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VIETNAM BUSINESS REVIEW

Vol 27, July 8th 2020

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FINANCE

Market growth contracts as profit taking weighs on blue chips

Growth slowed on the Vietnamese stock market yesterday as some large-caps turned negative on profit-taking following a two-day increase.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange rose 0.26% to end Tuesday at 863.42 points, narrowing gains of as much as 1.1% during the day.

The VN-Index had risen a total of 2.23% in the previous two trading days.

The large-cap tracker VN30-Index increased by 0.28%, contracting from a daily gain of as much as 1.12%, to close Tuesday at 805.68 points.

Meanwhile, the VN30 futures, which mature in July 2020, dropped 0.54% to end the day at 794 points.

Fourteen of the 30 largest stocks by market value and trading liquidity in the VN30 basket advanced but profit-taking weighed on 10 others.

The decliners included VPBank (VPB), consumer staples firm Masan (MSN), Sacombank (STB), property developer Vingroup (VIC) and dairy producer Vinamilk (VNM).

Those stocks were also the large-caps that had driven the market up in the previous two days.

On an industry basis, the brokerage, real estate, and food and beverage were among the worst-performing sectors, according to vietstock.vn.

On the opposite side, Vietnam Airlines (HVN) gained 1% after its shares were available for margin lending in the third quarter of the year.

Other advancing blue chips included Vietinbank (CTG), Bank for Investment and Development of Vietnam (BID), steel producer Hoa Phat (HPG), tech group FPT (FPT) and shopping centre operator Vincom Retail (VRE).

Mid-caps and small-caps also succumbed to profit-taking. The mid-cap tracker fell 0.41% while the small-cap tracker inched up only 0.02%.

On the Hà Nội Stock Exchange, the minor HNX-Index gained 0.56% to end Tuesday at 113.71 points, extending its growth to 1.94% in two days.

More than 367.3 million shares were traded on the two local exchanges, worth nearly VND6.1 trillion (US$262 million).

Foreign investors net-bought VND50.2 billion worth of local shares, up 128% from the previous day.

The market advanced for the third day in a row but growth was narrowed at the resistance level of 870 points, Sai Gon - Ha Noi Securities (SHS) said in its daily report.

Increased liquidity amid stronger profit taking pressure was a bad navigator for the stock market in the short term, the brokerage company said. The gap of 11.68 points between the blue-chip tracker VN30-Index and its July futures indicated overall pessimism about the market's short-term prospect. – VNS

A quick landscape of Vietnam consumer finance 2020

Vietnam Consumer Finance Report 2020: Challenges and opportunities for getting ahead

The 2019 has been particularly eventful, with the revival of at least two previously inactive FinCos to the market (PTFinance, FCCOM), putting pressure on the market shares of the incumbents. CF increased its contribution to national loan book to 20.5% in 2019, up from the 19.6% in 2018. Given the current market size, CF penetration in Vietnam is currently considered slow compared to its regional peers, signifying an attractive growth prospect.

Banks vs. FinCos in consumer finance

FinCos are starting to regain the momentum in 2019 despite tighter supervision. The CF Market is comprised of retail banks and FinCos, in which banks dominate the total market with around 92% market share thanks to its extensive retail network and long-term reputation. While banks target at customers with good credit history, FinCos focuses on low-income customer segments which are mostly the newly banked and unbanked, under-banked. However, over time, banks tend to wade down to explore lower-income segments, whereas FinCos try to go up, making the overlapped portion of target customer become bigger.

Product Composition

Cash loan is considered the go-to-market product of any new entrants with the aim of penetrating the market, especially those who do not have a strong customer base for upselling.

In 2019, cash loan market share was maintained despite the concern on SBV's intention to reduce the proportion of cash loans at FinCos to 30% at maximum in the draft Amendment of Circular 43.

However, the market witnessed leading players like FE Credit, Home Credit, HD Saison have shifted their focus on cross selling and upselling to existing customers whose good credit history has been validated rather than new customers. Thus, products like TW, CDs (offered to new customers) tend to decline, while credit cards are increasingly offered to customers with healthy credit history. Some FinCos are expected to launch credit card soon to reduce its reliance on cash loans and fulfil with SBV's prudent requirements.

Market Share

Market share of major players like HD Saison, Home Credit have been strained due to the fierce competition from younger players such as Mirae Asset, Shinhan Finance, Mcredit and newcomers such as Easy Credit, VietCredit, SHB Finance, Lotte Finance and the revival of previously inactive FinCos PTFinance, FCCOM. Overall, given the market's growth potential, Consumer Finance market maintains its attractiveness to both domestic and international investors.

Regulatory updates

Circular 18/2019 revising Circular 43/2016 on consumer lending activities among finance companies, which became effectively on Nov 2019, with restriction to proportion of cash loans is pushing FinCos to restructure their CF loan book. Accordingly, the dominant position of cash loans in credit institutions and FinCos are set up for a reduction scheme over a 3-year period. From 01/01/2024 onwards, the proportion of cash loans should be reduced to 30%

Profitability

FinCos' NPM slightly decreased in 2019 due to higher operating costs for recruitment of quality people, and higher investments in developing internal systems/procedures, and digitization. FinCos not only have to compete to gain market share but also face competition in recruiting and retaining competent staff as new entrants are hunting their quality workforce aggressively.

In the early months of 2019, the impact of Covid-19 was not clearly reflected in early reported financial indicators of some FinCos. However, earning quality of FinCos are forecasted to be hit in quarter 2 along with slow loan growth which affect interest income and higher operating cost to boost sales and higher provision set aside for loan loss during the Covid-time, which probably threat FinCos' net profit margin.

Asset quality

Average NPL declined in 2019, showing improvement in asset quality and risk management. In order to mitigate credit risk, some key players have switched to focusing more on existing customers whose credit history is validated rather than new customers, adopting AI, social rating to better score customers' credit and prevent fraud.

The rapid spread of Covid-19 caused many people to lose jobs, taking a punch on borrowers' ability to pay back debts. Thanks to Government and SBV's policy to support customers hit by Covid-19, weakening asset quality of banks and FinCos were not clearly revealed in NPL ratios, but it is predicted to be indicated in the coming quarters, especially when supporting policies are lifted.

Key market trends

The reactivation of previously inactive FinCos (PTFinance, FCCom) together with the anticipation of potential investors in the inactive HAFIC is expected to increase competition among FinCos. FinCos are shifting their focus to credit cards and CF products linked with non-cash payment channels under high digitization of payments.

Macro-economic data illustrate the devastating magnitude of the economic and social challenges triggered by the Covid-19, hence affected FinCos' loan book growth and funding in the first quarter. The impact is expected to reveal more clearly in the coming quarters of 2020.

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E-COMMERCE

E-commerce in Vietnam thrives during COVID-19

"Covid-19 has given e-commerce a push," said Nguyen Thuy Anh from the Department of E-commerce and Digital Economy. It not only has changed consumers' behaviors, but also forced traditional retailers and manufacturers to go online.

Anh said he got home from Binh Dien Market at midnight and then had to go to the Vietnam Online Business Forum 2020 the next morning. He said the huge market is cumbersome and wants to carry out digital transformation and bring special products to e-commerce trading floors.

Binh Dien Market, covering 65 hectares, is considered the largest wholesale market in Vietnam. It is open from early in the morning to midnight, distributing thousands of tons of farm and seafood products every day.

Asked about the business performance before and after the pandemic, Vu Thi Anh Tuyet from online Lazada, one of the largest marketplaces, said the number of new sellers has increased by eight times, while sellers reported sharp increases in numbers of orders.

Sagrifood, one of the fresh food suppliers on Lazada, said the number of orders last week was 40 times higher than ordinary days as it was running a sale promotion program.

Nguyen Anh Dung from Nielsen Vietnam said Covid-19 has led to changes in awareness of consumers.

A Nielsen survey found that 64% of consumers would use food delivery service more regularly after the pandemic ends and 63% would buy things online more regularly.

The market analysis firm has advised businesses to expand online and D2C (direct to consumer) sale channels, change product catalogue, increase omni-channel sales and convey health and quality assurance messages.

In 2015, the Vietnam E-commerce Association (Vecom) predicted that 2015 would be the last year of the 'e-commerce universalization' period, and Vietnam's e-commerce would enter a new development stage from 2016 with stable and rapid development.

Vecom's Ecommerce Index Report 2020 showed that the period may last from 2016 to 2025.

Vecom found that in 2019, e-commerce saw a high growth rate of 32%. Meanwhile, the CAGR for the four-year period 2016-2019 was 30%.

The online retail of consumer goods and services had value of $11.5b in 2019. VECOM predicted that the growth rate of over 30% would continue in 2020 and Vietnam's e-commerce value would exceed $15b.

Hanoi and HCM City made up 70% of e-commerce transactions of the country though the two cities just account for 18% of total population. The remaining 61 cities/provinces just made up 30% of e-commerce value, though they account for 82% of population. - VNE

Gojek to unify brand across four nations as Grab war rekindles

Indonesia's most valuable startup, Gojek, will unify its Vietnamese and Thai brands and bring them under one technology platform, as it looks to strengthen operations and brand image beyond its home market.

The move comes as Gojek takes the fight to rival Grab, which is operating more widely in the region and under the same brand and application platform.

Vietnam's GoViet and Thailand's Get will now share the same name and app as their parent.

"Going forward, we can better serve the market and bring even greater business to each country by unifying tech and brands," Andrew Lee, head of international at Gojek, told the Nikkei Asian Review.

"This has been in the making for many months. We started on the strategy to upgrade, to get to scale more efficiently, better serve the customers in these markets, since well into mid-last year."

Both Gojek's 2018 Vietnam launch and its Thai launch in 2019 went under localized brand names -- GoViet and Get -- and used different apps.

Nadiem Makarim, founder of Gojek and now Indonesia's education minister, said at the time of the Vietnam launch that Gojek did not want to impose a foreign brand, instead wanting the subsidiary to "determine its own identity."

This approach resulted in low interoperability between Gojek platforms: Users had to download separate apps when they traveled to the respective countries. The unified brand and technology will allow the Indonesian "superapp" -- provider of daily needs from ride-hailing to payments -- to bring to market new services more efficiently.

The Indonesian decacorn -- private companies valued at more than $10 billion -- was a relative newcomer to both markets. Singapore-based Grab has been in Thailand since 2013, and Vietnam since 2014.

While their services do not differ greatly, Gojek had to play catch up with the region's most valuable startup.

While Grab already has a single brand and app across all eight countries in Southeast Asia where it operates, the Gojek name is used only in Indonesia and Singapore.

The latest move indicates that Gojek is on the offensive again outside its home market of Indonesia, especially after strengthening its financials.

The company received a fresh capital injection from U.S. tech giant Facebook in early June and announced a 9% downsizing of its workforce later that month, which helped reduce overhead as the company struggled under the weight of the coronavirus pandemic.

Lee wants 50% of Gojek users and transactions to come from outside Indonesia**,** and the unification of the brand is "one of the big milestones for us" in reaching that goal, he said.

The rebranding makes it "much more scalable to launch new products and go into new markets."

The rebranding will not entail any change in the ownership structure of its Vietnamese and Thai subsidiaries, in which Gojek has a controlling stake.

The parent also appointed on Friday Phung Tuan Duc, GoViet co-founder and former chief operating officer, to be general manager of the Vietnam unit.

The unit had been without an official leader since September of last year when it lost its second CEO in a year.

Lee added that when Gojek enters different markets, it will do so using the Gojek brand and technology. It is currently in talks with Filipino authorities about entering the market there.

Gojek and Grab are battling to become the region's dominant superapp, attracting users to their platforms by integrating a variety of services such as ride-hailing, payment and food delivery. The fight has also prompted some of the world's biggest tech names to take sides.

Gojek is backed by Facebook, Tencent and Google, while Grab has support from Japanese conglomerate SoftBank Group through its $100 billion Vision Fund.

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START-UP

RealStake secures seed funding

The tech start-up RealStake announced it has closed seed funding from the 500 Startups Vietnam venture capital fund, as well as angel investors in realty, retail and banking industries.

Investors with $1,000 can invest in the realty platform RealStake

Aiming to digitise and democratise consumer investment in Southeast Asia, RealStake first launched in Việt Nam last year as a realty investment platform where investors with US$1,000 can invest.

The platform's rate of selling a property has increased 200 per cent in less than a year since its launch.

RealStake plans to eventually offer a wide range of sophisticated investment products, such as ETFs, bonds, term deposits, as well as tech-driven, personalised expert financial planning and portfolio optimisation to diversify and maximise returns for each customer's hard-earned money.

RealStake's unique value is the use of technology to enable easy, cheap and smart investing as well as access to previously inaccessible financial products for more diversification and better returns.

According to the e-Conomy SEA 2019 report by Google, Bain, and Temasek, digital investment will be the fastest-growing in Southeast Asia's digital financial service segment, which will increase from $10 billion in 2019 to $75 billion by 2025.

RealStake's founders are experienced entrepreneurs and investors. Its co-founder & CEO, James Vuong, whose prior company was acquired by LINE Corp while the other co-founder & CFO Calvin Lam has been an entrepreneur and investor in start-ups and local businesses in the US, Singapore, and Việt Nam.

Eddie Thai, General Partner of 500 Startups Vietnam, said: "Financial literacy and digital financial engagement are accelerating rapidly in Viet Nam and the region. The booming middle classes will seek increasingly diverse and sophisticated ways to protect and accumulate wealth. The team of operators and investors behind RealStake have a real shot at unlocking this massive potential." — VNS

Real estate tech company rolls out platform for finance, insurance, real estate

Real estate technology company Propzy Việt Nam has set up a platform to offer customers comprehensive services related to finance, insurance and real estate.

John Le, founder and CEO of the company, said FIRE-Tech provides an optimal solution to property sellers and buyers, and his company could help simplify real estate transactions and logistics activities to rationalise the entire real estate life cycle.

With the platform, Propzy.vn can provide customers with daily pricing data of properties and allow for easy comparison of properties in different districts and streets and calculation of the investment value ratio.

Propzy Vietnam, a real estate company, unveils a platform for financial, insurance and real estate services on July 2

Propzy.vn is also the first to create a scoring mechanism for utilities in neighbourhoods, which also help customers gain a better understanding of the area.

The "neighbourhood score" is based on data gathered by appraisal experts and real estate agents who carry out studies of customers all over the city.

It is based on four customer demands: living, office, investment, and lease.

The company only used to focus on houses, but now also provides information about condos with prices, locations, infrastructure, and utilities.

It is also financing real estate credit.

In June Propzy completed a US$25 million Series A funding round from two investors, Gaw Capital and SoftBank Ventures Asia. VNS

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RETAIL

National retail sales, service revenues up in June

Việt Nam's total retail sales and service revenue hit VND431 trillion (US$18.6 billion) in June, up 6.2% month-on-month and 5.3% year-on-year.

However, the figure in the first six months of this year decreased by 0.8% to about VND2.38 quadrillion ($103 billion) compared to the same period last year, according to the General Statistics Office (GSO).

Total revenue in the second quarter was VND1.15 quadrillion, down 5.8% from the previous quarter and 4.6% from a year ago.

During the first half of the year, the retail sector earned about VND1.89 quadrillion, an annual increase of 3.4%, the office said. The rise was attributable to the abundant supply of goods and thriving online shopping, particularly during the COVID-19 social distancing period, reported chinhphu.vn.

Online shopping has become increasingly popular, especially when social distancing measures were put in place.

A number of localities enjoyed increases in retail sales of goods, including Hai Phong by 10.4%, HCM City 10.1%, Ha Noi 9.9%, Dong Nai 8.4%, Binh Dinh 4.3%, Ba Ria-Vung Tau 3%, and Thanh Hoa 0.9%.

The accommodation and catering services in the first six months earned just VND234.7 trillion, down 18.1% against the same period last year.

The tourism revenue also followed suit with an annual reduction of 53.2%. In the first half, the sector reeled in just VND10.3 trillion due to a hiatus in welcoming foreign visitors to control the spread of COVID-19. Meanwhile, the summer school holidays are yet to arrive, resulting in a less vibrant domestic travel market.

With the EU-Việt Nam Free Trade Agreement (EVFTA) effective from August, retail experts have said the domestic industry would have plenty of opportunities and challenges in the near future.

Vũ Vinh Phú, a retail industry expert, said local firms will be put under great pressure as an array of different kinds of goods will be exported to other countries, while goods from different nations will enter the Vietnamese market much more freely.

Moreover, goods from abroad hold advantages in terms of quality. They also follow diversified innovative models and are reasonably priced, meaning Vietnamese goods look set to encounter increasingly tough competition.

Meanwhile, Phú said that at present, the co-operation between local manufacturers and the Vietnamese distribution system remains lax, with only 10% of goods meeting Vietnamese supermarket standards. Many domestic goods are not up to the necessary level of quality, have less diverse designs and are expensive, whilst there is a lack of connectivity between domestic production and distribution chains. These are weaknesses manufacturers must swiftly address.

Furthermore, there will be fierce competition between domestic distribution companies that have limited capacity with major distribution enterprises from EU nations. Therefore, it is possible that domestic distribution enterprises will be susceptible to being acquired, therefore losing their market share to foreign enterprises.

To stand firm on home turf, Vietnamese manufacturers must strive to improve designs and labour productivity to be capable of competing with goods from other countries within the domestic market.

Vietnamese retail businesses must build their own retail brands, ensure diversified sources of goods going straight from production to retail channels and strengthen production and business links in a responsible manner.

Trần Duy Đông, director of Domestic Market Department under the Ministry of Industry and Trade, told the Voice of Việt Nam newspaper that it is essential to protect domestic enterprises by establishing technical barriers and strictly controlling the operation of foreign enterprises. It is also key to step up communications regarding regulations under EVFTA commitments, he said. — VNS

Vietnam's rapid retail recovery melts Covid virus gloom

Vietnam retail and service revenues surged by 5.3% in June over the same month last year – and by 6.2% over May. The figures are extraordinary given the advent of the Covid-19 pandemic on retailers and services during the first half of this year, with the country's stores effectively shut down from late March to late April, and tourists banned from mid-March.

Year to date, Vietnam retail and service revenues have dropped by just 0.8% compared to last year, generating US$103 billion despite the month-long shutdown.

The figures were released by the General Statistics Office, and show retail revenue reached $18.67 billion last month. Vietnam traditionally releases figures for retail and service revenue within a couple of days of the end of the month covered, faster than most other countries, which tend to take a month or more to calculate the data.

Sales of consumer goods accounted for 79.6% of retail revenue, increasing 3.4% year on year. Growth sectors include fresh-food products and home appliances. Sales of apparel and educational products fell by 1.2% and 6% respectively.

Vietnam's retail industry has seen a significant recovery since Covid-19 restrictions were eased in May. Most businesses in the country, except tourism, have resumed and some of them even expanded. Since April's reopening, Uniqlo has opened three new stores in the country, and fellow Japanese retailer Muji is set to open its first store within weeks.

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LOGISTICS

Logistics services race intensifies in ASEAN

This file photo shows workers sorting packages at a logistics centre in Lianyungang, in east China's Jiangsu province, ahead of the annual "Singles Day" shopping festival. (AFP Photo)

The logistics and delivery services sector in ASEAN is booming as an indirect result of the ongoing COVID-19 pandemic. The lucrative sector has now attracted players from China like Best Inc. The integrated smart supply chain and logistics solutions provider based in Hangzhou, China, has announced that it has started express delivery services in Malaysia, Cambodia and Singapore following its entry into the Thai and Vietnamese markets last year. The company said it plans to set up 12 sortation centres and 400 service stations in the three countries in the next three years. Best is also looking at commencing service in Indonesia and the Philippines in the near future.

This file photo shows workers sorting packages at a logistics centre in Lianyungang, in east China's Jiangsu province, ahead of the annual "Singles Day" shopping festival.

The move intensifies the competition for logistics and delivery services in ASEAN, a fast-growing market that is home to over 360 million internet-savvy consumers and has seen its share of e-commerce grow in recent years. The e-commerce sector is expected to reach US$150 billion in value by 2025 up from US$38 billion in 2019, according to a study published by Google, Temasek and Bain & Co.

In 2018, Kerry Express Thailand, Hong Kong-based Kerry Logistic’s Thai subsidiary, tied up with Bangkok Mass Transit System (BTS) to launch a same-day delivery service in the Thai capital, leveraging BTS train station kiosks for drop off and pick up of parcels.

The announcement came after VGI Global Media bought a 23 percent stake in Kerry Express for US$187 million in April of the same year. VGI is the media and advertising subsidiary of BTS.

In Asia, Kerry Logistics profit related to the integrated logistics business increased by 22 percent in 2019 versus a 15 percent overall growth at group level, supported by a strong performance by the Thailand operation. The extent of increase could have been larger if not for the Group’s ongoing financing of the Kerry Express operations in Malaysia, Vietnam and Indonesia amounting to US$9 million.

Kerry Logistics also planned to spin-off and list Kerry Express on the Stock Exchange of Thailand (SET) in 2020 and has submitted the listing application to SET last February. However, because of the state of emergency declared by Thailand due to the coronavirus pandemic, the listing has been delayed.

Best’s announcement follows the start in May 2020 of international parcel delivery to the United States (US) and Southeast Asia.

At the time, Richard Zhou, senior vice president of Best Inc. and general manager of Best Global told Chinese media that "we hope through our integrated cross-border logistics and supply chain services, we can ship goods made in China to the world through a more economic, efficient, and stable channel."

Best Global, the company’s global unit, was set up in 2015 to oversee the company’s cross-border logistics and overseas warehousing services in the US. The company has since added 10 countries including Germany, Australia, the United Kingdom (UK) and Spain to its international operation network.

Pandemic Opportunity

The coronavirus pandemic has increased demand for e-commerce and opened new opportunities to logistics and parcel delivery firms.

Zhou Shaoning, Best chairman and CEO sees Southeast Asia as a key area for the company’s global strategy.

"We are excited to develop our logistics networks in Southeast Asia, a key focus area of our global strategy. The outbreak of COVID-19 accelerated and amplified consumers' reliance on e-commerce and created even larger potential opportunities in the region,” Zhou said in a press statement.

Although Best’s first-quarter results were impacted by the COVID-19 outbreak, the firm is upbeat about the future.

The company, which counts Alibaba among its investors, saw a 20 percent drop in first-quarter revenue to US$771 million and its net loss soar to US$106 million from US$34 million in the same quarter of 2019.

While the company has lost some ground versus its domestic competitors, it saw solid growth in its international operations. Citing data from the State Post Bureau of China, Best Express, the company’s express delivery arm, shipped 1.9 percent fewer parcels in the first quarter (Year on Year), compared to an industry-wide 3.2 percent increase, the company said. On the other hand, Best Global shipped 8.8 million parcels in Southeast Asia, up from 237,000 parcels a year earlier.

In an April statement, Best said it was planning to hire up to 40,000 people this year to expand its operations in China and Southeast Asia to meet current and anticipated demand recovery in supply chain and logistics services after the coronavirus outbreak.

The jobs will be created across the company’s different divisions, including express, freight, supply chain management and Best Global. The roles will range from technology development to product operations to quality control and procurement. The new hires will also be deployed to front-line operations such as warehousing, sorting and transportation.

In order to expand its international operations, Best expects that 5,000 of these new jobs will be created for network management, operations, customer services and quality control in Southeast Asia.

In a related development, Best announced in May that in order to strengthen its financial position and help it expand its operations, it had signed an agreement with Alibaba.com Hong Kong Ltd., an affiliated company of Alibaba Group, to issue and sell convertible senior notes due 2025 for a total amount of US$150 million. The notes will have a yearly coupon of 4.5 percent payable semi-annually in arrears beginning on 1 January 2021. At maturity, the notes can be converted to at least 16,000 Class A ordinary shares per US$100,000 principal amount subject to adjustment under the terms of the notes.

COVID ushers in direct cargo flights from Vietnam

High airfreight rates and the urgent need for personal protective equipment have led to more direct all-cargo flights from Vietnam to the U.S., saving shippers time and money, according to logistics companies and airport managers.

Since mid-April, Wen-Parker Logistics has chartered 46 full freighters, the majority of them from Vietnam, carrying face masks for multiple U.S. customers, according to Brady Borycki, executive vice president, global business development. Three more aircraft are scheduled to arrive by the end of the week.

The company, based in Elmont, New York, is bringing the protective gear through several airports.

Atlas Air, for example, is operating about a dozen leased flights direct from Hanoi to Rickenbacker International Airport, a cargo-dedicated airport in Columbus, Ohio, and five flights to Newark, New Jersey.

Most of the flights have been from Hanoi, with a few departing Ho Chi Minh City. Both cities are much farther from the U.S. than cargo gateways such as Shanghai and Hong Kong.

Without enough consistent volume to fill an entire plane, it previously wasn't worthwhile in most cases for all-cargo operators to offer direct service to the U.S. Instead, freighters typically stopped along the way in another Asian city before flying over the Pacific and refueling in Anchorage, Alaska. Every stop adds to the transit time and costs, such as airport fees.

Cargolux and Cathay Pacific have each operated for a couple years regularly scheduled freighters to the U.S. that originate in Vietnam, but the flights always stop in Hong Kong first to get topped off, said Evan Rosen, president of the Americas region at Sri Lanka-based Expo Freight Logistics.

At the higher rates and huge quantities involved, Wen-Parker and EFL have been able to get ad hoc airlift from carriers such as Atlas Air.

China Alternative

Interest in Vietnam as an alternative source of personal protective gear grew after China implemented stricter quality controls on face masks to prevent fraud. New procedures by China Customs slowed clearance and caused massive backlogs at Shanghai Pudong International Airport and, to a lesser degree, other Chinese airports.

Many apparel factories were able to easily convert production to personal protective gear. A company that makes Halloween costumes, for example, switched to make hospital gowns, said Bryan Schreiber, manager, air cargo business development for the Columbus Regional Airport Authority.

Vietnam has heavily invested in transportation infrastructure, including airports, since joining the World Trade Organization 15 years ago. Big planes and deepwater container ships can now support export-driven manufacturing. Countries like Cambodia are still catching up, Rosen said, noting Cambodia doesn’t have large enough runways to accommodate some widebody aircraft so freight is often trucked to Vietnam or Thailand.

Wen-Parker is primarily shipping non-medical-grade cotton masks for consumer use. Although demand for personal protective equipment has waned since the apex in April and May, it is still heavily occupying airline and airport resources at origin and destination, industry specialists say.

Some of Wen-Parker’s dedicated carriage is out of Hong Kong, with part of the planes filled with transshipped cargo from Vietnam. The freight forwarder has separately chartered 10 cargo-only passenger flights operated by United Airlines from Hong Kong to Chicago O’Hare International Airport, Borycki said.

Wen-Parker, he said, will continue to manage regular imports of face masks from Vietnam, as well as Indonesia, Thailand, Cambodia and China, but at lower quantities that will not require chartered aircraft.

EFL, which is 80% owned by Sagawa Express in Japan, is also moving large quantities of medical protective gear to Rickenbacker with direct charter flights as well as feeder service from countries throughout Asia to Dubai, where the shipments are consolidated and put on Emirates freighters, Rosen said. The forwarder has booked flights with personal protective equipment through August.

Weekly scheduled freighter flights from Vietnam to the U.S., even at main gateways such as New York and Los Angeles, could continue for the foreseeable future until passenger networks get rebuilt to previous density, he added.

But charter rates are dropping and if they fall another 5% to 10%, freighter operators won’t be able to justify the flights since there are no return loads, said Brian Bourke, chief growth officer at SEKO Logistics. At that point, charter opportunities will disappear and shipments will revert to regular, scheduled carriers moving through transit points.

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INVESTMENT

Thai firm buys two wind power farms in Vietnam

The move aims to take advantage of low interest rates to build projects with a quick return on investment.

A power plant owned by Gulf Energy Development PLC in Thailand. The company announced that it has entered into a share purchase agreement with Dien Xanh Gia Lai Investment Energy Joint Stock Co (DGI) in Viet Nam

Gulf Energy Development PLC of Thailand has announced the purchase of two wind power farms worth US$200 million in Viet Nam

The move aims to take advantage of low building costs and a quick return on investment.

The company reported to the Stock Exchange of Thailand that it entered into a share purchase agreement with Dien Xanh Gia Lai Investment Energy Joint Stock Co (DGI), the developer and operator of the two onshore wind farm projects, each with a capacity of 50 megawatts.

The projects, located in Ia Grai District of Gia Lai Province, will be wholly owned by a subsidiary of Gulf Energy Development PLC, namely Gulf International Holding Pte (GIH), holding a licence to develop and operate the wind farms.

Gulf's Executive Director and Chief Financial Officer Yupapin Wangviwat was quoted by local newspaper, saying that the projects would generate and sell power to Vietnam Electricity for 20 years. They are expected to start construction in 2021.

Gulf Energy Development PLC’s CEO Sarath Ratanavadi said low interest rates have made asset acquisition attractive. Gulf is looking at several more renewable energy projects to acquire in Asia and Europe. — VNS

New investment wave starts despite COVID-19

The new wave of foreign investment triggered by COVID-19 and US-China trade tensions is becoming more visible as outstanding overseas ventures are expanded.

Multinational corporation Techtronic Industries (TTI), which is developing a $650 million plant complex in Saigon High-tech Park, recently met with more than 100 domestic suppliers to find a vendor for its project, which will focus on manufacturing hand-held cordless power tools and outdoor power equipment while being at the forefront of lithium-ion batteries, digitally-controlled motors and tools, and wireless applications.

Vietnam is very attractive for TTI due to its deep integration into the global market and recent free trade agreements, especially the ASEAN-Hong Kong Free Trade Agreement which came into effect a year ago, and the new EU-Vietnam Free Trade Agreement.

According to Nate Easter, executive vice president of Global Sourcing and Outdoor Product Operations from TTI, domestic vendors would be essential to ensuring the success of its incoming complex, which is the second-largest plant in its global network and houses a research and development (R&D) centre.

TTI expects to have an annual production value of $1.5 billion by the third year and achieve up to $3 billion by the sixth year.

It also targets $1 billion in annual localised supply and expects to increase local suppliers from 80 now to 150 over the next few years.

TTI was not the only company which has processed operations in Vietnam in the first half of the year.

In February, Heineken Vietnam also poured an additional $68.8 million into its factory in the southern coastal province of Ba Ria-Vung Tau.

TTI expects to have an annual production value of $1.5 billion by the third year and achieve up to $3 billion by the sixth year

The beer producer was green-lit by the local authority to raise its investment capital from $312.5 million to $381.3 million.

With the additional funding, Heineken Vietnam expects to increase the annual capacity of its factory in Ba Ria-Vung Tau from 610 million litres to 1.1 billion litres in 2020.

Meanwhile, in March, the US' Universal Alloys Corporation (UAC) held the inauguration ceremony for the first phase of it saerospace component factory in the central city of Danang.

With registered investment of $170 million, the factory aims to manufacture and install aerospace components from aluminium alloys and composite.

It will be capable of manufacturing and assembling around 4,000 aircraft components, all for export. Once put into operation, it is estimated that annual export revenues will reach $25 million by 2021, $85 million by 2022, and $180 million after 2026.

UAC is a leading global manufacturer of aircraft components for aerospace companies such as Boeing, Airbus, Embraer, Bombardier, and their associated supply chains.

This is its first facility in Vietnam and Asia as a whole to serve the global aerospace industry.

Last month Qualcomm Vietnam, a subsidiary of Qualcomm Technologies, Inc., officially opened an interoperability testing laboratory located in Hanoi, the company's first R&D lab in Southeast Asia.

With these new facilities, Qualcomm Vietnam is further strengthening its commitment to the country and further enables local enterprises to innovate and deliver Vietnamese-made products.

In addition, Ba Ria-Vung Tau also granted approvals and investment licences to several projects, including those of Japan-based Seiko PMC Corporation ($28 million), SeAH M&H Vietnam ($35.3 million), and Arakawa Chemical Industries ($45.6 million).

According to Michael Kokalari, chief economist from Vinacapital, a new wave of foreign direct investment (FDI) into Vietnam is imminent.

"This is being driven by global events, including the US-China trade war, the ongoing pandemic, and other factors," Kokalari said in his latest statement released in June.

The amount and quality of this new wave of FDI are largely up to local policymakers, he added, because there are few countries in the world as intrinsically attractive to multinational manufacturers as Vietnam.

Kokalari cited that this next wave of FDI will have a bigger impact on Vietnam's economy than previous inflows because multinationals now have an incentive to help local firms "move up the value chain" in order to build supply chains in Vietnam capable of supporting those foreign-invested companies.

The EuroCham Whitebook 2020 released at the end of June stated that Vietnam's stable macro-economic climate and single digits of inflation are increasing the confidence of investors in this country.

"Since becoming a member of the World Trade Organization in 2007, Vietnam has continued to reform its legal framework so that it is better aligned with global standards.

As a result, the country has become more attractive to foreign enterprises and international investors," stated the Whitebook.

In particular, Vietnam's low cost of doing business, strong economic growth, and business-friendly economic environment make it an attractive destination for FDI, it added. VIR

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