Highlight

Alibaba, Warburg Want Piece of Vietnam's Booming Online Economy

VIETNAM BUSINESS REVIEW

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What's in it today?

FINANCE

Vietnam credit growth forecast to hit 14% in 2021: Fitch Solutions

Vietnam's credit growth is forecast to expand by 14% in 2021, higher than the growth rate of 12.1% recorded last year, according to Fitch Solutions, a subsidiary of Fitch Group.

"We project GDP growth of 5.8% in 2021, twice as fast as the 2.9% gain posted in 2020, so improved economic conditions should result in stronger credit demand, particularly given already low interest rates," stated the Fitch Solutions in a note.

Fitch Solutions previously forecast Vietnam's GPD growth at 8.6% in 2021, however, a lower estimate came as tourism has not recovered as expected, added Fitch Solutions.

"Borders are not likely to reopen until a significant proportion of the population has been vaccinated," stated Fitch Solutions, but, according to Oxford University data, just 0.69% of the population had received their first dose as of May 5.

As further support, Fitch Solutions expects the State Bank of Vietnam (SBV), the country's central bank, to hold its policy discount and refinancing rates at 4.00% and 2.50%, respectively, particularly since inflation is within the central bank's target range.

Consumer price inflation was nonexistent in 2020 but is likely to accelerate to average 6.8% in 2021. Due to base effects, inflation in the first half is likely to be higher than in the second half, allowing inflation to fall into the central bank's target range before the end of the year.

With the global economy beginning to recover, Vietnam's export sector is expected to benefit. However, the shortage of shipping containers and higher shipping costs could limit the contribution of manufacturing to the economic recovery. In addition, the global recovery may be uneven which may also constrain export growth and, by extension, the demand for Vietnamese manufactures.

On the positive side for growth, the construction sector is likely to benefit from higher public spending in 2021. In addition, the implementation of the public-private partnership law since January 1 2021 should result in faster implementation of capital projects. That said, the SBV has recognized that banks are taking on more risk in the property sector and is actively trying to reduce risk in real estate.

Loans to purchase automobiles would likely support the credit growth acceleration in the second half of 2020 as the government slashed vehicle registration fees by 50% for the purchase of domestically-produced vehicles until the end of 2020.

"If the timeframe for lower registration fees is extended, then we could see additional tailwinds to credit growth coming from the vehicle sector," said Fitch Solutions.

Fitch Solutions, however, warned any reduction in domestic activity from the further spread of Covid-19 could result in weaker economic growth than its forecast.

"Since asset prices, both physical and financial, surged in Vietnam at the end of 2020, any restrictions in credit extension to reduce risk in the banking sector could result in weaker credit growth," it concluded.

Shares end morning higher, HoSE shuts down afternoon trading on high trading value

Vietnamese shares ended on a positive note on Tuesday morning but in the afternoon session Hồ Chí Minh Stock Exchange shut down due to high transaction value affecting system safety.

On the Ho Chi Minh Stock Exchange (HoSE), the VN-Index gained 0.73% to close the morning session at 1,337.78 points. The market breadth was negative as 244 stocks declined, while 169 stocks gained.

The liquidity was extraordinarily high with over 629.4 million shares traded on the southern market, worth nearly VND21.8 trillion, leading to an alarm on the safety of the system.

With the approval of the State Securities Commission, HoSE announced it would stop trading in the afternoon session Tuesday as trading value had skyrocketed to a surprisingly high level. This is the first time HOSE has actively suspended transactions to protect its trading system.

HoSE requested member securities companies to notify investors when the next instructions are made.

According to financial news site cafef.vn, system overload occurred on every trade platform, not only on exchange floors of brokerages but also on trading websites and mobile trading apps.

Investors who want to place orders must place orders through brokers, it said. Some even could not log in because the traffic was too high.

The stock market has undergone very active trading in the past two weeks with the value of transactions on HoSE rising for the past five consecutive sessions, from VND19 trillion to more than VND23 trillion, causing continuous congestion.

The VN30-Index rose 0.55% in the morning session to 1,482.92 points. Of the VN30 basket, 16 stocks decreased while 14 rose.

The uptrend of the indices continued to support the market. Vietcombank (VCB) increased by 5.2% to VND103,700 per share. Hoa Phat Group (HPG) soared 5.3% to trade at VND55,500 per share.

Banking stocks like VIBank (VIB), Asia Commercial Bank (ACB), HDBank (HDB) and Saigon-Hanoi Bank (SHB) also gained.

The steel group also continued to attract strong cash flow with Hoa Sen Group (HSG), Nam Kim Group (NKG) and Pomina (POM) all gaining.

Oil and gas stocks such as PetroVietnam Gas JSC (GAS), PetroVietnam Technical Services Corporation (PVS), PetroVietnam Drilling & Well Service Corporation (PVD), Petrochemical and Bio-Fuel JSC (PVB), PetroVietnam Construction Corporation (PVC), PetroVietnam Transportation Corporation (PVT) and Bình

Sơn Refining and Petrochemical (BSR) also made gains in the context of a good recovery in world oil prices and many oil and gas projects being implemented recently.

On the Hanoi Stock Exchange (HNX), the HNX-Index dropped 0.21% to 317.18 points. — VNS

Consumer debts put for sale for first time in Vietnam

Commercial banks have made public the sale of unsecured consumer debt for the first time in the country. Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank) recently announced it would sell consumer loans to recover debts. Accordingly, the debts belong to many borrowers and are valued from VND1.68 million to VND17.58 million. The book value of the debts includes principal, interest and penalties.

Notably, these consumer debts are unsecured and the starting price is equal to the book value. The bank also requires deposits equal to the starting selling prices from customers who want to buy the debts.

The sale of unsecured consumer debts is uncommon in Vietnam as previously banks often made public only bad debts for sale to handle and recover them, and they always had collateral such as real estate, machinery, equipment, factories and cars.

According to a representative of VietinBank, selling consumer debts is one of the bank's legal business operations to handle and recover debts. Though the debts aren't non-performing loans, banks can still sell them.

Financial expert Huỳnh Trung Minh said customers often repay consumer debts on time, such as instalment purchases or small consumer loans, so the bad debt ratio of such loans is very low. Minh believed the sale of consumer debts are useful for buyers who would like to have the address and information of the borrowers so they can enlarge their database and access new potential customers. In foreign countries, the refinancing business segment, or relending to customers who are in debt but solvable in the future, is common and profitable.

However, according to another financial expert and lawyer Trương Thanh Đức it is not easy to sell consumer debts at full cost of principal, interest and penalties because the sale seems less attractive than that of bad debts. Currently with bad debts with collateral, banks can only sell them at a price equal to only 50-70% of book value.

Recently, commercial banks and financial companies have promoted the consumer lending segment to meet the urgent capital needs of people. In particular, the Government also encouraged the development of consumer lending in a move to fight against usury.

Though consumer lending has been thriving with increasing risk of bad debts, financial expert Đinh Thế Hiển said there had been no legal debt trading market in this segment. After the Government banned the debt collection service, financial companies and banks have to deal with bad debts from consumer loans by themselves. — VNS

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E-COMMERCE

Alibaba, Warburg Want Piece of Vietnam's Booming Online Economy

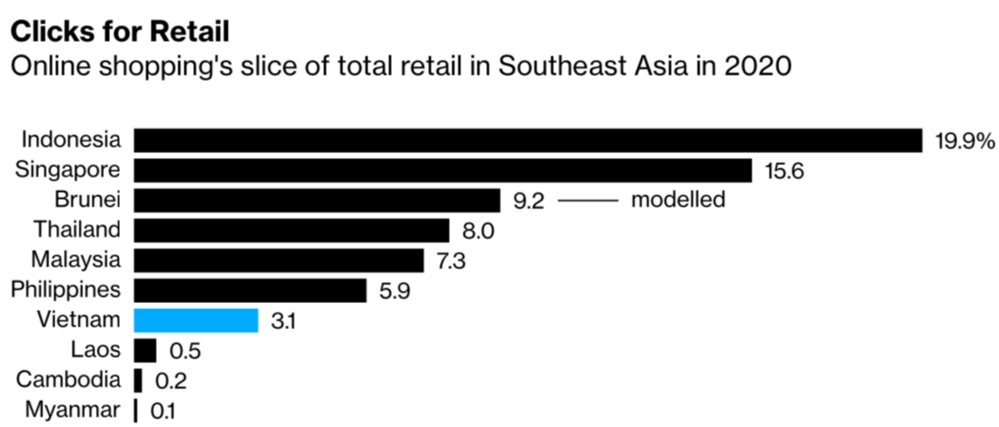
Weaving through congested Ho Chi Minh City on his Honda motorbike, Ho Duc Quang zips past a statue of the city's namesake revolutionary leader and the warren-like Ben Thanh Market to drop off toys, books and other packages to customers of online retailer Tiki.vn.

Though Euromonitor International estimates e-commerce accounted for just 3% of the nation's retail market last year -- the smallest amount in Southeast Asia -- the potential for growth is alluring. Vietnam's digital economy is forecast to grow to $52 billion by 2025, an annual 29% increase from 2020, according to a study by Alphabet Inc.'s Google, Temasek Holdings Pte and Bain & Co.

Competition for Customers

Startups backed by Warburg Pincus LLC, Goldman Sachs Group Inc. and JD.com Inc., regional players including Singapore's Sea Ltd.'s Shopee and even Amazon.com Inc. are also targeting the country's growing middle class. Between 2016 and the first half of 2020, investors funneled $1.9 billion into Vietnam's online sector, the study by Google, Temasek and Bainshowed.

The government targets online shopping to account for 10% of Vietnam's retail sales -- and as much as 50% in Hanoi and Ho Chi Minh City -- by 2025. Officials want to reduce cash payments to create a more transparent modern economy by increasing cashless payments for public services and improving the regulatory framework for e-payments.



A consortium led by Alibaba Group Holding Ltd. and Baring Private Equity Asia is investing $400 million for a 5.5% stake in Vietnamese conglomerate Masan Group Corp.'s retail arm. As part of the deal announced May 18, Masan will team up with Lazada, Alibaba's Southeast Asia e-commerce unit. "The combination of Alibaba's online retail expertise, Lazada's e-commerce platform in Vietnam, and Masan's leading offline network will be a strong catalyst to modernize Vietnam's retail landscape," Kenny Ho, Alibaba's head of investment for Southeast Asia, said in a statement.

M-Service JSC, a Vietnamese startup backed by Goldman Sachs Group Inc. that operates the MoMo payment app, in January raised more than $100 million from a group of investors including Warburg Pincus.

For the first time in their shopping lives, Vietnamese are being wooed with customer-first retail common in developed economies as dozens of e-commerce companies build loyalty among the nation's growing middle class.

Consumer Distrust

Digital retailers are engaged in a courtship with shoppers wary of fraud and stores that traditionally eschew return policies. "Vietnamese are distrustful of what they can't see," said Hanoi-based economist Nguyen Tri Hieu. "Ordinary people need to see what they are buying. They need to smell it, touch it."

So e-commerce sites offer promotions -- Shopee calls them "hunting hours" -- with price cuts on everything from AirPods to Samsung washing machines. E-wallet startups provide vouchers. Tiki has an up-to-30-day return policy.

Hanoi shopper Nguyen Thi Kim Chi, 31, who works at an entertainment media website, said e-commerce's customer focus and 70%-off flash sales won her over. Online ratings of products and services empower consumers, she said.

"Usually customers have to go to stores to complain about low-quality products, sometimes even have arguments," Chi said, "but still they cannot get anything fixed."

The pandemic gave digital retail a boost with 30% more Vietnamese buying everything from food to electronics online last year, Matthaes said. A new virus surge sweeping across the country could further enhance e-commerce as Ho Chi Minh City, Hanoi and other regions experience virtual lockdowns.

Shifting retail

Vietnam's retail landscape is shifting faster than mature markets did, said Jeffrey Perlman, Warburg Pincus managing director in Singapore who overseas Southeast Asia and Asia Pacific Real Estate. Its move to modern retail skipped catalog shopping and stand-alone department stores as malls began sprouting largely over the past decade.

Tiki is the nation's largest homegrown e-commerce site among dozens of local online shopping platforms, including some operated by retailers that have set up their own websites. Software engineer Tran Ngoc Thai Son launched Tiki in 2010 with $5,000. He wrote the code, purchased 100 English books from Amazon, and then delivered them on his motorbike.

Tiki now has 3,100 employees and a state-of-the-art warehouse management system overseen by Henry Low, a former Amazon and Coupang Corp.executive.

As his company grew, so did efforts to attract consumers. Son deployed a system to weed out fake products and says Tiki will back legitimate customer complaints. "If there is a defect in, say, a new phone and the customer wants to return it, we support the customer 100%," he said. "If the seller is not OK with that, we will turn off the seller."

Diapers to Beer

Investors including Sumitomo Corp. and JD.com have backed the startup with $192.5 million, according to Crunchbase. Son said he expects more funding rounds and plans an eventual initial public offering.

The startup handles just under two million orders a month, said Low, as workers stacked pallets with everything from boxes of diapers to cases of Corona beer in a 10,000 square-meter fulfillment center on a recent afternoon. Tiki is deploying artificial intelligence and robots capable of moving 800 kilograms of products to speed things along.

"It's so fast," Son said of his logistics system that looks to offer 500,000 products for two-hour delivery from 200,000 now, helping Tiki reach profitability. "Customers don't have a chance to change their mind."

Why does Vietnam love e-commerce? The trend only grew during Covid-19

Why does Vietnam love e-commerce? Luxury consumers prefer shopping for Gucci, Chanel and Dior on social networks like Instagram over physical stores – and the trend only grew during Covid-19

- Vietnam's middle class – particularly HENRYs (High Earners Not Rich Yet) who earn around US$100,000 a year – grew its e-commerce sector, valued at US$52 billion
- Vietnamese spend seven hours a day on the internet on average, on sites like Facebook, YouTube, Zalo and Instagram – no wonder they prefer to shop online too

With a developing economy and a population of over 97 million in 2020, Vietnam is a promising market for e-commerce and that promise has only grown over the last year despite – or even in part as a result of – the coronavirus pandemic.

According to a January 2021 report by the country's Ministry of Industry and Trade's Department of E-commerce and Digital Economy, 53% of the population has already took part in online retail. Meanwhile, the "E-conomy SEA 2020" report from Google, Temasek and Bain & Company pointed out that e-commerce in Vietnam grew 46% year on year, alongside strong growth across most sectors except for travel. Looking towards 2025, they suggest the e-conomy will reach US$52 billion in value, ranking third in Southeast Asia.

The fast-growing middle class is the sector driving increasing expenditure, with its number reaching 33 million in 2020, up from 12 million in 2012. As the middle class expands, there's also a growing interest in top luxury brands.

The new demographic are HENRYs (High Earners Not Rich Yet), who have an annual income of about US$75,000-100,000, according to Robert Tran, CEO at RBNC, a global business advisory firm.

"Together with those who have over US$100,000 per year, they usually purchase products from luxury brands by ordering directly from them or through sellers offering the full service of order and delivery," he said.

Burberry has also opened a boutique in Ho Chi Minh City

Many people also travel to neighbouring places with large shopping malls, such Hong Kong and Singapore, just to get their Gucci bags or Rolex watches, according to Vo Thi Khanh Trang, head of Savills Vietnam's research and consultancy department. Noticing this, more brands have been paying attention to Vietnam in recent years, and Gucci, Louis Vuitton and Saint Laurent have opened stores in the country.

Despite the presence of these stores, the second most popular channel for shopping for luxury brands is through social networks. This makes sense when you consider that Vietnamese spend about seven hours per day on average on the internet, mostly on Facebook and YouTube but also on Zalo (a local chat app) and Instagram.

Facebook was by far the preferred platform for e-commerce, chosen by 89% of respondents to a 2019 survey by Asia Plus Inc. And with over 66.7 million Facebook users in 2020, Vietnam ranks seventh in the world, as reported by worldpopulationreview.com.

This all suggests Vietnam can be a gold mine for individual small sellers with private online shops. Fashion and beauty are the two most common searches and purchases online too, accounting for 55% and 30% respectively, according to the Asia Plus survey.

Many businesses in the fashion sector begin on a small scale and social networks are their simplest and most inexpensive marketing tool, according to Huong Nguyen, founder of Ferosh, the first online store solely distributing local high-class clothing and accessories; it won first prize at the Vietnam Future Start-up Contest 2017.

Nguyen also uses Facebook, Instagram and Pinterest to keep track of her business, uploading information on the company's development and achievements, sharing news of upcoming fashion shows, and exchanging feedback with designers or brainstorming about e-commerce and start-ups.

her job to sell international luxury items through her personal social network after she noticed the demand for online shopping in the country booming. It did not take long for her to get her first customers through her Facebook account. Starting with her friends, colleagues and some Facebook groups dedicated to online shopping, her clients increased steadily and a number became loyal, repeat clients.

Most of Ha's customers are women from a wide age range, between 25 and 70, who favour luxury brands such as Gucci, Chanel, Dior, Burberry and Louis Vuitton.

Purchasing online via social network is more convenient and helps save time compared to visiting a store, according to Ngoc Mai, one of Ha's customers. "My job is very busy. Going to a store with traffic, looking for a parking slot and queuing in line for purchase is a pain. Meanwhile, with my phone, with a few minutes, I can shop easily," the 40-year-old businesswoman said.

Others say they also find online shopping more stimulating. "Not all brands have a store in Vietnam. Moreover, many times I buy nothing when I go there or to shopping malls. I don't really know why, but when pictures of the products are online, [they] catch my attention more," said Thanh Hoa, a 60-year-old retired architect.

Many customers feel the same, saying that online shops usually update according to the latest and hottest trends, or put new products up for sale every day, making it easy to follow them and make purchases. About 68% of online consumers in Southeast Asia – including Vietnamese – don't know what they want to purchase before they shop, according to 2020 research on digital consumers using Facebook by Bain & Company. So they look for inspiration from these shops, with 62% of consumers learning about new products and brands via social platforms, with short videos as their top format of choice.

Another reason that more people prefer social networks to brand websites are the language and technology barriers, especially for middle-aged and older people who don't speak English and have poor knowledge of smart devices and applications. For example, Gucci and Louis Vuitton have stores in Vietnam, yet their website and services are only available in English, while other brands only provide sales and services offline.

It's the same for multi-brand shopping destinations, making it challenging for the locals to shop directly from them. On top of that, the information on the products is often relatively basic, not as interactive as that from sellers on social media channels, and direct communication with those sellers is much easier.

Another advantage of social network shops is the customer care. "Via chat you can talk with the seller to seek advice for what you need or clarify your queries about the products quickly. It's very useful compared to common basic information of the brand websites or e-commerce platforms," said Hoa.

In addition, buying via social networks often comes with a good deal. One of their key benefits is how sellers hunt to find customers the best price, according to Tran Phuong, a seller of beauty products. Customers can also negotiate more. Then the delivery cost from these shops is typically much lower than from a brand website. Many shops also offer flexible methods of payment that allow their customers to pay cash-on-delivery, matching the habits of older customers who sometimes still prefer to use cash.

During Covid-19, e-commerce further surged. A report conducted by iPrice Group and App Annie showed that the total number of visits to online shopping applications in Vietnam in the second quarter of 2020 reached 12.7 billion, the highest ever, and up 43% compared to the first quarter.

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ENERGY

Renewable power projects built to sell to foreign investors

Vietnam, a global phenomenon in renewable energy development, has risen to the top of the region in terms of renewable energy, particularly solar power, in a short period of time.

However, a number of solar power projects in particular and renewable power projects in general have been sold to foreign investors.

The names of foreign investors like Jormsup Lochaya or Chaphamon Chantarapong Phan are familiar to those who work in the power industry of Vietnam. Mr. Chaphamon Chantarapong Phan is the legal representative, Chairman of the Board of Directors and General Director of several energy enterprises in Vietnam, such as SSE Vietnam 1 JSC, SSEBP3, SSE LN2, Thinh Long Phu Yen Solar Power JSC, Van Giao Solar Power, Super Wind Energy Cong Ly Bac Lieu, ASIA Energy, Everich Binh Thuan Energy Co., Ltd., and Van Giao Solar Factory JSC.

These companies carry out many power projects in the provinces of Phu Yen, Bac Lieu, An Giang, Dak Nong, and Binh Thuan.

The companies are now under the control of Thailand's Super Energy Group after this group bought a majority of shares in these power projects.

Another name, Mrs. Napatpawankwan Apitedsurathan (Thai nationality) is the legal representative of a series of renewable power companies such as Gulf Energy Vietnam, Gulf Tay Ninh 1, Gulf Tay Ninh 2, and Mekong Wind Power. These companies own many of Vietnam's leading solar power plants, especially after Thailand's Gulf Energy Development acquired most of the shares from Vietnam's Thanh Thanh Cong Group.

Since mid-2018, many foreign investors have acquired controlling shares of many renewable power projects (solar, wind power) in Vietnam. Thousands of MW of solar and wind power are owned by foreign investors. Besides Thai investors, partners from Saudi Arabia, the Philippines, and Japan also own controlling shares in many renewable power projects in Vietnam.

It is common that renewable power projects are licenced, developed and completed by Vietnamese enterprises, and are sold to foreign investors. Many local businesses transfer shares right after completing the investment procedures. There are still only a few domestic investors who retain their decision-making power in power projects.

Why are these projects sold?

Recently, Trung Nam Group decided to transfer a 49% stake in the 204 MW Trung Nam Thuan Bac Solar Power Plant project to ACIT. On May 14, Trung Nam Wind Power Joint Stock Company signed a strategic cooperation agreement with Hitachi Sustainable Energy (Hitachi SE), a subsidiary of Hitachi Group (Japan), under which the Japanese partner owns a 35.1% stake in Trung Nam Wind Power Plant.

Meanwhile, after the boom in selling solar power projects, the sale of wind power projects will also flourish. Why do solar power projects have to sell capital and need to attract investors after these plants are put into operation?

An official from the Ministry of Industry and Trade explained that large energy corporations in the world rarely directly develop projects in order to avoid and reduce risks, time and costs at the project development stage, such as compensation for site clearance, approval of the government, local and central partners.

Domestic investors are knowledgeable about laws, mechanisms, policies, order and procedures... so they have many advantages in carrying out the investment preparation stage. On the other hand, foreign investors have potential in capital, technology, experience in investment and factory operation... The combination of domestic and foreign investors will bring good results for the project. Foreign investors often participate in large-scale projects or combine many small-scale projects. This helps reduce overall operating costs for the foreign investors.

An energy expert said that the financial capacity of most domestic investors is limited. Spending trillions of VND on a power project, many investors run out of capital when they want to do other projects. Therefore, in order to rotate capital, they have to sell most of their shares or sell part of their shares because it is difficult to access bank loans while interest rates are high. This can be seen in almost all areas of the economy when businesses want to raise capital to expand business investments.

“We only sell shares when there are new projects to develop," said Mr. Nguyen Tam Tien, General Director of Trung Nam Group.

Mr. Tran Dang Khoa, Head of the Electricity of Vietnam group (EVN)'s Electricity Market Department, said that from the perspective of enterprises, it is the change of shareholders or the percentage of ownership in that enterprise. This transfer is the right of shareholders under the Law on Enterprises. Thus, the essence is the transfer of shares in project enterprises.

However, the transfer of shares in an energy project is not only sold for money but also requires harmonization of long-term business interests and the whole economy. So investors need to choose partners with strong financial capacity. And Vietnamese investors need to improve their management and technology capabilities when conducting new projects.

Balanced development

Energy is a conditional business sector, related to energy security and socio-economic stability. Therefore, the phenomenon of selling dominant capital to foreign partners has confused people.

Although the installed capacity of wind power and solar power totals more than 20,000MW, accounting for 30% of the installed capacity of the whole system, the electricity output from these sources only makes up 12%.

Basically, the power system supply still depends on traditional power sources such as hydroelectricity and thermal power. For many years, foreign investors have owned many BOT (build-operate-transfer) power projects with a capacity of thousands of MW, but energy security is still guaranteed. Therefore, the concern about energy security, although necessary, is not that intense.

An investor said that, from the stage of project investment to transfer of shares to foreign investors, enterprises and local governments must consult with central agencies, such as the Ministry of Planning and Investment or even the Ministry of Defense. Only when the security and socio-economic factors are guaranteed will the transfer be conducted.

The Ministry of Industry and Trade has expressed the view that the transfer of all or part of an investment project is a normal operation in markets and is regulated by the Law on Investment.

Vietnamese law permits the transfer of projects to foreign investors that fully satisfy the conditions for transfer of investment projects in conditional industries. According to current regulations, the transfer of projects and change of shareholders are handled by the Department and Ministry of Planning and Investment depending on the size of the project.

Economist Pham Chi Lan said that the transfer of shares in renewable energy projects should be implemented in the spirit under which investors can only transfer their shares after a certain time. He said the host country should be prioritized to acquire the project; and the State of Vietnam given the right to refuse the partner chosen by the investor to transfer the project, if the partner is incompetent or may harm energy security and national defense of Vietnam.

From the business side, Mr. Nguyen Tam Tien, General Director of Trung Nam Group, affirmed that the group does not sell controlling shares to foreign investors and will never sell to partners with unclear capital resources. Many partners from the Philippines, Thailand and Hong Kong have asked to buy shares, but Trung Nam Group has refused them all. This group only sells its shares to Vietnamese enterprises and partners from Japan or Europe, or others with a good background on a global scale.

Vietnam’s energy giant sets ambitious revenue of $1.2 billion

The PetroVietnam Power Corporation (PV Power) aims to earn VND28.4 trillion of revenue (US$1.2 billion) and pre-tax profit of nearly VND1.55 trillion this year.

Last year, PV Power's total commercial power output reached nearly 19.2 billion kWh. The group also earned more than VND30.2 trillion of revenue and pre-tax profit of VND2,875 billion.

In the first four months of 2021, PV Power recorded revenue of more than VND10.2 trillion from an output of 6,405 million kWh. Despite impact of the Covid-19 pandemic, its electricity output in April was higher than that of March 2021. Specifically, Vung Ang 1 Power Plant completed 103% of the plan while Dakđrinh Hydropower Plant surpassed its plan by 45%. If this pace can be maintained, the group's billion-dollar revenue goal is feasible.

According to PV Power's Q1/2021 financial report, its after-tax profit reached VND901 billion, an increase of VND240 billion or 36.3% over the same period last year.

PV Power's assets are on the rise. At the end of the first quarter, its total assets hit VND47,212 billion, up by VND3,509 billion or 8% compared to the early year. In April, the group had an additional VND2,871 billion, accumulated VND10,213 billion.

PV Power is one of the leading power producers in Vietnam. The group has five operating power plants, two that are under construction (Nhon Trach 3 & 4 power plants) with a total installed capacity of about 1,500 MW. The group is also preparing for the Ca Mau 3 power plant project.

In early May, credit rating agency Fitch Ratings for the first time assigned PV Power a Long-Term Foreign-Currency Issuer Default Rating (IDR) of "BB" with a positive outlook. The rating is on par with that of Vietnam and major groups such as the Vietnam National Oil and Gas Group (PetroVietnam) and Vietnam Electricity (EVN).

PV Power is the first Vietnamese power producer and the first unit of PetroVietnam to be assigned an international credit rating. With this rating from Fitch, it is expected that PV Power will have a greater capacity to raise capital in the international market.

Good business results in the first four months of the year helped the group's share (POW) price at a high level in the past year. PV Power shares used to reach a peak of nearly VND15,000 per share. Currently, it is priced VND12,000 per share, with 14-16 million shared traded each session.

It is predicted that in 2021, shares of power producers such as Pha Lai Thermal Power (PPC), Hai Phong Thermal Power (HND), and Nhon Trach 2 Petroleum Power (NT2) will be "hot" because many power companies will offer attractive dividends of 6-10% compared to the current market price.

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RETAIL

Japan retailers expand in Vietnam as Korean peers retreat

While Japanese retailers are expanding in Vietnam, their Korean peers appear to be shrinking their presence in the Southeast Asian country amid the fierce competition, which is partially coming from local players. E-mart, South Korea's largest retailer, is selling its business in Vietnam to Thaco, one of the country's biggest private conglomerates and also a leading player in the local auto market.

According to Korean media reports, the Korean giant's board of directors had decided to sell a 100% stake in E-mart Vietnam Co. Ltd. to Thaco, which is headquartered in Ho Chi Minh City, where E-mart launched its first discount store in December 2015.

The deal's value was not disclosed, but the Korean company revealed that the Vietnamese buyer would pay royalties for the franchise.

Thaco has so far not confirmed the partnership. However, some suppliers confirmed that they got a letter dated May 21 from E-mart Vietnam explaining that the Korean group had entered into a franchise partnership with Thaco for its Vietnam business, and the suppliers would be able to continue their business with the firm.

E-mart says about US$60 million has been invested in the first shopping mall, which covers more than three hectares in Go Vap District near the Tan Son Nhat International Airport. The number of Korean products sold there increased from 170 in 2015 to 1,000 in 2019 and 1,200 last year, according to the investor.

Strategic alliance

Predictions that the supermarket chain would exit Vietnam arose in South Korea last December. Immediately after that, E-mart Vietnam chief executive officer Chun Byung Ki denied such exit plans, explaining that it was looking for a strategic alliance or business partnership to be able to deal with difficulties in securing sites for expansion.

In April this year, Lotteria Vietnam, which is part of Lotte GRS under Seoul-based Lotte Holdings, had to deny Korean news reports that Lotte GRS is leaving the Vietnamese market. While saying that it is exiting the Indonesian market, Lotte GRS stressed that it is maintaining its franchise and food retail businesses in Vietnam.

Lotte GRS added that its Vietnam business is facing problems due to a halt in facility construction and delays in the importation of equipment in view of the Covid-19 pandemic.

Meanwhile, Japanese retailers are expanding their presence in Vietnam, whose population is heading towards 100 million and where the income of the middle class is growing.

On May 20 Aeon Mall Vietnam, part of Japan's top retailer Aeon, signed a memorandum of understanding with the provincial administration of Dong Nai in the country's southeastern region on developing shopping malls there.

The first one will be built in Bien Hoa City, about 35 kilometres northeast of Ho Chi Minh City. Provincial officials said they expect the first mall to open soon. Aeon has not revealed how much it is investing in the province.

Expansion plans

Aeon also plans to build a shopping mall in Bac Ninh Province, next to the capital Hanoi, next year at an estimated cost of US$190 million. This February, the Japanese giant also signed a memorandum of understanding with the provincial government of Thua Thien-Hue to do market research on the opening of a mall in the central province, which is likely to cost US$160 million.

Since it entered Vietnam in 2013, Aeon has already put into operation six outlets in the country – two malls in Hanoi, one in the northern port city of Hai Phong, two in Ho Chi Minh City, and another in the adjoining Binh Duong province. It plans to establish 20 across the country by 2025 with a total investment of US$2 billion.

Muji, a Japanese retailer of household products and clothing, opened its first store in the country in Ho Chi Minh City last November, and plans to build the next one in Hanoi. It is focusing first on the country's two largest markets to build brand awareness, but envisages about 10 stores across Vietnam. The firm has not disclosed any timeline or investment estimates.

In downtown Ho Chi Minh City, the Muji store is on the first floor of the Parkson Saigon Tourist Plaza, where Japanese casual wear retailer Uniqlo launched its first Vietnam store in late 2019. Uniqlo has rapidly expanded its network to seven outlets, with four in the southern metropolis and three in Hanoi.

Uniqlo Vietnam CEO Osamu Ikezoe has told Vietnamese media that its business growth so far has surpassed expectations.

THACO to expand Emart hypermarket system in Vietnam

After acquiring the Emart hypermarket system, Truong Hai Auto Corporation (THACO) is planning to expand the chain to 3-4 hypermarkets by 2022 and to 11 points of sale by 2025.

At its online shareholders' meeting on May 31, THACO said it has reached a formal agreement with Emart Inc. and expects to complete the final stages of the deal in mid-June.

THACO expects to expand the chain to 3-4 hypermarkets by 2022 and to 11 points of sale by 2025

After the deal is completed, THACO will develop the detailed design of the stores and prepare for the efficient operation of the Emart hypermarket business.

In 2021, the Emart hypermarket system expects to reach more than VND1.8 trillion ($78.34 million) in revenue, an increase of about 10% compared to 2020.

Tran Ba Duong, chairman of THACO, said that the hypermarkets developed by the domestic automaker will incorporate facilities like showrooms, food courts, conference centres, and wedding receptions, even a place where customers can view cars and experience vehicle maintenance.

According to Duong, THACO wants to create a chain of low-cost hypermarkets to suit the wallets and taste of Vietnamese people. He added that the one-stop hypermarkets of THACO would create greater conveniences for customers and that low-cost hypermarkets are the upcoming trend, especially in provincial markets.

Meanwhile, Nguyen Hung Minh, vice chairman of the Board of Directors revealed that the company signed an agreement to acquire 100% of the capital of Emart Vietnam Co., Ltd., including the supermarket of Emart Phan Van Tri in Go Vap district, Ho Chi Minh City, as well as other supermarket projects being developed in Vietnam.

Moreover, the two sides signed a franchise agreement and Emart Inc. granted THACO exclusive commercial rights to its supermarket model for a period of nine years. Additionally, THACO will distribute Emart's Nobrand private label products in the Vietnamese market.

E-commerce changing domestic retail property market

The shift toward e-commerce due to the COVID-19 pandemic has brought challenges to Vietnam's retail property market, according to Savills Vietnam.

“COVID-19 has posed serious challenges within the real estate market, in particular for retailers. The market has witnessed many businesses having to foreclose or reduce operations to remain afloat," Tu Thi Hong An, director, Commercial Leasing HCM City, Savills Vietnam, said.

According to The Korean Times, the Korean E-Mart supermarket brand was acquired in May by Truong Hai Thaco Auto Corporation. Facing unprecedented challenges during its six years of operation in Vietnam, the brand struggled to expand and limited itself to just one location. It was believed that E-Mart struggled to find an ideal location that would match its requirements, Savills Vietnam said.

This is not the first time a foreign brand has struggled and eventually lost in Viet Nam’s harsh retail market. Before this, several foreign retailers like Metro and Casino Group had to back away, as well as the French supermarket chain Auchan was forced to be acquired by Coop, a local retailer.

Through the deal to secure a 5.5% stake with a price tag of 400 million USD in Vietnam’s Masan Group and VinCommerce (ownership of VinMart and VinMart) by joint consumer-retail platform Crown X by Alibaba and Baring Private Equity Asia (BPEA), just a day before the E-Mart acquisition announcement, the untapped potential of Vietnam’s retail sector is shown vividly through its attraction to foreign companies.

Once this deal is completed, VinCommerce (a subsidiary acquired by Masan) will be one of the largest suppliers of the Lazada e-commerce platform (owned by Alibaba).

Through these transactions it is clear the retail landscape in Vietnam is changing, as the line between online and offline shopping continues to fade.

A report from the Vietnam E-Commerce and Digital Economy Agency (iDEA) said that 53% of purchases were done online in 2020 and the retail sector was given a bright forecast.

According to Fitch Solutions, Vietnam currently holds the fourth place in Southeast Asia's fast growing e-commerce sector, and the average household spending is predicted to rise up to 9.5% per year, an increase of 0.5% from an earlier forecast. Consumer spending categories are also expected to regain momentum in 2021.

According to the National Development Plan for E-Commerce 2021-2025, up to 55% of the Vietnamese population will make purchases online.

An also said: "This simply reflects how business is a competition for survival of the fittest in our evaluation. As the retail sector in HCM City is still seeing the arrival of many foreign brands within the food and beverage (F&B), fashion and accessory industry, it shows that many foreign businesses still see huge upside potential of the Vietnamese market."

“Despite the ongoing challenges of COVID 19, retail performance indicators are contrary to the current state of the market. Total revenue of the retail sector continues to rise as e-commerce becomes more popular and foreign brands enter the market,” she added.

Total revenue from mobile e-commerce transactions is estimated to reach 7 billion USD in 2021 and up to 10.2 billion USD in 2023, according to Savills.

Meanwhile, Hoang Nguyet Minh, director of commercial leasing, Savills Hanoi, said: "International retail brands see Hanoi as an expansion market. A premium shopping mall or a high-end hotel retail area has more appeal to these tenants than regular shop-houses or standalone projects."

Foreign investors are helping accelerate growth of modern retail. The Ministry of Industry and Trade reported their already significant positions with 17% of shopping centres and supermarkets; 70% of convenience stores; 15% of minimarts; and 50% of online shopping and TV shopping channels.

The rapidly growing middle class is approaching an inflection point for domestic consumer spending growth, with GDP per capita approaching 3,000 USD. That shows significant retail potential, according to Savills Vietnam.

According to JLL, Socar Mall – the first mall in Thu Thiem is set to open in the third quarter of 2021 and expected to bring 38,000 sq.m to the retail property market. Meanwhile, the retail podium of some completed mixed-use developments is still looking for tenants and have yet to define opening dates.

In HCM City, vacancies continue to be constraint given limited new supply, meanwhile rents are flat as the impacts of pandemic are still lingering.

In Hanoi, Vincom Mega Mall Smart City with a total area of about 40,800 sq.m plans to enter this market in the second quarter of 2021. This will be the largest shopping centre in Nam Tu Liem district and is expected to become a new destination for residents in the area.

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Great investment opportunities in cold storage

The rise of online shopping is driving demand for cold storage facilities, a segment that is severely short of supply around the world.

Research firm Forrester forecasts online shopping in Asia-Pacific will grow by 30% annually by 2024.

Trang Bui, senior director of markets, JLL Vietnam, said the seafood export sector occupied the largest area of cold storehouses in Vietnam.

During the peak period of the COVID-19 pandemic, up to 30 - 50% of seafood export orders were cancelled, leading to an increase in inventories, causing cold storehouses to operate at maximum capacity.

Supply was constrained in part because cold storehouse facilities take more time to build than other types of logistics properties. The construction of cold storehouses is more complicated and expensive than standard warehouses, said Trang.

The investment cost of cold storehouses is two to three times higher than that of standard warehouses, and the construction process can take up to six months. Besides, the lease term usually lasts from 15 years to 20 years, making the already scarce supply even more scarce, Trang added.

Michael Ignatiadis, head of Supply Chain & Logistics Solutions, JLL Asia Pacific, said Asia's rapidly growing population and middle class, increasing demand for fresh food, was driving demand for cold storehouses.

The potential of cold storehouses has attracted the attention of real estate investors, venture capital funds and lenders. Investors are also considering cold storehouse as an alternative to traditional industrial real estate and logistics companies are looking to expand into new markets.

JLL Vietnam reported cold storage for seafood operated most effectively within a distance of 50km to ports, while items such as vegetables and fruits should be located near urban areas.

Currently, the supply of cold storage is mainly in the southern region due to great demand, of which, about 60% of the market share is held by foreign investors.

JLL experts also shared that for Vietnam to enter the next phase of the industrial and logistics cycle and move ahead of regional counterparts, it was vitally important to continue spending significant amounts on infrastructure, including both highways and utility networks, including renewable energy.

Also, Vietnam's cross-border trade process, which includes both time and costs, still needs significant improvements. VNS

New master plan for seaports needed to further boost economic development

A new master plan for seaports is needed to further boost the country's socio-economic development in the rapid international integration process, experts have said.

With a coastline stretching over 3,000 km, Vietnam has a maritime and inland waterway transport system that plays an important role in the country. Every year, the seaport system handles up to 90% of import and export cargo, contributing significantly to economic growth.

The seaport system saw the volume of containers transported increase by more than 15 times in the 2001-19 period and was entering a new phase with new requirements for development.

According to Nguyen Duc Kien, head of the Prime Minister's Economic Advisory Council, around 80% of the volume of goods traded between countries was handled by sea transport. Similarly, the percentage in Vietnam was 90%, meaning that most of the country's annual import and export goods were through the seaport system.

"Just look at the operation of the seaport system, one can see that country's economic development," Kien said.

He pointed out a number of advantages of maritime transport, including that it could handle large quantities and long distance at low costs. "The economic development will affect the development of maritime transport and vice versa, when sea transport develops well, it will promote economic growth."

Chu Quang Thu, former Director of the Vietnam Maritime Administration, said the seaport system saw significant development over the past two decades.

As of the end of April, there were 286 ports across the country with a total wharf length of 96 km, more than 4.5 times longer than in 2000. The seaport system handled a total cargo volume of more than 692 million tonnes in 2020, 8.4 times higher than 2000.

The seaport system was developed in association with the the country' economic hubs and regions, such as Quang Ninh and Hai Phong ports for the northern key economic region, Thua Thien – Hue, Da Nang, Dung Quat and Quy Nhon for the central key economic region, HCM City, Ba Ria – Vung Tau and Dong Nai for the Southeast region and Can Tho and An Giang for Cuu Long (Mekong) Delta region.

Vietnam has set up 32 maritime transportation routes, 25 of which are international.

With open investment policies, Vietnam has attracted many global port operators and shipping lines to invest in the seaport system, such as the UAE's DP World, the US' SSA Marine, PS from Singapore, APMT from Denmark, and Hutchison Port Holding from Hong Kong.

However, there was a lack of consistency between seaport planning and socio-economic development planning of localities and other industries, Nguyen Xuan Sang, Director of the Vietnam Maritime Administration, said.

The transport infrastructure system was becoming overloaded and outdated, which together with rapid urbanisation, industrialisation, coastal urban areas and tourism areas development resulted in congestion at some ports.

“It is necessary to develop new master planning for the seaport system of Vietnam to ensure synchronous development and meet the country’s requirements for industrialisation and modernisation,” Sang said.

Le Tan Dat, deputy director of the Construction Consultation Joint Stock Company for Maritime Building, said that the seaport master plan for the next period should take advantage of the favourable geographical locations and natural conditions combined with science and technology advancements to ensure comprehensive development and contribute to improving competitiveness of the system.

The new planning should focus on investment in key seaports to become pillars for the maritime economy and promote the development of the logistics industry.

The seaport planning in the next period should give priority to the development of international gateways and transshipment ports in Hai Phong City in the North and Ba Ria – Vung Tau Province in the South and for the central economic region. Seaport clusters would also be developed to serve socio-economic development, including Hai Phong – Quang Ninh, Nghi Son (Thanh Hoa) –Dong Hoi (Nghe An), Da Nang – Quang Nam – Dung Quat (Quang Ngai), Quy Nhon (Binh Dinh) – Van Phong (Khanh Hoa) and HCM City – Cai Mep Thi Vai.

Minister of Transport Nguyen Van The asked the Vietnam Maritime Administration to evaluate the current situation of the seaport system to raise development orientations in line with forecasts.

The said that special attention would be attached to developing the seaport system for the Mekong Delta region which had abundant sources of agricultural products for export but the seaport system remained poorly developed.

He said the Mekong Delta region needed a deep-water seaport which together with Can Tho Airport would promote the economic development of the region.

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INVESTMENT

Investment into local start-ups expected to rise this year

The investment capital into Vietnamese start-ups this year would see a breakthrough despite a year-on-year decrease of 48% in 2020 to reach US$451 million.

The information was announced in the Vietnam Innovation and Technology Investment Report 2020 jointly released by the National Innovation Centre (NIC) under the Ministry of Industry and Trade and Do Ventures on Monday.

The report said that 2020 was a challenging year but was full of opportunities for investment into innovation and technology around the world and in Vietnam.

It said the decrease was mainly due to the absence of significant investments closed by major companies in the previous year.

However, the number of investments decreased slightly at 17%, of which 60 deals were recorded in the second half of 2020 – a similar number to the same period last year.

“This shows that, after a sharp decline in the first quarter of 2020, venture capital activity began to recover from the second quarter of 2020 onwards,” the report said.

Payments and retail sectors continue to receive the highest value investments due to their key role in the development of the internet economy. Investment capital in payments and retail were $101 million and $83 million, respectively.

Some industries such as human resource technology (HRTech) and real estate technology (PropTech) continued to attract investment, while industries such as education technology (EdTech), health technology (MedTech), and software as a service (SaaS) were on the rise due to the change in behaviour of consumers and businesses during the COVID-19 pandemic.

In the difficult context of the global economy because of the pandemic, the number of foreign investors only slightly decreased in 2020, showing that Vietnam is still an attractive destination for investors. The strongest activity came from domestic investors and investors from South Korea and Singapore.

The steady funding into start-ups in the early stages is especially important for the health of the entire venture capital ecosystem. Do Ventures recorded more than half of the total number of investments in Vietnamese technology start-ups were made by domestic investment funds.

“This is an indication showing the important role that domestic investors play in supporting start-ups in the early stages to continue to go further in this challenging period,” said Do Ventures.

The report said that although Vietnam's technology investment market experienced an inevitable slowdown due to the impact of COVID-19, founders in the country have taken advantage of all available resources to survive and continue to grow because the crisis is always a powerful catalyst for disruptive business models to emerge.

The Vietnam Innovation and Technology Investment Report 2020 was released on the basis of co-operation between Do Ventures and NIC. This is a project for successful combination between a private venture capital fund and a State agency with the common goal of building an innovation ecosystem in Vietnam.

Vu Quoc Huy, NIC's director, said: "NIC is researching and proposing to build a legal environment for innovation in Vietnam as well as specific programmes, policies, and testing mechanisms to support innovative businesses. The report aims to provide information to investors on innovation investment activities in the country, thereby attracting domestic and foreign investment capital for innovation."

Le Hoang Uyen Vy, CEO of Do Ventures, said: "The challenges spanned the whole of 2020 and will probably not stop in the near future. However, as people operating in the field of innovation, we always see opportunities in difficulties. Do Ventures believe in the ability of entrepreneurs to overcome obstacles to create new values for society and at the same time is committed to always supporting them during key times."

Global investment firm KKR invest in Vietnamese education company EQuest

Global investment firm KKR has announced its investment into EQuest Education Group, a leading educational services provider in Vietnam.

Global investment firm KKR has invested in Vietnamese education company EQuest

The investment will be used to support EQuest's expansion and advance its mission to provide students in Vietnam with affordable access to world-class education.

Accordingly, EQuest operates a diversified portfolio across the educational sector in Vietnam, focusing on four core segments including K-12 bilingual schools, tertiary and vocational institutions, English enrichment courses, and digital learning solutions. Its K-12 portfolio serves more than 9,000 students in its eight campuses.

EQuest has gained a strong reputation in Vietnam where there is rapidly-growing demand for an affordable bilingual curriculum with strong efficacy. As a group, EQuest has more than 110,000 students enrolled across its segments each year, positioning the company as one of the largest private educational services providers in Vietnam.

Meanwhile, KKR is a leading global investment firm with $367 billion of assets under management as of March 31, 2021. The deal is made through KKR Global Impact Fund and marks the fund's fourth investment globally in the educational and workforce development space as part of the fund's thematic focus on lifelong learning.

The fund is focused on generating risk-adjusted returns by investing in companies that contribute toward the United Nations Sustainable Development Goals (SDG). EQuest's business directly contributes towards SDG 4 (Quality Education) by providing accessible, affordable, and high-quality education to Vietnam's emerging middle-class population.

Nguyen Quoc Toan, co-founder and CEO of EQuest, said: "Access to high-quality education and intensive English-language training is crucial for Vietnamese students to achieve their full potential. By making the access affordable at a disruptive cost, EQuest is committed to delivering world-class education and bringing accredited, world-class curriculum to more Vietnamese students to improve their competitiveness in the global arena."

In the same vein, Ashish Shastry, co-head of Asia Private Equity and head of Southeast Asia at KKR, said, "Investing in Vietnam and supporting the growth of the country's businesses and industries is a key part of KKR's strategy in Asia. As Vietnam continues to rise on the global economic stage, access to affordable, high-quality education solutions plays an important role in meeting the nation's objectives. We are excited to invest in EQuest and to support aspiring Vietnamese entrepreneurs like Toan – as well as EQuest's talented team – to help realise their vision for closing the education gap in the country."

Vietnam has a growing middle-class population with rapidly increasing demand for better education. With continued trends of globalisation, English has become an essential employability skill, with proficiency in the language a high-priority area for Vietnam's national education goals. The Vietnamese government has also earmarked digital learning solutions as a strong area of focus as it seeks to further improve access to education.

Hanoi attracts 519.2 million USD in FDI in five months

Total registered capital of new foreign-invested projects and additional capital in existing ones in Hanoi amounted to 519.2 million USD in the first five months of this year, according to the Statistics Department of Hanoi.

Specifically, 139 new FDI projects worth 76.8 million USD were licensed in the period, while existing projects absorbed 442.4 million USD.

In May alone, Hanoi gave the green light to 14 wholly foreign-owned projects and two foreign joint ventures, with combined registered capital of 5.3 million USD. Meanwhile, foreign investors poured 184 million USD in operational projects.

Regarding domestic enterprises, 2,238 new enterprises were established in Hanoi in May, up 8 percent year on year, which registered a total 42.3 trillion VND (1.84 billion USD) in capital, up 69 percent. At the same time, 245 firms dissolved, up 20%, and 788 suspended operation, an increase of 28%, but 644 resumed operation, a surge of 51%.

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Head Office	Floor 5th – A Chau Building No.24 Linh Lang Str., Ba Dinh Dist., Hanoi, Vietnam
Rep. Office	〒220-0012, 8F Wework, Ocean Gate Building 3-7-1 Minatomirai, Nishi ward, Yokohama Kanagawa, Japan
Telephone	+84-24-6275-5246 ; +84-24-6273-6989
Fax	+84-24-6273-6988
URL	www.seiko-ideas.com
PIC	Tram Nguyen (Ms.)
Email	tram.nguyen@seiko-ideas.com

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