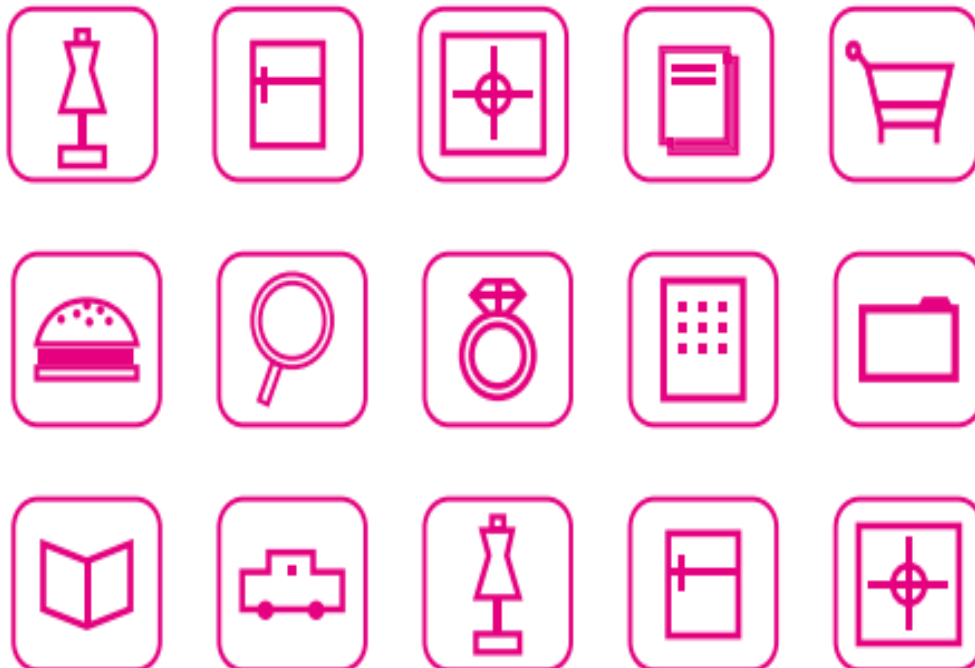


VIETNAM

BUSINESS REVIEW

Vol 41, October 22nd 2014

www.vietrf.com



INSIDE THIS ISSUE

Highlight

Vietnam retail industry facing many challenges

Big banks should get involved with M&As

New circular guides registration of foreign loans

Economy

Public, foreign debts within limit, says PM

Bank & Finance

Vietcombank tops Forbes list of Vietnamese firms

BIDV inks deals with JP banks

Selling by foreign investors prompts caution

Investment

FDI flows in retail, food sectors

Japanese firms shift investment to Vietnam

Enterprise

Major brands to debut at Vietnam Motor Show

Vietnam's businesses, banks stuck in stalemate

Market & Prices

Consumers opt for local goods

Thai products invade Vietnam

Legal Updates

Guiding on naming enterprises

Vietnam approves ETF license

ECONOMY

Public, foreign debts within limit, says PM

VOV - "State budget overspending accounts for 5.3% of GDP, while the public, government and foreign debts are lower than the permitted level set by the National Assembly (NA) in its Resolution 10 released in 2011", affirmed Prime Minister Nguyen Tan Dung.



In his opening speech at the 13th NA's eighth session in Hanoi on October 20, PM Dung reported to NA delegates the socio-economic development situation in 2014 and tasks next year.

He noted that the word experienced many fluctuations in 2014, resulting in slow economic recovery. Conflicts occurred in many countries, and the situation in the East Sea and the East China Sea remained tense.

Dung reported that State budget collection in the past 9 months saw an increase of 17.2% compared to the same period last year. Inflation

www.seiko-ideas.com

was kept under control, while macro-economy was stabilized. CPI increased at the lowest level of 2.25% compared to figures recorded in the past 10 years. The average CPI growth for the whole 2014 is predicted to be close to 5%. Gov't leaders praised credit growth rate in the nine-month period, which reached 7.26%, and is likely to rise to 12-14% by the year-end. Foreign exchange rate was stable, and foreign currency reserves were estimated at the highest level so far. The trust in Vietnamese currency has been built up, he underscored. Vietnam's total social investment from January to September 2014 enjoyed a 10.3% increase from a year earlier, making up around 30.1% of GDP. The non-State sector's investment rose by 12.8%, and is forecast to be 5.45% by the end of this year, Dung said.

The PM highlighted the disbursement of FDI that hit \$8.9b in the first three quarters, up 3.2% over the same period of 2013. This year's total FDI disbursement may reach \$12.5b, up 8.7%.

About \$4.1b in ODA loans was disbursed in the reviewed period, rising by 10%. The whole year's

figure is expected to post at US\$5.5 billion, up 7.1%. Investment from the State budget and Government bonds is forecast to increase 18.3% by the end of 2014.

He appreciated a number of effective measures implemented by the Government in early this year, with focus on promoting administrative reform, improving investment climate, and sharpening competitiveness, particularly in the customs, taxation, credit, social insurance, and real estate sectors.

Regarding the socio-economic plan for 2015, PM Dung set out targets of 6.2% for GDP growth and an inflation rate of 5%; a 1.7-2% decrease in poverty overall and a 4% decrease in poverty in poor localities; and 1.6 million new job opportunities.

Later in the ongoing session, deputies heard a summary report on voters' opinions, and a report on the NA Economic Committee's verification of the government's report on socio-economic development in 2014 & tasks for 2015.

[Back to top](#)

BANKS & FINANCE

Vietcombank tops Forbes list of Vietnamese firms

VNS - Forbes listed the Bank for Foreign Trade of VN (VCB) first on its yearly list of the top 50 companies in VN.

Forbes praised the bank for its number of business clients, its payment and trade services, and its domestic retail market strategies. VCB has produced more than VND31 trillion (\$1.47b) in revenue this year & VND67.2 trillion (\$3.2b) in market capitalisation.

The magazine Asian Banker also named VCB VN's best retail bank. It is the only Vietnamese bank included in the magazine's list of the world's top 500 banks from 2013 to 2014.

Forbes VN's list honored companies operating in 12 sectors that stand out for their excellent business performances.

BIDV inks deals with JP banks

Saigon Times - The Bank for Investment & Development of VN (BIDV) has struck memoranda of understanding (MOU) with Minato Bank and Bank of Yokohama (BOY) to support JP customers' plans to expand their VN operations.

These agreements enable the two foreign banks to help their clients gain easy access to information about the investment environment, regulations & tariffs among others when they look for business chances in Southeast Asian market. Minato Bank and BOY will join forces with BIDV to offer a wide range of services related to payment, foreign exchange, trade, credit & M&A for JP customers.

Previously, BIDV opened two offices called Japan Desk in Hanoi and HCMC to provide banking services with info in JP for its customers.

BIDV has clinched cooperation agreements with 17 Japanese financial institutions, including SuMi TRUST Bank, Chiba Bank and Shinkin Bank to serve Japanese clients operating in Vietnam.

Selling by foreign investors prompts caution

VNS - 6 consecutive weeks of net share sales by foreign investors, worth more than VND1.1 trillion (\$52.1m), have spooked the Vietnamese stock markets.

At HCMC Stock Exchange, foreign investors were responsible for a

combined net sale of VND1.031 trillion (\$49m) during the week.

Most of their sales focused on leading shares that negatively affected VN-Index performance, such as PV Gas, PetroVietnam Drilling and Wells Service, Hoa Phat Group and VinGroup.

The benchmark VN-Index lost a cumulative 5.25% to fall below 600 points, closing the week at 585.28 pts. Meanwhile, the VN30, which tracks the top 30 shares by market value and liquidity, declined by 1.14% to end last Friday at 651.72 pts.

The investors also unloaded shares at the Ha Noi Stock Exchange, but the sales value of sold shares was modest, at VND71.7 bln (\$3.4 m).

Nguyen Van Quy, analyst at FPT Securities Company, said the downward trend on global stock markets would likely undermine the role of foreign investors in the domestic market, particularly when they keep selling shares.

At Hanoi Stock Exchange, the HNX-Index was trimmed down by 3.11% during the week, finishing last Friday at 87.64 pts.

INVESTMENT

FDI flows in retail, food sectors

VCCI - With a potential market, Vietnam is considered an ideal destination for foreign retail and food investors. Recently, the investment of FDI firms in these fields has formed a strong wave.

On the go

Vietnam has welcomed many renowned foreign retailers since the start of this year. The first was the opening of Aeon Mall, a US\$100 million 50,000m² shopping mall in Tan Phu District, HCMC. Apart from Aeon Mall Tan Phu, Aeon Group of Japan also planned a shopping system in Binh Duong province. South Korean retailers have also recently stepped up investment in Vietnam. LOTTE Mart has built seven modern commercial centres in HCMC, Hanoi & Danang City. LOTTE targets at 60 stores nationwide by 2020. In addition to LOTTE Mart, K-Mart and E-Mart are also seeking investment opportunities in Vietnam. Food and fast food sectors have caught the attention of foreign enterprises. At the end of July, 10 small and medium enterprises from Japan met with Vietnamese businesses to seek investment opportunities in HCMC.

www.seiko-ideas.com

Mr Osato Kazuhiko, Director of Trade and Investment Promotion from JETRO, said that Japanese enterprises have invested in 300 food stores in HCMC. Besides, half of more than 200 Japanese companies in HCMC are engaged in retailing and services and the rest is involved in manufacturing and business activities. Notably, Japanese enterprises have been on the trend of investing in service and food fields since 2012.

South Korean fast-food companies like Lotteria and BBQ Chicken are seeking to boost strong investment in this market segment.

Giving explanations to this new wave of investment, Mr Hirota Yasuzumi, Managing Director of JETRO Office in HCMC, said, Vietnam with more than 90 million people is a big market. The country's economy and GDP per capita have steadily grown.

Mr Hong Sun, General Secretary of the Korean Chamber of Commerce (Kocham), said that with potentials in farm produce, Vietnam had abundant material sources, particularly agricultural products, for the development of food processing industry. Because

of high ratio of young population, Vietnam spends more in food and beverage and shopping than other countries in the Asian region.

Clearing barriers to market entry

Mr Hirota Yasuzumi said that although Vietnam is a growing emerging market, it has the ground for the services sector to take roots and for the market to make strong growth. Many Japanese companies do not demand preferential treatments or special supports but they expect barriers to investment or barriers to market entry are abolished.

He added that VN Gov't should treat Japanese companies the same as they treat Vietnamese in investment and business licensing procedures as specified in Japan - Vietnam Investment Agreement; enhance transparency and streamline administrative procedures; improve mechanisms to reduce risks of renting land and workshops or transferring the property-use rights. "Now, so much effort, time and expense for administrative procedures are becoming major obstacles to investment attraction. However, the most important thing is that Gov't

[Back to top](#)

INVESTMENT

must believe in enterprises and the market to build regulations for a market with a higher degree of freedom," Mr Hirotaka Yasuzumi.

Meanwhile, Mr Hong Sun said, with current potential, South Korean companies will further invest and broaden their market shares in Vietnam in the future. Business protection policy is very important to the State but VN Gov't should encourage and create more advantageous conditions for retailers, particularly South Koreans, to run their business in the country, he added. Foreign companies investing in Vietnam not only bring resources but also hope to improve and help Vietnam to better administration and quality. Hence, the Government should encourage investment for the better quality of economic services for Vietnam.

For example, food processing industry is a strong development advantage of a commercial agriculture but it is not the case in Vietnam because it lacks processing and preserving facilities. Therefore, VN Gov't should invite more investors to build processing facilities to modernise this potential

agricultural sector," Mr Hong Sun noted.

Japanese firms shift investment to Vietnam



VOV - Vietnam has surpassed China as a prime overseas investment destination of Japanese business enterprises, according to a recent survey by Teikoku Databank released on October 16.

Teikoku Databank, a company specializing in collecting business information on companies in Japan reported 10.9% of 23,000 Japanese enterprises surveyed in September consider Vietnam the best investment destination abroad while the selection rate for China was just 6.9%.

Japanese firms have a keen interest in such areas as interior decoration, garments and textiles, information and technology in Vietnam. They chose Vietnam primarily due to low

costs and its highly skilled young labour force.

The survey shows Vietnam ranked fourth in the list of the safe markets in which Japanese business enterprises have attached the most importance to, trailing China, the US and Thailand.

President of the Vietnam Chamber of Commerce and Industry (VCCI) Vu Tien Loc said this is good news. The most important thing for Vietnam is to maintain a positive image in the eyes of Japanese investors and foreign investors alike, Loc said.

Recently, the Japan External Trade Organisation (JETRO) in Hanoi said up to 30% of Japanese enterprises are investing abroad and regard Vietnam as the primary option.

According to a JETRO report in February, Vietnam has become the top nation attracting Japanese investment, surpassing other rivals- Indonesia, Thailand and the Philippines.

Up to 70 Japanese firms in Vietnam unveiled their business expansion plans in 2014.

ENTERPRISES

Major brands to debut at Vietnam Motor Show



VNS - Porsche and BMW's Mini Cooper cars and Daimler's Fuso trucks will take part for the first time in the Vietnam Motor Show to be held next month in HCMC, organizers announced at a press conference.

The country's largest annual auto event will this year feature 18 companies including Ford, GM Honda, Mercedes-Benz, Suzuki, Toyota, Mitsubishi, Audi, BMW, Jaguar Land Rover, and Nissan besides hundreds of parts, accessories, insurance, and financing companies.

Following the success of past events, the 10th Viet Nam Motor Show is expected to be a major milestone in global auto brands' road to engage with Vietnamese consumers.

It will be a place where consumers can see, learn, and experience the latest models and technology and serve as a link between auto brands and consumers.

The companies will showcase their latest models since Vietnamese consumers are very connected and technology savvy, according to the organizers.

They are expected to bring state-of-the-art technologies and advanced eco-friendly global products.

The exhibition will be held from November 20 to 23 at the Saigon Exhibition and Conference Centre. It is expected to receive a record 150,000 visitors.

Vietnam's businesses, banks stuck in stalemate

Sales-starved businesses in Vietnam remain nonplussed by the cheap, short-term loans on offer, while the country's bad debt-bitten banks refuse to offer anything else.

Businesses remain reluctant to borrow, members of HCMC Business Association said at a meeting with bank executives and the city's delegates at the National Assembly.

The association has distributed thousands of loan applications at conferences; only several were filled out and returned, Thoi Bao Kinh Te Saigon reported.

Do Duy Hung, general director of Ban Viet commercial bank, said banks need businesses more than businesses need banks.

Hung said his bank still has around VND2.45 trillion (US\$115.47 million) available to lend.

Nguyen Quang Triet, deputy general director of Eximbank, said their assets are also sitting idle.

Cheap loans come up short

Business representatives at the meeting said that although interest rates have been cut from previous years, loans remain difficult to obtain and are only available in the short term.

Banks are advertising loans at 5 to 6 percent annual interest, but businesses say they usually have to borrow at double those rates.

Representatives from 11 banks operating in HCMC reported that 5-6 percent loans are only available for 1-3 month terms.

Do Minh Toan, general director of the Asia Commercial Bank, said their average interest rate is 9.79

ENTERPRISES

percent, which is around 4 percentage points above their deposit rate.

The bank recently offered to cut interest rates to 7 percent for the first 3 months and then raise interest rates to 8 percent for any period beyond that.

Toan said banks are charging more and more on long-term loans to reduce the risk of a liquidity crisis as most of the deposits are only made for 1-3 months.

He said 85 percent of deposits at the bank are short terms, while most loans last 1-5 years.

A colleague from DongA bank said 70 percent of their deposits are also short-term.

Hung said Ban Viet offers 5 percent loans, but only for 3 months.

Interest goes up to 8 percent for six-month loans.

After that, "the rates will be subject to market changes, he said."

He said businesses can enjoy cheaper loans if they can make a quick return on their investment.

But businesses dismissed the possibility.

Le Tung, board chairman of Saigon Trading Company which runs a

convenience store chain in the city, said sales remain sluggish.

Tung said a business would make no profit and even loss if they invest with bank loans.



Once bitten, twice shy

Banks are only willing to lend to businesses with a proven track record, which they admit are few and far between.

The lenders have offloaded their bad debts to the central bank's Vietnam Asset Management Company, but sales have slowed down.

VAMC opened in July of 2013 as part of the government's plan to tackle an estimated VND140 trillion (\$6.6 billion) worth of bad debts that stymied lending and dragged the economy into its most severe slump in at least a decade.

Banks with bad debts of 3 percent or more were required to sell them to the VAMC for special bonds

redeemable for loans from the State Bank of Vietnam.

But experts, reflecting on steady rise of bad debts this year, said the measure won't work since no actual money changes hands.

Bad debts during the first 8 months of this year rose from VND44.7 trillion to VND60.9 trillion (\$2.1 billion to 2.87 billion), or 6.1 percent of outstanding loans, according to the central bank.

Small and medium enterprises were responsible for 39.3 percent of bad debts by the end of August.

Toan of ACB said the rising fear of overdue loans has left banks wary of potential borrowers.

His bank prohibits employees from providing further funds to borrowers if 3 percent or more of their initial loan remains overdue.

Small businesses have limited access to bank loans--instead, they've returned to the traditional practice of borrowing from relatives.

MARKET & PRICE

Consumers opt for local goods

HanoiTimes - Locally-made products have won consumers' favor since a campaign entitled "VN give priority to VN goods" was launched 5 years ago.



Nguyen Thien Nhan, chairman of VN Fatherland Front (VFF) central committee, made this remark at a conference in HCMC this week to review 5-year implementation of the campaign, which, he said, helped change VN consumers' awareness of local products.

Apart from generating more jobs and raising incomes for laborers, the campaign had contributed to the establishment of a production and supply chain, said Nhan, also head of the campaign's central steering committee.

He added that under the program, all cities and provinces would be building communication channels with a "Proud of Vietnamese goods" slogan by 2020.

The program also aims to raise Vietnamese products' market share in traditional supply channels in remote rural areas to 80%.

To realize these targets, the VFF chairman required concerned ministries, branches and localities to roll out concrete programs and plans to further popularize the campaign in the future.

He urged enterprises to accelerate scientific-technological applications while improving the quality and competitive edge of products and services.

A Nielsen Company survey revealed that up to 90% of consumers in HCMC & 83% in Hanoi said they would choose Vietnamese goods.

A report of the municipal, city and provincial steering committees of the campaign also confirmed this and showed that Vietnamese consumers appreciated locally-made products.

In numerous localities, about 80% of VN people expressed preference for made-in-VN garment & footwear products while 58% chose local food and vegetables.

A program linking businesses with commercial banks was

simultaneously launched in the districts and provinces and has helped to provide for more than 1,000 business households experiencing financial difficulties.

In addition, HCMC People's Committee has approved 98 projects for stimulus consumption worth VND7 trillion. Of this figure, a VND3.7-trillion loan came from the city budget.

However, participants at the event also pointed out a range of bottlenecks hindering the implementation of the campaign, such as cumbersome procedures, fake products and loose coordination between businesses, producers and distributors.

Last July, a survey of the Institute of Public Opinion Research revealed that 63 per cent of Vietnamese consumers ranked Vietnamese goods as their first choice whenever they went shopping. This represents a 4% increase over that of 2010. The survey also showed that 92% of VN consumers expressed interest.

Le Ba Trinh, VFF vice chairman, said that previously, Vietnamese goods accounted for a very modest volume in supermarkets and shops

MARKET & PRICE

but now, it has accounted for at least 80 to 90%.

The VN National Textile and Garment Group reported that after five years of implementing the program, its local revenues changed drastically. It is expected that this year, its local revenues will reach VND22 trillion, a 10-15% YOY increase. The group's export turnover this year is also expected to reach \$24.5b, or \$1b more than it predicted early this year.

Also, VN goods have secured a firm foothold in big cities such as Hanoi and HCMC. Nguyen Thi Hong, vice chairwoman of HCMC People's Committee, said that after 5 years, VN consumers had expressed appreciation for locally-made products.

She added that VN consumers now favored numerous products such as garments, textiles & footwear.

The program steering committee set a target of 80% of market share in traditional distribution channels in far-flung rural areas by 2020.

To reach this target, Trinh said domestic businesses should continue promoting communication campaigns and raising consumers' awareness, as

well as expand their distribution channels and enhance their competitiveness to establish a firm foothold in the domestic market.

Thai products invade Vietnam



Thanh Nien News - Pushing her way out of the Vietnam-Thailand trade fair recently organized in Hanoi with a fully loaded shopping cart, Nguyen Thu Trang, 35, of Hanoi's Hoang Mai District, said her four-person family is fond of Thai-everything -- from fruits to soaps to garments.

Trang never misses a chance to attend Thai trade fairs.

In this way, she's hardly unique. In the past two decades, Thailand has become the preferred country of origin for Vietnam's growing middle-class, which is equally concerned about price and quality.

Trade between Vietnam and Thailand increased to \$9.4 billion last year from only \$1 billion in 2000. The majority of that trade was

goods heading from Thailand to Vietnam.

Supermarkets, outdoor markets and convenience stores are flooded with Thai commodities. Thai electronics account for 70% of the market share, while Thai fruits occupy 40% of the local market, according to the Ministry of Trade.

Nguyen Ha Thanh, the owner of a chain of bazaars that sell Thai products, said she recently opened a new shop on Minh Khai Street, raising her total number of Hanoi outlets to five.

Thanh said there were only a few places like hers in the city when she opened her first shop a few years ago. Now, such bazaars seem to occupy every corner of the capitol, selling hundreds of commodities, from cosmetic and plastic products to detergents, kitchen tools, garments and footwear.

The representative of one supermarket chain in Hanoi said Thai products are replacing Chinese ones amid a thin supply of competitively priced domestic goods.

Although Thai products tend to be 10-20% more expensive than their Chinese counterparts, Vietnamese

MARKET & PRICE

consumers tend to prefer them because they believe that they are of higher quality.

Subsidized marketing campaigns

Trade fairs selling Thai products have been organized annually in Vietnam, drawing participation from hundreds of enterprises and tens of thousands of local shoppers.

The chairman of the Hanoi Supermarket Association, Vu Vinh Phu, said Thai enterprises have built careful plans to infiltrate the local market and frequently organize events to promote their products nationwide.

Thai Gov't offers financial support to enterprises looking to organize trade fairs and exhibitions in Vietnam -- sometimes picking up all of the organizing costs.

Pham Ngoc Hung, vice chairman of HCMC Union of Business Associations, said Thai infiltration has posed a major challenge to local enterprises.

VN products can't compete with Thai ones, since Thai enterprises enjoy stable supply chains and implement self-contained production which helps them ensure good product quality.

Meanwhile, Vietnam's production heavily depends on imported materials. Some sectors -- like garment and footwear -- import up to 80% of the materials they need for production. Local enterprises typically only participate in select stages of production, so quality is often beyond their control.

Dinh Thi My Loan, chairwoman of the Association of Vietnam Retailers, urged domestic enterprises to rapidly develop their distribution system and step up their game in terms of quality.

Picking up the big retailers

Billionaire Charoen Sirivadhanabhakdi's retail conglomerate Berli Jucker (BJC) recently announced a plan to buy the Vietnam cash-and-carry wing of Germany's Metro AG for 655 mln euros (\$876m).

After the purchase is completed in the first half of next year, BJC said it expects overall sales to jump 50%.

Last year, BJC's sales amounted to 42 bln Baht (US\$1.2). The company is the largest glass bottle maker in Southeast Asia and manufactures a range of consumer goods including tissue paper, snacks and soap.

Metro Vietnam is VN's second-largest wholesale grocery store chain and generated sales worth 516 mln euros in the 2012/13 FY.

BJC entered VN's \$124b consumer market through its 65% stake in B's Mart convenience stores.

Early this year Thailand's leading retailer, Central Group, opened a Robinson's Department Store in Hanoi. Central Group plans to open 2nd outlet in HCMC late this year.

Phu of the Hanoi Supermarket Association said the Vietnamese market will become even more attractive to Thai retailers as the ASEAN Economic Community comes into effect in 2015, lifting tariffs imposed on commodities imported from member states.

The expansion of Thai retailers in Vietnam will facilitate the infiltration of more products into the market.

Local businesses should strengthen cooperation to defend their market share.

VN's retail market hit an estimated \$124b last year and is expected to grow 12% this year.

LEGAL UPDATES

Guiding on naming enterprises



Stockbiz - Circular No. 10/2014/TT-BVHTTDL dated October 1, 2014 of the Ministry of Culture, Sports and Tourism guiding on naming enterprises in conformity with historical traditions, culture, ethics and fine traditions and customs of the Nation.

Upon naming enterprises, contractors should pay attention to the following cases:

- When naming an enterprise according to an individual's name or names of some founders but such the name overlaps partially or wholly a celebrity's name, that name must be the name in full as in Certificate of Birth;
- If an enterprise is named by combining names of founders but such the name is the same with a

celebrity's name, there must be a dash between the names;

- Do not name an enterprise by using name of the country, geographical names of invaded periods and names of historical figures those regarded as being against the justice and controlling the progress; names of historical figures those are foreign invaders and those commit criminal acts against the country, the nation;

The following cases of naming enterprises are also regarded as violating culture, ethics and fine traditions and customs of the Nation:

- Using words, symbols with vulgar, pornographic, violent, criminal and social evil contents;
- Using words, symbols showing or implying the threat, insult, maltreatment, disgrace, defamation towards other organizations, individuals;
- Using words, symbols showing or implying the regional, ethnic, religious, racial, and sexual discrimination

This Circular takes effect on November 25, 2014.

Vietnam approves ETF license



VNS - The State Securities Commission has granted a license to SSIAM HNX30, the second domestic exchange-traded fund (ETF), which the SSI Fund Management is handling.

The fund simulates the 30 largest stocks which the HNX30 Index is tracking on the Hanoi Stock Exchange and has a minimum capital of VND50 billion (US\$2.3 million).

VFMVN30, the first ETF, which the Vietfund Management created, began listing on the HCM City Stock Exchange last October 6.

Last month, the SSI Fund Management set up its SSI Sustainable Competitive Advantage Fund, an open-ended fund, and raised VND112 billion (\$5.2 million) in its initial public offering.

HIGHLIGHTS

Vietnam retail industry facing many challenges



VCCI - According to Vietnam's commitments to the WTO by 2015, foreign retailers can invest 100 percent of their capital in Vietnam instead of 50 percent at present. Especially, the tariffs in ASEAN countries will be practically non-existent by the end of 2015. This poses not only fierce competition for domestic retailers but also challenge to foreign companies that are operating in Vietnam.

Potential

According to the statistics of the Vietnam Retailers Association, in the first nine months of 2014, the total retail sales of the goods and services increased 11.12 percent, earning VND2,145,470 billion. Sales of the state-owned companies holds 10.1 percent of the total, up 8.4 percent; sales of the non-state companies accounts for 86.5 percent, up 11.1 percent; sales of

FDI companies accounts for 3.4 percent, up 21.6 percent. It is expected that in the whole 2014, the total retail sales of the goods and services will reach VND2,970,300 billion, up 11.3 percent compared with 2013. By the end of 2013, Vietnam has about 724 supermarkets and 132 trade centres, 8,546 markets, and about one million small-scale household stores. By 2020, the country will have about 1,200 to 1,300 supermarkets; 180 trade centres, and 157 shopping centres. In 2014, Vietnam is considered a global retail market that creates both challenges and opportunities to retailers. Retailers could obtain a lot of opportunities if they could understand and adjust their strategies to match with the general context.

Currently, current distribution channels accounts for 25 percent; meanwhile, traditional channels accounted for 100 previously. The experts predict that modern retailing will boom up and become a momentum in the retail industry of Vietnam. In 2014, there are many large retailers like Lotte (Korea) and Aeon (Japan) making strong

presence in Vietnamese market. And now some large retail groups are researching and seeking investment opportunities and other retailers such as Walmart, Auchan, Robinson starting their retail operations in Vietnam. Despite a lot of opportunities, domestic retailers may compete hard with foreign enterprises.

At the forum that was held by the Vietnam Retailers Association on Oct 13, 2014, experts said that strong growth of global retail industry has posed many challenges to Vietnamese retailers. Moreover, this also opens many opportunities for the businesses who understand and adjust strategies successfully in accordance with the general context.

According to Dinh Thi My Loan, Chairperson of the Vietnam Retailers Association, there are more and more retailers to penetrate Vietnam's market. And this trend will give businesses both of challenges and opportunities. The growing number of retailers in Vietnam forces domestic retailers to enhance their competitiveness through improvement of customers services and necessary skills. At the

HIGHLIGHTS

same time, management authorities must consider before granting permits to retailers. There should be more transparent and clearer policies to attract foreign investment in this sector.

Thailand- big challenge

Recent investment projects of Thailand are mostly related to retail and consumer goods sectors; for example, the Berli Jucker (BJC) has acquired the Metro Vietnam; the Robins has opened trade centres in Hanoi and the 7 Eleven are researching markets in Ho Chi Minh City. According to Vu Vinh Phu, Chairman of the Hanoi Supermarkets Association, the growing number of the Thai supermarkets in Vietnam will increase Thai imports to the Vietnamese markets.

Thai goods are highly favoured by consumers due to their good quality and reasonable prices. With a population of over 90 million, Vietnam is an important market to compete with China in the South East Asian market. The establishment of Thai distribution agents to import more Thai goods to the supermarkets and retail stores in Vietnam is a sign that the

Thai people are planning a big strategy when tariff barriers between the two countries are completely removed in 2015.

According to experts, the most important strategy to compete with foreign goods in general and Thai products in particular is to increase the quality of Vietnamese products and efficiently organise a closed chain from the production to the distribution.

Consumers are paying more attention to quality of products rather than cheap products that lack origin. It is expected by 2020, domestic distribution channels will account for 80-90 percent of the total channels if the price of the Vietnamese products could be more competitive and customer service and quality of products are improved.

Big banks should get involved with M&As

VNS - Mergers and acquisitions (M&A) within the Vietnamese banking industry have contributed to the sector's restructuring in recent years, but experts are suggesting that big banks get involved in the process.

Truong Thanh Duc, chairman of the Viet Nam Banking Association's Legal Club, said banking reform in the past two years has yet to provide the expected outcomes.

Eight or nine weak banks were approved for restructuring through mergers with other banks, but their merger plans are viewed as temporary and not the optimum solution, given their weak performance following the mergers. Banking system indicators which reflect financial strength, including capital adequacy ratio, non-performing loans, risk management system and corporate governance, have not improved greatly compared with those recorded 10 years ago.



Duc said big banks' involvement in M&A with weak banks would help raise the quality of restructured banks, but added that this process be done voluntarily.

He also proposed that banks found to be too weak for restructuring be

HIGHLIGHTS

allowed to go bankrupt or be dissolved while the stronger banks be restructured to serve various customer groups.

The Thoi Bao Kinh Te Viet Nam newspaper (Vietnam Economic Times) also quoted Duc as saying: "It's important to have good management and supervision policies to ensure the safe and effective operation of the banking system."

Nguyen Tri Hieu, a banking expert, expressed worries that M&A involving the biggest banks could reduce competitiveness in the market, as these banks could use their strong financial capacity, as well as preferential Government policies and dominating market position, to squeeze smaller banks. However, Hieu also agreed that the participation of big banks in M&A would bring better results for small banks and benefit the entire system. In the first half of this year, numerous banks revealed their M&A plans, including small banks such as Southern Bank, DongA Bank, PG Bank, and VietA Bank, as well as big banks such as Sacombank and Eximbank.

The central bank expects to reduce the number of banks to about 20 to 25 by speeding up the restructuring process with more M&A deals next year.

New circular guides registration of foreign loans



VGP - The State Bank of Viet Nam (SBV) issued Circular 25/2014/TT-NHNN on 15 September 2014 containing guidelines for registering foreign loans that are not guaranteed by the Government (hereinafter referred to as foreign loans) as well as changes made to them. The Circular applies to residents that are enterprises, co-operatives, co-operative alliances and credit institutions other than State owned commercial banks, and foreign bank branches established and operating in Viet Nam as borrowers ("Borrower"), and organisations and individuals

involved in the borrowing of foreign loans.

Foreign loans required to be registered with the SBV include

1. Medium and long-term foreign loans;
2. Short-term foreign loans extended with a total loan term of more than one year;
3. Short-term foreign loans not extended but holding a balance on the first anniversary of the initial capital withdrawal, except when the Borrower repays it completely within 10 days after that date.

Entities required to register foreign loans and changes thereof.

1. Borrower entering into a foreign loan agreement for direct disbursement in cash with a non-resident lender;
2. Credit institution or foreign bank branch providing loans authorised by non-resident principal;
3. Party with obligations to repay debt under the debt instrument issued to non-resident;
4. Lessee under a financial leasing contract entered with non-resident;
5. Importer of goods with deferred payment option.

HIGHLIGHTS

SBV authority

SBV (Foreign Exchange Management Department) has authority to certify registration of foreign loans and changes thereof for loans of more than US\$10 million as well as foreign loans denominated in Vietnamese dong. SBV branches in the province ("SBV branch") have the authority to certify registration of foreign loans and changes thereof for loans of up to US\$10 million.

Procedures for registration of foreign loans

1. The Borrower must prepare and submit the request for foreign loan registration personally or by post to SBV or an SBV branch within 30 days of:

(1) the date of signing a medium or long-term foreign loan agreement; the date of signing a guarantee for the loan; or the date of signing the agreement for capital withdrawal based on the signed framework agreement, prior to actual capital withdrawal;

(2) the date of signing the extension agreement for short-term foreign loans to become medium or long-term loans;

(3) the first anniversary of the first withdrawal.

2. The SBV must provide written certification of foreign loan registration within 20-60 days after the date of receipt of the Borrower's eligible application. In case of foreign loans denominated in dong, registration procedures are concurrent with those needed to obtain the SBV Governor's approval. The written certification of foreign loan registration also signifies its approval.

Registration of changes to foreign loans:

1. If there are any changes made to the content of foreign loans that has already been certified by the SBV, the Borrower must register such changes with central bank, except in the following cases:

2. If the plan on capital withdrawal, loan repayment or expenses remittance is changed within 10 days of the loan registration being certified by SBV, the Borrower must notify such changes to the commercial bank or foreign bank branch where it has opened a loan capital account or foreign debt repayment account to withdraw capital or make repayments, and

must not register the change with SBV.

Procedures for registration of changes:

The Borrower must submit the request for registering changes personally or by post with either SBV or the SBV branch that has certified registration of the foreign loan or the most recent changes to the foreign loan. The request must be submitted:

1. Within 30 days after the date of signing the agreement on the changes and prior to the effective date of the changes or prior to the time the change takes place (applicable to changes that do not require written agreement consistent with the foreign loan agreement),

2. Within 20 days after the date of receipt of the Borrower's eligible application, SBV must certify registration of the change in writing. In case the request is refused, SBV must respond and explain its reasons in writing.

The Circular takes effect on November 1, 2014 and replaces Article 1 of Circular 25/2011/TT-NHNN (August 31, 2011).

CONTACT



SEIKO IDEAS CORPORATION

Our services

Training (Languages & Soft skills)

Consulting

Marketing

Translation - Interpretation

Address

Floor 5th - A Chau Building

No.24 Linh Lang str., Ba Dinh dist., Hanoi, VN

Telephone

+84-4-6275-5246 ; +84-4-6273-6989

Fax

+84-4-6273-6988

Website

www.seiko-ideas.com

Person in charge

Nguyen Thi Quynh Tram (Ms.)

Telephone

+84-4-6275-5246 ; +84-4-6273-6989 (Ext 805)

Mobile

+84-91-4994-830

Email

tram.nguyen@seiko-ideas.com