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VIETNAM BUSINESS REVIEW

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FINANCE

State budget collection up 15.6 percent in seven months

Total state budget revenue reached 912.1 trillion VND (39.74 billion USD) in the first seven months of 2021, equaling 67.9 percent of the estimate and up 15.6 percent year-on-year, data released by the Ministry of Finance on August 9 showed.

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The ministry said the domestic collection during January-July hit 744 trillion VND, 65.6 percent of the estimate and increasing by 12.9 percent year-on-year.

Revenue from import-export activities were 145.4 trillion VND, equivalent to 81.5 percent of the estimate and up 37.5 percent annually.

Meanwhile, state budget spending was estimated at 810.6 trillion VND during the period, equal to 48 percent of the estimate.

A total of 4.2 trillion VND from the central budget and nearly 2.4 trillion VND from local budgets were channeled into the fight against COVID-19 prevention and control./.

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Developing Vietnam's Fund Management Industry amid the Covid-19 pandemic

In early July 2021, Vietnam reported a third wave of the coronavirus pandemic and that resulted in lockdowns, restrictions and disruption to supply chains and businesses shutdown. Vietnam was one of the few countries in South East Asia to report an economic growth during the pandemic.



It is expected Vietnam's Fund Management Industry can be recovered from the Covid 19 pandemic. Although the Vietnamese authorities tried to regulate the sector, it was reported on International Investment the industry rose 20% year on year. According to the vice chairman of State Securities Commission (SSC) Pham Hong Son, the Vietnamese regulators plan to grow the industry by tightening the licensing process and setting up new and tough rules for new fund management companies "that would help Vietnamese fund management companies meet international standards and practices, and keep the local equity market developing in a sustainable and secure manner," he said.

It is estimated that Vietnam Fund Management Activities combined managed assets of funds and energy companies as well as those owned by banks. Vietnam has a number of funds management companies with billions of dollars' worth of assets under its management. For example, one of the biggest fund firm KIM Vietnam Growth Securities Master Investment Trust manage assets worth more than \$850 million.

As I wrote about the Euro and Vietnam Free Trade Agreement (EVFTA) before, EVFTA would have a big impact on Vietnam's economy. Vietnam signed a free trade agreement with the EU and this agreement will gradually reduce most tariffs, regulatory barriers, and red tape and promote should create opportunities for both sides to do business.

New venture fund companies have incorporated gradually in recent months despite the impact of the Covid19 pandemic in Vietnam. It was reported in February 2020 that Korean Investment Management acquired almost 99 percent of 2.5 million shares of Hung Viet Fund Management JSC (HVCapital). Vietnam's State Securities Commission (SSC) approved this deal. Early September 2020, Nguyen Manh Dzung (Shark Dzung) was into partnership with Le Hoang Uyen Vy to establish a new fund venture firm called Do Ventures with a total management fund of 50 million USD. "The Vietnamese consumer market is at a tipping point, and is poised for tech companies to launch innovative products. We are passionate about the opportunity to drive economic growth in the country at this critical moment," said Manh Dzung, co-founder of Do Ventures.

Fund management firms like to invest in food entrepreneurs in Vietnam amid the Covid-19 pandemic. Food technology startups, such as making meat substitutes based on plant ingredients or other foods based on laboratory cultures, are appealing to venture capital firms. This trend was further strengthened during the epidemic period when consumer awareness of clean food increased. Green Monday Holdings, a company which makes pork substitutes made from vegetable ingredients and runs a chain of vegetarian food retailers in Hong Kong, said it had received \$70 million from an investor group led by The Rise Fund and Swire Pacific.

Despite the negative impact of the Covid 19 pandemic, it was reported by a local newspaper the profit growth of top companies on Vietnam HOSE index was significant. As on 03/08/2021, there are 288 out of 378 companies reported trading profits in the second quarter of 2021. According to data from Rong Viet Securities Company (VDSC), the growth of the total profit after tax of these enterprises was 46.1% compared to the second quarter of 2020, opening up opportunities for investors and the fund industry.

Vietnam Fund Management Industry would be grown and entered into a new phrase in the next coming years if the pandemic was controlled in Vietnam, and the spotlight will shift to how potential investors can invest in this sector.

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E-COMMERCE

5 million farmer households to sell produce online this year

Postmart and Voso have trained farmers to organize livestreams, and advertise their products by shooting video or taking photo. They can create their own booths and sell products on these floors even during the time of social distancing.



Vietnam Post and Viettel Post will promote the sale of seasonal agricultural products and fruits with large output such as longan of Dong Thap and An Giang provinces, custard-apple of Tay Ninh, and purple sweet potato of Vinh Long province on their Postmart and Voso e-commerce platforms.

The two corporations aim to assist 5 million farmer households to sell their products on their platforms this year.

The Ministry of Information and Communications has directed Vietnam Post and Viettel Post to implement two plans: "Ensuring the supply of essential goods by major postal corporations in the provinces and cities under social distancing" and "Assist farmers to sell farm producers on e-commerce platforms".

At present, many southern provinces such as Tien Giang, Dong Thap and Vinh Long are facing problems selling seasonal agricultural products because of social distancing and difficulties in transporting goods. Viettel Post and Vietnam Post can help local farmers in this regard.

Deputy Director of the Department of Information and Communications of Dong Thap Province Nguyen Lam Thanh Thuy said that many agricultural products and specialties of Dong Thap are in harvest season such as sweet potatoes, longan and jackfruit. For longan alone, the output is about 53,000 tons/year.

The southern region is a largest basket of agricultural products in the country, providing the market with an average of 48,000 tons of dragon fruits/month; 41,000 tons of bananas/month; 25,000 tons of durian /month; 20,000 tons of longan/month; and vegetables of all kinds about 560-600 tons/month.

As 19 southern provinces are under social distancing, they need assistance to sell such huge amounts of agricultural products.

Under the coordination of the Ministry of Information and Communications, Vietnam Post and Viettel Post have made specific plans and will actively support, train and guide farmers in the South to sell agricultural products on Postmart and Voso floors as they did to help farmers in Bac Giang and Hai Duong during the third covid-19 outbreak.

Phan Trong Le, Head of Brand Research and Development Department of Vietnam Post, said that farm produce offered on Postmart are all famous specialties or high-quality products from reputable agricultural producers, which have been carefully selected.

Postmart and Voso have trained farmers to organize livestreams, and advertise their products by shooting video or taking photo. They can create their own booths and sell products on these floors even during the time of social distancing.

The characteristics of vegetables and fruits are short harvest and usage time. Therefore, the two corporations have specific plans for packing, preserving and transporting products in an appropriate manner to ensure the freshness and deliciousness of products.

Vietnam Post and Viettel Post also promote sales of agricultural products at post offices and price stabilization points of sale. VNN

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ENERGY

Phase one of LNG Ca Na Power Centre at risk of missing construction schedule

The construction of the first stage of the liquefied natural gas (LNG) Ca Na Power Centre was expected to be kicked off in this third quarter, however, the province has only completed the bidding procedures to look for investors so far.

Ninh Thuan People’s Committee asked the Department of Planning and Investment to accelerate procedures for the bidding for the first phase of the 1,500MW Ca Na Power Centre.



It was added to the Power Development Plan (PDP) VII this April. The project was expected to be started in the third quarter and completed and put into commercial operation in the fourth quarter of 2024. Phases following the first would be outlined in the PDP VIII.

The power centre has a total investment capital of VND49 trillion (\$2.13 billion) and would supply electricity to southern cities and provinces.

The project includes a 1,500MW combined cycle gas turbine (CCGT) LNG power plant, a port to receive LNG with an annual capacity of 4.8 million tonnes, LNG warehouse with a capacity of 4.8 million tonnes a year.

In addition, in April, the prime minister approved the suggestion of the Ministry of Transport to add an LNG import port to Ca Na LNG Power Complex. The terminal can endure loads of up to 97,000 tonnes and will directly support the first phase of the power centre.

Numerous investors want to develop the power centre, including Delta Offshore Energy Pte. Ltd, Exxon Mobil, Marubeni, T&T Group and Trung Nam Group. VIR

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Vingroup contributed VND 510 billion to establish a battery manufacturing company

Vingroup has just announced a capital contribution of more than 510 billion VND to establish a battery manufacturing company



Vingroup will contribute 51% of the capital, equivalent to VND 510 billion, to establish the VINES Energy Solutions Joint Stock Company (VinES). This company has a charter capital of 1,000 billion VND. The other two founding shareholders are Mr. Pham Nhat Vuong – Chairman of Vingroup with 48.5% stake and Ms. Phan Thu Huong owns 0.5% of the capital. Thus, billionaire Pham Nhat Vuong has spent

VND 485 billion to provide capital to VinES and it is also some business in the Vingroup system as he is a major shareholder alongside the VinFuture Award Fund.

6 main business is the manufacture of batteries and accumulators. The Chair of the VinES Board of Directors is Ms. Mai Huong Noi, who is also currently Deputy General Director of Vingroup. newfounded

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RETAIL

COVID-19 deals blow to automobile sales in July

Automobile sales in Vietnam plunged in July due to the complications of COVID-19 and social distancing measures being applied in many localities nationwide.



Automobile sales in Vietnam plunged in July due to the complications of COVID-19 and social distancing measures being applied in many localities nationwide. In the month, 16,035 cars were sold, a month-on-month decline of 32 percent, according to the Vietnam Automobile Manufacturers' Association (VAMA).

There included 10,411 passenger cars, down 34 percent; 5,163 commercial and 461 special-purpose vehicles, slipping 27 percent and 30 percent against the previous month, respectively.

The sale of domestically-assembled vehicles was down 32 percent with 9,024 units sold, while that of completely built up (CBU) ones fell 31 percent with 7,011.

AMA members sold a total 166,516 vehicles in the first seven months of the 2021, a year-on-year expansion of 27 percent.

The figure comprised of 115,318 passengers and 47,690 commercial vehicles, up 22 percent and 37 percent compared to the same period last year.

The number does not reflect sales of non-VAMA members. In seven months, TC Motor of Hyundai Thanh Cong sold 38,066 vehicles, while VinFast of conglomerate Vingroup sold 19,720 units. VNA

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LOGISTICS

Port backlogs force alternative actions

With unreceived containers piling up and hampering the work of much-reduced personnel, Cat Lai Port in Ho Chi Minh City has thrown in the towel and requested that importers readjust the shipping routes to alternative destinations.



A key international seaport of the Southern Key Economic Region, Cat Lai Port temporarily suspended receiving imported goods from enterprises that are suspending operations due to COVID-19 as well as goods that occupy large yard space. Shipping lines and agents have been directed to adjust the destination of their shipments to Tan Cang-Cai Mep International Port, Tan Cang-Cai Mep Thi Vai Port, or Tan Cang Hiep Phuoc Port and inland container depots.

According to the Ministry of Industry and Trade, Cat Lai Port made the announcement after reaching its full capacity to clear up its immense backlog amid a critical shortage of workers as due to sporadic F0 and F1 cases, port personnel has been slashed by half.

Prior to the suspension, cargo capacity has dropped from 13-14 to 5-7 containers a day due to the congestion and freight transport businesses have been complaining of traffic jams outside the port that makes it impossible to deliver and pick up goods on their contracted times.

In a July market update, Maersk said that due to the escalating situation, containers are only allowed to gate-in 72 hours prior to the estimated departure time of the vessel, often resulting in workloads exceeding trucking capacity. At certain checkpoints, drivers are required to present a negative COVID-19 certificate, racking up costs and waiting times.

Meanwhile, a customer notice by SEKO Logistics also warned of delays in releasing import shipments at Cat Lai and Cai Mep ports because many factories have had to temporarily close and are unable to

receive their shipments. This has led to a lack of empty containers to be reused for exports. Trucks moving in and out of lockdown areas also need to strictly follow government health rules and drivers need to show negative test results from the past three or seven days, depending on whether they get a fast test or a PCR test.

Commenting on the current situation, Jan Segers, Vietnam country manager at Noatum Logistics, told VIR, “For the moment, imports due to dock at Cat Lai have been rescheduled to other ports and inland container depots. Containers for export can still be delivered to Cat Lai. There may be some delays due to checkpoints and road blocks, but all exports can be arranged. We cannot tell if the delays of ocean vessels are due to delays at previous ports – which is the reason most shipping lines cited – or if it is due to reduced productivity in undermanned Vietnamese ports.”

Over the past few days, businesses have been rushing to find alternative ports for their imported goods after Cat Lai Port announced to temporarily stop receiving imported containers.

A representative of one furniture chain said that the company was waiting for several containers to dock at the port when they received the news. The announcement forced the company to transfer the containers to other ports, affecting delivery and production schedule as well as incurring additional costs for transport and storage.

Another company from the southern province of Binh Duong currently has nearly 60 import containers at Cat Lai Port which they cannot move due to a shortage of drivers amid the pandemic.

According to Stephen Olson, research fellow at the Hinrich Foundation, disruptions at major ports are inevitable amid the spike in COVID-19 infections. While the local authorities and businesses are taking the steps they find necessary to ensure public safety, there will undoubtedly be significant and unavoidable economic costs. Even when infection rates start to ease, it will take quite some time to clear up the backlogs.

“Businesses will have no choice but to try their best to adjust to the port disruptions,” he said. “Some companies are beginning to increasingly rely on air freight but obviously that is an expensive option that will not always be feasible. These headaches will be compounded for labour-intensive industries which are finding their workforces disrupted by the pandemic and lockdown restrictions. Companies might also struggle to find available warehouses to store their products which cannot be shipped at the present time. The labour and port disruptions will have a ripple effect across the business environment.”

VIR

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Vietnamese delivery startup rakes in \$12 million funding

Loship, a delivery startup in Vietnam, has announced that it successfully raised 12 million USD in Pre-Series C round, bringing the company's valuation to over 100 million USD, according to DealStreet Asia.



This round of financing was jointly led by venture capital firm BAce Capital backed by Ant Group and investment unit of Sun Hung Kai Co. Lt., an investment company listed in Hong Kong.

The money will help Loship increase its presence in five key markets including Ho Chi Minh City, Hanoi, Da Nang, Can Tho and Bien Hoa. The start-up plans to expand its business activities into other localities, invest in upgrading technology and promote the growth of B2B services.

With the new round of funding, Loship expects that 10 percent of the Vietnamese population will use the app in the next two years. The company also aims to become a leading one-hour delivery and e-commerce company in Vietnam.

This is the second funding Loship has received this year. Previously, in February, this food delivery and e-commerce start-up successfully raised capital from Skype co-founder Jaan Tallinn through the MetaPlanet Holdings Investment Fund.

Loship traced its roots back to Lozi, an app that helps users find food, beverage, and coffee shops.

In 2017, it transformed into a delivery service platform and now provides one-hour delivery for a variety of products and services, including food and medicine. VNA

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INVESTMENT

Singaporean investors grasp the available opportunities

Driven by new favorable policies, Singaporean investment in infrastructure, industrial parks, high-tech, and energy in Vietnam is expected to surge in the months to come.

In late June, the Mekong Delta province of Bac Lieu announced that Singapore's Delta Offshore Energy Pte. Ltd. – the investor of the \$4-billion liquefied natural gas (LNG) power plant – has established Bac Lieu Gas Power Co., Ltd., which plans to complete its facility in 2027.



The new move adds to the general interest in energy, infrastructure, industrial parks, and high technology among Singaporean investors in Vietnam in 2021 despite the global restrictions. A number of virtual meetings and webinars have also been held so far this year to enable Singaporeans to learn more about Vietnam's growth prospects.

In early July, a webinar on the growth prospects and opportunities of Vietnam in 2021 were held, following the webinar on Vietnam-Singapore economic cooperation and the future development of Danang in May which lured nearly 300 Singaporean businesses and investors. A month earlier, at an event on connecting industrial investment between Singaporean businesses and Vietnamese provinces was co-organised by the Ministry of Industry and Trade and southern provinces, at which several Singaporean enterprises asserted that they are targeting many infrastructure and processing projects in Vietnam.

Not many countries have such a high frequency of events like Singapore to facilitate its business and seek opportunities in Vietnam. According to the Singapore Business Federation, most outbound investment plans target Vietnam.

According to statistics from the Ministry of Planning and Investment (MPI), Singaporean businesses invested a total of nearly \$9 billion in Vietnam in 2020, or 31.5 per cent of the country's total foreign direct investment, making it the largest overseas investor.

The growth momentum continues in 2021. In the first seven months of the year, Singapore still took the lead among Vietnam's foreign investors with \$5.92 billion. Most Singaporean capital is newly registered, accounting for 81 per cent of its total capital.

This is attributed to the close economic ties between the two countries. Moreover, bi-and multilateral agreements are creating favourable conditions for businesses of both markets.

Vietnamese Deputy Minister of Planning and Investment Nguyen Bich Ngoc said that groups tend to restructure their production and reposition investment, and Vietnam also has adjustments its investment strategy to suit this, which has been a driving force for Singaporeans. VIR

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Vietnam looks to become AI hub in ASEAN by 2030

The Vietnamese Government has issued a national strategy on the research, development and application of artificial intelligence (AI) till 2030 with a view to gradually turning Việt Nam into an innovation and AI hub in ASEAN and the world.

Minister of Science and Technology Bùi Thế Duy said the strategy aims for Việt Nam to be among four



leading countries in ASEAN and 50 nations globally in terms of AI research, development and application by 2030; build 10 prestigious AI trademarks in the region; and develop three national big data and high-performance computing centres.

By 2030, Việt Nam will set up 50 interconnected open databases in economic sectors in service of the effort.

To such end, the country is fine-tuning legal documents and creating a legal framework regarding AI, as well as promoting international cooperation in the field.

Further attention should be paid to human resources training and building databases that are synchronous with computing infrastructure.

Since the COVID-19 pandemic broke out nearly two years ago, the application of AI in healthcare in Việt Nam has become a bright spot in the world. AI has helped ease burdens on medical workers and anti-pandemic forces through tracing apps and epidemiological maps.

The Hà Nội University of Science and Technology officially debuted an international centre on AI under the model of a mixed international research centre. It is expected to conduct basic studies and create “Make in Việt Nam” core technologies.

Prof. Hồ Tú Bảo, director of the centre, said the digital environment was creating invaluable opportunities to develop the country and master important technologies, including AI.

Minister Duy said construction on the National Innovation Centre began at Hoà Lạc Hi-Tech Park to support the start-up system in Việt Nam, contributing to renewing the country’s growth model based on advanced technologies. VNS

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