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VIETNAM BUSINESS REVIEW

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What's in it today?

FINANCE

Huge volume of new shares, record liquidity put HoSE system under pressure

The HCM City Stock Exchange (HoSE)'s technical system was under significant pressure with billions of new shares recently listed and to be listed on the bourse and huge cash inflow which boosted the market liquidity to record levels.

The volume of shares listed on the HCM City Stock Exchange would increase strongly as billions of shares would be listed on the southern bourse soon.

The market liquidity set new record levels in recent weeks which helped the index increase strongly. This caused the southern bourse to run into technical problems recently, although the standard lot was raised from 50 to 100 shares.

Statistics showed that the total trading volume in December reached nearly 17.6 billion shares, around 70% higher than November. The trading value averaged VND14.8 trillion, doubling the average level of 2019.

Not only receiving huge cash flow from domestic investors, the southern bourse welcomed the listing of a huge volume of shares, which also helped increase market liquidity.

Most recently, nearly 1.18 billion shares of Vietnam Maritime Commercial Joint Stock Bank (MSB) were listed on December 23 with an average trading volume of 11 million shares per day.

Previously, Asia Commercial Bank (ACB) transferred the listing of more than 2.16 billion shares to the southern bourse starting from December 9 with an average trading volume of 11.5 million shares per day.

In November, HoSE received the listing of 1.07 billion shares of LienVietPost Bank (LPB) and 1.08 billion shares of Vietnam International Commercial Joint Stock Bank (VIB) with average trading volumes of 11 million shares and 1 million shares, respectively.

Recently, 442 million shares of Vinaconex (VCG), 128 million shares of VIX Securities Joint Stock Company (VIX) and 42 million shares of Thai Nguyen International Hospital (TNG) were also listed on the southern bourse.

The southern bourse would soon have bigger supply of shares as it recently approved the listing of nine companies, which would put more pressure on its already-overloaded technical system.

The biggest supply would come from the banking sector, including the listing of nearly 1.21 billion shares of the Southeast Asia Commercial Joint Stock Bank (SeABank) and 1.1 billion shares of Orient Commercial Joint Stock Bank (OCB) which got approval on the last days of 2020.

On December 30, HoSE also approved the listings of Military Insurance Company (MIG), Hanoi South Housing and Urban Development Corporation (NHA) and Vicasa – Vnsteel (VCA).

Previously, Tien Son Thanh Hoa Joint Stock Company got approval for the listing of 34.8 million shares, Clever Group 18 million shares, Hoang Ha Hai Phong Paper Joint Stock Company 18 million shares and Vu Dang Investment and Trading Joint Stock Company 12.9 million shares.

It was estimated that the southern bourse approved the listing of nearly 2.56 billion shares during the last days of 2020.

Another nine companies applied to list on HoSE and were waiting for approval with a total volume of nearly 2.45 billion shares, including Sai Gon – Hanoi Commercial Joint Stock Bank, FLC Homes, Nam A Bank and Quy Nhon Port.

The southern bourse also received new supply of shares from recent capital raising and additional listing. VNS

German fund to buy 1 million shares of Taseco

German investment fund PENM IV Germany GmbH & Co.KG is about to acquire additional one million shares of Taseco Air Services JSC (AST).

The transaction will be conducted from January 19 to February 9.

After the purchase, the fund will increase its ownership from 17.42% to 19.64% of charter capital in Taseco.

PENM IV Germany GmbH & Co.KG bought 105,910 AST shares from December 15, 2020, to January 13, 2021. On December 9 last year, the organisation purchased 169,970 AST shares.

In the first nine months of 2020, Taseco recorded net revenue of more than VND296.8 billion (US$13 million), down 64.9% compared to the same period in 2019.

Of the estimate, revenue from outlets at domestic terminals was more than VND149.5 billion and international terminals VND147.3 billion, down by 47.25% and 73.75% year-on-year, respectively.

Due to lower revenue, Taseco reported a loss of VND28.69 billion after the first nine months of the year.

In the same period of 2019, the company gained VND154 billion in profit. The COVID-19 pandemic has affected the entire tourism sector and aviation services industry.

Taseco operates in the airport commercial services field in Việt Nam. It provides restaurant and mobility catering, as well as hotel and advertising services.

The company also offers telecommunication retailing services, road passenger transport services, travel agency, tourism operations, and short-term lodging services, massage services, and foreign exchange services. It is also involved in retailing in general trading stores, and trading of souvenirs, alcohol, tobacco, and confectioneries, as well as in other supporting activities.

The company, headquartered in Hà Nội, was formerly known as Taseco Nội Bài Air Services Joint Stock Company and changed its name to Taseco Air Services Joint Stock Company in May 2017. — VNS

Vietnamese e-wallet Gpay bags series A funding from South Korea's KB Financial Group

Vietnam's e-wallet Gpay announced it has received series A funding from South Korean KB Financial Group. This comes nearly a year after the e-wallet secured its 10-year operational license from the State Bank of Vietnam.

Gpay is part of the country's G-Group Technology Corporation, which is behind other tech platforms such as Tima (peer-to-peer lending), F88(financial services), and Gapo (social networking).

At an event in Hanoi, KB Financial and G-Group also announced the establishment of a US$13 million fintech joint venture.

Following this round, Gpay is now valued at around 425 billion Vietnamese dong (US$18.5 million), according to a statement. Nguyen Thuan Chat, co-founder and CEO of G Payment Joint Stock Company – the entity that owns and runs Gpay – said that the goal is to reach 5 million users by 2023.

Vietnam's e-payment market is extremely crowded, with 39 licensed providers of e-wallet services. Last week, local e-wallet player MoMo also announced its series D funding, raising its total funds secured since 2010 to at least US$232.7 million.

G-Group claims to have an ecosystem of 30 million registered users, which Gpay hopes to leverage. KB Financial Group, meanwhile, is among South Korea's leading financial services providers with a market cap of about US$17 billion, according to *Bloomberg*.

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E-COMMERCE

Draft amendments to Decree 52 on e-commerce activities discussed

Despite the effects of the COVID-19 pandemic, the Vietnamese e-commerce market is still booming. Therefore, the amendment and supplementation of Decree 52/2013/NĐ-CP on e-commerce to better manage the activity, considered "the future of the retail market", is extremely necessary.

The Việt Nam Chamber of Commerce and Industry (VCCI) recently co-ordinated with the Ministry of Industry and Trade to organise a seminar commenting on the draft amendment of the decree.

The Vietnamese e-commerce market includes big names such as Shopee, Lazada, Tiki and Sendo. During the COVID-19 pandemic, e-commerce platforms recorded double-digit growth.

With a market of nearly 100 million people and stable socio-economic growth, e-commerce in Việt Nam is considered to be full of potential. Many foreign investors have poured billions of dollars of investment into these sites.

Experts also emphasised the importance of the revised Decree 52 to manage but not restrain the explosive growth of e-commerce activities in Việt Nam.

Chu Thị Hoa, deputy head of the Institute of Legal Science under the Ministry of Justice, stated that the policy of the State was to promote digital economic development.

The Ministry of Industry and Trade should be cautious in amending some points of Decree 52, especially in matters that have a profound impact on foreign investors and enterprises and those which may cause difficulties for business operations.

Meanwhile, Sendo Chairman Nguyễn Đắc Việt Dũng raised concerns about the regulations on market access conditions of foreign investors from the perspective of domestic enterprises which need access to capital to develop amid fierce competition.

As e-commerce is a field which needs significant capital, Vietnamese businesses without a parent company with strong financial potential would not be able to develop and compete as they are only allowed to access capital from the narrow list of investors announced periodically by the Ministry of Industry and Trade, he said.

In addition, the draft decree also eliminated the participation of the group of investors, which are foreign investment funds, which are one of the types of investors with abundant capital and experience to support local businesses to develop strategies, operations and human resources.

Đoàn Tích Tử Phước, MoMo representative in Hà Nội, said that tightening cross-border transactions would reduce the attractiveness of e-commerce in the country.

The long-term consequence was that domestic e-commerce sites might have to make room for the operation of overseas e-commerce companies such as Amazon, Aliexpress, or Facebook, which were not subject to Vietnamese law.

Consumers buying goods on these platforms would also not enjoy protection and support policies from domestic e-commerce trading floors. — VNS

Ecommerce in Asia – lessons learnt during the pandemic

Joshua Chong, Kapronasia: 'One of the charms of ecommerce is the inclusion of social and entertainment components on the platform, otherwise known as shoppertainment. During the outbreak, ecommerce players have taken full advantage of this'

The impact of COVID-19 on ecommerce in Asia

When Brunei, a tiny sultanate in Southeast Asia, opened a national store on Chinese ecommerce giant JD.com, the first product offered to Chinese consumers was the blue shrimp. The national store – the Brunei National Pavilion – now includes a wide variety of Bruneian-made food products and fresh produce. Since the start of 2020, ecommerce in Asia has been growing at an unprecedented rate, and along with it the range of products available online has ballooned. At the nexus of this shift is the COVID-19 pandemic that has altered consumers' behaviours and accelerated digitization in the region.

The latest forecasts from Forrester show that online retail sales in 11 Asia-Pacific countries (Australia, China, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Thailand, and Vietnam) are expected to receive a boost due to COVID-19 and reach USD 2.5 trillion in 2024, with a CAGR of 11.3%. A key factor contributing to this growth is the surge in the amount of groceries bought on the internet. The 'online groceries' category has been relatively underpenetrated due to logistics issues. But a report from Bain & Company and Facebook found that the sector grew almost three times during the period of the outbreak in Southeast Asia, while one in three surveyed users said they planned to continue purchasing groceries online in the future.

A recent report from the iPrice Group and App Annie sheds light on changes in ecommerce usage and spending patterns in the second quarter of 2020.

In Southeast Asia, the total number of sessions on shopping applications grew by 39% from Quarter 1 2020 to reach 65.1 billion. The average basket size also increased by 23% year-over-year, reaching USD 28.50 per order. While most signs seem to point to a boom in ecommerce, non-essential categories such as fashion and beauty took a hit. Of note, the well-known Indonesia-based fashion ecommerce startup Sorable was forced to shutter its operations after demand dropped precipitously and pandemic restrictions hindered its ability to restock new goods.

In any case, the data clearly indicates a change in online shopping preferences, with more demand for essentials such as groceries and health supplements. Furthermore, analysts say the market share gained by online channels will be 'sticky' as the extended length of the pandemic makes it more likely that these shopping habits will become ingrained. It is no surprise then that ecommerce companies are racing to adapt.

How are ecommerce companies responding?

The more obvious tactics ecommerce platforms employ are sales strategies designed to increase purchase amounts and basket sizes. These include flash sales and shopping festivals such as the 'Double Five' in China, named after its launch date of 5 May. Coupons and discounts are also handed out more frequently to increase customer retention and encourage repeat purchases.

However, ecommerce companies are also including new features such as instant delivery with the goal of improving the consumer's experience in the midst of the COVID-19 movement restrictions. For instance, Indonesian ecommerce unicorn Bukalapak has partnered with Grab and Gojek to tap into their delivery services. We can expect that logistics will continue to be a hot topic, closely related to ecommerce, and we will (very likely) see more innovation in this area. Ninja Van, a tech-enabled express delivery startup in Southeast Asia, has implemented live tracking of parcels for improved visibility and a live chat feature that enables recipients to better communicate with shippers.

Additionally, Shopify has partnered with the Australian logistics technology startup Shippit to launch a cash-on-delivery service for buyers in Asia. Given that most consumers in the region largely deal in cash, cash-on-delivery services present a golden opportunity for online retailers to reach a previously inaccessible section of the market. At present, cash-on-delivery is still an under-utilised feature and will likely see more widespread usage in the near future.

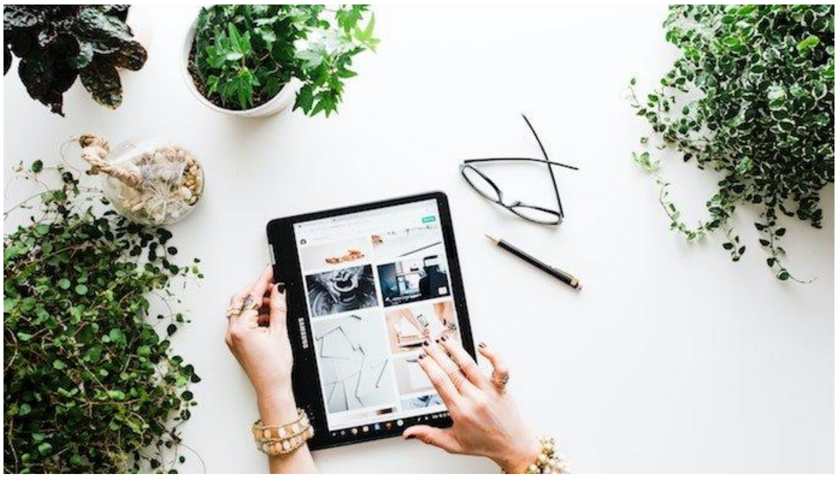
One of the charms of ecommerce is the inclusion of social and entertainment components on the platform, otherwise known as 'shoppertainment'. During the outbreak, ecommerce players have taken full advantage of this to further drive user engagement and sales. Shopee Feed, a social feature on the Shopee app, enabled users to watch live-streams of K-pop concerts and exclusive interviews with popular K-pop stars during an event held over a week in June 2020. Similarly, Lazada has held live-streams of music concerts since 2019, and more recently it hosted a virtual charity concert to help in the fight against COVID-19.

While many of the dominant ecommerce players in the region have their focus on highly populated capital cities, competition is increasing from smaller upstarts that are looking to capture the largely untapped smaller cities. In the case of the Vietnamese ecommerce startup Sendo, this means looking beyond Hanoi and Ho Chi Minh City to target the tier 2 cities which are home to 70 million Vietnamese – or about 72% of the country's population. Moreover, Sendo features more localised content, and thus it has the edge in attracting onto its platform local businesses that were previously not online.

As ecommerce surges ahead in Asia, having a government-initiated national store on an ecommerce platform, as Brunei did, could become the norm. Following in the footsteps of its neighbour, Indonesia recently launched a national store on the Chinese ecommerce platform Pinduoduo and sold 100,000 items within two days of its launch. The store stocks products from many different Indonesian SMEs, giving them an online presence and a channel into the Chinese market. Indeed, it seems that the ecommerce boom in the wake of COVID-19 has brought greater recognition to the immense scale and opportunity of selling cross-border in APAC, a happy byproduct of the pandemic.

Top 5 e-commerce trends to expect in Asia in 2021

While the market is undisputedly dynamic, there are five broad currents that constitute the fast rising Asian e-commerce tidal wave.



E-commerce in Asia is on the ascent, with a staggering projected growth rate of 8.2% between 2020 and 2025. This puts Asia ahead of the Americas and Europe, with projected e-commerce growth rates of 5.1% and 5.2% respectively. Statista further expects the projected market volume of e-commerce in Asia to reach US$2.2 billion by 2025.

Clearly, the Asian e-commerce market is one that cannot be ignored. In order to capitalise on this fast growing market, it is imperative to understand the current micro trends within it. While the market is undisputedly dynamic, there are five broad currents that constitute the fast rising Asian e-commerce tidal wave.

Livestream is the new in-thing

Within Southeast Asia, the upsurge in the popularity of livestreaming on e-commerce platforms such as Shopee and Lazada is undeniable. In Singapore and Malaysia alone, the total hours streamed on ShopeeLive have increased by nearly 200% between February to June 2020.

The Philippines has also seen 60% of businesses incorporating live selling to attract buyers. In the end, the figures don't lie: across Thailand, Vietnam, the Philippines and Singapore, the Gross Merchandise Value (GMV) of livestream e-commerce grew by 306% between January and June 2020.

It is an even bigger phenomenon in China. According to *Forbes*, it is estimated that over 430 million people, or about 30% of China's population, viewed livestreams in 2019, and in 2020, it was projected to reach 560 million, or around 39%.

Furthermore, in 2019 approximately 37% (a whole third) of China's online shoppers made livestream purchases. Livestream e-commerce has even become a lifeline for Chinese actors who lost their income due to COVID-19. One such example is actor Chen He, star of romantic sitcom "iPartment" (爱情公寓), who sold more than US$11.4 million worth of goodson his first show on Douyin.

In India, new e-commerce platforms that focus solely on live streaming such as Bulbul and Simsim have recently emerged. These platforms target a local audience by incorporating local Indian languages such as Hindi, Marathi, Tamil, Bengali, and others to capture this neglected market. With the number of internet users in India projected to grow to over 974 million users by 2025, the livestream e-commerce scene in India is set to boom.

AR + 5G + e-commerce = profit

While Augmented Reality is nothing new, its integration within e-commerce sites has been a novel feat that is on the rise. In e-commerce, AR has enabled customers to test out items before purchasing them, allowing for more informed purchases.

For instance, Sony Electronics's Envision TV AR app allows homeowners to preview how a Sony TV will fit in the space that they are contemplating for placement. Similarly, Sephora SEA recently released an AR mirror which allows shoppers to try on cosmetic products before they make their purchasing decisions.

AR's full potential has not yet been realised, as it is expected to advance even further. Both Apple and Google have announced their plans to develop mobile AR, the ARKit 3.0 and Google ARCore respectively. These developments will likely be complemented by the upcoming 5G networks.

According to Monigroup, 5G's "high speeds, incomparable bandwidth, and low latency would enable extremely fast visual recognition and AR loading to bring the experience to a new level". Furthermore, the Asia Pacific region is expected to be the largest region to adopt 5G, with 1.14 billion subscribers.

In fact, according to GlobalData, the APAC region could account for 65% of global 5G subscriptions by 2024. Consequently, the growth and proliferation of AR features on eCommerce sites is likely to be the most pronounced in Asia.

Big names go online

The wave of retailers going online has already been building up for a while now. In 2011, the rise of omnichannel retail, whereby retailers were able to interact with customers through a diversity of online and offline channels was already observed.

Ultimately, it was COVID-19 that pushed online channels to the forefront. According to areport by Deloitte China, physical retail in shopping malls was the worst affected by COVID-19, with 60% of shopping malls in China recording a 50% drop in customer numbers.

In Singapore, retail sales plunged by 52.1% between May 2019 and May 2020, resulting in an all-time low since 1986. Conversely, e-commerce retailers reported massive increases in sales volume.

Many big retailers such as shopping malls have thus chosen to move their primary mode of business online. These retailers include Singapore's Marina Square, Thailand's Siam Center, three Indonesian Pakuwon Group malls, and Fraser Properties with their FRx app.

With COVID-19 expected to linger in the near future, more retailers will be faced with the options of going online or closing shop. Therefore, the digital mass migration of retail giants is a trend to watch in Asia as we approach 2021.

Rise of blockchain in e-commerce

The most popular usage of blockchain is in payments, specifically cryptocurrencies. Popular cryptocurrencies such as Bitcoin and Ethereum have been around for some time now, and are no stranger to some e-commerce sites. In fact, cryptocurrencies can now be easily integrated into e-commerce sites as conventional payment methods.

Cryptocurrencies have another added advantage: access to consumers without banks. Southeast Asia alone contains a potential market of 438 million unbanked inhabitants that can be tapped into using cryptocurrency. Hence, cryptocurrencies could garner more mainstream usage on Asian e-commerce platforms.

Beyond payments, Blockchain has been increasingly used for other novel functions within the Asian startup scene. Examples include Singaporean startup Bluzelle, which provides businesses storage space on a decentralised database, as well as Singapore's Electrify which aims to optimise electricity costs of consumers. The unique adoption of blockchain could spur its adoption in eCommerce in the near future.

The door to success is the mobile experience

The rise of smartphone usage is a global trend. Today, 40% of people in the world only conduct their online searches using a smartphone. Though already dominant, smartphone usage is expected to spread even further in the imminent future.

By 2025, *CNBC* predicts that 72.6% of internet users will access the web solely via their smartphones. In the APAC region, smartphone adoption is expected to surpass 80% by 2025, signifying a potential eCommerce customer base in the billions.

At the same time, by September 2019, 69% of online purchases in Southeast Asia were made on mobile. The growing preference for mobile shopping is simply indisputable. Thus, e-commerce sites should waste no time in building up their Mobile User Experience (UX) and Progressive Web App (PWA) capabilities if they are serious in capturing this growing market.

For the observant reader, the features to focus on are already featured in this article (Hint: Read Trend 1 and 2). With the impending upsurge in smartphone usage, the Asian eCommerce market is only waiting to be captured. The Asian e-commerce tidal wave carries with it a huge potential. By knowing the trends that belie this wave, we can confidently ride the wave and capitalise on this limitless potential.

Here are things to expect for Vietnam eCommerce in 2021

Efforts of eCommerce companies to advocate for online shopping in Southeast Asia paid off overnight. What's next then? Now that Vietnamese consumers have installed their shopping apps, and opened their digital accounts, where is the market heading towards and what exciting developments can we expect in 2021 and beyond?

Here are 3 data-driven predictions for the future of Vietnamese eCommerce from Dang Dang Truong, an expert who's spent the last 3 years researching and working in the industry.

The era of B2B

Vietnam has been the playground of B2C eCommerce giants for a while, but starting from 2020, it is looking more and more like a dreamland for B2B and B2B2C eCommerce as well.

Amid social distancing measurements, suppliers have moved their sales operations online and rapidly redefined their supply chains and fulfilment. Noted examples include agricultural produce supplier Hiep Nong and food processing company Mega Viet who both expanded their distribution channels onto Lazada in 2020.

On the other hand, B2B buyers, especially the mom-and-pop shop owners, who account for 85% of the FMCG retail market in Vietnam, suddenly became much more comfortable with utilizing technology.

These factors combined open up a previously closed door for B2B eCommerce. And that's why in 2020, B2B eCommerce platforms noted many positive developments.

Telio, claimed to be the first Vietnamese B2B eCommerce platform, who has raised USD $25 million in a Series A round, announced they saw revenue increased by 160% per quarter in 2020.

Vietnamese conglomerate Vingroup launched VinShop, a digital platform offering shop owners a place where they can order directly from suppliers and vendors. VinShop claimed to achieve 30,000 connected vendors after only one month of launching.

Other already-established players in digital payment and social commerce also seem eager to expand their reach to mom-and-pop shops.

All of this is to say, B2B eCommerce looks likely to be the next frontier and the new heated competition of eCommerce in Vietnam.

However, the development might not be all smooth sailing.

B2B eCommerce marketplaces typically promise three supposed benefits: refilling stocks fast and effortlessly, finding and ordering from multiple suppliers easily, and finance.

Although these offers look great on paper, they might not be so attractive to the mom-and-pop store owners in practice. The power to pick and choose their own suppliers and make bargains is hard to give up. Therefore, determining product market fit will be the primary goal for most B2B eCommerce companies in 2021. Would the answer be continuous and heavy discounts as with B2C eCommerce, or would it be the promise of more customers? Only time will tell.

Cross-border eCommerce to benefit from the pandemic.

Seal Commerce Asia's Shopify in Asia report shows that in 2020, number of new stores opened by Vietnamese sellers on Shopify is 84% higher than that in 2019.

Amazon also announced that Vietnamese sellers had made more than $1 million worth of sales on the platform, tripling from 2019.

With the pandemic situation not looking much better in Europe and North America at the beginning of 2021, this exponential growth rate seems likely to continue.

Selling cross-border (either through Shopify, Amazon, or through their own platforms) into the West could be an important strategy for Vietnamese businesses in 2021, especially since technology has made cross-border eCommerce increasingly easier.

At the same time, this development is also opening up opportunities for a slew of eCommerce-enabling startups in the country.

Take a look at the Shopify app store, which supplies sellers around the world with third-party apps for their online businesses, you will be surprised to find out how many of the top-ranking apps are coming from startups in ASEAN countries.

There are enablers in store building such as Gempages and EcomSolid, in marketing services such as LitExtension, and in logistics technology such as Parcel Perform.

There are even more similar startups operating off the Shopify store to accommodate the growing class of cross-border sellers. And 2021 promises to bring things to an even higher level for them.

Social commerce & digital payments finally take over

In Quarter 2, according to iPrice Group and App Annie, the total number of sessions on shopping apps on Android phones in Vietnam has reached 12.7 billion, its highest ever. This huge increase in shopping app usage is creating opportunities for social commerce and digital payment to flourish.

The two technologies have been key strategies since at least 2019. Every big eCommerce player was trying to reduce cash-on-delivery payments and implement social features to their apps, but not until now that things were sped up significantly.

eCommerce giant Shopee noted an impressive 450 million views for live streamed activities from brands and sellers in Southeast Asia last year. While their competitor Lazada saw a 20-time increase in viewers of their annual LazLive event in 2020.

Also in 2020, digital payment startup VNPay achieved the unicorn status, while their competitor MoMo acquired 10 million new users, doubling their user base within 2020. 2021 has just barely begun but we already witness the opening of two more digital banking services with Cake of Be Group and TNEX of MSB.

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LOGISTICS

Hyundai Glovis moving to set up General Logistics Center in Vietnam

Hyundai Glovis is seeking to establish a complex logistics center in Ho Chi Minh City, Vietnam's largest city. The company said on Jan. 14 that it has signed a memorandum of understanding with Ulsan Port Authority to promote the project.

Under the agreement, the two companies will build a complex logistics center behind Ho Chi Minh Port in Vietnam and start its full-scale operations in 2022 at the earliest. They are seeking to enter the cold chain market in Southeast Asia as low-temperature distribution systems are necessary for food and medicine transportation in this region.

Both companies are planning to use the complex logistics center as a logistics base for automotive parts, while using it for other logistics services at the same time. They will also provide comprehensive logistics services to small and medium-sized companies in various fields such as textile, food and electronics, helping them make a foray into the Vietnamese market.

Phuong Trang honored to be the top 5 prestigious companies in the transport and logistics industry

Phuong Trang Transportation Joint Stock Company - FUTA Bus Lines has just been honored in the top 5 prestigious passenger transportation companies in 2020 by Vietnam Report. This is the third consecutive year Phuong Trang has appeared in this ranking.

In addition, Phuong Trang Express Service Joint Stock Company - FUTA Express was also honored in the Top 5 prestigious express delivery companies in 2020 by Vietnam Report. The rankings contribute to recognition of the business's contributions to the development of Vietnam's transport industry over the past 20 years.

Phuong Trang currently operates more than 60 fixed intercity passenger transport routes stretching from South to North with more than 300 ticket offices and transit stations, serving more than 20 million passengers annually.

Previously, Phuong Trang has just invested 150 more bed buses version 2021 and put into operation bus routes in Can Tho City, Hue and Dong Thap, etc contributing to expand the network of interconnections and connections.

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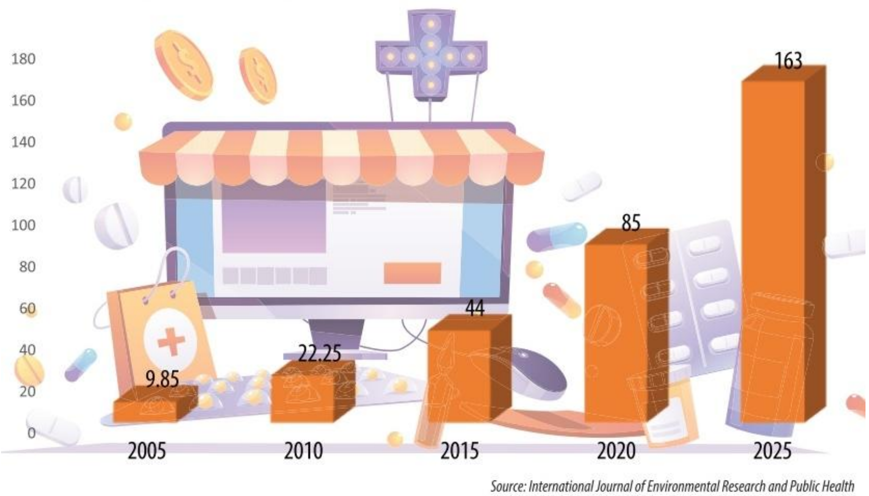
RETAIL

Promising figures offering confidence for pharma future

Vietnamese pharmaceutical giants rushed to new business lines in 2020 to create new motivation for growth amid the ongoing pandemic complications, with some changes bringing about better results.

Clearly in a happy mood, Vu Thi Thuan, chairwoman of Traphaco JSC, is looking towards a bright future in 2021 on the back of good performance last year.

"The pharmaceutical market has been affected by COVID-19. However, we made encouraging results thanks to having the right strategy," Thuan told VIR.



Growth in drug spending per capita in Vietnam 2005-2025

New tactics

Last year marked a hard 12 months for businesses, and Vietnamese-run pharma firms were not an exception, although the impacts on them have turned out to be less serious than in other sectors.

Faults in the global ingredient supply chain and lower purchasing power have prompted Vietnamese drugmakers to make changes to business plans to shelter from the storm and maintain growth.

Nguyen Vu Cuong, an analyst at brokerage and investment advisory firm FPT Securities, told VIR, "Some players in the pharma industry obtained improvements in operations in the last months of last year, while some others saw no growth, but no falls either. Improvements are mainly attributed to effective cuts in intermediary costs and the launch of new products and strategies."

For instance, while focusing on the over-the-counter (OTC) market Traphaco also started to venture into the $3-billion beverage market last summer with a new product - herbal tea Traphaco Boganic, which was included in its revenue structure in the third quarter.

Le Trung Thanh, former general director of Pepsi Vietnam, said that in the local lucrative beverage market, players tend to create specific and unique products to gain an advantage. The market has many kinds of drinks, but not so many healthy ones.

"Healthy products are very popular in the US, the EU, Japan, and South Korea," Thanh noted. "This is a courageous move from Traphaco because obviously drugs and beverages are not the same thing."

A new bold step into the beverage market illustrates the challenge Traphaco has to attain new successes amid growing competition. Despite being a leading brand in the local pharma industry, making up nearly 50% of market share of liver-tonic products for example, the group has not achieved better growth as it did in the past, despite having taken a number of major decisions.

Encouraging results came when Traphaco reported total revenues of over VND1.3 trillion ($56.52 million) and after-tax profit of VND141 billion ($6.13 million) in the first nine months of 2020, up 12 and 31% on year, respectively – a strong performance in comparison with a fall of about 10% among other listed drugmakers.

Elsewhere, Hau Giang Pharmaceutical JSC (DHG), the biggest domestic publicly-traded drugmaker, has trended towards the ethical drugs channel (ETC), or the hospital channel, and increased capacity for exports. The company has restructured its product portfolio towards focusing on investment in high-quality drugs meeting JAPAN-GMP and PICS-GMP standards.

DHG decided to pour $40 million in a GMP factory in the Mekong Delta province of An Giang, with the target to put it into operation in 2023. Also last year, DHG got the JAPAN-GMP certificate for its two assemblies. Drugs meeting JAPAN-GMP, PIC/S-GMP, EU-GMP, CGMP-USA certificates are among the prioritised in drug tenders for the hospital channel.

With the move, DHG showed off its ambition to conquer the strict Japanese market and some ASEAN member countries where subsidiaries of Taisho Pharmaceutical Holdings have presence. Taisho, one of the five biggest pharmaceuticals in Japan, is a major foreign shareholder of DHG, with a take of 50.78%.

Imexpharm Pharmaceutical JSC, Vietnam's fourth-biggest pharma firm, has similar focus on the ETC segment. The drugmaker has made investments to gain an EU-GMP certificate for its factories to gain advantages in drug tenders. During the past year it also restructured its product portfolio, concentrating on EU-GMP drugs.

Notably, Imexpharm gained market authorisation from Spain for its Cephalexin 500mg capsules produced at its EU-GMP factory located in the southern province of Binh Duong.

To serve the future strategy, a resolution from Imexpharm's board of directors was issued on January 5 approving a loan of $8 million from the Asian Development Bank. At present, Imexpharm's foreign ownership limit currently remains set at 49%, with Balestrand Ltd. (5.92%), and KWE Beteiligungen AG (14.26%) as foreign shareholders.

Like Traphaco, Imexpharm, and DHG, OPC Pharmaceutical JSC – one of the biggest domestic pharma firms – and others had to make adjustment in its business strategy during the last year. OPC also suffered from interruptions in the global ingredient supply chain, although it has growing areas to supply for itself.

At present, Vietnam's pharmaceutical production relies much on imported ingredients which make up 80-90% of local demands, with which China and India account for over 80%.

OPC focuses on expanding in functional food by investing in product assembly, while increasing production of alcohol-related products and others to satisfy growing demands due to the pandemic. Moreover, the company continued to strengthen the ETC channel as well as develop in the OTC market.

As noted in documents from OPC's annual general shareholder meeting last June, some new businesses were added, including functional food, cosmetics, import and export of pharmaceuticals and ingredients, and automobile cargo transportation business.

Good performance

With year-end reviews and financial statements imminent, results for these pharma firms are just around the corner. According to a source from TRA, the group is estimated to see an on-year increase of 11% in revenues by end-2020. Its profit is also estimated to rise at the same rate, reaching VND200 billion ($8.7 million).

While reporting a fall in the ETC market, Traphaco gained a 17% on-year improvement in OTC.

"We aim to have consolidated revenue ascended by 9% in 2021, with the OTC to be the key channel, and ETC to rise 10%," Thuan told VIR.

With the change in business strategy, DHG's net revenues just slightly fell by 2.8% on-year in the first three quarters of 2020, while after-tax profit rose 24%, fulfilling the annual targets. It is said to meet the 2020 targets.

Having been reporting better performance after the mid-year peak of COVID-19 in Vietnam, Imexpharm saw net revenues and profit rise 0.8 and 17.8% in the first 11 months, respectively. Its ETC revenues jumped 40% on-year, while OTC is on the road to recovery despite a negative growth of 10%.

Market watchers attributed Imexpharm's higher profit growth to better performance of cost saving, with selling and management expenses cutting by 8.6 and 5.4%, respectively. With this momentum, Imexpharm is one of the giants forecast to report growth in its results.

According to Fitch Solutions, revenues of Vietnam's pharma industry were estimated at $6.5 billion in 2019. The Drug Administration of Vietnam forecast promising double-digit growth for the industry over the next five years, with the total value to reach $7.7 billion in 2021 and a likely rise to $16.1 billion in 2026.

In the wake of growth potential, multinational corporations are expanding towards and within the local market – a trend that should be further intensified on the back of the EU-Vietnam Free Trade Agreement. This will create more pressures on the domestic players, urging them to make new changes to stand firm and spur growth. VIR

HCM City backs Uniqlo's expansion: Official

A leader of Ho Chi Minh City has pledged to support the expansion of the Japanese global apparel retailer Uniqlo in the southern largest economic hub.

Chairman of the HCM City People's Committee Nguyen Thanh Phong made the promise while receiving Osamu Ikezoe, General Director and Chief Operating Officer of Uniqlo Vietnam.

Lauding the company's decision to choose the city as the destination for its first store in Vietnam, Phong said Uniqlo's presence offers more garment options for local consumers.

He unveiled that the city plans to build itself into a shopping centre of Southeast Asia in the coming years.

Having stressed that Uniqlo's new investment plans will be a positive highlight in Vietnam-Japan ties, the official asked the company to consider cooperating with Vietnamese material producers.

For his part, Ikezoe thanked the local authorities for supporting Uniqlo's operations and expansion and vowed to make efforts in supplying the Vietnamese market, particularly HCM City, with the best garment products./. VNN

Central Retail Vietnam opens 9 new stores in Hanoi and Haiphong

Central Retail Vietnam - CRC Sports continues to 'progress' strongly at Vincom Mega Mall Ocean Park and Aeon Mall Hai Phong Le Chan in mid-December.

To meet the needs of training, improving health, sports fashion in many major cities, Central Retail Vietnam will open a series of sports store brands at Vincom Mega Mall Ocean Park and Aeon Mall Hai Phong Le Chan.

On December 11, 2020, at the 1st floor, Vincom Mega Mall Ocean Park welcomes the opening of 05 popular sports stores: Supersports, Crocs, FILA, Skechers and especially the first Under Armor store of CRC Sports. In addition to premium sports products, Supersports, Crocs, FILA, Skechers and Under Armor offer a wide range of gifts, promotions and activities during the bustling opening phase.

Coming to Hai Phong city on December 14, 2020, Central Retail Vietnam opened 4 Supersports, Crocs, FILA, and Skechers sports stores on Level 2 of Aeon Mall Hai Phong Le Chan, promising to bring a modern and sporty shopping experience.

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ENERGY

Solar power capacity to be cut due to oversupply

Nguyễn Đức Ninh, director of the National Power Regulation Centre, has said Việt Nam will cut its renewable electricity capacity due to oversupply.

Ninh told local media at a recent conference of Vietnam Electricity (EVN) that Việt Nam will cut 1.3 billion KWh of renewable energy in 2021.

According to EVN's statistics, national electricity output generated from solar power in 2020 was 10.6 billion kWh, including 1.15 billion kWh from rooftop solar power, accounting for about 4.3% of the total output from the national electricity system.

Ninh said in 2020, the regulating agency must reduce 365 million kWh of unexploited solar power due to overloads of local networks, mainly in central provinces like Ninh Thuận and Bình Thuận.

By the second half of November 2020, due to the excess power from the growth of solar farms and solar rooftop power, the electricity industry had to make a total reduction of 35 million kWh.

In 2017, the Government issued the first feed-in tariff (FIT) mechanism with the purchase price of solar power for all types of 9.35 cents per kWh, until June 30, 2019, leading to many solar power projects being licensed rapidly.

In June 2020, the Government moved to a FIT 2 tariff of 7.09 cents per kWh for solar power on the ground, 7.69 cents for floating solar power, and 8.38 cents per KWh 7.69 cents for rooftop power. On December 31, 2020, the decision expired and investors must await a new tariff.

Phạm Quế Phong, chairman of Inter Solar Joint Stock Company, said: “If the upcoming FIT 3 price is issued to prioritise dispersed solar rooftop and has a price difference between regions according to the rate of radiation, it will promote lots of rooftop solar projects and limit solar farm projects."

"The loose management has led to the fact that the majority of solar rooftop projects are actually now solar farms," he said.

Phong said the country was estimated to have more than 100,000 rooftop solar power projects with a total output of nearly 10,000 MWp but only 20% of them were rooftop solar power constructions and installed on the roofs of offices, restaurants and hotels.

He said the rest were solar farm projects disguised as rooftop solar power to enjoy the price of 8.38 cents per kWh instead of 7.09 cents per kWh for solar farms.

Phong predicted the buying price of rooftop solar power would decrease this year following the trend in the world, adding: “The reduction will not be much.”

Regarding the FIT prices of solar power, some companies believed that the adjustment of the annual price was reasonable because the prices of solar technology and equipment in the world were declining.

Professor Bùi Thiện Dụ, a former lecturer of the Electrical Faculty of Hanoi University of Technology, said: "The country needs to build a long-term, transparent solar power development policy roadmap towards protecting the interests of investors, especially local users who have installed solar power at home."

He said the sustainable development of renewable electricity should follow strict controls and requires good investment in transmission infrastructure.

Ninh, director of National Power Regulation Centre, said they need to adjust the generating time of small hydroelectricity, avoiding frame from 11am to 1pm, which was the best solar radiation time for rooftop solar.

Ninh asked the Government and the MoIT for mechanisms and principles to mobilise renewable energy sources when the system was redundant or overloaded, adding the centre was now confused about mobilising different sources.

Professor Dụ told local media: "A lack of vision in the solar development and matters in transmission grid has resulted in the incomplete capacity of solar electricity."

He added the mechanisms and policies on solar development had been unsustainable and brought risks to investors and the people.

Dụ again said Việt Nam has to build a long-term and transparent solar power development policy roadmap to improve its power industry. — VNS

Construction of wind power project begins in Cà Mau

Construction of a wind power project recently started in Nguyễn Huân Commune, Đầm Đôi District, the southern province of Cà Mau on Saturday.

Invested by the WTO Construction Trading Joint Stock Corporation, the project's first phase has total investment capital of more than VND10 trillion (US$432 million), with four wind power plants to be built in coastal communes of Tân Tiến and Nguyễn Huân in Đầm Đôi District, and Tam Giang Đông Commune of Năm Căn District.

These plants, comprising 83 wind turbines with a capacity of 4.5 MW each, are scheduled to be completed in the fourth quarter of 2021.

WTO Construction Trading JSC and Vietnam Electricity (EVN) have signed a power purchase contract for this project.

Speaking at the groundbreaking ceremony, Secretary of the provincial Party Committee Nguyễn Tiến Hải highlighted the significance of the project, saying that it will contribute to promoting industrial and tourism development of the locality. — VNS

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INVESTMENT

Vietnam emerges as attractive Asian destination for investors: The Economist

Vietnam has emerged as an attractive foreign direct investment (FDI) destination in Asia, by beating China and India, a report by The Economist Intelligence Unit (EIU) has indicated.

The Southeast Asian nation has become a new hub for low-cost manufacturing in Asian supply chains, the website eurasiantimes.com on January 14 quoted the report.

The report suggests that factors that make Vietnam better than its peers are the incentives for international firms for setting up units to manufacture hi-tech products, the pool of low-cost workers, and the proliferation of free trade agreements.

It also cited Ruchir Sharma, an emerging markets strategist at Morgan Stanley, as saying that Vietnam's FDI has averaged more than 6% of GDP, which is the highest ratio in any emerging country.

In addition, the ever-changing policies as per the market demand, the vigorous changes in the business and investment climate, socio-political stability and population structure are also factors that made the country attractive for FDI, the report said.

It added that the recent free trade agreement between Vietnam and the European Union has benefitted the country as the EU lifted 85% of its tariffs on Vietnamese goods in 2020 and the FTA's biggest gains were witnessed by footwear manufacturers in Hanoi.

Around 40% of exports to the EU in footwear manufacturing faced 30% tariffs, which were completely withdrawn from August 2020.

Even amid the COVID-19 pandemic, in the period from January to September 2020, the country attracted 21.20 billion USD in FDI or 81.1% compared to the same period last year, it said, quoting data of the Vietnam Briefing./.VNA

Vietnam – Rising star in Asia's shifting supply chains: EIU

A key strength in Vietnam's business environment is the country's proliferating membership of free-trade agreements.

A low-cost manufacturing base and internal political stability are among key factors that turns Vietnam into a rising star in the region's shifting supply chains, the Economist Intelligence Unit (EIU) of the Economist Group stated in its latest report.

However, "the main weakness that investors will find in Vietnam's labor market will continue to be its lack of skilled labor", stated the report, referring to the lack of advanced education directly relevant to the needs of foreign-invested manufacturing and services firms.

EIU's report expects more incentive for foreign investment in time to come, especially for high-tech manufacturers looking to relocate labor-intensive processes.

Vietnam has incentivized foreign direct investment (FDI) into specific sectors via a combination of three main types of economic zones: industrial zones, which include industrial parks and export-processing zones; special economic zones; and technology parks.

As such, eligible FDIs can benefit from corporate, personal income tax exemption and rate reduction, while below-market land rents are offered as well.

Vietnam is rated more highly than China in some aspects of its business environment

(Score out of 10 in key aspects of The EIU's Business Environment Rankings)

	FDI policy	Foreign trade & exchange controls	Labour market
Singapore	10.0	10.0	7.2
Taiwan	7.8	8.2	7.0
Malaysia	7.3	8.2	6.9
Japan	6.9	8.7	6.8
Thailand	6.4	8.7	6.6
South Korea	6.9	8.2	6.0
Philippines	6.0	7.8	5.8
Vietnam	**6.0**	**7.3**	**5.6**
Sri Lanka	6.0	6.0	6.4
Indonesia	5.1	7.3	5.3
China	5.5	6.4	5.7
India	5.5	5.5	5.4
Bangladesh	4.6	5.5	5.5
Pakistan	6.0	4.6	5.1

Note: Scores cover the forecast period of 2021-25.

Source: The Economist Intelligence Unit, Business Environment Rankings.

Firms in high-technology sectors, automotive, machinery, and those involved in the production of advanced capital goods are among the eligible.

“In the decade ahead, the eligibility for investment incentives will narrow to increasingly focus on higher value-added industries, as the government deprioritizes foreign investment in low-value-added manufacturing industries, including chemicals, plastics and fabricated metals,” noted the report.

Meanwhile, Vietnam participates in more trade pacts, with the latest being the EVFTA and RCEP, and has better relations with major trading partners than many of its regional neighbors. This lowers the cost of exporting clothing, footwear and electronics, among other goods, to major global markets.

“The wide range of incentives offered to foreign businesses and market access granted by numerous free-trade agreements, combined with competitive wage costs at the low-skilled end, will ensure Vietnam remains an attractive option for manufacturing operations and those seeking to diversify their supply chain in Asia,” noted the EIU.

According to the EIU, Vietnam’s geography is well-suited to export-driven activity. It has a long coastline that supports several deep sea ports and navigable rivers that reach into major urban centers, including Thai Binh in the north, and Ho Chi Minh City in the South.

"This advantage compensates for, and partly explains, a dearth of high-capacity connections between the north and south of the country," it noted.

Ho Chi Minh City seeks investment for seven major projects

HCM City is seeking foreign investment over the next five years for seven major projects, including four metro lines.

The projects include the second phase of the Metro Line No. 2, which connects Ben Thanh market with Thu Duc district's Thu Thiem ward and Tham Luong to Tay Ninh bus station in Cu Chi district.

The second construction phase will be 9.1 kilometres in length and cost around 1.4 billion USD. It will help connect the city's northwestern regions to its centre, as well as connect the Thu Thiem railway line to the future Long Thanh Airport in Dong Nai province.

The second project, Metro Line No. 3A (Ben Thanh – Tan Kien), is 19.5 kilometres long and costs 1.8 billion USD. It will connect to metro lines at the upcoming Ben Thanh Station in District 1 to transport travelers from the city centre to southwest provinces.

The third is Metro Line No.4 (Thanh Xuan – Hiep Phuoc Industrial Park), which is 36.2 kilometres long and costs over 4.5 billion USD. It will run across the city's urban areas and Ben Thanh.

The last line is the first phase of Metro Line No. 5 (Bay Hien intersection – Sai Gon Bridge), which is nearly 9 kilometres and will cost over 1.7 billion USD. This line was among the metro lines prioritised for investment in 2012 – 2015 and 2016 – 2020, but was unsuccessful in attracting investment.

For this metro line, the city wants to work with governmental organisations with official development assistance funds, large corporations, and traffic infrastructure investors that are financially and technologically capable.

Three other projects include Thu Thiem financial centre, a centre for conferences, exhibitions, hotel and commercial services, and a Rach Chiec Sport Complex, all of which are to be built in Thu Duc district.

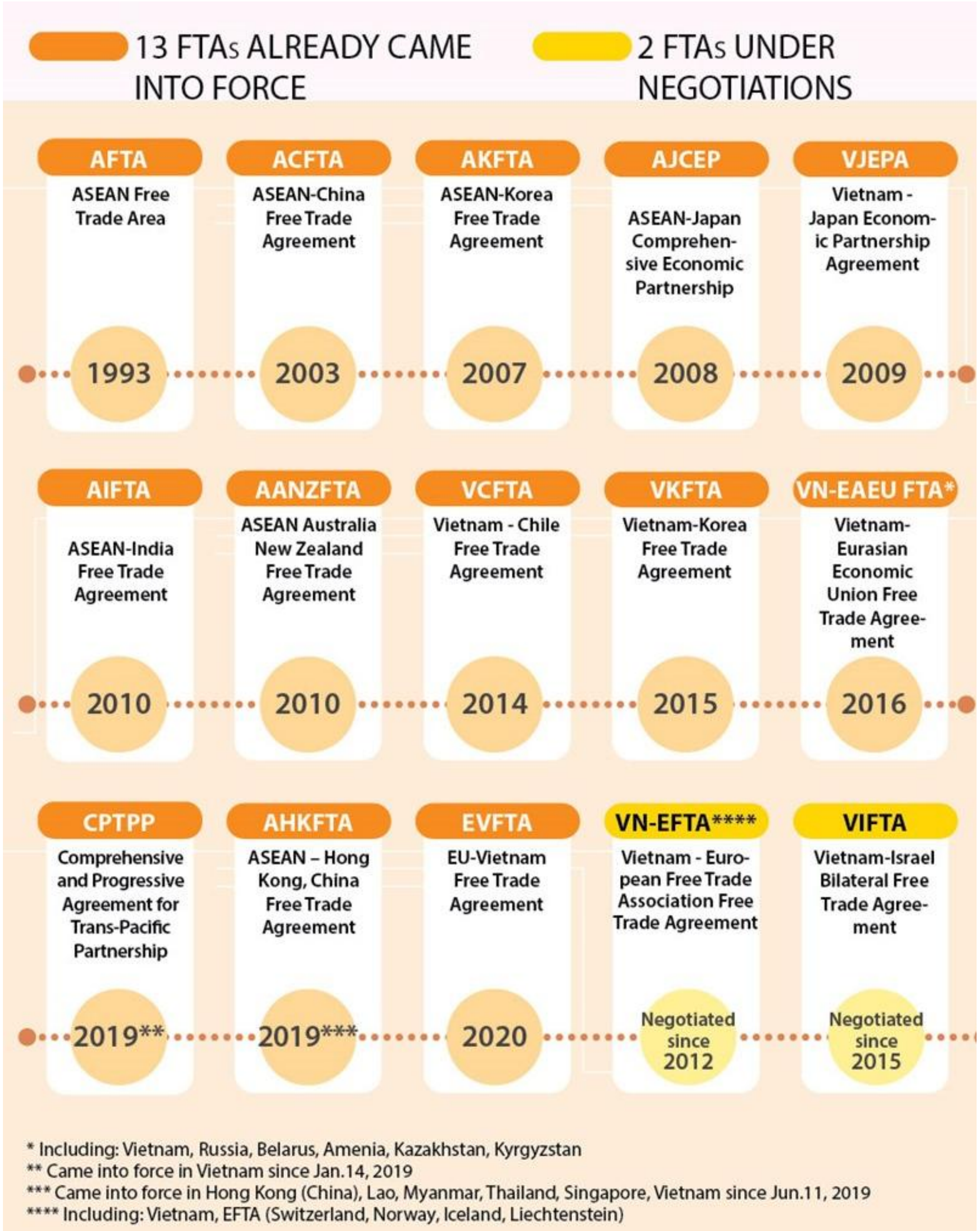
The project proposal is part of a report on national projects to call for FDI, which the city People's Committee has recently submitted to the Ministry of Planning and Investment.

The city has been facing challenges finding investment in such traffic projects because investors do not see the benefits of investing in the projects or are hesitant to invest because they are all done on a massive scale and require a vast amount of capital.

Regulations on private – public partnership investment in traffic and railway projects still contain some weaknesses, according to the city./.VNS

List of FTAs joined by Vietnam as of December 2020

List of FTAs joined by Vietnam as of December 2020 in which Vietnam has joined cover most continents. They comprise nearly 60 economies which altogether make up ~90% global GDP.


13 FTAs ALREADY CAME INTO FORCE
2 FTAs UNDER NEGOTIATIONS
AFTA
ASEAN Free Trade Area
1993
ACFTA
ASEAN-China Free Trade Agreement
2003
AKFTA
ASEAN-Korea Free Trade Agreement
2007
AJCEP
ASEAN-Japan Comprehensive Economic Partnership
2008
VJEPA
Vietnam - Japan Economic Partnership Agreement
2009
AIFTA
ASEAN-India Free Trade Agreement
2010
AANZFTA
ASEAN Australia New Zealand Free Trade Agreement
2010
VCFTA
Vietnam - Chile Free Trade Agreement
2014
VKFTA
Vietnam-Korea Free Trade Agreement
2015
VN-EAEU FTA*
Vietnam-Eurasian Economic Union Free Trade Agreement
2016
CPTPP
Comprehensive and Progressive Agreement for Trans-Pacific Partnership
2019**
AHKFTA
ASEAN – Hong Kong, China Free Trade Agreement
2019***
EVFTA
EU-Vietnam Free Trade Agreement
2020
VN-EFTA****
Vietnam - European Free Trade Association Free Trade Agreement
Negotiated since 2012
VIFTA
Vietnam-Israel Bilateral Free Trade Agreement
Negotiated since 2015
* Including: Vietnam, Russia, Belarus, Amenia, Kazakhstan, Kyrgyzstan
** Came into force in Vietnam since Jan.14, 2019
*** Came into force in Hong Kong (China), Lao, Myanmar, Thailand, Singapore, Vietnam since Jun.11, 2019
**** Including: Vietnam, EFTA (Switzerland, Norway, Iceland, Liechtenstein)


2 FTAs RECENTLY SIGNED, SOON TO BE EFFECTIVE
UKVFTA
UK – Vietnam Free Trade Agreement
Signed on DEC.29, 2020
Officially came into force since 23:00 on Dec.31, 2020
RCEP
Regional Comprehensive Economic Partnership
Signed on NOV.15, 2020
Including: ASEAN, China, RoK, Japan, Australia, New Zealand
COUPLED WITH WTO ACCESSION IN 2007, IMPLEMENTATION OF FTAs CONTRIBUTE TO BOOSTING
GDP up by >300%
Export value up 350%
FTA: Free Trade Agreement
WTO: World Trade Organisation
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