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FINANCE

Vietnamese banks to face competition from foreign rivals

Domestic banks are expected to face increasing competition, especially as European banks will be able to access the Vietnamese market when the European Union-Viet Nam Free Trade Agreement (EVFTA) takes effect.

This information was released at the Top 10 most prestigious commercial banks in Viet Nam in 2020 by Viet Nam Report (VNR).

According to VNR, more than 96% of surveyed experts and banks said one of their biggest challenges was the increasing trend of bad debts due to impacts of the COVID-19 pandemic after implementing debt restructuring, extending and freezing.

With loans that were ineligible for debt restructuring, banks must convert them into non-performing loans (NPLs) as prescribed, resulting in pressure of decreasing interest and provisioning, thereby reducing profits.

With debts that could be extended and restructured, these could be potential bad debts for commercial banks in the long term. If the health of the economy does not improve soon, banks would be at risk of losing capital.

According to calculations by the State Bank of Viet Nam, if the disease was controlled in the first quarter of this year, the NPL ratio of the on-balance sheet, debts sold to Viet Nam Asset Management Company (VAMC) and classified debt would be at 2.9-3.2% by the end of the second quarter and 2.6-3% at the end of the year.

In addition, the emergence and development of financial technology companies (fintech) and technology giants (big tech) in providing financial services are putting pressure on banks. Banking business is forecast to be increasingly difficult if they do not quickly catch up with technology trends.

Although the banking industry has been at the forefront of applying information technology in operation and management, most banks have built a digital transformation strategy to increase customer experience, addressing the growing needs of customers. Most Vietnamese banking systems still operate traditionally with their transaction offices and mostly digitise internal processes.

The decision to invest in infrastructure of technology systems to meet changes in the current trend of shopping and consuming services has been a problem for bank leaders as this is a big investment while the effect is difficult to evaluate.

The survey said there are four biggest challenges in implementing digital banking include network security risks, lack of policies, overlapping priorities and lack of skilled labourers.

Nearly a half of experts and banks in the survey also said the decreasing credit demand has been one of the challenges for the sector.

Due to the impact of COVID-19, although Vietnam has well controlled the pandemic, the world is still experiencing outbreaks, affecting the production and business situation of domestic enterprises. It was the reason that businesses still do not need to borrow new capital although lending interest rates have fallen sharply.

The pressure on capital raising on banks in 2020 is still relatively high, requiring them to have much higher equity capital than before to ensure effective risk management according to Basel II standards, especially banks with State capital. Profits of some banks declining in the context of increased risk of bad debt would significantly affect capital safety, increasing the pressure of raising chartered capital.

Vietnam Report said the key factors for the success of banks are human resources and technology. The digital revolution in the banking sector has required staff to regularly update information and develop creative policies. — VNS

Vietnam gold prices climb to new peak

Gold prices have risen to new highs in Vietnam as they track recent rises in global prices triggered by the coronavirus pandemic. SJC gold on Tuesday rose to VND50.3 million ($2,170) per tael to surge past the previous record of VND49.5 million ($2,137) in 2011, when global prices soared to historic highs.

Gold prices held steady near an eight-year high on Tuesday as investors weighed a spike in Covid-19 cases around the world against a survey showing a rebound in U.S. services industry activity and expectations of a revival in China’s economy.

Spot gold was almost unchanged at $1,784.06 per ounce by 0453 GMT, just $4.90 shy of a near eight-year high hit last week.

Phan Dung Khanh, head of the investment advisory at Maybank Kim Eng Vietnam, said falling deposit interest rates are increasing demand for gold. The four state-owned lenders, Vietcombank, BIDV, Vietinbank, and Agribank, recently lowered their rates on 12-month deposits from 6.5 to 6%. Private banks have cut them by 0.4-0.8 percentage points.

Experts also pointed to the falling stock market, which has lost nearly 11% this year, for turning gold into a safe haven. Tran Thanh Hai, chairman of the Vietnam Gold Investment and Trading Corporation, forecast gold prices to remain volatile for the next three months and start falling at the end of October before the U.S. presidential elections.

Other analysts expected prices to rise further due to the uncertainties caused by the pandemic and geopolitical tensions. Goldman Sachs last month forecast that gold price could reach $1,800 in three months and $2,000 in a year.

Vietnam’s gold bar and coin demand in the first quarter fell 8% year-on-year to 12.3 tonnes, according to the World Gold Council.

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E-COMMERCE

Tiki-Sendo merger reportedly falls through. What's next?

Providing in-depth coverage of Vietnam has been on our to-do list for some time – it's one of the largest markets in Southeast Asia after all. It's also a country that's hard to cover if you don't know the language.

Last week, in the debut piece of our Vietnamese journalist, Thu Huong Le, she analyzed the implications of a much-anticipated merger between two prominent local ecommerce marketplaces: Sendo and Tiki.

We believe it's an important move: Vietnam's ecommerce market is a fraction of the size of Indonesia's and its infrastructure is less developed, too. Sendo and Tiki need to aim their marketing budgets toward closing the gap with Shopee.

But the Tiki camp is throwing a spanner in the works. As *DealStreetAsia* reported, the company's most influential shareholder, Chinese ecommerce giant JD.com, is calling off the merger at the 11th hour. The reason: a widening gap between Tiki and Sendo post-Covid-19 in favor of the former.

Huong's analysis seems to validate this somewhat, with Sendo's estimated web traffic dropping significantly against Tiki's. She also rightly pointed out that mergers of this nature are bound to be complicated due to the complexities and competing interests involved.

So what's next for Sendo and Tiki? First, the deal is not necessarily dead – these media-driven histrionics could be a tactic to renegotiate the terms.

Second, it's apparent that JD has enough resources to invest more into Southeast Asia if it wants to. Right now, it doesn't appear to be making moves in Vietnam or Indonesia that changes the pecking order, but that could change down the line.

Whatever happens next, we'll be here to help make sense of things. We also can't wait to show you what else we have in our pipeline of stories about Vietnam.

Moving on, a number of other things caught our attention. Our China reporter, Nicole Jao, broke down a Chinese smartphone brand's rapid rise in Southeast Asia and India. Launching another smartphone brand these days might seem counterintuitive due to the thin margins and commoditized nature of the product, but Realme has some advantages going for it.

Lastly, Singapore reporter Joseph Gan tackled a taboo: the rise of cannabis tech in Asia. As someone who's never tried the product, I must say editing this piece has been educational for me.

It's interesting that the Singapore government, known for its tough stance on drugs, is researching on how to produce the chemicals in cannabis without growing the plant. A VC in Singapore is also starting a dedicated cannabis fund.

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START-UP

5 Fastest Growing Fintechs in Vietnam According to IDC

IDC Financial Insights released the 2020 update of its FinTech Fast 101 research which details a list of fast-growing FinTechs in Asia/Pacific excluding Japan (APEJ) from 11 key markets.

IDC's FinTech Fast 101 research refers to fast-growing fintech players based on extensive on-ground analysis of fintech players from China, India, Indonesia, Singapore, Hong Kong, Thailand, Malaysia, the Philippines, Vietnam, South Korea, and Australia.

MOCA

Moca offers a mobile payment application that can be used to shop, pay for taxi fares, bills, recharge phone balances, and make online payments. It is integrated with 12 local banks, and with international payment networks such as JCB, Visa and Mastercard.

MOMO

Momo offers a mobile e-wallet that can be used to pay bills, transfer money recharge phone accounts, book tickets, shop, watch movies, and eat –out, and more. One of the most widespread payment apps, Momo works with 24 local banks and with international networks such as Visa and Mastercard.

PAYOO

Payoo has more than 10 years experiences in intermediary payment services. Having connected to more than 40 banks and 12,000 payment accepted points in Vietnam, Payoo offers multi – payment methods which help customers pay for anything on both offline and online.

TIMA

Tima is a P2P lending platform operating Vietnam. In addition to the basic lending platform, it also provides mortgage loan services and financial Advisory services to customers.

ZALOPAY

Zalo Pay is a product launched by VNG Corporation, and was developed on Zalo – the country's most popular SNS tool used by over 70% of the population. ZaloPay can be used to make money transfers 24/7, pay for items at counters, pay bills, recharge phone balances and send money as gifts.

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RETAIL

Vietnam considers opening petrol retail market to foreign distributors

Consumers hope that they will get benefits when foreign distributors are allowed to join the petroleum retail market.

Three years have elapsed since the time that IQ8, a joint venture between Japan's Idemitsu Kosan Group and Kuwait Petroleum International Ltd (KPI), officially opened its first distribution station in Vietnam, becoming the first foreign petroleum retailer in the market.

Foreign investors set up a petroleum retail company in Vietnam in a special case thanks to the government's commitment given to the investors of the Nghi Son Oil Petrochemistry and Oil Refinery project in Thanh Hoa.

Foreign investors set up a petroleum retail company in Vietnam in a special case thanks to the goverment's commitment given to the investors of the Nghi Son Oil Petrochemistry and Oil Refinery project in Thanh Hoa

To date, it remains the only foreign retailer in Vietnam and the market is still under the government's control.

MOIT's plan to open the petroleum retail market to foreigners has caught special attention from the public.

The ministry, drafting the decree to amend articles of Decree 83 on petroleum trade, is considering allowing all businesspeople trading petroleum products to transfer no more than 35% of shares to foreign investors.

The draft decree, if approved, is expected to create a more competitive petroleum retail market.

Asked why MOIT considers opening the petroleum retail market to foreign investors, a senior official said it is necessary to consider the time for opening very carefully.

In 2007, when it joined WTO, Vietnam did not commit to open the petroleum market.

After 13 years of joining WTO, Vietnam's economy has deeply integrated into the world economy and has signed a lot of FTAs with large economies. It has allowed foreign businesses to invest in many important business fields, including power, oil and gas, banking and aviation.

As for the petroleum distribution, after a period of protection, Vietnamese enterprises have organized large distribution networks and have entered a new development period.

They need to build specialized storehouses and wharves and make investment in production, a field that needs huge investment capital.

Some key state-owned enterprises in the field have been equitized and have received the nod from the Prime Minister to sell shares to foreign investors with specific ratios.

Petrolimex, for example, can transfer 20% of shares to foreign investors, PVOIl 35% and Binh Son Petrochemistry and Oil Refinery 49%.

Nguyen Thanh Son, former director of Song Hong Energy JSC, said MOET's intention to allow foreign investors to join the market shows a 'more open mindset' in market management.

However, he thinks that it would be better not only to open the petroleum retail market, but also allow foreign businesses to invest in all links of the distribution chains, from import to wholesale and retail.

Thailand's Central Retail plans to reach 90% of Vietnam provinces

The retailer intends to expand presence to 55 of Vietnam's 63 provinces and nationally run cities, up from the current 39. Thailand's Central Retail plans a larger presence in Vietnam, looking to reach nearly 90% of the country's provinces in the next five years, as the company aims to reduce dependence on its home market, Nikkei Asian Review reported.

Central Retail, a subsidiary of Thailand's retail conglomerate Central Group, is eager to tap Vietnam's continued growth and economic potential, following the country's early success in containing the Covid-19 pandemic.

"We will continuously seek opportunities for expansion and invest in Vietnam," Central Retail CEO Yol Phokasub was quoted by Nikkei as saying.

The retailer intends to have operations in 55 of Vietnam's 63 provinces and centrally-administered cities, up from the current 39. As part of Central's expansion, it will open six new GO! Mall locations and convert four Big C supermarkets into malls in the Southeast Asian country this year.

Central Retail operates 35 malls and about 230 supermarkets, electronics stores and other retailers in Vietnam. The country accounted for about 20% of total revenue in 2019, making it the largest market for the company after Thailand.

Central Group Vietnam is a member of Central Group, which has been present in Vietnam since July 2011. The group made headlines in Vietnam following its acquisition of a chain of 33 supermarkets and hypermarkets owned by Big C for US$1.05 billion in April 2016.

Central Group, Thailand's largest retail conglomerate, is controlled by the Chirathivat family, the country's second-richest, and is led by Tos Chirathivat, the group's executive Chairman and CEO and grandson of the founder.

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LOGISTICS

No new airlines is allowed until 2022

No new airlines will be allowed to open in Viet Nam until 2022 at the earliest, Deputy Prime Minister Trinh Dinh Dung has announced.

The Deputy PM says until the aviation industry has fully recovered from the fall-out of the COVID-19 pandemic, no new airlines will be considered.

His ruling conforms proposals submitted by the Ministry of Transport (MoT) in May.

The announcement will come as a blow to a number of new airlines that were hoping to take to the skies soon.

Kite Air of hospitality group Thien Minh and Vietstar Airlines of Vietstar Airlines Multirole Corporation were racing for permits.

With the ministry’s decision, these airlines must continue to wait for permits.

Minister of Transport Nguyen Van The said: "In the most optimistic scenario, only in 2022, the local aviation market could reach the result it did in 2019."

According to the ministry, Viet Nam has 214 aircraft, but right now less than half are being used.

To ensure the State management of aviation to develop sustainably in the future, the MoT suggested focusing on restoring the domestic air travel and solve the difficulties for the local airlines.

According to the Government Office, Dung assigned the MoT to take responsibility in ensuring the sustainable development of the aviation industry. He also assigned the Ministry of Planning and Investment with the function of appraising investment policy of the Kite Air project to report to the Prime Minister in the future.

Currently, Viet Nam has five commercial airlines including Vietnam Airlines, Vietjet, Jetstar Pacific Airlines, Bamboo Airways and Vietnam Air Services (VASCO).

Earlier this year, Vietravel Airlines was granted the license to become the 6th commercial airline of Viet Nam. It is applying for a flight permit. — VNS

VN agricultural export stuck due to extremely high levels of logistic costs

An online conference on cutting the logistics costs to increase competitiveness and reduce the cost of Vietnamese agricultural products was recently held by the Vietnam Digital Agriculture Association (VIDA) in association with the Vietnam Logistics Business Association (VLA).

Mr. Le Van Quang, Chairman of Minh Phu Joint Stock Corporation, said that the transport cost for a container of shrimps from Vietnam to the US is merely VND41 million, from Vietnam to Japan is VND16 million, but from Ho Chi Minh City to Ca Mau Province is VND10 million, from HCMC to Hanoi is VND80 million, and from HCMC to the border between Vietnam and China is up to VND100 million.

Meanwhile, the transport cost of shrimps exported from Ecuador to China with a distance of thousands of kilometers is merely less than half of that of Vietnam.

According to Mr. Nguyen Duy Minh, General Secretary of VLA, the factors that cause the logistics costs to increase include high transport cost; high surcharge and local fees imposed by foreign carriers on shippers; limits on ports and infrastructure, and new infrastructure fees charged by cities and provinces; specialized inspection cost.

In the process of transporting, consuming, and exporting agricultural products, such as vegetables and fruits, the logistics costs usually account for up to 20.9%, of which, 61% of the cost is related to transport, 20% is related to loading and unloading, 14 percent is related to storage charges, and 5% is related to packing.

According to enterprises, this is unreasonable because many tollbooths have caused the costs and the cost price of agricultural products to increase heavily.

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INVESTMENT

15 Japanese firms to move China production lines to Vietnam

Vietnam is expected to attract 15 Japanese firms of different sizes that will receive Japanese government's subsidies to shift manufacturing plants out of China to diversify its supply chain.

The Japanese Ministry of Economy, Trade and Industry (METI) has recently unveiled a list of 87 firms that will receive JPY 70 billion ($653m) to implement the scheme, according to Nikkei Asian Review.

Thirty firms will shift production to Southeast Asia, including Vietnam and Laos, while the remaining 57 firms will head to Japan.

The shifting scheme aims to reduce Japan's reliance on China and build resilient supply chain, according to Nikkei Asian Review. Meanwhile, the Japan External Trade Organization (JETRO) made a detailed list of 30 Japanese firms that are to move their plants from China to Southeast Asia, with half of which heading to Vietnam.

Of the 15 firms, six are large companies and the remaining nine are small and medium-sized enterprises.

Most of the firms manufacture medical equipment while the rest produce semiconductors, phone components, air conditioners or power modules.

Notably, one of them, Hoya Corporation, which manufactures hard-drive components, is expected to move to both Vietnam and Laos.

The Japanese government earmarked JPY220 billion in the fiscal 2020 supplementary budget to support its companies to move plants to Japan. Of that amount, JPY23.5 billion was set aside to promote the diversification of production sites from China to Southeast Asia.

Japan was Vietnam's fourth largest investor in terms of registered capital last year after the Republic of Korea, Hong Kong and Singapore.

Vietnam is considered an ideal destination for attracting foreign direct investment after the country has controlled the novel coronavirus (COVID-19) pandemic. The country has gone through more than three months without locally transmitted infections. VOV

1,000 Japaneses firms looking for investment opportunities in Vietnam

While countries across the world are still in the fight against Covid-19, Vietnam has resumed business as usual and become one of the first countries to diversify the supply chains. Over 1,000 Japanese firms from all over the world participated in an online conference promoting investment between Vietnam and Japan on July 9.

The event was jointly held by Vietnam's Ministry of Planning and Investment, the Japanese Embassy in Vietnam, Japan External Trade Organization (JETRO), and Japan Bank for International Cooperation (JBIC).

Being the first large-scale investment promotion event held online, the broad participation of Japanese firms demonstrated their huge expectations and interest in doing business with Vietnam, said Vice Minister of Planning and Investment Vu Dai Thang at the conference.

With the successful containment of the Covid-19 pandemic, Vietnam proved to be a safe and attractive investment destination for international investors, Thang said, adding the country is among a handful worldwide recording positive economic growth in the first six months of this year.

Although foreign direct investment (FDI) around the globe may decline by 40% this year due to the Covid-19 crisis, FDI commitments to Vietnam during the January – June period remained positive at over US$15 billion, down 15% year-on-year. This included US$8.43 billion for fresh projects and US$3.72 billion of additional capital for existing ones, up 13.8% and 26.8% year-on-year, respectively.

At present, Vietnam is home to 32,000 projects with registered capital of a combined US$378 billion from 136 countries and territories, among which Japan is the second largest investor with over US$60 billion, Thang informed.

In a pre-Covid-19 study conducted by the US News & World Report, Vietnam overtook regional peers in Southeast Asia, including Malaysia, Indonesia and Singapore to rank eighth among the world's leading 29 countries to invest in, up from 23rd out of 25 countries in 2018.

Meanwhile, a survey from JETRO in February showed over 63% Japanese businesses in Vietnam were planning to expand investment, the highest rate in ASEAN and the third in the Asia – Pacific region.

The Vietnamese government would give priority to projects with modern and clean technologies having high-added value, which could aid local firms to further integrate into global supply chains, Thang stated, highlighting these are the advantages of Japanese firms.

Minister Daisuke Okabe from the Embassy of Japan in Vietnam said while countries across the world are still fighting Covid-19, Vietnam has been on the economic recovery track and become one of the first countries to diversify the supply chains.

As international investors, including from Japan, are looking at Vietnam as a potential investment destination in the post-Covid-19 era, Okabe expected Vietnam to grasp this opportunity for further development.

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