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Highlight

Vingroup app to digitise 300,000 vietnamese mom-and-pop shops

VIETNAM BUSINESS REVIEW

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What's in it today?

FINANCE

Local stocks dragged by profit-making attempts

Vietnamese shares declined on Tuesday as selling mounted and hit local stocks across a wide range.

The benchmark VN-Index on the Hồ Chí Minh Stock Exchange could not hold onto the resistance of 950 points, ending down 0.46% to 946.47 points.

Sugar is packaged at a factory of Thành Thành Công-Biên Hòa JSC (HoSE: SBT). The company shares dipped 5.7% on Tuesday

The index gained as much as 0.41% during the day. It lost 1.09% on Monday after having risen total 4.62% since October 9.

The large-cap, mid-cap and small-cap trackers all declined on Tuesday. The losses were recorded between 0.45% and 1.07%.

In the large-cap basket VN30, 16 of the 30 largest stocks by market capitalisation and trading liquidity were taken down while seven increased.

Among large-cap decliners were Sacombank (STB), sugar company Thành Thành Công-Biên Hòa JSC (SBT), Military Bank (MBB), mall operator Vincom Retail (VRE), SSI Securities (SSI) and tech group FPT Corp (FPT).

These large-cap stocks were down between 1.3% and 5.7%.

Brokerage, mining and energy, technology, consumer, and banking were among the key sectors that suffered on Tuesday.

The VN-Index fell for a second day with large-cap stocks struggling as they were hit by strong profit taking, Thành Công Securities Co (TCSC) said in its daily report.

"Investors were still calm and not panicked despite profit taking rising gradually, proven by high trading liquidity recorded in the day," the company said.

Nearly 456 million shares were traded on Tuesday, worth VNĐ8.73 trillion (US$377.5 million).

"Though the market sentiment is still positive, more investors are becoming more cautious with the market rally," and they tend to sit back to watch how the market moves before making decisions, TCSC said.

"The market could move by five points around 940 points in the coming days to find its short-term balance," the firm forecast.

On the Ha Noi Stock Exchange, the HNX-Index dropped 1.37% to 137.13 points.

The northern market index plunged 1.88% on Monday.

The HNX-Index had gained a total of 4.27% between October 12 and October 23.

More than 56 million shares were traded on the northern market, worth more than VNĐ790 billion.

Foreign investors net sold a total of 168.7 billion worth of local assets.

The figure was down nearly 60% in value compared to Monday. — VNS

Becamex IJC to offer 80 million shares for sale

Becamex Infrastructure Development JSC (Becamex IJC) will sell 80 million shares in a public offering deal to increase charter capital.

The company expects to raise at least VNĐ800 billion (US$34.5 million) from the share sale, which will take place at the Hồ Chí Minh Stock Exchange. Each share is worth at least VNĐ10,000 ($0.43).

The initial price of the auction is the share’s book value recorded in the latest financial report or the average 30-day share price prior to the notice of public offering.

The offering date has not been decided yet.

The income raised from the share sale will be spent increasing capital and investment for the firm’s projects.

The company said in a statement that the capital hike would help cut capital costs, improve the working competency, and increase its earnings to meet the full-year targets.

Becamex IJC’s shares, listed on the Hồ Chí Minh Stock Exchange as IJC, fell 1.6% to end Monday at VNĐ12,300 apiece.

In early 2017, Becamex IJC halved its charter capital, a move that was rarely seen among local companies.

The firm bought back 50% of total outstanding shares from shareholders for VNĐ10,000 apiece in early 2017. The company's shares listed on HoSE as IJC were trading close to VNĐ8,500 apiece.

Funding for the share buyback was the firm’s income from selling assets at affiliates. After the share buyback, Becamex IJC cut its capital by half to VNĐ1.37 trillion.

Becamex IJC is a member of the Investment and Industrial Development Joint Stock Corporation (Becamex, HoSE: BCM). Becamex has a 78.8% stake at its affiliate. — VNS

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E-COMMERCE

Vietnam's e-commerce market tipped to grow second half of the year

In case the Covid-19 pandemic continues to pose major risks to the economy in the final quarter of 2020, Vietnam's e-commerce market could be severely impacted, seeing a revenue loss of US$2.6 billion from the previous estimate to US$11 billion this year, according to a report from the Ministry of Industry and Trade (MoIT).

Such a figure would indicate a revenue growth rate of 13% year-on-year, stated the MoIT.

In a more positive scenario, the MoIT expected revenue from e-commerce activities to expand by 20% year-on-year in the fourth quarter, resulting in a combined revenue of US$12 billion for 2020.

In 2019, revenue from online sales of business-to-consumer e-commerce, known as B2C e-commerce, stood at US$10.08 billion, accounting for 4.9% of total goods retail sales and services revenue, while the rate of the population shopping online reached 42%.

This led to the e-commerce revenue projection of US$13.6 billion in 2020. However, the Covid-19 pandemic has dealt a major blow to the forecast. During the first four months of 2020, 57% of firms operating in the e-commerce market saw their revenue grow less than 30% year-on-year while 24% reported an increase of at least 51% in revenue.

Revenue growth in e-commerce in the January – June period was estimated to decrease by 6 percentage points year-on-year, despite a 25% surge in the number of transactions.

In May, the government released a national plan for the development of e-commerce by 2025, which targets revenue from B2C e-commerce to reach US$35 billion, or a growth rate of 25% per annum and to account for 10% of total goods retail sales and service revenue.

Meanwhile, the government expects the rate of the population using related services, including non-cash payment services, at 50%, and through intermediary payment services at 80%, along with 55% of the population to shop online with average spending of US$600 annually by that time.

Notably, Hanoi and Ho Chi Minh City would make up half of e-commerce revenues in the next five years.

Vietnam's mobile advertising market expected to reach $211m in 2020

The mobile advertising market in Vietnam is expected to reach US$211 million by the end of this year, according to Appota Group.

The report said Vietnam ranks 6th in Southeast Asia in terms of mobile ad spending and accounts for the largest share of the digital industry.

Due to COVID-19, the increasing trend of users using the internet means businesses are choosing digital advertising and promotions in response to the pandemic. Of which, mobile advertising accounts for more than 60% of total digital ad spending.

Also according to the report, 47% of surveyed businesses said they increased their budgets for digital media channels, 31% of businesses increased their promotion budgets, 28% focused more on selling on online channels, and only 25% changed their logistics system.

Under the pandemic, the general advertising trend has become digital-focused as digital consumption skyrocketed. Average downloads per app in Vietnam reached 256,290, which was significantly higher than the global average of 154,794 downloads per app.

In Vietnam, the cost-per-install (CPI) rate is relatively inexpensive and has shown a declining trend. Even with the effects of COVID-19, app usage and downloads have still been rising sharply. For developers, this is the golden period to launch their mobile applications and reach Vietnamese app users.

Reward videos is also a popular advertising format in the COVID-19 era, especially for game apps on Android. Advertising for businesses is also driven by conversion rates as businesses focus more on generating revenue as fast as possible to make up for financial damage caused by the pandemic.

Developers today are discovering and defining new ways to make integrated video ad formats even more appealing. At the forefront of this advertising shift is the reward video ad. Reward videos have been adapted and designed to be related to the economy in the app. Specifically users will be rewarded with premium content such as coins or credits after they watch a short video clip.

According to the Appota report, the effective cost per mile (eCPM) worldwide fell sharply in March due to the impact of the pandemic. Although Vietnam shared this trend, the eCPM of the Android reward video format has been quickly recovered since April while eCPM on iOS fell from $2.7 to $2.27 in May, its lowest level in the first half of 2020.

The factors driving the rapid recovery of eCPM on Android was because users play games on the Android platform more than iOS. Reward video is also especially suitable for gamers due to the ability to redeem in-game rewards. This type of ad can bring a lot of benefits to developers in terms of user engagement, ensuring an increase in click-through rate (CTR) and more eCPM.

The report also revealed that the number of visits to news sites increased dramatically in the first quarter of 2020 because Vietnamese people are regularly updated with news related to COVID-19 at the time of the pandemic. Specifically, in the first quarter of 2020 compared to the fourth quarter of 2019, general news sites increase from 28 to 44% of visits, and financial enterprise news sites increase 39% of visits.

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ENERGY

Investors heap pressure on Vietnam's Vung Ang 2 coal power project

Investors with assets totalling $3.6 trillion are writing to sponsors and financiers to urge them withdraw from Vietnam's Vung Ang 2 coal power station project, which they say is incompatible with Paris agreement goals on reducing emissions.

The action highlights a shift in strategy among shareholders concerned about the impact of climate change from selling their shares in coal mining and power companies to pressuring banks and contractors involved in projects.

The letter being sent to the Vung Ang consortium on Thursday has been written by Nordea Asset Management's head of responsible investment Eric Pedersen, and backed by other investors including the Church of Sweden and Brunel Pension Partnership.

"Vung Ang 2 is fast becoming the prime exhibit in the case against companies taking on irresponsible transition risk on coal plants, not to mention the obvious conflict with the commitments of those same companies to align with the Paris agreement," Pedersen said in a statement on Wednesday.

Nordea said it holds shares worth nearly 400 million euros ($474 million) in the publicly listed members of the consortium building the project. Other members of the investor group did not outline their specific exposure.

The 1.2 gigawatt Vung Ang project, one of a number of coal power stations under construction in Southeast Asia, is being built to meet Vietnam's surging demand for power, with the support of the Japanese and Vietnamese governments.

The letter is being sent to all sponsors, financiers and contractors involved in the project, according to the statement.

They include Mitsubishi Corp 8058.T, Korea Electric Power 015760.KS, Japan Bank for International Cooperation [JBIC.UL], Mizuho Financial Group 8411.T, Mitsubishi UFJ Financial Group 8306.T and Sumitomo Mitsui Financial Group 8316.T.

The banks and companies within the consortium declined to comment when contacted by Reuters. Japanese banks have recently tightened lending criteria to coal projects. Reuters

Largest solar plant in Southeast Asia begins operating in Vietnam

The largest solar farm in Southeast Asia has been commissioned in Vietnam's central province of Ninh Thuan. The 450 megawatt Trung Nam Thuan Nam Solar Power Plant, which spreads over an area of nearly 560 hectares in Thuan Nam District, went on stream on Monday evening, 102 days after construction began in mid-May.

Built by Ho Chi Minh City-based energy firm Trungnam Group at a cost of VND12 trillion ($518 million), it has a plant that can produce over one billion kilowatt-hours of electricity a year and a 17-kilometer transmission line to connect it with the grid.

This is the first time a private company has been allowed to install a transmission line, a preserve thus far of state-owned utility Vietnam Electricity (EVN).

Laying transmission lines has become a critical task since the rising number of renewable energy plants is overloading existing ones.

Trungnam has added a total of 1,064 megawatts capacity to the national grid comprising of hydropower and solar and wind power. It plans to have a renewable output of 10,000 MW by 2027.

The Ministry of Industry and Trade is drafting a national power development plan for the next decade with a 80 GW addition to the generation capacity of which 37.5% will come from wind and solar power.

Vietnam needs over $133 billion over the next decade for building new power plants and expanding the grid to fully meet its surging demand for electricity.

German firm hopes to build $1.5 bln offshore wind farm in Vietnam

Binh Dinh Province has given approval to a German company to study the possibility of building the country's second offshore wind power plant. PNG AG will carry out a year-long study for a $1.5-billion wind power plant in the districts of Phu Cat and Phu My.

The company, which has over 20 years of experience in renewable energy, had earlier proposed building a 500-700-MW power plant in the province, its first project in the country.

The first offshore wind power plant, the 99MW Bac Lieu Wind Power Project in the southern province of the same name, went on stream in 2016. It is expected that in 2021-30, for which period the national plan is being drafted, the country will need 30 GW of wind and solar power.

There are 11 wind farms in the country with a total capacity of 429 MW, according to Vietnam Electricity (EVN).

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RETAIL

Vingroup app to digitise 300,000 vietnamese mom-and-pop shops

Vietnam's biggest conglomerate, Vingroup, has recently launched a mobile app for mom and pop retail stores, helping to digitize a traditional business that has been upended by modern convenience stores such as 7-Eleven.

Vingroup announced Monday that its VinShop app is used by 20,000 small shops in Hanoi and Ho Chi Minh City. Those stores, called tap hoa, are typically family-run and sell sundries. Shopkeepers use the app to order hundreds of items from suppliers, eliminating the need to contact them individually. They also use it to connect to another Vingroup app, VinID, used by 10 million retail shoppers to make payments.

VinShop began building its retail network in July, aiming to connect manufacturers and shops through the app, which includes purchase and distribution functions. "VinShop's revenue will be based on a targeted advertising platform, financial services offerings and market development for suppliers," Truong Quynh Phuong, business director at Vingroup's logistics arm, One Mount Group, said last Wednesday.

Tiny brick-and-mortar shops have long underpinned Vietnam's "sachet economy," an allusion to the common practice of selling single-use packets of many daily consumables, such as shampoo and coffee.

Small shops face growing competition from 7-Eleven, Ministop, B's Mart, and even Vinmart+, the chain of convenience stores launched by Vingroup now run by local consumer goods giant Masan following a merger in December. Sales at the major chains reached $170 million in 2019, about four times as much money as traditional shops took in, according to a July report from Deloitte, a consultancy.

The VinShop app is the latest addition to the suite of Vingroup brands, from VinFast cars to VinSmart phones, as the company founded by Vietnam's richest man, Pham Nhat Vuong, turns its focus to technology and manufacturing.

Vingroup says its app will raise the income of small shops, which it calls grocery stores, by $432 a month on average by making their operations more efficient and cutting costs.

"This solution is expected to improve the efficiency of the entire supply chain, and help overcome the current weaknesses in the distribution of products from manufacturers to grocery stores," the company says.

National and international convenience store chains have become hangouts for young Vietnamese, who gather to sip juice and slurp instant noodles. Traditional shops, by contrast tend to be windowless rooms that are often attached to owners' homes, and piled high with things like chips, bottled water and laundry detergent.

"For many rural consumers and lower-income urban consumer segments, who need to budget daily for food and make purchases in small quantities, traditional grocery retailers, such as local markets and mom and pop shops, are a convenient and affordable alternative to modern trade outlets," according to the Deloitte report.

Consumption has dropped across the board during the novel coronavirus pandemic, which has left Vietnamese reluctant to go out, said Infocus Mekong Research. In its July survey of shoppers, 36% said they would visit convenience stores less often, even after the pandemic ends, versus 22% who said they would shop more often.

Similar efforts to modernize traditional shops through technology are taking off elsewhere in Southeast Asia. In Indonesia, startups BukuWarung and BukuKas have raised millions of dollars for similar smartphone apps.

Vietnam fashion house Icon Denim to expand abroad

ICON DENIM Co., Ltd. officially launched its first store at 12-12 Bis Cach Mang Thang 8 Street, Ben Thanh Ward, District 1, Ho Chi Minh City.

ICON DENIM brand was established in 2017, with the desire to bring the brand fashion closer to Vietnamese men. After 2019, ICON DENIM opened 3 large Flagship stores (showrooms) located in the front of the central districts: such as the store at Cach Mang Thang Tam Street – the junction of Phu Dong near New World Hotel, store at Su Van Hanh street – the busiest entertainment street for young people, store at Le Van Sy – the biggest fashion street in the city. The floor square of Flagship stores is from 150m2 to more than 200m2 to create a spacious and comfortable shopping area for customers. Founders of ICON DENIM Mr.

Aiming at the mid-range segment, ICON DENIM focuses on the "real value" of products, targeting customers who tend to shop for brands whose product prices are equivalent to the actual quality of goods. The models are diverse and are always in tune with world fashion trends.

The company has ambition to create "real value" products in designing beautiful, trendy and diversified products; create high-quality, durable to high-end products with reasonable prices and value for money. That is ICON DENIM's strategy in branding in the branded fashion market.

To keep up with market trends, ICON DENIM always researches trend reports and consumer behavior reports of the industry to better understand the fashion needs of customers and listen to customers' opinions.

Since then, ICON DENIM has adjusted and developed its products to follow the market demand. Therefore, each month, this brand launches about 80 to 100 designs that follow the world's trends, corresponding to thousands of products ranging from shirts, pants, accessories etc.

With many years of experiences in the fashion industry and having a unique view on the fashion market, Mr. Tran Dai Duong – CEO of ICON DENIM said that the company is determined to build a men's fashion brand with much diversity and differences in Vietnam.

The year 2020 also witnessed ICON DENIM's efforts to perfect the Manufacturing Process, from design, production to image and display of the store. ICON DENIM always had a methodical process and strict control.

Through a year of challenges and opportunities, ICON DENIM has been striving every day to improve its position in the hearts of customers. In Vietnam, in 2021, the brand will continue to open 4-5 stores in Ho Chi Minh City, and also expand to Hai Phong, Hanoi. The brand is also preparing to set up the first base for development in potential Southeast Asian countries such as Thailand, Cambodia, Singapore etc.

Jewellery chain PNJ retail sales up significantly in first 9 months

Phu Nhuan Jewelry JSC achieved a pre-tax profit of VNĐ642 billion (US$27.6 million) on net revenues of VNĐ11.7 trillion ($504.2 million) in the first nine months of the year.

The retail segment continued to be a growth driver in the third quarter, with its sales rising by 9.5 per year-on-year and accounting for 55.7% of total revenues. Gold bullion sales increased by 19.1% in Q3. Wholesale revenues decreased significantly.

The company said comprehensive optimisation of its retail network helped it achieve positive growth in retail sales through the year has otherwise been made tough by the COVID-19 pandemic.

Lê Trí Thông, its CEO, said PNJ is optimising revenues at each point of sale. The company plans to close stores that are not doing well, mainly those selling silver jewellery and inside shopping malls, and expand independent outlets at prime locations, he said.

Last week the company opened the first PNJ Next store and PNJ Centre in Bình Dương Province.

It has opened 24 of the 31 new stores it plans to open this year and upgraded eight gold jewellery outlets. — VNS

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LOGISTICS

Vietnam Railway Corporation braces for $85 million loss

The Vietnam Railway Corporation (VNR) faces the most difficult period in its history due to the COVID-19 pandemic and flooding in central Viet Nam, according to VNR chairman Vũ Anh Minh.

The corporation expects to record a loss of about VND2 trillion (US$85 million) this year while it gained a profit of VND182 billion in 2019. Its consolidated revenue this year is estimated at VND6.5 billion, just 77% of the figure last year.

According to the VNR report on production and business, in the first nine months of this year, cargo volume was estimated at more than 3.6 million tonnes or 99% of the same period of last year. The railway served about 3 million passengers, a reduction of 54.3% year-on-year. Therefore, its revenue in the first nine months decreased by 34.2% to VND2.27 trillion.

The railway industry faces increasing competition from other means of modern transport such as aviation, while the railway sector is still not modernised, causing the number of passengers using trains to decrease, according to Minh.

VNR's only advantage is its ability to transport passengers on short and medium routes on which airlines have a small number of flights such as Hà Nội-Quảng Bình, Hà Nội-Lào Cai and Sài Gòn-Nha Trang.

To recover, Minh said resuming the industry would depend on the development of the pandemic. In addition, the implementation of the VND7 trillion project package to upgrade the Hà Nội-HCM City railway would reduce its capacity.

The railway industry is unlikely to recover in 2021, according to Minh. It needs at least 3-4 years to recover production and business. The capacity of transporting passenger and cargo could increase after the infrastructure upgrade is completed, then revenue could increase.

This project is expected to finish on June 30, 2021, but this deadline looks likely to be missed. Implementation of this project could be extended by six months, making the VNR lose trillions of đồng of revenue.

Passenger transportation has faced many difficulties so the railway industry has promoted freight transport on domestic or international railway routes from 2019, according to the corporation.

For cross-border routes, VNR’s trains have transported cargo weekly through China, Kazakhstan, Russia and Europe. Besides transporting traditional products such as iron, steel, cement and petroleum, the corporation has opened routes to transport goods containers of Viettel and Vietnam Post.

To attract more customers, the corporation has also offered services to transport frozen goods, and import and export fruits.

However, the corporation has struggled to use standard train cars on the Chinese railway. Therefore, it must transfer goods to other train cars at Bằng Tường Station to transport goods from Vietnam to China and third countries.

Minh said amid the COVID-19 pandemic, freight transport had played a key role despite the low revenue. Freight transportation in the first nine months of this year increased by about 10% year-on-year, of which it surged by 20% in September.

According to Nguyễn Hoàng Thanh, deputy general director of the Railway Transport and Trade Joint Stock Company (Ratraco), trains can transport a large volume of cargo over long distances with high safety. Transport by train takes 18-20 days compared to 40-45 days for marine transport. This is a great competitive advantage, especially for goods that need particular storage conditions and fast delivery times.

At present, the railway industry was seeking new sources of cargo and international routes for transporting cargo, Minh said. However, the warehouse system along the railway line, the ability to collect goods and high loading and unloading costs were barriers for this plan. — VNS

GLP to join Vietnam's warehouse market

GLP, Asia's biggest warehouse operator, is planning to cooperate with Vietnam's SEA Logistic Partners, or SLP, in a 1.5 billion USD new venture, reported Nikkei Asia Review.

GLP, Asia's biggest warehouse operator, is coming to Vietnam

GLP is registered in Singapore, managing 64 million square metres of logistics real estate spanning 16 countries.

It is planning to develop a total of 335,000 square metres of land around Hanoi and HCM City. These will be GLP's first warehouses in Southeast Asia.

Vietnam has become attractive due to its ability to tame the spread of COVID-19 and keep its economy mostly open this year, according to Nikkei Asia Review.

Vietnam has a population of 100 million and also an emerging online market.

The Vietnam E-commerce Association forecast the country's online market to grow more than 30 percent this year, surpassing 15 billion USD, in part because of the pandemic. SLP and GLP expect the growth to create more warehousing demand.

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INVESTMENT

Apple's shifting supply chain creates boomtowns in rural Vietnam

Not long ago Vietnam's Bac Giang province was one of the nation's poorest regions, known for producing rice, lychees and poultry dubbed "running chicken." That was before the global tech supply chain shifted its way.

Workers make their way to the factories in Van Trung Industrial Park in Bac Giang Province

Now officials in the rural area north of Hanoi host representatives from Apple Inc. and Hon Hai Precision Industry Co. The growth in foreign investment is almost doubling every year -- even during the coronavirus pandemic -- and the province forecasts the value of exports this year will reach $11 billion, a tenfold leap in six years. Residents have swapped loud, dirty motorbikes for new Honda two-wheelers while others drive Toyota SUVs and Mercedes sedans on freshly paved roads.

The boom in Bac Giang highlights how the shift in the world's supply chains is touching regions previously left behind. Vietnam's ability to attract more sophisticated manufacturing is accelerating with rising Chinese labor costs, the U.S.-China trade war and logistics vulnerabilities amid the epidemic, which the nation's Communist leaders have so far successfully curtailed.

During the decades after the Vietnam War as the country opened its borders to foreign investors and trade, Bac Giang remained poor. Its 2010 per capita income was $650, about half that of the nation overall, according to government statistics. The region's flood-prone plains produced low-yielding crops, so its residents looked for factory jobs some 1,700 kilometers from home in the south. Now the province is experiencing its first boom as per capita income is forecast at $3,000 this year.

Manufacturers are knocking on the doors of Vietnam's northern provinces and committing billions of dollars to set up operations, including Samsung Electronics Co., where it is producing about half its smartphones. Apple assembly partner Pegatron Corp. plans to invest $1 billion in the northern port city of Haiphong, local media reported, following moves to Vietnam of other suppliers for the Cupertino, California company. Apple recently posted Vietnam job openings, including for a mechanical quality engineer, and managers for supply chain operations and government relations.

Apple Partner Pegatron to Set Up Production in Vietnam

Vietnam's success, though, is creating a swelling trade surplus with the U.S., its largest export market, reaching $34.8 billion by July. Driven in part by device shipments, the imbalance triggered tariff threats.

U.S. Trade Representative Robert Lighthizer announced an investigation into Vietnam's currency policy earlier this month.

For now, investments from electronics suppliers continue pouring in as other sectors struggle amid the pandemic. The country's tourism revenue has been slashed by about 50% and garment and other factories are laying off tens of thousands of workers as exports in the trade-dependent economy stall. Economic growth is forecast to slow to 2%-3% in 2020 from last year's 7.02%, though the government expects a recovery to 6%-7% between 2021 and 2025.

Vietnam's low costs, political stability, investor-friendly policies, improving infrastructure and state-backed efforts to promote tech startups make the country appealing, said Gene Tyndall, a supply chain expert at Atlanta-based eMATE Consulting.

Cows, Factories

In the heart of Bac Giang, where cows still roam the streets, a six-lane thoroughfare now replaces a one-lane road. Almost two dozen industrial parks for factories are proposed as pile drivers and cranes dot the landscape. The local economy expanded by 10.9% in the first nine months of 2020 from a year earlier compared with 2.12% growth for the entire country during the same period.

The government is building a river port for transporting parts and, at Apple's request, provided land for workers' housing near the 16-hectare complex of Luxshare Precision Industry Co., the world's biggest manufacturer of AirPods, Luong said.

Bac Giang has nearly full employment, with residents of nearby provinces rushing in to chase the electronics gold rush at companies such as Luxshare. The Chinese company will hire 20,000 workers in the last four months of the year, bringing the total to 47,000 in his district, Luong said. The company employs 12,000 elsewhere in the province, he said.

Higher Salaries

Electronics assembly line workers can earn an after-tax salary of about $5,500 a year, including overtime and bonuses, more than the nation's average annual salary of less than $3,000, Luong said.

Nguyen Thi Ha, 22, mixed concrete for a construction company before joining an assembly line making 10 million dong ($431) a month. "I used to earn about half of that working under the sun and sometimes in the rain," said Ha, who declined to identify her Taiwanese employer.

Factory workers pack restaurants like Lao Chu Quan, downing pitchers of beer, plates of pork cooked on an outdoor rotisserie and fresh fish hot pot. "They spend freely," said Nguyen Thi Ly, the 26-year-old manager whose family owns a Mazda automobile and five new motorbikes after having "almost nothing" before the factories came. "Our lives have changed, amazingly."

The sudden growth comes with a cost: Electronics assembly lines are high-pressured. Hoang Phuong Duy, 30, participated in a brief September labor strike at Luxshare that was triggered by a change in overtime pay calculation, leading to tense standoffs between workers and supervisors who don't speak Vietnamese.

Duy said the company quickly resolved the dispute to the workers' satisfaction. "It's very hard working on assembly lines," he added. "We always have to be very fast with an intense concentration while working long hours."

Vietnam's challenge going forward is to ensure that education improves so the country can avoid the "middle-income trap" once factories leave as costs eventually rise and pivot to a high-skilled economy, said Scott Rozelle, a Stanford University development economist.

A high-quality education for future generations is the dream of Bac Giang residents such as boarding house owner Lanh, who as a child harvested rice from a "basket boat" on flooded fields where factories now rise up. Bloomberg

Suzuki mulls assembling passenger cars in Vietnam

Japanese automaker Suzuki is possible to assemble passenger cars in Vietnam in the coming time, a leader of the company says.

Toshiyuki Takahara, general director of Suzuki Vietnam, told local media that the country is a key market for the company and it is considering assembling certain models there.

When selecting a country for establishing a car assembly plant, Suzuki needs to take into consideration the possible sales volume, he said, but did not mention a specific target, saying it was a trade secret.

With its current market share, it is more reason for it to import completely built unit (CBU) cars for local distribution, he added.

Suzuki now assembles light trucks and vans in Vietnam. But all passenger cars, including four- and seven-seater, are imported from Indonesia and Thailand.

Takahara said assembling passenger cars in the country requires huge capital investments in the production line. If the assembling depends on imported components, it would be ineffective because of increasing costs, resulting in higher car prices.

Suzuki's market share in Vietnam has been increasing over the past three years. It sold more than 6,800 vehicles in 2018, accounting for 2.5 percent of the market share. Last year, these numbers increased to 11,780 and 3.9 percent, correspondingly.

The market share of Suzuki brand cars increased to 5.1 percent in the first 9 months of this year.

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