the attraction of FDI from Europe, one of the important factors is to prepare high quality labour force and skilled workers for manufacturing and logistics.

He said this is also a big challenge for Vietnam today when the number of high-quality workers is not sufficient to meet the actual needs. Vietnam needs to strengthen vocational training centres and courses to adapt to modern production lines that require expertise and skills.

Nguyen Tuong, Deputy General Secretary of Vietnam Logistics Association (VLA), said logistics enterprises currently lack technology manpower while foreign logistics enterprises do not have advantages in warehousing./VNA

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INVESTMENT

Foreign capital inflows in Vietnam down in H1

Foreign investment commitments to Vietnam in the first half of this year decreased 15.1% YoY to US$15.67b, a report from the Ministry of Planning and Investment's Foreign Investment Agency has shown. In the period, 1,418 new projects were licensed with a total registered capital of $8.44b, down 18% in the number of projects but up 14% in capital YoY.

According to the agency, a surge in newly registered foreign direct investment (FDI) in the six-month period was attributable to the $4b-liquefied natural gas (LNG) plant project in the southern province of Bạc Liêu, accounting for 47.4% of fresh FDI commitments.

At the same time, 526 existing projects were allowed to add $3.7b, up 27% in capital.

Meanwhile, investors indirectly contributed $3.51b in 4,125 projects through share purchasing, up 2.6% in the number of projects but down 57% in value YoY.

Among 18 sectors receiving foreign capital, the processing and manufacturing industry attracted the most with more than $8b or 51% of the total. Electricity production and distribution came next with $3.95b or 25%, followed by wholesale and retail with $1.08b and real estate with nearly $850 million.

From January to June, Singapore remained the largest foreign investor of Vietnam, pumping $5.44b or equivalent to 34.7% of the total. Other main investors included Thailand, mainland China, Japan, South Korea, and Taiwan, statistics revealed.

Foreign investors channeled capital into 57 localities in the six month period. Of them, Bạc Liêu Province attracted the largest share of capital commitments with $4b, or 25.5% of the total. HCM City ranked second with over $2b, or 13% while Bà Rịa-Vũng Tàu with $1.95b or 12.4%.

In its report, the agency also pointed out that exports by the foreign-invested sector in the period declined in both value and their proportion in Vietnam’s total overseas shipments.

The sector's exports (including crude oil) reached an estimated $79.8b, down 6.7% compared to the same period last year and accounting for 66% of the country’s total figure.

Its imports stood at $65.6b, representing a yearly reduction of 5.6% and making up 56% of the country’s total imports in the first half of 2020.

However, the sector still posted a trade surplus of $14.2b. That helped make up for the deficit of nearly $10.2b in the domestic sector, contributing to Vietnam’s trade surplus of over $4b during the six months, the agency noted.

Vietnam has been regarded as a bright spot in the ASEAN region by investors thanks to its advantages of political stability, rapid and sustainable economic growth for many years, abundant workforce, big market, increasing per capita income, intensive and extensive international integration, and competitive incentives, plus its geographical location in the centre of Southeast Asia, head of the agency Đỗ Nhất Hoàng told the Vietnam News Agency.

In order to attract investment, the country has made continuous efforts to improve its investment environment, he said, citing the National Assembly’s ratification of relevant laws during its latest session, which are expected to have a positive impact on the national economy.

The Ministry of Planning and Investment has also proposed groups of solutions regarding investment promotion, project selection, investment environment improvement and incentives, the official added.

The official expressed his hope that after Vietnam resumes international air routes, more investors will come to the country and the FDI flows will bounce back later this year, thus creating momentum for the years to come.

Vietnam lures US$6 billion FDI into industrial parks

Nearly US$6 billion in foreign direct investment was poured into Viet Nam’s industrial parks (IPs), processing zones and economic zones (Ezs) in the first half of the year, according to the Ministry of Planning and Investment (MPI).

The ministry said Viet Nam attracted 335 FDI projects in the period. The country has welcomed a total of 9,835 with registered capital of $197.8 billion so far. The disbursement capital at IPs and EZs reached 72.3% of the total.

Meanwhile, IPs and EZs have received VND62.7 trillion in terms of newly-registered capital and additional capital poured into 282 projects by Vietnamese investors during the six-month period, said the MPI. Overall, domestic investors have committed VND2.3 quadrillion to IPs and EZs, of which 46.3% of the amount has been disbursed.

The ministry said by the end of June 2020, the country has 336 IPs with total area of some 97,800 ha, of which 261 are operational, while 75 are in the process of site clearance and construction. The occupancy rate reached 76% at operating IPs.

The country has 17 coastal economic zones covering a combined area of approximately 845,000 ha on land and water surface.

Le Dang Doanh, former director of the Central Insitute for Economic Management (CIEM), said the approval of the EU-Viet Nam Free Trade Agreement (EVFTA) has been an advantage for Viet Nam in attracting FDI.

Doanh said Viet Nam should consider some issues when appealing for FDI from the EU. Viet Nam 's advantage of attracting FDI comes from the early conclusion of the EVFTA. However, this advantage only exists in the short term because the orientation of both ASEAN and the EU would create a regional FTA between the two blocs.

Nguyen Thuong Lang from the School of Trade and International Economics said when the EVFTA takes effect, not only trade but the flow of investment capital from the EU to Viet Nam would also increase significantly.

Attractive fields for EU businesses to invest in Viet Nam are clean industries, processing industry, manufacturing and high technologies. In addition, partners from other countries could also choose Viet Nam as an investment location for export to EU to take advantage of the agreement.

Dinh Trong Thinh, a senior specialist from the Academy of Finance, said COVID-19 exposed the dependency on markets, disrupting supply chains around the world, including Viet Nam.

With good prevention and control of the pandemic, Viet Nam is scoring strong points with foreign investors. They see the consensus of the people and the Government in the battle against COVID-19. At the same time, investors see that the country has a stable economy, politics and culture as well as FTAs with many large markets. Therefore, many would choose Viet Nam as an investment destination over other countries, he said.

However, it is because of the above advantages that some could commit origin fraud.

Hanoi attracts US$17.6 billion for 229 projects

Hanoi is going to present investment certificates for 229 projects with a total value of US$17.6 billion and sign 38 memoranda of understanding worth a combined US$28.6 billion, according to the Tuoi Tre Online website.

Speaking at the "Hanoi 2020-Investment and Development Cooperation" conference held on June 27, Secretary of Hanoi Party Committee Vuong Dinh Hue said that the capital city contributes 16.7% of the country's gross domestic product and some 19% of the State budget.

The conference is an opportunity to bolster the relationship between local authorities, investors and businesses as well as units bringing foreign investors to the city and to Vietnam. It is being held after the Covid-19 pandemic has effectively been controlled to reiterate that Hanoi is a safe and attractive destination for investors, Hue stated.

Through the event, Hanoi is expressing its determination to take the lead in the post-Covid-19 economic recovery & development. It welcomed 1,850 delegates & leaders from 25 centrally-run cities & provinces, key economic zones in the north, ambassadors & representatives of diplomatic corps & others. According to Hanoi City's Chairman Nguyen Duc Chung, the city has gone 72 days without new Covid-19 infection cases in the community. All social activities are also returning to the new normal.

Despite the adverse impacts of the pandemic, Hanoi reported a gross regional domestic product growth rate of 3.39% in the first six months of 2020. There were 12,650 new enterprises established, with total capital of VND175 trillion, up 9% over the same period last year./SGT

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