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Highlight

Groceries and electronics will drive APAC's online retail rebound

VIETNAM BUSINESS REVIEW

Vol 38, Sept 23rd 2020

What's in it today?

FINANCE

SBV eyes further interest cut

VN stocks retreat, selling hits blue chips

Unable to lend to businesses, banks offer consumer loans to individuals

INVESTMENT

Chinese funds pour money into Vietnamese market

FTAs help attract more foreign investors to Vietnam

Apple supplier Pegatron to invest $1 bln in Vietnam

Nissan ends partnership with current Vietnam distributor

E-COMMERCE

Grab, MoMo enter e-commerce playing field

RS Components to launch eCommerce platform in Vietnam

LOGISTICS

Air transport ground service firms stand out amid pandemic

Growing demand for production, logistics spaces

START-UP

Vietnamese Abivin wins the fifth ASEAN Entrepreneur Award at WKF2020

Forbes' 30 Under 30 includes two Vietnamese whose company makes shoes from coffee grounds, recycled plastic

RETAIL

Falling in with local consumption habits

Groceries and electronics will drive APAC's online retail rebound

FINANCE

SBV eyes further interest cut

The State Bank of Vietnam (SBV) sought to further cut interest rate in an effort to boost the country's economic recovery, said its deputy-governor Nguyễn Thị Hồng in an SBV's press conference held by yesterday in Hanoi.

Hồng said the central bank will continue to support credit institutions in all possible ways including cash injection.

The SBV encouraged credit institutions to reduce red-tape, cut cost and better support new customers all the while maintaining high lending standards to ensure the long-term sustainability of the banking sector.

Demand for loans this year has stayed low as the economy was hit hard by the COVID-19 pandemic. The country's credit growth experienced modest growth of just 4.8% compared to the same period last year.

Bad debt ratio remained at under 2% as most commercial banks finished the implementation of Basel II. During the first seven months of 2020, banks managed to recovered over VND63 trillion (US$2.7 billion).

Exchange rate versus the greenbacks has remained stable since the beginning of the year as the SBV continued to shore up its forex reserves. The central bank expressed confidence in keeping inflation in check this year but said economic growth will be dwarfed due to the pandemic.

Since the initial outbreak of the novel coronavirus last year, central banks around the world have cut interest rate 185 times. The SBV alone has slashed interest rate four times by 1-1.5% since April 2019.

VN stocks retreat, selling hits blue chips

Vietnamese shares gave up on a four-day rally on Thursday as large-cap companies were hit by profit taking while regional markets declined on the Fed meeting. The benchmark VN-Index on the HCM Stock Exchange lost 0.38% to 894.04 points, retreating from a four-day increase of total 0.97%.

The large-cap tracker VN30-Index was down 0.32% to 831.34 points and the VN30 futures due on Thursday slipped 0.43% to 831 points. The mid-cap and small-cap indices ended almost flat on Thursday.

In the large-cap basket, 21 of the 30 largest stocks by market capitalisation and trading liquidity stepped down while seven were up.

Realty firms Vincom Retail (VRE) and Vingroup (VIC), consumer firm Masan (MSN), petrol company Petrolimex (PLX), and PetroVietnam Power Corp (POW) led the large-cap basket's downturn.

On the other side, steel maker Hoa Phat (HPG), sugar company Thanh Thanh Cong-Bien Hoa (SBT) and SSI Securities (SSI) were among the gainers.

Construction and material sectors still performed well but property, retail, energy, technology and consumer reversed to the negative territory.

On the Hanoi Stock Exchange, the HNX-Index gained 0.47% to 128.47 points on Thursday.

The northern market index bounced back from a 0.04% drop on Wednesday.

Nearly 457 million shares were traded on the two exchanges, worth VNĐ7.31 trillion (US$313.5 million).

Foreign investors continued net-selling local shares as they offloaded a net value of VND138.7 billion worth of Vietnamese assets, down 31.6% from the previous day.

The domestic market followed a downside across Asian stocks after investors were disappointed at the US central bank Fed for not giving clues about further stimulus packages.

The VN-Index being pushed down from a four-day rally with increasing liquidity proves sellers are becoming stronger, Saigon-Hanoi Securities (SHS) said in its daily report.

It should be noted that foreign investors would still net-sell local shares, putting heavier pressure on the market, SHS added.

Unable to lend to businesses, banks offer consumer loans to individuals

Deposits at banks continue to increase, though deposit interest rates have been decreasing. With plentiful capital, banks are inviting individuals who want to borrow money to buy houses and cars.

According to the State Bank of Vietnam (SBV), as of mid-August, deposits had increased by 6.3%, while loans had risen by 4.13%.

Money keeps flowing into banks, despite deposit interest rate decreases. Meanwhile, individuals and businesses that own large amounts of cash are still keeping their money in banks. It is not easy to find borrowers at this time.

As banks have abundant money, they are increasing the purchase of government bonds, despite the low interest rates.

The Hanoi Stock Exchange (HNX) reported that it mobilized VND22.8 trillion through government bond issuance in August. The figure had reached VND1,230 trillion as of August 31.

Banks are also buying more corporate bonds. Bankers are the biggest buyers of bonds, especially real estate bonds. In H1 2020 alone, banks bought VND28 trillion worth of bonds issued by real estate firms, which accounted for 40% of total bonds issued.

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Analysts said both deposit and lending interest rates are on the decrease. In early September, Techcombank released its new interest rates, slashing the 1-month deposit intererest rate by 0.3% compared with August to 2.85%.

Meanwhile, the interest rates for 2-5-month deposits are 3-3.4% per annum.

Other banks have also eased the interest rates for short-term (less than 6 months) deposits. ACB pays 3.8% per annum for 1-month deposit, and SCB 3.94%. At HDBank and Maritime Bank, the same 3.94% interest rate is offered for 1-5 month deposits.

According to SBV, the average interest rate is 0.1-0.2% for demand deposits and less-than-1-month deposits, while it is 2.85-4.25% for one- to less-than-6-month deposits. Banks pay 4.4-4.6% for 6-month to less-than-12 month deposits, and 6.0-7.3% for longer term deposits.

As the capital cost is decreasing, banks have slashed the lending interest rates. Some Vietnamese joint-stock banks cut the interest rates by 0.23% on average in early September on short-term loans.

Meanwhile, joint venture and foreign banks eased lending interest rates by 0.58-0.74% for loans to fund business and production plans.

Lending interest rates of loans to the production and business sector are between 8 and 8.81% for short term loans, and 9.87-10.34% for medium and long term loans.

As for priority business fields, the rate is 5% maximum. Loand to fund investment deals and real estate projects have a high interest rate of 12% per annum.

Individual clients

Economist Pham Nam Kim said that even if banks slash lending interest rates further, it will not affect credit growth. The problem lies in the weak ability to absorb capital. As businesses and individual clients are facing difficulties amid Covid-19, they don’t have demand for loans or ability to borrow money.

VnDirect Securities predicted that the credit growth rate of the entire banking system would be 9-10% this year. Meanwhile, SSI thinks that even the target of 10% credit growth may be unattainable.

In such conditions, banks are trying to increase consumer lending. In principle, consumer loans have interest rates far higher than other kinds of loans because of higher risks. However, banks have narrowed the gap to lure more borrowers.

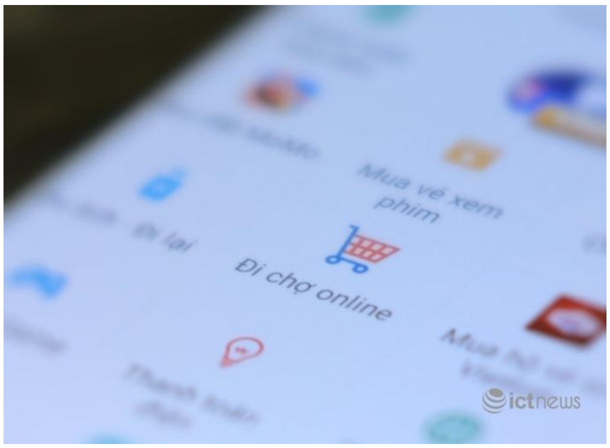
Back to top

E-COMMERCE

Grab, MoMo enter e-commerce playing field

Grab and MoMo are veterans in their core business fields, but they are the newcomers in the e-commerce market.

The e-commerce field in Vietnam is expected to become busier in the time to come with the presence of Grab, a ride-hailing app, and MoMo, an e-wallet. Grab began earlier, and it is already seeing an increase in sales on its platform.



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The 2020 E-commerce White Book published by the E-commerce and Digital Economy Agency shows that 44.8 million Vietnamese shopped online in 2019, an increase of 39.9 million over 2018. The shopping value also increased from $160 in 2015 to $225 in 2019.

The figures show that Vietnam is among the top 3 fastest growing e-commerce markets in Southeast Asia.

The leading general e-commerce platforms in Vietnam, including Shopee, Tiki, Lazada and Sendo, have received huge amounts of capital.

The big money poured into these businesses demonstrates the great potential of online shopping in Vietnam.

The book also showed that e-commerce sales in Vietnam in 2019 reached $10.08 billion, which accounted for 4.9% of total sales of goods and services in the country.

The figure is relatively low compared with the global figure of 12%, according to Hootsuite and We Aare Social.

Only 42% of Vietnamese shop online, a proportion which is lower than the 56% level of Southeast Asia, according to a Forrester survey.

The great potential of the market prompted many businesses to jump into the e-commerce market over the last 10 years, but many of them left the the market later.

However, analysts believe that Grab and MoMo have advantages when joining the e-commerce market. Both them have built their own ecosystems, and e-commerce will help them become a ‘super app’ used by people every day.

By launching GrabMart in Vietnam and some Southeast Asian countries. Grab has set foot in the land of e-commerce.

In Vietnam, in addition to fresh food, GrabMart distributes household-use products, food supplements, cosmetics and children's items. The platform is expanding and seeking more suppliers. Big C, Co-op Food, Cheers, Lotte Mart and small shops are the partners of the platform.

Meanwhile, MoMo has added 'di cho online' (online shopping) feature to its app. The service is provided with the cooperation of Co-op Smile and Cheers as suppliers.

The White Book showed that the number of shoppers on websites decreased sharply from 74% in 2018 to 52% in 2019, while the number of shoppers through apps rose from 52% to 57%.

Both MoMo and Grab have advantages in this trend as both of them are apps on smartphones. In the e-commerce playing field, Grab's advantage lies in the high number of deliverymen, while MoMo advantage is in payment services.

By cooperating with Moca, Grab has powerful tools in both delivery and payment, two important factors in e-commerce. Meanwhile, 20 million clients of MoMo use online payments.

Analysts commented that MoMo and Grab's clients are 'high-quality clients' because they are ready to pay when they install the apps.

However, unlike other e-commerce platforms, both Grab and MoMo will follow their own way, considering online shopping as a part of the apps, and not use 100% of their strength to develop e-commerce.

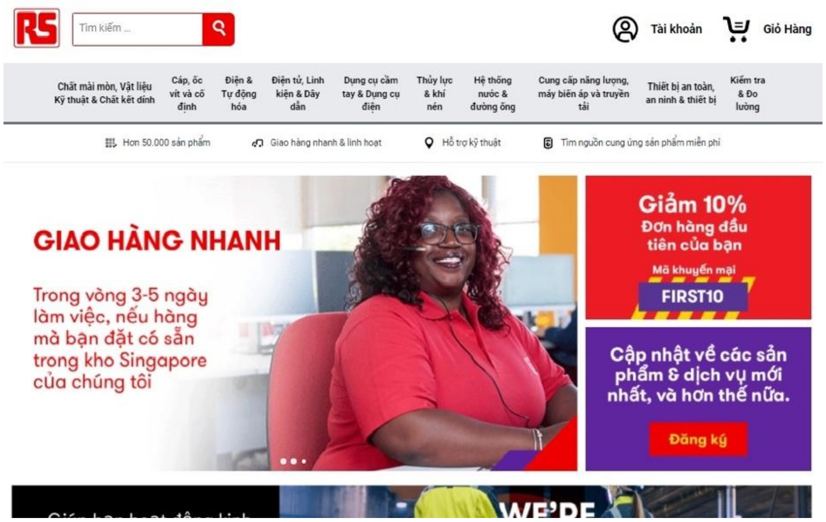
When reporting that it had 20 million customers by September, MoMo announced a plan to become a super-app. MoMo displays goods and completes the payments, while transportation is carried out by its partners.

Meanwhile, Grab has a strong delivery team and Moca a payment platform. Grab's drivers are used to both online and cash payments, and COD (cash on delivery). If it can increase the number of goods suppliers, the platform will have advantages to develop an online shopping channel.

RS Components to launch eCommerce platform in Vietnam

RS Components, a global omni-channel solutions partner for industrial customers and suppliers, strengthens its presence in Asia Pacific through the launch of bespoke eCommerce platforms for Indonesia and Vietnam, with local sales support backed by dedicated sourcing, customer service and technical teams.

The responsive websites provide customers access to over 60,000 products across the industrial and electronic ranges, from leading brands such as RS PRO, Schneider Electric, Phoenix Contact, FLUKE, TE Connectivity, and more. These products are in local stock in Singapore for reliable and consistent delivery dates. Both platforms are now available in local languages and will accelerate the brand's continued growth in Southeast Asia.



The RS Components Vietnam websites are now live

"We see many opportunities to partner with manufacturers in both Vietnam and Indonesia, two countries at the forefront of grounded industrial sectors in the region. In order to do so, we are building capabilities that will allow us to continue developing meaningful customer relationships throughout the region. This move paves the way for RS Components to consistently deliver a positive experience to our customers and cater to their evolving needs," says Sean Fredricks, President Asia Pacific at RS Components.

Designed with customer needs in mind, the eCommerce sites offer a personalised experience to help customers quickly find products and bundle options relevant to them.

Customers with complex industrial requirements can also save time searching and negotiating with multiple suppliers and simplify their procurement process by working with the RS Components team specialising in sourcing products not yet published on the websites.

Moreover, local sales staff provide end-to-end support to customers in Indonesia and Vietnam, with additional support from customer service and technical teams.

Back to top

START-UP

Vietnamese Abivin wins the fifth ASEAN Entrepreneur Award at WKF2020

Pham Nam Long, CEO of Vietnamese logistics company Abivin, was named as one of three winners at the fifth ASEAN Entrepreneur Award at the 21st World Knowledge Forum (WKF2020) in Seoul.

Pham Nam Long, CEO Abivin

Long shared the title with Rachmat Kaimuddin, CEO of Indonesia's e-commerce firm Bukalapak and Nang Kham Noung, deputy chief of Myanmar's KBZ Bank.

Long realised the increasing population and downgraded infrastructure are causing problems for the shipping industry, raising costs for logistics, adding: "High supply chain costs result in high product prices and this leads to the reduction in customers."

With his firm's Abivin vRoute, Long said the hidden costs, information on distances and the journey of the fleet were always visible in real time, enabling his customers to focus on their core competency more efficiently.

Abivin's algorithm analyses factors such as order, cost, vehicle type, weight, restricted roads and more than 20 other delivery constraints to optimise the delivery route, keeping costs at a minimum.

By lowering the cost from 10 to 30% with his firm's technology, he won big customers in Vietnam, Myanmar, Singapore, Thailand and Indonesia and would like to expand to others in the region.

Abivin beat rivals from 40 countries to win the Start-up World Cup 2019 winning US$1 million worth of future investment into the firm. It also won Vietnam's start-up and innovation contest Techfest Vietnam 2018.

Alongside the World Knowledge Forum, the Try Everything event saw the participation of business leaders and start-ups from around the world.

Participants were able to meet global start-up leaders at panel sessions, including Jeffrey Lee, co-founder of Northern Light Venture Capital; Tina Wei, senior advisor at Oceanpine Capital; Hur Jin-ho, partner at SEMA Translink; Abraham Shim, founder and chief executive of Ziktalk OU; Sohn Yu-jin, director at ICONLOOP; and Jason Han, chief executive of Ground X.

Participating in the forum, both online and offline, speakers shared their strategies for start-ups to attract investment at various stages and solutions to new challenges post-COVID-19.

Jack Ma, who attended the forum for the second time, told young entrepreneurs to: "Believe in the future, believe today is a great time to start a business, and find a good team to work together."

He also stressed the importance of "starting from small" no matter how big the dream is.

He said he believes the "digital economy" will "empower young people, developing countries and small companies," so we have to move fast to make sure every business, school and country can be digitised.

According to Startup Genome, a global research agency for the start-up ecosystem, Seoul where the forum was hosted stood at twentieth in the global start-up ecosystem ranking in 2020. The start-up ecosystem value of the Korean capital city that aims to move up to No. 5 is estimated to be at $39 billion.

Try Everything is expected to expedite meetings between investors and start-up founders to boost early investment and provide the opportunity for start-ups to make overseas entries, which will help Seoul's overall competitiveness in the global start-up ecosystem ranking.

Try Everything, which will be held alongside the 21st World Knowledge Forum, the annual business convention hosted by Maekyung, is to seek innovation momentum to combat the challenging times. The inaugural event will be held under the theme "Make it Possible." — VNS

Forbes' 30 Under 30 includes two Vietnamese whose company makes shoes from coffee grounds, recycled plastic

Two Vietnamese are among the 2020 Forbes' 30 Under 30 of Europe in the Social Entrepreneur Category.

Jesse Khanh Tran, born in 1992, and Son Chu, born in 1996, met each other in Finland while they were studying.

Khanh said: "Both Son and I still haven't defended our theses to obtain bachelor's degree for Son and master's degree for me." Khanh pursued a master's degree in international business and logistics at Aalto University, the leading university in Finland.

Both of of them decided to put off their thesis preparations to spend time on their business.

After a period of working as an employee, Khanh began running his own business. His first startup helped European small fashion brands work with high-quality environmentally friendly factories in Vietnam and China.

However, the first business was ineffective. With experience in the fashion industry, Khanh and Son then set up Rens Originals. At that time, Son was working for Zalando, the largest European fashion e-commerce site.

At first, Rens' shoes were not made of coffee grounds and plastics, but of organic cotton. When surveying the market, the two realized that their products were not truly appreciated, so they decided not to market them. Later, they decided to use coffee grounds as a material.

"We chose coffee grounds because they dry fast and have anti-bacteriaal and anti-odor features," Khanh explained. Finland is the biggest coffee consumer in the world, while Vietnam has the largest coffee output in the world," he added.

Starting with Rens in late 2017, they finally in the summer of 2019 began marketing the first products after experiencing many difficulties.

Khanh said that people liked the idea, the materials and the features of the shoes, but the design of the first version was not as good as the most recent version.

A pair of Rens shoes contains 60% of materials from coffee grounds and recycled plastics.

The biggest markets for Rens shoes are the US, Germany, UK and Finland. The two men plan to launch new models with new recycled materials in the next two months. Entering other European markets is also a part of their business plan.

Rens has sold 20,000 pairs of shoes at the price of US$119 over the last year after launching the products into the market.

The two men revealed that they will relocate their production line from China to Vietnam next year.

With Rens, Khanh and Son said that earning big money was not their biggest goal.

They hope that fashion, which is now the second most polluting industry in the world, will become an industry that treats waste and adapts to climate change.

Entrepreneurial spirit

Khanh said businesspeople need to have an "iron will" because they face pressure every day.

As for his personal life, working too hard and having no free time was the reason behind Khanh's' breakup with his Finnish girlfriend.

Khanh praised his partner Son and said he was lucky that he found a like-minded person who has very good skills. Son is creative and technically skilled, while Khanh has experience in production, finance and capital calls.

Their employees are happy at work and look forward to Monday, although the work can be stressful, they said.

The long-term target of Rens is to create a long-lasting business for future generations.

Back to top

RETAIL

Falling in with local consumption habits

Ten years after the Vietnam-Japan Economic Partnership Agreement entered into force in 2009, with import tariffs removed already, Japanese consumer goods suppliers are looking into bolstering their presence in the Vietnamese market amid local and regional competition.

Home appliance trader Awa Co., Ltd. is looking for Japanese suppliers of healthcare and beauty products to complement its distribution system as its customers highly appreciate their quality and safety due to the use of natural ingredients. Awa's director, Tran Duc Hung, said that he wants to "directly negotiate with Japanese suppliers to reduce intermediary costs."

Japanese home appliances and supplies are favoured by locals

However, since travel restrictions caused by the pandemic are mostly still in place, going to Japan to find such suppliers in person remains complicated. In addition, "Vietnamese buyers cannot make their decisions through online negotiations," said Abe Tomofumi, project director at the Japan External Trade Organization (JETRO) Hanoi.

Nevertheless, JETRO's efforts through events such as the Good Goods Japan 2020 fair, which is taking place in Hanoi from August 24 to October 30, can help Vietnamese traders get a taste of many available product groups, including consumer and household goods, cosmetics, and baby supplies, even though orders will have to wait until the pandemic is under better control.

Japanese goods have earned their fair share of respect among Vietnamese consumers and have a reputation for being durable and flawless. According to the General Statistics Office (GSO), last year Vietnam's retail market reached a value of $162 billion, a 12.7% increase on-year.

Nonetheless, COVID-19 has changed local consumer behaviour. A survey conducted by JETRO in mid-June showed that 89% of them prioritised price when making a choice. Meanwhile, 84.3% of respondents also looked at the overall quality, whereas a product's features were only important for half of them (52.8%).

Vu Ngoc Tu, CEO of Osaka-based Sakuko Vietnam, is considering using cosmetics as a new magnet to lure customers to supermarkets. In his eyes, the price is "not the only factor" when competing with similar products from Europe, South Korea, and China.

When it comes to Japanese consumer goods, Sakuko is almost dominating the Vietnamese market. With its first retail shop opened in 2011, succeeding the 2009 Vietnam-Japan Economic Partnership Agreement (VJEPA), the company came way before many competitors who were patiently waiting for the agreement's 10-year period that led to tariff reductions of up to 88% for many types of goods.

However, popular Japanese consumer goods have their price, a weakness when it comes to their competitiveness in the Vietnamese market as JETRO's survey showed. Therefore, CEO of Viet Han Hair Accessories Nguyen Tien Phan continues to research alternative suppliers to diversify his company's product range and reach the price level of similar domestic products, which currently come at around 20-30% less.

Vietnam's retail market is increasingly attractive for Japanese wholesalers and suppliers and its traditional retail channels remain diverse, with 210 commercial centres, over 1,000 supermarkets, around 3,000 convenience stores, and more than 8,400 markets. Besides, modern online channels are becoming more and more popular through the participation of several e-commerce platforms, such as Lazada, Shopee, Tiki, and Sendo.

According to the Ministry of Industry and Trade (MoIT), large foreign retail groups like Lotte, Central Group, and AEON are continuously pressing market penetration and expansion. Meanwhile, some local players like Masan are trying to challenge these foreign groups to get their share of the profitable market.

Le Viet Nga, deputy director of the MoIT's Domestic Market Department commented, "The rising competition among local and overseas groups in the retail market is only demonstrating its potential."

In the first eight months of the year, Vietnam's imports from Japan totalled $12.8 billion, up 3.2% on-year, according to the GSO. Among these imports, baby supplies are becoming increasingly attractive for Vietnamese "as a new trend about the Japanese parenting style emerged in recent years," JETRO's Tomofumi said.

Because of their quality and reputation, local consumers who can afford these baby supplies from Japan prefer them over cheaper products from Thailand, China, and South Korea.

Meanwhile, environmentally-friendly cleaning products from Japan enjoy a similar prestige among Vietnamese consumers. However, Tomofumi said that Japanese suppliers "need to pay more attention to the price that end-users have to pay" when competing with domestic alternatives.

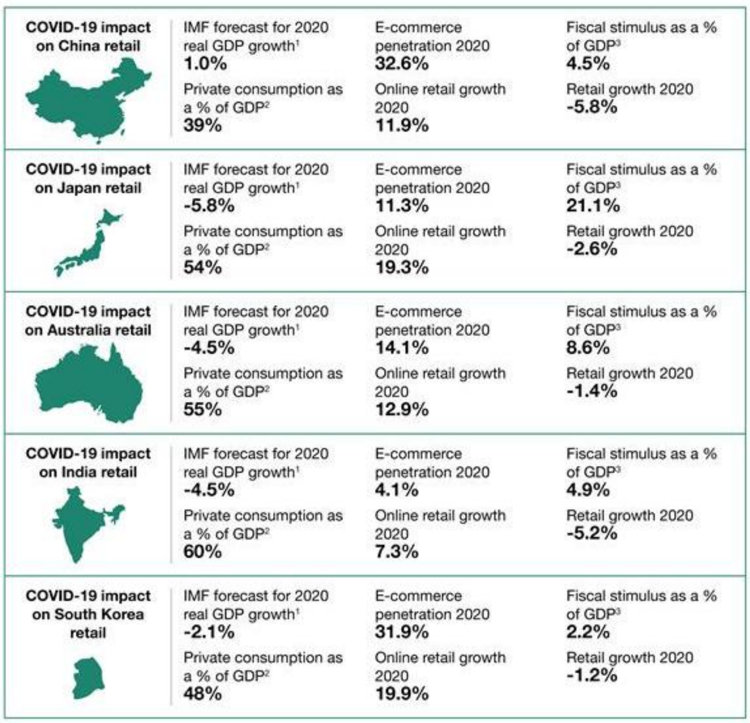
According to Tomofumi, Japanese companies who want to be successful in the Vietnamese retail market need to adjust their price policies, be more flexible with product sizes, and provide expiry dates and other crucial information following international standards.

Groceries and electronics will drive APAC's online retail rebound

Online retail sales will grow from US$1.5 trillion in 2019 to $2.5 trillion in 2024, with a compound annual growth rate (CAGR) of 11.3%, according to a new forecast by Forrester.

The research firm also estimates that online retail sales in Asia Pacific are expected to get a boost from new buyers due to COVID-19, but at the same time, consumer spending will take a hit due to the slowdown of economies. With consumers spending less on nonessentials and a GDP decline worse than the 2009 financial crisis, overall retail sales in Asia will see a decline of 4.7%, with a loss of US$762 billion in 2020.

More than three-quarters of online retail sales occur on mobile devices in Asia. In 2020, 75.8% of online retail sales will occur on smartphones, and the firm expects online retail sales by smartphone to grow at a CAGR of 13.6% to reach US$2 trillion by 2024.



COVID-19 impact on China retail	IMF forecast for 2020 real GDP growth[1] 1.0%	E-commerce penetration 2020 32.6%	Fiscal stimulus as a % of GDP[3] 4.5%
	Private consumption as a % of GDP[2] 39%	Online retail growth 2020 11.9%	Retail growth 2020 -5.8%
COVID-19 impact on Japan retail	IMF forecast for 2020 real GDP growth[1] -5.8%	E-commerce penetration 2020 11.3%	Fiscal stimulus as a % of GDP[3] 21.1%
	Private consumption as a % of GDP[2] 54%	Online retail growth 2020 19.3%	Retail growth 2020 -2.6%
COVID-19 impact on Australia retail	IMF forecast for 2020 real GDP growth[1] -4.5%	E-commerce penetration 2020 14.1%	Fiscal stimulus as a % of GDP[3] 8.6%
	Private consumption as a % of GDP[2] 55%	Online retail growth 2020 12.9%	Retail growth 2020 -1.4%
COVID-19 impact on India retail	IMF forecast for 2020 real GDP growth[1] -4.5%	E-commerce penetration 2020 4.1%	Fiscal stimulus as a % of GDP[3] 4.9%
	Private consumption as a % of GDP[2] 60%	Online retail growth 2020 7.3%	Retail growth 2020 -5.2%
COVID-19 impact on South Korea retail	IMF forecast for 2020 real GDP growth[1] -2.1%	E-commerce penetration 2020 31.9%	Fiscal stimulus as a % of GDP[3] 2.2%
	Private consumption as a % of GDP[2] 48%	Online retail growth 2020 19.9%	Retail growth 2020 -1.2%

The impact of COVID-19 on Asia Pacific Retail

In addition, consumer electronics is the largest retail category in Asia and accounted for $260 billion in online retail sales in 2019. Forrester predicts that the percentage of total consumer electronics sales taking place online will jump from 54% in 2019 to 75% by 2024 due to the rise in channel share of consumer electronics devices including smartphones, TV sets, headphones, and smart speakers. Consumer electronics is also the preferred category for online buyers in Southeast Asian countries and will remain the key driver of value of sales on online marketplaces in Asia Pacific.

Grocery is the fastest-growing category in the region thanks to COVID-19, with the adoption of online grocery services getting a boost with an expected CAGR growth of 30% from 2019 to 2024, reaching US$359 billion, with online penetration doubling from 5.1% in 2020 to 10.6% in 2024.

The report also identified social commerce as an emerging key challenger to traditional online retailers, with Forrester forecasting the category to reach US$684 billion by 2023. The firm noted that COVID-19 will also fast-track the adoption of social commerce channels outside China.

The forecast comprises of data for 11 Asia Pacific countries – Australia, China, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Thailand, and Vietnam – with China remaining the largest market, reaching US$2 trillion by 2024 and accounting for 50% of global online retail sales in 2020.

Back to top

LOGISTICS

Air transport ground service firms stand out amid pandemic

Since the first coronavirus cases were detected in Vietnam in March, the outlook for air transport-related stocks has remained negative.

After Vietnam faced the second wave of coronavirus in mid-July, some investors expressed concerns that air transport may never return to its pre-pandemic days.

In the air transport sector, airlines firms have seen their revenues decline sharply as the number of passengers falls due to travel restrictions across the world.

Shares in Vietnam Airlines (HVN) dropped to a one-year low of VND17,800 (US$0.76) on March 31, then bounced back thanks to strong domestic purchasing power, not because of improvements to its business performance.

Shares in Vietjet (VJC) have been even more volatile, falling to VND95,000 apiece in late March and late July following reports of new coronavirus cases.

Though the two airlines have taken measures to cut costs and asked lenders to extend loan and curb interest rates, the situation seems bleak for them given the fact the virus has not been contained around the globe.

Unlike aviation companies, shares in Vietnam's sole airport operator Airports Corporation of Vietnam (ACV) were being widely seen as positive in the long run, stockbiz.vnreported.

The company is authorised to run 22 airports in Vietnam, including nine international airports and 13 domestic ones. Those include key airports in major cities and provinces such as Hanoi, HCM City, Đà Nẵng and Khánh Hòa. In the future, it is unlikely that a new rival will rise to compete with the company.

The monopoly given to ACV allows the company to control talks with service providers if they want to set up sales booths in its airports and prices are almost non-negotiable.

In the second quarter of 2020, ACV reported a net loss of VND354 billion ($15.2 million) as the company had to lower its rental fees for airport retailers, while it recorded a profit of VND1.9 trillion in the first quarter.

But cash and cash-equivalent assets were worth VND19 trillion on June 30 and this should be a great advantage for the firm, according to VietCapital Securities Corporation.

ACV shares (ACV) also dropped to VND54,400 apiece on March 31 when Vietnam was hit with the first coronavirus wave. The company's stock rose 26.3 % to VND68,700 on June 8 and is on its way to hitting that level again.

ACV shares were flat at VND62,200 apiece on Tuesday.

Ground company Sai Gon Cargo Services JSC (SCSC) has seen the volume of goods being transported through Tân Sơn Nhat International Airport decline in the last six months, but analysts have said this situation would not last long.

They said that travel restrictions had been applied for passengers only, and the cargo transport sector would not suffer too much. Instead of taking people from one location to another, aviation firms have increased their cargo shipments to offset the impacts of the pandemic on their businesses.

This shift in focus had helped SCSC keep its profit margin stable compared to the same period last year, analysts said.

Hanoi-based firm Noi Bai Cargo Terminal Service JSC (NCTS) is also projected to perform similarly to SCSC.

Recently, Vietnam Airlines and Vietjet re-opened some domestic and international routes and their policies are expected to help boost the performance of ground service companies, including the two firms mentioned above.

SCSC shares (SCS) hit a one-year low of VND83,470 on March 24 but have since gained 47.7 %. The company's stock ended Tuesday at VND123,300.

NCTS shares (NCT) also went in the direction in late March, falling to VND40,170, but have soared 45.5 % in the last six months.

The company’s shares finished Tuesday at VND67,800.

Growing demand for production, logistics spaces

The effective control of the Covid-19 pandemic and the effect of the EU-Vietnam Free Trade Agreement have bolstered global industrial investor confidence in Vietnam, turning the country into an ideal destination for production and logistics services.

Meeting infrastructure needs

According to experts, manufacturing enterprises are still leaving China due to the impact of Covid-19, as well as trade conflicts with the US and manufacturers’ strategies to minimize reliance on one market. This gives Vietnam an opportunity to become a new global production hub and an essential foundation for strong development of logistics services.

As of June 2020, the country had 336 industrial zones covering a total area of about 97,800ha, of which 261 are operational, while 75 are in the process of site clearance and construction. The occupancy rate reached 76% at operating industrial zones.

In the second quarter of the year, Vietnam’s southern region registered total leasable land area of 25,045ha, according to a recently released report by the JLL Vietnam real estate developer. Land shortage has become more pronounced as existing industrial zones in the region are gradually being filled up and some of the remaining industrial real estate is not available for leasing due to incomplete compensation payments related to site clearance.

Demand continuing to outpace supply underlines the need for further development in key industrial provinces. Occupancy rates have grown significantly since 2018 in key areas, such as Binh Duong, Dong Nai and Long An in the south, and Bac Ninh, Hung Yen and Hai Phong in the north.

Northern provinces such as Vinh Phuc, Hung Yen, Hai Phong and Hai Duong are expected to become the focus of investment, while southern provinces like Long An and Ba Ria-Vung Tau with convenient access to Hiep Phuoc and Cai Mep ports promise development potential.

Matthew Powell, director of Savills Hanoi, said Vietnam's industrial real estate market is hampered by limited land supply, forcing developers to make greater efforts to meet market demand. Special attention should be paid to the development of properties close to main routes, ports, and airports.

New projects are increasingly vital to accommodate high-value manufacturing investments. Dong Nai Province is planning to add eight new industrial zones. Accordingly, Long Thanh District will build four additional industrial zones. Phuoc Binh Commune will have two more industrial zones covering 900ha, with total leasable area of around 500ha, while Tan Hiep and Binh An will have one more zone in each commune.

Growing real estate demand

Troy Griffiths, deputy general director of Savills Vietnam, said the pursuit by many manufacturers of the China+1 strategy in order to minimize risks and diversify manufacturing locations would generate greater demand for industrial space in Vietnam.

Effective and rapid pandemic response, robust middle-class growth, an increasingly stable business environment, investment in infrastructure, corporate income tax incentives and free trade agreements are key factors contributing to post-pandemic opportunities. The current situation is expected to accelerate relocations of multinational manufacturers out of China. Recent announcements by major blue chips, such as Apple, Pegatron and Foxconn, indicate a higher proportion of production shifting to Vietnam.

The Japanese government recently issued a US$2.2 billion stimulus package, with the aim of underwriting Japanese manufacturing relocations out of China. So far, 15 Japanese companies, including Meiko Electronics, Nikkiso, Fujikin and Yamauchi have registered to move production to Vietnam. According to the Japan External Trade Organization (JETRO), six of them are large companies, while the remaining are small and medium-sized enterprises, mainly producing medical equipment, semiconductors, phone components and air conditioners.

Back to top

INVESTMENT

Chinese funds pour money into Vietnamese market

Many Chinese funds are pouring capital into the Vietnamese stock market because of low valuations and further loosening of foreign ownership in the near future.

Taiwan-based CTBC Vietnam Equity Fund has registered to buy 21 million VFMVN Diamond ETF fund certificates from September 7 to October 6 to increase its ownership. Besides CTBC Vietnam Equity Fund, no foreign fund has bought this fund's certificates.

CTBC Vietnam Equity Fund has also recently bought 220,000 shares of Khang Dien House Trading and Investment JSC (KDH).

It is a newbie in the Vietnamese capital market, established at the end of August this year. The fund is owned by CTBC Investments, one of the leading asset management companies in Taiwan. Dragon Capital is the advisor for this new fund. Its committed capital is VND3.7 trillion (US$160 million).

Dragon Capital said it would support CTBC Vietnam Equity Fund to build a portfolio of Vietnamese listed stocks, providing ongoing research and recommendations on stocks. The fund targets to invest in companies listed on HoSE, HNX with potential growth, besides fund certificates.

CTBC Investments is a member of CTBC Financial Holdings, founded by the Koo family, one of the most powerful families in Taiwan. CTBC Financial Holdings is one of the leading financial groups in Taiwan managing eight business segments including banking, securities and venture capital.

By the end of 2019, CTBC Financial Holdings had total assets of more than $207 billion. Some major shareholders of this unit are Singapore GIC Investment Fund, BlackRock Fund Advisor, Fubon Life Insurance, The Vanguard Group and Norges Bank.

Norges Bank is Norway's central bank which has invested $500 million in dozens of blue-chip stocks on the Vietnamese market such as dairy firm Vinamilk (VNM), PetroVietnam Fertiliser and Chemicals Coporation (DPM), steelmaker Hoa Phat Group (HPG) and FPT Corporation (FPT), since 2013. However, Norges Bank always kept the ownership rate of no more than 3% in all stocks. Dragon Capital is also the portfolio manager of Norges Bank in Vietnam.

Another branch of CTBC Financial Holdings, which has been present in Viet Nam since 2002, is CTBC Bank. It is located in HCM City with an operating term of 99 years.

In January this year, Tianhong Asset Management, an investment fund owned by Ant Financial - in which Chinese e-commerce giant Alibaba owns 51% - launched a domestic investment fund named China QDII to invest in the Vietnamese stock market.

During the IPO, the fund raised 200 million yuan ($29 million).

Tianhong AM manages 48 member funds, investing in big data and AI. Ant Financial has been expanding into Asian and European markets. Some of its big deals included the acquirement of helloPay and investment in Paytm.

In Viet Nam, Tianhong AM is reported to have bought eMonkey e-wallet owned by M-Pay, with a holding rate of over 50%.

Long-term growth

Market analysts said that China is on track to overtake the US to become the world's largest foreign investor.

The disruption in the market because of COVID-19 has prompted funds to pour capital into Chinese stocks and investment funds. Accordingly, raising capital and setting up a new fund are easier.

Shenzhen PaiPaiWang Investment & Management data shows that in July this year, the number of newly opened funds increased to 1,500 funds, higher than the total number of 1,217 in the first 6 months.

New capital inflows could give a boost to domestic and neighbouring stock markets outside of China including Viet Nam.

CTBC Vietnam Equity Fund focuses on Viet Nam's high economic growth opportunities in the future, selecting leading companies with potential for profit growth. That is the reason why no single stock accounts for more than 10% of the fund's portfolio.

In Viet Nam, the fund targets fast-growing industries such as domestic consumption, finance and real estate. Meanwhile, Tianhong Asset Management Fund seeks to invest in businesses, start-ups in the e-payment ecosystem, e-commerce, distribution, retail and logistics.

According to SSI Securities Incorporation, the control over COVID-19 as well as the effectiveness of stimulus measures by the Vietnamese Government play a decisive role in market sentiment.

This is still the main factor that governs the movements of capital inflow into Viet Nam's stock market in the future, SSI said. — VNS

FTAs help attract more foreign investors to Vietnam

Free trade agreements (FTAs) that Vietnam has signed with its partners have been an important factor attracting foreign investments to the country.

In the first eight months of 2020, Vietnam attracted 19.5 billion USD in foreign direct investment (FDI), down 13.7% year-on-year.

There were 1,797 new FDI projects licensed, with registered capital totalling 9.73 billion USD, down 25.3% in project numbers but up 6.6% in value compared to the same period last year.

The increase in value showed that new-generation investment attraction policies have proved effective despite negative impact of the COVID-19 pandemic.

Chairman of the European Chamber of Commerce in Vietnam Nicolas Audier said that FTAs that Vietnam signed with Japan, the European Union and the Eurasian Economic Union are helpful for Vietnam's FDI attraction.

In addition, the Vietnamese Government's rapid response and measures to help enterprises deal with difficulties caused by the pandemic have helped raise foreign investors' confidence in the country's business climate.

The EuroCham Business Climate Index increased from 27% in the first quarter to 34% in April and has remained stable until now. The BCI, which was released in July, also found that more than 25% of European enterprises had benefitted from the Government's postponement of tax, while around one-in-five had benefitted from a reduction in rent and a suspension of social insurance contributions.

Experts said that Vietnam will welcome big investment flows from the EU and Japan.

According to the Japan External Trade Organisation, the Japanese Government increased the value of an economic support package to 2.2 billion USD, which is expected to speed up its businesses' shifting of investments from China to ASEAN, particularly Vietnam. Currently, around 3,500 Japanese businesses have demand of investing or expanding production in the country.

Jacques Morisset, World Bank Lead Economist and Programme Leader for Vietnam, said he himself and many governments and multinationals believe that the pandemic crisis gives an opportunity for Vietnam to attract more foreign investors.

"A perception that many multinationals will need to diversify because of the crisis, and Vietnam is clearly a country that can host more FDI, so that would be the first opportunity," he added.

The WB said in its recent report that competitive production costs, a convenient position in Southeast Asia, strong economic efficiency and increasing domestic consumption are Vietnam's advantages to lure more foreign investments.

The bank's 2020 Doing Business report, meanwhile, ranked Vietnam 70th out of 190 economies based on two main factors: improved access to credit information through data distribution from retailers and upgraded information technology infrastructure that makes paying taxes easier for most businesses.

To attract new flows of investment, Vietnamese localities are exerting efforts to upgrade infrastructure to create the most favourable conditions for foreign investors./. VNA

Apple supplier Pegatron to invest $1 bln in Vietnam

Pegatron, a supplier for Apple, Microsoft, and Sony, plans to invest $1 billion in an electronics manufacturing plant in northern Vietnam. The Taiwanese company will invest $19 million in the first phase at the Dinh Vu Industrial Zone in Hai Phong City to produce computing, communications, and consumer electronics, according to a recent report by the Ministry of Planning and Investment submitted to Prime Minister Nguyen Xuan Phuc. It has received licenses for this and is seeking licenses for the $481-million second phase.

The two phases will create 22,500 direct jobs and contribute around VND100 billion ($4.3 million) annually to the government's coffers. Pegatron would invest another $500 million in the plant in 2026-2027. It seeks to move its research and development center from China to Vietnam at a suitable time.

The ministry said it is working with another Taiwanese company, Universal Global Technology, which produces smartphones and earbuds parts for Lenovo and Sony, to set up a manufacturing plant in Vietnam. The company, a subsidiary of semiconductor maker ASE Technology Holding, is considering investing $400 million in two phases.

These are among major companies seeking to shift production facilities from China to Vietnam as they seek to diversify their supply chains following the huge disruptions caused by the Covid-19 pandemic and trade tensions between China and the U.S.

Apple has begun making its wireless earbuds AirPods Pro in Vietnam, and its contract manufacturer Foxconn said in June that Vietnam was its largest manufacturing hub in Southeast Asia.

Fifteen Japanese companies, most producers of medical equipment and electronic components, registered in July to move their production from China to Vietnam under a Japanese government-funded scheme.

Nissan ends partnership with current Vietnam distributor

Japanese carmaker Nissan has announced it will officially cut ties with its current distributor in Vietnam, Tan Chong, at the end of September.

Both sides said they will part ways on September 30, ending all their partnerships in the production and distribution of Nissan vehicles for the Vietnamese market.

Before ending ties with Malaysian-owned Tan Chong Motor Holdings, the automaker put Nissan X-Trail and Sunny models on clearance discount to try and sell its remaining inventory of vehicles assembled in Da Nang City.

Tan Chong, a multinational corporation based in Malaysia, is not only the official distributor of Nissan in Malaysia and Vietnam, but also in Laos, Cambodia, and Myanmar.

Back to top

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