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FINANCE

VIB lists nearly one billion shares on HoSE

Nearly one billion Vietnam International Bank (VIB) shares were listed on the Ho Chi Minh Stock Exchange (HOSE) on Tuesday with the reference price for the first day of trading set at VND32,300 (US$1.4).

Han Ngoc Vu, CEO of VIB (first from left), and representatives from HOS

"It is an important step for VIB to list shares on HOSE and this is also the basis to keep up the dynamic, high-speed and sustainable growth that has been established over the years. The listing will bring optimal value to customers, shareholders, investors and employees, and promote the prosperous development of Vietnam's financial market," said Han Ngoc Vu, CEO of VIB.

VIB is one of the leading commercial banks in the country. The bank has total assets of more than VND230 trillion, total credit of VND160 trillion and equity of more than VND17 trillion. VIB employs nearly 9,000 employees with a network of 165 business units in 27 provinces and cities serving three million customers nationwide.

In the first 10 months of 2020, VIB's pre-tax profit reached VND4.57 trillion, marking an increase of 40% compared to the same period last year and hitting the target set for the whole of 2020.

Accounting for 24% of total revenue, the bank's non-interest income gained VND2.16 trillion in that period. Its non-performing loan (NPL) ratio stood at 1.6%, and the capital adequacy ratio (CAR) Basel II was over 9.5%, higher than the 8% stipulated by the State Bank of Vietnam.

In recent years, VIB has maintained a stable dividend policy with rates from 5-5.5% paid in cash dividends, and bonus share distribution from 20 to over 40%.

In 2020, VIB and other banks have not paid cash dividends to reduce lending interest rates on current outstanding loans and new loans in accordance with Directive 02/CT-NHNN issued by the SBV. — VNS

Cash finds its way to stock market

Margin rates offered by securities companies have been steadily lower since the beginning of the year. They have even declined faster than the rates of bank loans, a trend reinforced by foreign securities players.

In its October update on Vietnam's economic developments, the World Bank (WB) said the country's credit growth continued to stay low in September at only 10.2% year-on-year, significantly lower than the average growth rate of 16.2% in the previous five years. Banks were hesitant to extend credit as the demand for loans among the business community slowed down and risks were higher during the economic downturn, even though the State Bank of Vietnam (SBV) relaxed the conditions for loans in recent months, according to the WB.

In the context of a disrupted supply chain, uncertain markets and stagnant consumer demand, quite a few companies with access to bank capital were not so keen on taking out a loan, while a number of others were not even eligible to borrow in the current situation. Consequently, although the lending rates for the preferred sectors have gone down to 4.5% per year, the real capital flows into production activities have not been able to flourish.

However, drastically declining interest rates over time has prompted money to run into investment channels, not only the idle cash flow but also the sources of capital for loans in the economy. As per the recent financial statements of securities companies, the total outstanding loans, mainly margin loans, on the market as of the end of the third quarter had amounted to some VND66 trillion, a record number for the stock market of Vietnam since its establishment.

Apparently, this cash flow from margin lending not only contributes to a more balanced supply amid the dominant trend of net selling by foreign investors, but also helps the market maintain a positive uptrend after hitting rock bottom in late March. By the end of the third quarter, the 20 largest securities companies had registered a margin lending balance of more than VND57.6 trillion, a rise of 33% from the end of the first quarter and 19% from the second quarter of 2020.

Securities companies in a race

First, it must be admitted that the greater penetration of the group of foreign securities companies has made the competition increasingly fierce among firms across the industry. These movers and shakers, mostly from South Korea, whose major financial resources are from their parent groups, are given access to low-interest loans abroad, especially in the current downpour of cheap money. As a result, margin lending has become an important battleground where the industry players fight for customers.

Therefore, margin rates offered by securities firms have been in a consistent downward trend since the beginning of the year, as foreigners have consecutively launched loan packages with preferential interest rates to entice investors into opening an account.

Which is why it comes as no surprise that foreign securities firms are holding an increasingly significant share of the margin lending market. For example, in Q3, three foreign securities companies appeared in the top 10 in terms of outstanding loans, all of which are Korean, namely Mirae Asset, KIS and KB Securities. In particular, Mirae Asset once again secured their No. 1 position when it comes to outstanding loans with the growth of 13% in the third quarter, to VND9.67 trillion, which is also a new record for the stock market of Vietnam.

Meanwhile, Pinetree Securities, after being acquired by Hanwa in late 2019, has drummed up much attention as the first securities company to adopt a free lifetime transaction policy, in addition to the launch of a margin loan package with an annual interest rate of only 6.8% for two months. The report also shows the company’s outstanding loans by the end of the third quarter had further grown strongly by 59% over the preceding quarter, reaching VND251 billion, making Pinetree the securities company with the highest outstanding loan growth in the market.

The fact that foreign stock brokerage houses are not hesitant to sharply cut their margin rates makes their domestic rivals find it hard to sit still. This October, VCBS, SSI, Viet Capital, FPTS, PHS, among others, joined the race to bring down interest rates, with market leader SSI as a notable case when their rates were considerably reduced from 14% to 11.8% per annum. However, the interest rates of around 12% offered by these companies are just equal to the average level of the market at present. Some securities firms are offering a relatively low margin lending rate of only 9-10% a year, such as Pinetree, AIS, VPS or TVSI. This is equivalent to the lending interest rates banks charge their common customers.

Abundant capital

Notably, while many stock brokerage houses suffered limited financial resources last year as their parent banks had to refrain themselves to meet the inspection requirements from the authorities, they are allocated the normal quota this year. Furthermore, their financial resources have been more and more abundant since the beginning of the year as the parent banks also see their markets stagnate, whereas the constantly falling deposit rates help sharply reduce capital expenditures. Take VPS, a subsidiary of VPBank as an example, which earlier this October launched a credit program with the lowest interest rate in the market today—6.8% per annum for all customers opening new accounts at VPS.

What's more, while foreign securities companies keep hiking their capital to enhance their competitiveness in margin lending, domestic firms have taken the initiative to reinforce their business capital sources through bond issuance. Statistics from the HNX show that securities companies have issued bonds worth more than VND4.4 trillion in the first nine months of 2020.

In addition, the Q3 financial statements of stock brokerage houses reveal a substantial increase in deposits by customers, suggesting that a major amount of capital is waiting for opportunities to flow in following a market correction. Specifically, many of the top 20 securities companies with the greatest margin lending balance also recorded impressive growth of more than 100% in their customer deposits, such as VPS, VCBS or SSI.

Basically, investors' deposits in securities firms are usually from individual investors. Although these deposits enjoy very low demand interest rates, many investors still keep them in their accounts at securities companies, to be able to take them out at any time when there are ideal opportunities.

Apparently, in addition to dropping interest rates when financial resources at securities firms are plentiful, the strong growth of the stock market over the past seven months has also stimulated investors' loans. In turn, margin loans has become an important driving force that boosted the market's uptrend. Yet this also means the risk of correction is building up as the margin lending balance becomes increasingly tense.

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E-COMMERCE

60% of online orders in Vietnam made on social networks

Vietnamese people are shopping on social networks more than on e-commerce websites. The payment methods for goods exchanged on the social networks, however, remains very 'primitive'.

Tiki, Lazada, Shopee and other marketplaces make up 40% of total e-commerce transactions in Vietnam. This information was released at the cooperation agreement signing ceremony between Vietnam's NextTech, a technology firm, and Visa, the payment service provider.

This is an agreement on promoting digital payment methods on social networks.

Nguyen Hoa Binh, a technology expert, said Vietnamese consumers buy goods based on impulse, or fleeting emotions, so the country is a fertile land to develop e-commerce.

The distinctive characteristic of the Vietnamese market is the high number of sellers not officially counted on social networks. The four product items mostly displayed on social networks are functional food, make-up, fashion items, and household products.

Vietnamese people spend seven hours a day accessing the internet, mostly through smartphones. And they mostly use the internet to access social networks. This explains why social networks have become the most effective sale channel.

Citing statistics, Binh said that e-commerce platforms just account for 40% of total online transactions in Vietnam, while the remaining 60% of transactions belong to personal accounts, fanpages and groups on social networks.

This payment methods for goods exchanged on social network are still 'primitive' with COD (cash on delivery) remaining the major method.

In markets such as China, Thailand and Indonesia, COD is not a frequent choice. It is used in only 40% of total e-commerce transactions. Meanwhile, in Vietnam, 90% of transactions are implemented with COD payments, while 10% are with bank transfer.

In Vietnam, most delivery service providers do not collect COD service fees. Many logistics firms consider COD payments as an added service when providing transportation service. Meanwhile, in other markets, COD fees account for 3% of the value of orders.

However, there are disadvantages with the COD payment method: many clients cancel their orders, and capital turnover is slow. The order cancellation rate is 8-10% on average, and it is higher for some specific products and services, at 25-30%.

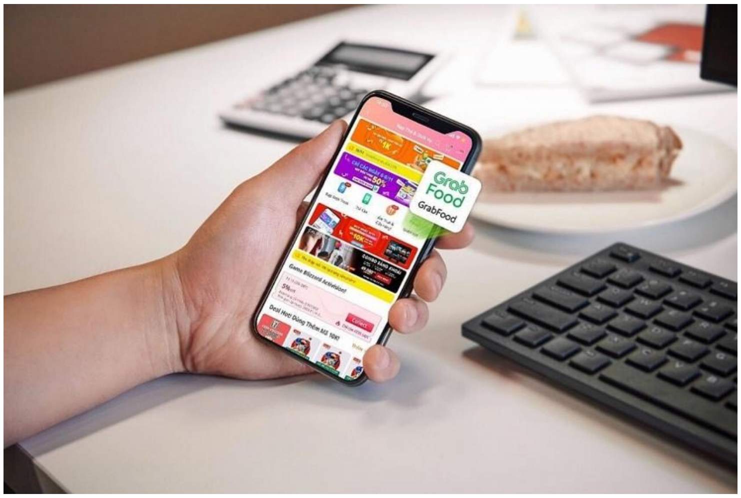
The reason behind the high rate is that Vietnamese change their decisions as they make impulsive purchases.

Orders are canceled also because buyers run out of money when goods arrive, or shippers cannot contact buyers.

Binh believes that the development of digital payment tools in the social network environment will help businesses quickly fix orders, and reduce the order cancellation rate, thereby promoting the development of e-commerce. The service provided by VISA and Nextech allows users to make payments online on social networks.

Grab VN partners with Lazada VN to bring more benefits to consumers

A wide-ranging partnership between Grab Vietnam and Lazada Vietnam will serve the growing digital needs of Vietnamese people and help accelerate the country's digital transformation. Unique experiences will be on offer for customers from 11.11, the annual mega shopping festival.



On November 10, Grab Vietnam and Lazada Vietnam announced a wide-ranging collaboration to provide a seamless digital experience to consumers in Vietnam. This partnership aims to reinforce the two companies' consumer-focused strategies and fulfill Vietnam's growing need for more convenient and smarter digital payment services as part of an effort to promote Vietnam's digital economy.

Under the terms of the partnership, Grab Vietnam and Lazada Vietnam will enhance services across various sectors that offer more sophisticated digital experiences to consumers. As such, starting from November 11, Vietnamese consumers will be able to access GrabFood, Grab's on-demand food delivery, from the homepage of Lazada's app and web page.

By clicking on the GrabFood icon, consumers will be redirected to the Grab app, making shopping to eating a seamless online journey. The reverse experience will also be equally smooth. Grab's users in Vietnam can also easily access Lazada's platform via several links embedded in campaign-based banners and widgets on the Grab app's homepage.

As part of the collaboration, Grab Vietnam and Lazada Vietnam will together create impactful marketing campaigns across touchpoints that are relevant and personalised to customers. The two companies will look to provide users with extended benefits through the GrabRewards catalogue, especially during the peak shopping season. This further underlines the joint efforts to embrace change in consumer trends in order to offer a variety of up-to-date and convenient online transacting options to consumers in Vietnam.

Vietnam sees strong growth in e-commerce: seminar

So heard delegates attending a seminar on commercial transactions on e-commerce floors, held by the Vietnam International Arbitration Centre (VIAC) in collaboration with the Investment and Trade Promotion Centre of Ho Chi Minh City (ITPC) and the Vietnam E-commerce Association (VECOM) in Ho Chi Minh City on November 10.

Nguyen Ngoc Dung, Vice Chairman of VECOM, said that a series of e-trading floors have been formed, creating motivation for businesses and consumers to shop and transact more.

Statistics regarding traffic on e-commerce floors show that the figure is now 150% higher than the same period last year, while the number of customers accessing the floors also grew impressively to about 3.5 million visitors a day.

According to the Vietnam E-Commerce Whitepaper 2020, revenue from B2C e-commerce in Vietnam in 2019 stood at over US$10 billion, accounting for 4.9 % of the total retail sales of consumer goods and services nationwide; in addition to 42% of the population participating in online shopping, a growth rate of 25%.

Vietnam is in the top 3 growth economies regarding e-commerce in Southeast Asia, with trading activities on e-commerce floors being very active, as well as rapidly developing.

Nguyen Tuan, Deputy Director of the ITPC added that thanks to the support of e-commerce, businesses are now more convenient and flexible in their operations, thus helping increase their number of customers and most of all develop their Industry 4.0 technologies.

Instead of doing business using the traditional method, enterprises have gradually divested, focused on building websites and operating their business systems through online tools such as via email and social networks in order to save time and to get better results. This is a good signal, especially as businesses are facing great difficulties due to the COVID-19 epidemic, participants said.

The change in business habits reflects a positive situation in e-commerce activities, while creating a solid premise for the development of e-commerce and online technology in the future, delegates stated.

Lawyer Chau Viet Bac, Deputy General Secretary of VIAC, said that a vital requirement to adapt to the Industrial Revolution 4.0 is to build a strong and safe e-commerce foundation. Along with that, it is necessary to control and effectively limit the causes of disputes and risks when performing transactions on e-commerce floors, laying the foundation to promoting sustainable e-commerce transactions.

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ENERGY

Renewable energy sector may reach $714 billion

The value of the Vietnamese renewable energy sector may reach US$714 billion and it may keep developing for at least 25 years, Vietinbank Securities JSC said in a report.

The value of the solar and wind power sub-sectors may be up to $280 billion and $434 billion, respectively, the company said.

The industry has room for development, Vietinbank Securities (VietinbankSC) said, adding that power production is projected to grow strongly in the next 25 years and account for 30.8% of national power output in 2045.

At the moment, renewable energy accounts for 12% of the total output.

The cost of production recorded by renewable energy plants is decreasing sharply, especially solar farms, allowing companies in the industry to compete with oil and gas-used power producers, the company said.

VietinbankSC said the renewable energy sector would be a potential investment target for construction firms, power distributors and banks.

“The renewable energy sector will grow at an annual rate of 20% in the next 10 years, doubling the power sector’s average growth rate of 9%,” the company forecast.

In 2020-30, the value of the solar power market will grow 12.8% each year and that of the wind power market will increase by 34.2% each year.

“The main reason behind such a fast growth rate is the Government’s attempts to become less dependent on thermal and coal power, switching to solar and wind power,” VietibankSC said.

“Renewable energy production may surpass coal power output in 2030,” the company projected.

Vietnam is on course to face the shortage of power in the coming years. Meanwhile, the slow implementation of thermal power projects will affect the supply in the short term.

Therefore, the demand for solar and wind power will increase as those projects are time-saving and cost-saving.

“We believe the Government will give priority to the renewable energy sector to support the country’s socio-economic development amid the coming shortage of power supply,” the brokerage firm said.

“Power consumption will rise by 10.5% on average each year from 2020 to 2030. The shortage of power will peak in 2023 but decline gradually when large suppliers come into operation.”

Listed companies involved in the renewable energy sector have seen their shares leap in recent months.

Bamboo Capital JSC shares (HoSE: BCG) have soared nearly 40% in the last three months to VND7,890 (US$0.34) apiece on Thursday.

Sao Mai Group shares (HoSE: ASM) gained as much as 110% in more than two months to VND10,250 apiece in early October before sliding to VND9,140 on Thursday. VNS

Wind power projects to be considered under new plan

The Ministry of Industry and Trade has decided to stop incorporating new wind power projects in the national electricity plan for 2015-20.

Many new projects had been proposed, but then a new national power development plan (also called power development master plan 8) for the 2021-30 with a vision to 2045 is almost complete and ready for submission to the Government for approval.

The ministry has therefore asked cities and provinces soon to make a list of their proposed projects and submit it for the Government’s consideration if they want them added to the power development master plan 8.

The Government’s numerous incentives to encourage wind power development have been a magnet for investment in this energy segment.

As a result, since 2018 the industry ministry has received several proposals for projects with a combined capacity of 50,000 MW.

It forecasts electricity consumption to increase by around 8% annually between 2021 and 2030.

Output is expected to reach 138,000 MW by 2030, with 27% coming from coal-fired plants, 19% from oil-fired fuels, 18% from hydropower, 28% from wind and solar power, and the remainder from other sources including imports.

The power development master plan 8 seeks not only to meet the country’s electricity demand but also create a strong association between Vietnam and other countries in the region to create a competitive power market. — VNS

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RETAIL

Vietnam retail sales up despite absence of tourists due to Covid

Asia is currently going through widespread economic and business disruptions caused by the outbreak of the coronavirus (COVID-19), which originated in Wuhan, Hubei province in China, and the stringent government measures to contain it, threatening to stall the economic growth of major markets in Asia. Reason enough for Fung Business Intelligence, the knowledge bank and think tank for Hong Kong-based multinational Fung Group, to analyze the impact of the coronavirus disease on Asia's retail markets, with a focus on department stores and the duty-free sectors. The resulting report "Impact of Coronavirus Disease on Asia's Retail and travel-related Sectors" also looks at the coronavirus's impact on the tourism industry in Asia.

Fung Retail Intelligence believes that the current COVID-19 outbreak could have a deeper impact on Asian economies and their respective retail and travel-related markets compared to the SARS epidemic in 2002-03 given that there are now more Asian countries with increased economic ties to China – for instance, China is now the largest export country for Vietnam, Singapore, Japan, South Korea, Malaysia and others. "As these countries become more reliant on Chinese demand as a source of growth, dampened consumer demand from China, along with supply chain disruptions on the production side, will have a significant impact on their economies," cautions the report.

Add to that the fact that Chinese tourists remain the biggest spenders of all international travelers, thus their absence, following the Chinese government's ban on all outbound group travel after the Chinese New Year (from 27th January 2020) to contain the spread of the disease, comes as a tough blow to the retail and travel-related sectors in many Asian countries, of which the fashion and luxury industries are a part. "The outbreak also reveals how dependent retail businesses – especially department stores and travel retailers – are on visitors from China," finds the report.

However, Fung Business Intelligence remains positive and points to four important reasons why Asia is now better geared to handle the current crisis than almost two decades ago when SARS 2002-03 struck: "The difference for Asia, now, is that its economic fundamentals are more robust, its technology more advanced, its services more diverse, and its consumers more resilient. For these and other reasons including a raft of initiatives launched by local governments and relevant parties to support businesses, we believe the COVID-19 outbreak is not likely to cause long-term effects on Asia's retail and travel-related markets.

As of 18th February 2020, there are now more than 73,000 confirmed coronavirus cases, with a majority (more than 72,600) in China, followed by Japan (more than 500 including cases on the Diamond Princess cruise ship) and Singapore (more than 80). Other cases have been confirmed in Hong Kong, Thailand, South Korea, Malaysia, Taiwan, Vietnam, Australia, India and the Philippines. Thus, many people are calling off travel plans over coronavirus fears and hassles over the currently imposed travel bans and quarantine requirements.

According to the Economist Intelligence Unit (EIU), this means that Chinese outbound tourism is unlikely to recover to pre-coronavirus levels until the second quarter of 2021 and the coronavirus outbreak is expected to cost the global tourism industry about 80 billion US dollars (about 60 billion pounds) in lost revenue, with key players in the market probably taking more than a year to recover.

ASEAN countries will suffer the most as they are all among the top 20 destinations for Chinese outbound tourists, continues the EIU, estimating that visitors from China will decrease sharply by 30 – 40% this year, resulting in a loss in tourism revenue of 7 billion US dollars (about 5.4 billion pounds) in the region. Especially Japan has felt the pinch, where Chinese tourists represent 30% of all foreign visitors, and spent 16.2 billion US dollars (12.55 billion pounds) in Japan last year.

According to the Singapore Tourism Board, China is the city's largest tourist source and Singapore is thus expected to see a drop in tourism arrivals of up to 30% compared to last year, representing a daily loss of 18,000- 20,000 foreign tourist arrivals. In Thailand, this number even dropped by 86.5% in the first week of February and is expected to plummet to 50% in the first half of 2020 according to the Tourism Authority of Thailand, costing the Thai economy 3.05 billion US dollars (2.36 billion pounds) in the first four months of the year alone.

Though the impact on the tourism sector in Europe and the United States is comparatively milder, with Chinese tourists only making up 4% of total foreign visitors, "some European economies are likely to see weakened consumption if there is a sharp decline in Chinese tourists throughout 2020," states the report. In the first half of 2019, Chinese nationals made 3 million visits to European countries, up by 7.4% year-on-year, according to the Chinese Tourism Academy.

In Japan, department stores like Isetan Mitsukoshi, Takashimaya, Sogo & Seibu, and Daimaru Matsuzakaya all have seen a decrease in foreign visitors starting from the Chinese New Year holidays, resulting in a drop in sales. In South Korea, department stores like Lotte, Shinsegae and Hyundai and Lotte and Shilla duty-free stores were temporarily closed due to sterilization efforts. Sales dropped between 11 and 30% during the first weekend in February.

In Singapore, department stores like Honestbee, OG, and BHG Holdings either adjusted their timings or shut their stores temporarily, with the latter seeing sales of its six outlets drop between 40 and 50% since the first case was confirmed in the city on 23th January. Luxury travel retailer DFS announced the closures of its locations T Galleria by DFS in Tsim Sha Tsui East and Hong Kong T Galleria Beauty by DFS from 8th to 29th February.

While the Japanese government announced a limited 96 million US dollar (about 74 million pounds) package of emergency funds on 14th February, the Taiwanese Ministry of Economic Affairs plans to provide financial assistance to domestic retailers and foodservice providers by offering loans, loan extensions and subsidies on interest. The government also considers providing coupons worth 66.1 million US dollars (around 51 million pounds) to be used at night markets, shops and restaurants as a means to boost local consumption once the spread of the virus subsides. In Singapore, the government announced that it has set aside 4.02 billion US dollars (about 3.11 billion pounds) in the coming year to help businesses and households.

The Restaurant Association of Singapore has also asked shopping mall landlords for a rental rebate of 50% from February to April to help the food and beverage industry, which has seen a significant drop in business. Singapore's largest property developer, CapitaLand, has launched a 10- million-Singapore-dollar (7.14 million US dollars or close to 6 million pounds) marketing assistance program to help its retail partners cope. Jewel Changi Airport announced a rental rebate of 50% for its tenants during February and March.

"It is hard to predict when COVID-19 is going to end. Considering the sharp drop in the number of Chinese tourists and the subsequent adverse impact on domestic consumption, we expect major retail markets in Asia to remain under pressure in the first half of 2020. That said, the sound economic fundamentals of these markets, along with a raft of initiatives launched by local governments and relevant parties to support the retail and travel-related sectors during the COVID-19 outbreak, are likely to guide businesses through the tough times and pave the way for recovery," ends the report.

Indonesian beauty retailer Sociolla lands in Vietnam

Beauty technology company Social Bella announced its first overseas expansion with the launch of the beauty e-commerce platform Sociolla in Vietnam.

Demand from beauty enthusiasts in Vietnam was one of the company's considerations, following a US$58 million funding from investors, such as Singaporean state investment fund Temasek and its private equity subsidiary Pavilion, alongside Singaporean venture capital firm Jungle Ventures.

The beauty and self-care market in Vietnam has stayed robust and adaptive amid the COVID-19 pandemic, a website on cosmetics and the personal care industry. The beauty sector in Vietnam has seen rapid growth in online sales.

Christopher Madiam, cofounder and president of Social Bella, said the company was excited to expand its market internationally. "As one of the fastest-growing beauty and self-care markets in Southeast Asia with a population of a digitally literate young generation, Vietnam bears a resemblance to Indonesia," Christopher said in a statement.

John Rasjid, cofounder and CEO of Social Bella, said the company intended to provide access for Indonesian beauty brands to consumers abroad through the expansion. "We've witnessed how local beauty brands are getting innovative in releasing quality yet affordable products that can compete with international products," John said.

ESQA is among the Indonesian brands Sociolla brings to Vietnam. Cindy Angelina, the cofounder of ESQA Cosmetics, said the firm was proud to be part of the expansion. "We've experienced significant growth since joining Sociolla in April 2017. Hopefully, this success will continue in Vietnam," Cindy said.

Established in 2015, Social Bella has several business units, including offline stores under the Sociolla brand, Beauty Journal, and Lilla by Sociolla. In July, the company appointed renowned Indonesian make-up artist Archangela Chelsea as the makeup director of Sociolla.

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LOGISTICS

E-commerce boom and logistics demand help save Vietnam from recession

There is high demand for contract logistics in north Vietnam, as strong domestic consumption helps the country buck the trend and avoid recession.

In May, French 3PL FM Logistic opened a $30m distribution centre in Bac Ninh, 20km from Hanoi, for retailers stocking fast-moving consumer goods, ambient foodstuffs, drinks and home and personal care products.

And last week, FM announced a warehousing and fulfilment deal with VinShop, one of Vietnam's largest online B2B marketplace, an intermediary between Vietnam's myriad small independent stores and large consumer goods companies, providing sourcing, technology and supply chain management services.

"The Vietnamese market holds tremendous potential for retailers, but competition is fierce," explained Hamza Harti, FM Logistic's country MD for Vietnam.

Last year, Mr Harti told *The Loadstar* while e-commerce was increasingly a driver of warehousing and logistics demand in Vietnam, most growth was from traditional retail.

However, when Vietnam's relatively short-lived lockdown began in April, and most retail outlets closed, online ordering saw a sudden surge.

"The e-commerce industry has an amazing opportunity to increase its share of the domestic consumption across all sectors, even in areas such as food and beverages, not considered strategic before Covid-19," explained Mr Harti.

"This trend may continue as more and more companies are making e-commerce – and even social commerce on social media – a key element of their omnichannel distribution models."

Vietnam's economy is on track for 2-3% GDP growth this year, making it the only country of the Asean six to avoid recession. However, the growth will be less than last year's 7% expansion .

"Domestic consumption has been strong this year, except in sectors that are directly or indirectly linked to the tourism industry," noted Mr Harti. "This good dynamic is reflected in the domestic demand for quality logistics infrastructure, such as at our distribution centre at Bac Ninh. Our recent partnership with VinShop shows the demand is there, and we expect it to keep growing in the north of Vietnam."

FM Logistic entered Vietnam in 2017 and enjoyed fast growth, including doubling revenue in the fiscal year ending this March, a feat helped by "contract wins and the addition of storage space".

And Mr Harti said FM continued to see a shift in manufacturing from China to Vietnam.

"It shows the attractiveness of Vietnam as a key reliable manufacturing and distribution hub, which will help the authorities continue investing in the country's logistics infrastructure and overall efficiency."

FM Logistics: The Vietnamese market holds tremendous potential for retailers

Logistics provider FM Logistic has been awarded a contract from VinShop, one of Vietnam's largest purchasing organisations, to provide warehousing and order fulfillment services.

The services will support VinShop's new online marketplaces VinShop and VinID. VinShop acts as an intermediary between Vietnam's myriad of small independent stores and large consumer goods companies.

Under the agreement, FM Logistic will use its warehouse and distribution centre at Băc Ninh, near Hanoi, to store and prepare goods for delivery to retail stores across northern Vietnam. Inaugurated in May 2020, the US$ 30 million logistics centre will handle fast-moving consumer goods, such as ambient food, drinks, home and personal care products.

According to a 2020 Deloitte study (The Vietnam Consumer Survey. An accelerating momentum), Vietnam's retail sector experienced a growth rate of 11% between 2013 and 2018. Although e-commerce and organised retail are rising quickly, small independent stores continue to dominate the Vietnamese retail landscape. VinShop plans to help small stores become more competitive through better sourcing, technology and supply chain management.

Nguyen Tran Thi – VinShop's Logistics Director commented: "With the vision and promising goals to be the largest logistics network in Vietnam, VinShop focuses on investing resources on innovative technology, and developing data platforms, in order to manage and optimize logistics services and supply chains on a large scale. Therefore, a strategic partnership with FM Logistic will aggregate value to VinShop's business by leveraging FM Logistics' advanced resources and operating capabilities, along with ensuring an increase in the supply chain productivity and optimizing costs in the stages.

"The Vietnamese market holds tremendous potential for retailers but competition is fierce. In Vietnam as elsewhere, efficient logistics management is key to developing omnichannel strategies and delivering a consistent customer experience across retail channels. We are proud to help VinShop support the competitiveness of Vietnam's traditional retail sector," said Hamza Harti, FM Logistic's country managing director for Vietnam.

FM Logistic's revenue in Vietnam doubled in the fiscal year ended March 2020, helped by contract wins and the addition of storage space. Among its other retail customers in the country are Emart and My Kingdom.

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INVESTMENT

Global manufacturers are flocking to Vietnam. Is it ready?

Samsung, Apple and Intel drive exports, but IT talent scarcity looms

Three years ago Jack O'Sullivan came to Vietnam to build premium electric bicycles, but factory after factory said it could not make the parts he needed. So he settled on an unorthodox way to bring them up to speed.

The Irishman started dispatching employees from Modmo, the bike exporter he founded in 2017, to work alongside the local suppliers. Today, Modmo sources about 50% of its components from Vietnam, a number O'Sullivan hopes will rise to replace his higher-cost parts from China and Taiwan.

"We're still working on it," said O'Sullivan.

So is Vietnam.

The communist country is enjoying an influx of foreign manufacturers, a trend that began after 2007 when low-end garment and shoe factories began to leave China and its rising costs. Now Vietnam is hoping to become a major hub for high-tech manufacturing, as U.S. pressure on China is forcing a re-alignment of the supply chain that supports the computer, smartphone and telecom industries. Already, Samsung alone contributes a quarter of Vietnam's exports, while Intel chose the country to house its biggest chip assembly plant worldwide.

For global manufacturers of all types, over-reliance on China has become more precarious in the wake of the U.S. trade war, pandemic-related supply chain disruptions and higher costs. Their relocation next door helped drive up Vietnam's manufacturing sector, which at its peak expanded 21% annualized in February, before the COVID lockdown began.

With investments this year from the likes of South Korean electronics giant LG and German adhesive tape maker Tesa, Vietnam is on track to become the world's fastest-growing economy in 2020.

But this shift has intensified strains on the Vietnamese workforce, its suppliers and land available for industry. Vietnam hopes to ride a wave of investment to higher growth, but it risks becoming overwhelmed.

The impact of all the new sourcing demand is apparent in the country of 100 million people, from the stuffed shipping containers to the roaring factories. Property company Savills said occupancy rates rose sharply in most industrial zones in the past two years, now averaging 74% nationally. Occupancy is even higher near cities, including 99% in Binh Duong and 94% in Dong Nai, both provinces on the edge of Ho Chi Minh City.

Manufacturing "eagles" are flocking to Vietnam, which must prepare accordingly, said Nguyen Thanh Binh, business information director at the Vietnam Chamber of Commerce & Industry.

Much of the new investment is in the technology sector, such as the production of earphones for Apple and liquid-crystal displays for Sharp. That is in keeping with Hanoi's goal to move up the value chain and transition to higher-skilled work. But there remains a shortage of the know-how to create more advanced products, like Modmo's bikes, which come with electric motors, touch screens, and Bluetooth, and sell for $2,400.

Navigos Group, which owns Vietnam's biggest jobs site, said 71% of technology companies reported IT talent scarcity as their biggest challenge. That far exceeded salary costs, legal issues and other challenges cited in the survey released in April. Similarly, employers report difficulty filling middle-manager roles across a variety of industries.

The availability of "skilled workers in Vietnam is clearly not enough to support the demand," said Thinh Nguyen, CEO of software consulting company Zien Solutions.

Another challenge is the dearth of local suppliers, which forces Vietnam to ship in materials from China, its largest source of imports. In one study of supply chain localization, Vietnam on average adds 55% of a product's value before it is exported, the lowest rate among eight Asian countries that Harvard University assessed in March.

Suppliers are working to meet this demand with foreign partnerships, training programs, and new factories, which further ramp up property costs.

But VinaCapital chief economist Michael Kokalari rejects the notion that Vietnam's factories and warehouses could be nearing capacity.

VinaCapital calculated in a 2019 report that Vietnam had enough industrial land for foreign companies to double the size of their investments at the time. Manufacturing's 20% share of Vietnam's economy remains far below the 30% level seen in Asia's "tiger economies," leaving plenty of room for growth, the report said.

To keep up, Vietnam has more industrial parks in the works, including at least 17 to open in the next few years, by Savills' count. Training of employees and suppliers must keep up as well, businesses say. O'Sullivan said he hopes to source more bicycle components from Vietnam as domestic expertise rises.

Vietnam boasts huge opportunities to attract foreign investment: WB official

Vietnam has tremendous opportunities to attract foreign investment as global companies are seeking for a destination promising continuity, World Bank Country Director for Vietnam Carolyn Turk said during an interview with the Vietnam News Agency.

Vietnam’s advantages in economic recovery

Turk underlined that Vietnam has done a tremendous job in containing the COVID-19 pandemic and the country’s performance is brilliant and at the front of the world in curbing the spread of the SARS-CoV-2.

The way in which the Vietnamese Government has contained the virus shows that the Vietnamese economy has been relatively resilient, as it is still growing and many of the economies globally could not.

The World Bank forecast Vietnam's GDP to grow 2-3 percent this year, and 5-6.5 percent next year.

The way in which the government has brought COVID-19 under control is the best possible promotional tool for Vietnam, Turk affirmed.

Ways to maintain competitive edge

She also pointed out that there are some risks to the Vietnamese economy, as now it is still an unpredictable time.

Although Vietnam has this competitive edge right now, at a certain point that competitive edge will go because other countries will open up. So the question for the Vietnamese Government now is how to maintain that edge in the future, the WB official said.

According to the WB official, all of the sectors have suffered impacts of social restrictions and the slowdown in the global economy, in addition to the increase in unemployment and the impact on small businesses where they see contraction of their reserves.

Like many other countries, stress on the fiscal situation could also put stress in the future on Vietnam's financial sector because if businesses start to have problems in their cash flow, they have problems in repaying loans.

The country should also be concerned about poverty and social risks as well and make sure that vulnerable population is properly protected.

Addressing bottlenecks in capital disbursement

Turk said that the WB has a strong programme of support to the Vietnamese Government with 39 projects totalling 7 billion USD.

The bank is able to bring strong data analysis to the government to help them prepare for these risks and can also channel investment that might strengthen a potential recovery in the future.

The WB's disbursements in Vietnam tend to be lower than in the rest of the world from WB's perspective, Turk noted, citing that on average it takes 19 months from the approval of the project to the first disbursement of the project.

She voiced her hope to see the acceleration also applied to those investments such as being financed by ODA. There is room for strengthening the management of ODA and there could be more clarity around different roles and responsibilities, Turk stated./.

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