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IN THIS ISSUE

Changing of Vietnam business environment in Asean

According to the latest research findings on the implementation of Resolution 19 about improving the investment and business environment of the Institute and Central Institute for Economic Management (CIEM), Vietnam achieved some targets, even exceeded the average of the group ASEAN 6 after implement the Resolution 19 issued 18 March, 2014. However, there are some targets have not reached the average level of ASEAN 6.

Now, let’s see Vietnam’ changing face through some result index.

Resolution 19 settled up a target such that the business environment in Vietnam will reach the average level of group ASEAN 6 on some criteria till the end of 2015 in planning as following:

- Reduce business registration time to a maximum 6 days (WB assessment for starting a business is 10 procedures and 34 days, the business registration is within 14 days);
- Shorten the time to access the power maximum 70 days (WB assessment is 115 days);
- Reduces time for tax payment (including taxes and social insurance) to just 171 hours / year (WB assessment is 872 hours);
- Strengthening protect minority investors in accordance with the international standards;
- Reduces export period to 14 days (WB assessment is 21 days) and the time of importation to 13 days (WB assessment is 21 days);
- Shorten time for Contract Dispute Resolution;
- Shorten the duration of Bankruptcy Procedures Resolve now to maximum 30 months (WB assessment is 60 months).

Regarding starting - up a business, targets of posed Resolution 19 for business registration time is 6 days but with the Vietnam Enterprise Law in 2014, Vietnam has exceeded targets set at this time shortened to 3 days.

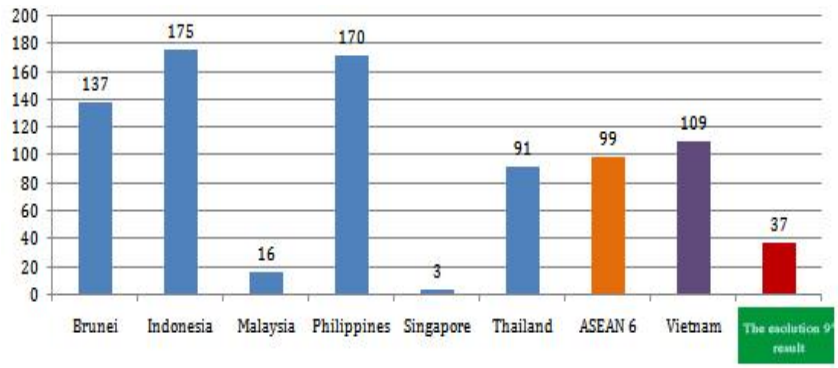


Figure 1: Ranking of Start-up business index

Regarding the protection for investors, with the Enterprise Law 2014, this index has improved and reached 105 Average grade ASEAN-6.

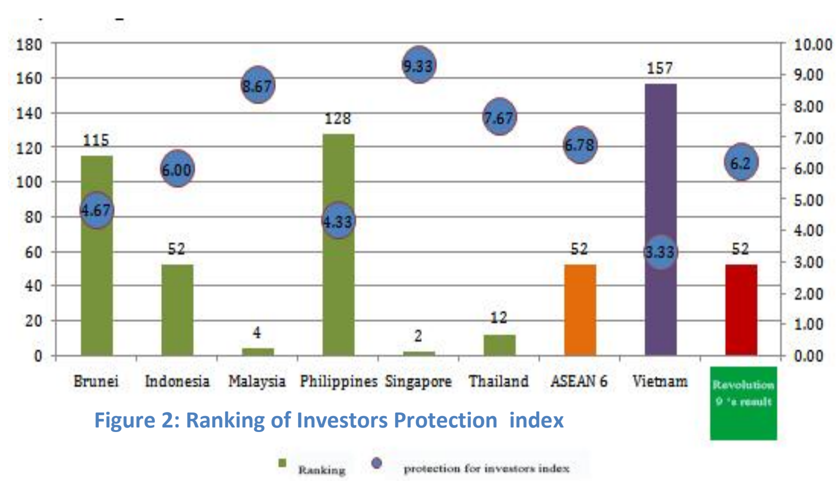


Figure 2: Ranking of Investors Protection index

Regarding for accessing to power, performing rule 33/2014 / TT-BCT on 10.10.2014 prescribed some contents to shorten time to access power and ND79 / 2014 / ND-CP on 31/7 / 2014 providing details of some articles of the Law on Fire Prevention and Law amending and supplementing some articles of the Law Fire Prevention, this index has improved 12 ranks, but has yet to reach an average of ASEAN 6.

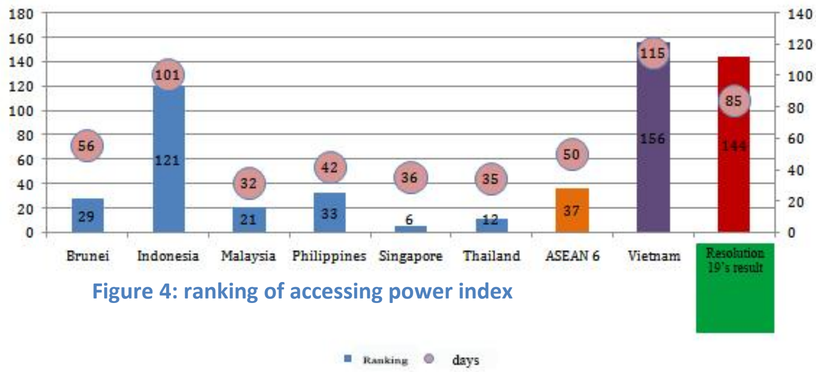
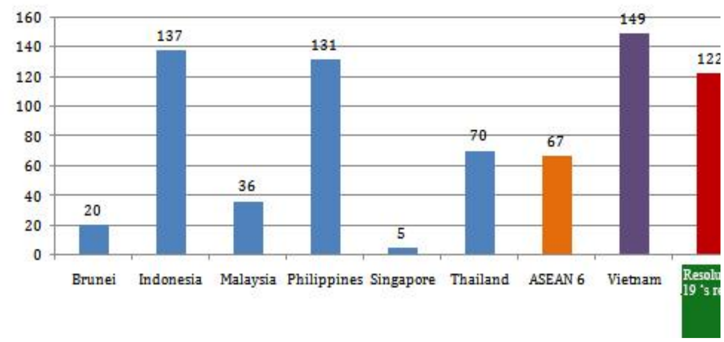


Figure 4: ranking of accessing power index

Regarding tax payment and social insurance, the implementation of Decree 91/2014 / ND-CP; Law amending some articles of the Tax Code; Circular No. 26/2015 / TT-BTC dated 27/02/2015 guidance on VAT, tax and invoice management decreased to 380 hours / year, the index has improved 27 level but has not reached the average of ASEAN 6 yet.

Figure 3: Ranking of tax payment & social insurance index



Regarding the commercial transactions across borders, this index has not been significantly improved and hasn't reached the averaged of ASEAN 6.

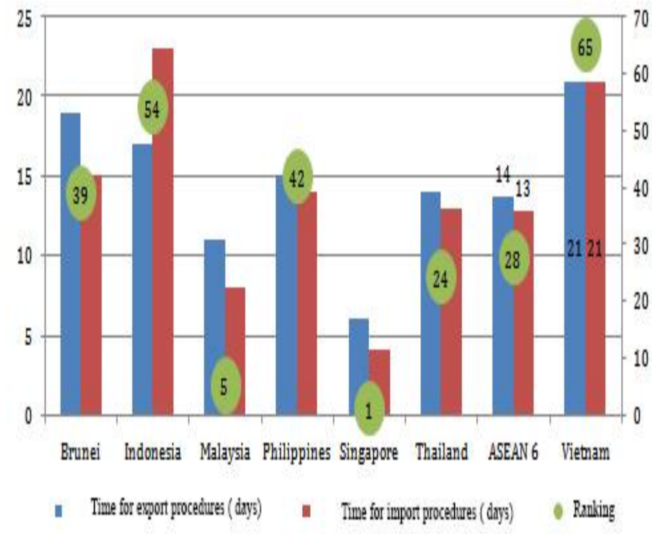


Figure 5: ranking of commercial transactions index

General assessment of results of the implementation the Resolution 19 in the first 3 months of 2015 is improving the business environment, simplify administrative procedures and the urgent requirement should be done synchronously and efficiently. *[R&C Dept, Following CafeF]*

Health sector with Vaccine industry

The World Health Organisation (WHO) is recognizing Vietnam's national vaccine management system that meets international regulation standards. Vietnam has become the 39th member of the WHO to have a national vaccine management system recognised as meeting international standards. Ensuring sufficient provision of vaccines for the national expanded programme on immunisation and joining relevant global activities are important to Vietnam with its population of over 90 million.

The health sector has a great opportunity to develop the vaccine industry. Vietnam locally produces 10 out of the 12 vaccines used in the national vaccination programme, which provides vaccinations for 1.7 million newborns annually. Instead of serving in the domestic market, vaccine manufacturers in the country have the opportunity to improve vaccine production for exports. The Health Ministry will accelerate the research of the most modern vaccines, including the "5 in 1″ and "6 in 1″ vaccines. The ministry also targets by 2020, Vietnam will have at least 7 vaccines meeting the requirements of the National Immunization Program in order to replace imported vaccines and will be exported to other countries, he said. Besides, the Health Ministry is aiming at exporting firstly to Asian nations, striving to export the entire 10 Vietnamese vaccines. *[R&C Dept. following Thu Minh]*

Disruption Is New Reality in Global Insurance Industry

The pace of change in the global insurance industry is occurring more rapidly than could have been envisaged, concludes a report just published by PwC. The report concludes that the industry is at a pivotal juncture as it grapples with changing customer behavior, new technologies and new distribution and business models.

In 2010, PwC began carrying out scenario analysis of the trends reshaping insurance and what the industry would look like by 2020, drawing on interviews with more than a thousand executives worldwide. The report, 'Insurance 2020 and Beyond: Necessity is the mother of reinvention', findings of which will be unveiled last 19 June at the IIS Global Insurance Forum in New York, reviews ongoing developments against PwC's initial projections. It looks ahead to the major trends that will develop in the global insurance industry over the next five years and beyond, and how businesses can design their strategy to face the future and capitalize on them.', findings of which will be unveiled last 19 June at the in New York, reviews ongoing developments against PwC's initial projections. It looks ahead to the major trends that will develop in the global insurance industry over the next five years and beyond, and how businesses can design their strategy to face the future and capitalize on them.

Customer revolution

Customers expect the same ease of doing business from insurers that they do from retailers. Digital developments have enabled the insurers to deliver anytime, anywhere convenience via a seamless multichannel experience, streamline operations, and reach untapped segments.

Digital developments also are helping insurers to enhance their customer profiling, develop sales leads, tailor financial solutions to individual needs and, for non-life businesses in particular, improve claims assessment and settlement. However, and in a threat to the existing order, many new market entrants are using advanced profiling techniques and cost-efficient digital distribution just as or even more effectively than incumbent competitors.

Digitization

Most insurers have invested in digital distribution. Some are even moving beyond direct digital sales to embedding the company in people's lives (e.g. pay-as-you drive insurance). This has coincided with the proliferation of new sources of information and analytical techniques that are beginning to reshape customer targeting, underwriting, and financial advice.

According to PwC, as sensors and other digital intelligence become a more pervasive as part of the 'Internet of Things', savvy insurers can become trusted partners in areas ranging from health and well-being to home and commercial equipment care. In turn, digital technology could extend the reach of life and pension coverage into largely untapped segments such as younger and lower income segments by reducing costs and allowing businesses to engage with customers in more compelling and relevant ways.

Analytics: The emerging game changer

The combination of big data analytics, sensor technology and communicating networks could allow insurers to anticipate risks and customer demands with far greater precision than ever before. The benefits could include not only keener pricing and sharper customer targeting, but a decisive shift in insurers' value model from reactive claims payer to preventative risk advisors.

New business models

Many forward-looking insurers – and aforementioned new market entrants – are developing new business models. Prescient companies are striving for a faster and more flexible, data-led iterative approach, similar to what many telecoms and technology companies use. Some of them also are working with reinsurance and investment management companies to create a new generation of health, wealth and retirement solutions. According to PwC, the pace of change will only accelerate in the coming years as new innovations become mainstream in areas ranging from automated driver assistance systems (ADAS) to crowd sourced models of risk evaluation and transfer. *[Following PV]*

Bad Debt- Growing Pressures

Bad debt is still a hot topic at the 9th plenary meeting of the 13th National Assembly. While the banking system restructuring is seen as a bright spot, bad debt settlement has yet to produce the desired results.

According to many deputies, bad debt settlement is more and more active and the value of non-performing loans has declined. However, some pointed out that bad debt is yet to fall in nature, in fact it stays high and still poses a lot of risks, while bad debt handling is difficult because public asset sale procedures and VAMC's debt handling capacity are limited.

Actually, bad debts in the economy have been captured and just locked up by VAMC, and unsettled bad debts are becoming a burden on the economy. Non-performing loans (NPL) in the banking system as of December 2014 were 4.83 percent. Governor Nguyen Van Binh of the State Bank of Vietnam (SBV) pledged to bring this figure to below 3 percent this year. However, in the first months of the year, bad debts tend to rise again, according to reports from commercial banks.

Until mid-May 2015, bad debt data were updated for January 2015 by the SBV. According to reports submitted by commercial banks to the SBV, the bad debt increased strongly in January 2015, from 3.25 percent in December 2014 to 3.49 percent. These data were based on reports from credit institutions whose bad debt ratios were usually lower than those calculated by the SBV Inspectorate. Bad debt data from the SBV Inspectorate have not been announced for any period in 2015. This development has raised doubts about the ability to reduce bad loans to below 3 percent as announced by the central bank. According to the first-quarter financial reports of listed banks, bad debts at banks are increasing. Vietcombank's bad debt climbed to 2.67 percent from 2.31 percent recorded at the start of the year. According to the latest report by the SBV HCM City Branch, as of March 31, 2015, the NPL ratio in Ho Chi Minh City was 5.53 percent, or VND60,883 billion, higher than 5.31 percent recorded at the end of 2014.

Another factor that may affect bad debt value is that the regulation on bad debt restructuring toward unchanged debt groups in line with Decision 780 was invalidated from April 1, 2015. If fully counted, bad debt ratios will certainly continue to rise.

Currently, the major solution by the SBV is to urge commercial banks to sell bad loans to VAMC. The SBV fixed rates of bad debts for each credit institution to sell to VAMC. According to general orientation, banks must sell a minimum of 75 percent of the amount assigned by the SBV as of June 30, 2015 and sell all the value set as of as of September 30, 2015.

Since its operations since late 2013, VAMC has acquired over VND152 trillion of bad debts (based on par value) for more than VND120 trillion (purchasing price). In early 2015, VAMC approved of buying VND17.4 trillion worth of bad debts for VND16.1 trillion, signed an agreement on issue of nearly VND10 trillion of special bonds. VAMC plans to buy more than VND40 trillion of bad debts in the first six months of 2014. If 60 percent of credit institutions sell bad loans on schedule, they will considerably help reduce the bad debt ratio to 3 percent. The SBV affirmed in writing that VAMC was allowed to issue VND80 trillion of special bonds to buy back bad loans in 2015.

However, bad debts are being locked up by VAMC, it still lacks fundamental solutions to eliminate bad loans in the banking system. In reality, bad debts are just moving from one place to another in a determined period of time rather than radically wiped out. Banks temporarily have clean balance sheets after selling debts to VAMC. If bad debts are not solved completely but deposited at VAMC, no new capital will be channelled into the economy to support recovery and development.

Bad debt keeps rising when the SBV and commercial banks are trying to clear bad debts. It is six months to go for SBV Governor Nguyen Van Binh to realise his commitments to bad debt handling. This is a much more difficult task when financial and momentary markets are developing complicatedly and placing pressure on exchange rate, interest rates and inflationary return. Stabilising the currency value is the primary task of the central bank before the difficult job of settling bad debts. *[Bao Chau]*

Vincom Retail & Warburg Pincus in fresh funding

US global equity firm Warburg Pincus announced that it has invested an additional US$100 million into Vincom Retail, a subsidiary of Vingroup, raising its total investment in the Vietnamese company to US$300 million.

Earlier, in May 2013, Warburg Pincus poured US$200 million into Vincom Retail, which currently has 20 shopping centres in operation or under development throughout the country. The follow-on makes Warburg Pincus's investment one of the largest ever made by a private equity firm in Vietnam and signifies its confidence in Vingroup's strong performance and vision for the retail market in Vietnam.

Vincom Retail, the largest shopping mall operator in Vietnam, currently has 20 malls in operation or under development. The existing prime assets of Vincom Retail include Vincom Dong Khoi and Vincom Thu Duc in Ho Chi Minh City; Vincom Ha Long in the northern province of Quang Ninh; Vincom Ngo Quyen in the central city of Da Nang; and Vincom Ba Trieu, Vincom Long Bien, Vincom Mega Mall Royal City and Vincom Mega Mall Times City in Hanoi... have attracted more than 700 global and local brands such as Robins, CGV, Lacoste and Vinmart, and are transforming the shopping, dining and entertainment scene in Vietnam. Actually, Vincom Retail's size had more than tripled since it began the partnership with Warburg Pincus two years ago and the new investment would help the company accelerate its retail expansion efforts.

Vingroup and its subsidiaries are the largest listed developer and manager of real estate, hospitality and entertainment properties in Vietnam with market cap of US$3.2 billion as of June 2015. And Warburg Pincus is a leading global private equity firm focused on growth investing with more than US$35 billion in assets under its management. It has raised 14 private equity funds which have invested more than US$50 billion in over 720 companies in more than 35 countries. [R&C]

Techcombank granted two prestigious international awards

The Vietnam Technological and Commercial Joint Stock Bank, one of leading commercial banks in the country, has just received two prestigious international awards, Best Retail Bank in Vietnam and Best Corporate Bank in Vietnam in 2015, by the Global Banking & Finance Review- a leading financial and banking magazine in the UK. This is the tenth time the bank (Techcombank) was recognised in these two important award categories from prestigious international organisations. In its award announcement, the Global Banking & Finance Review emphasised Techcombank's success in launching new products and hi-tech applications to meet customers' diversified needs as well as its high standards of customer services.

As for corporate banking, Techcombank was recognised for deployment of product packages earmarked for specific industries and particular customer segments. Since its debut 22 years ago, the bank has been ceaselessly investing in network expansion, modernisation of the banking system, development of alternative transaction channels, improvement and diversification of products and services.

The bank's diverse new user-friendly products, such as F@st Mobile, money transfer service through social network, money transfer to a mobile subscriber, money withdrawal at ATMs without ATM cards, are highly appreciated by the Global Banking & Finance Review's Assessment Council which said, "Vietnam, like almost all other countries in the Southeast Asia, has young population and is very savvy in online and mobile services. Techcombank has been doing a smart job with accessing those customers with services like money transfer through social network."

On the corporate banking front, with the goal "going side by side with businesses through providing outstanding financial solutions", Techcombank differentiates itself from other market players with a slew of specialised products tailor-made to specific industries, business lines, and particular customer segments. Recently, the bank has launched a wide range of product packages for specific industries such as paper, rubber, oil and gas.

[TALKVN]

Fast food giants licking their lips over partnership options

By partnering with larger and more experienced food companies in the region, domestic fast food brands were able to expand regionally and internationally, as local companies had the raw materials and the international partners had the global connections.

In a recent partnership of this kind, Vietnammm.com, Vietnam's leading food delivery website, shook hands with the Philippines' Jollibee Foods Corporation over delivery services in Vietnam. Accordingly, Vietnamese customers can order Jollibee's full menu through the Vietnammm.com portal and vice versa. Founded in 2011, Vietnammm.com has over 40,000 order forms every month from over 1,200 restaurants. Last year, the website was acquired by takeaway.com, one of the world's biggest food delivery websites. The deal will allow Vietnammm.com to take advantage of takeaway.com's platform which includes iOS, Android, and Windows Phone apps. The acquisition was watched closely by Vietnammm.com's two most significant rivals, Foodpanda and Eat.vn. Significantly, Jollibee foods, which is known for its fried chicken, hamburgers, and pizza and pasta restaurants, outsells McDonald's and KFC in the Philippines. By the end of last year, the company was operating 2,301 restaurants in the Philippines and 612 stores overseas-62 of which are in Vietnam.

A few years ago, Jollibee and Highlands Group shook hands as they partnered up to expand the Highland Coffee and Pho 24 brands in the Philippines. The partnership has helped to strengthen both chains in Vietnam, allowing them to expand successfully through a very large and successful F&B partner. Huy Vietnam, Vietnam's largest operator of local Vietnamese food restaurant, has recently secured US$15 million in equity financing from private equity firms in Singapore and Hong Kong. Two partners are Singapore-based Templeton Emerging Markets Group and Welkin, a Hong Kong-based private equity firm. According to the information from Huy Vietnam, the Series C round of funding will be used to support the company's network expansion in Ho Chi Minh City, Hanoi, and other cities in Vietnam.

Operating since 2007, Huy Vietnam is one of Vietnam's first international, professionally managed restaurant companies serving traditional Vietnamese food prepared from family recipes. It already runs over 70 restaurants under the Mon Hue Vietnam, Com Express, and Pho Ong Hung brands, serving affordable and authentic local Vietnamese cuisine. Huy Vietnam plans to continue opening more of these restaurants during the course of 2015. It also intends to expand its geographical footprint to include restaurants in Nha Trang, Hue and Da Lat in the second half of 2015.

Vietnam's fast food market is expected to grow in revenue to US$670 million by 2015 according to the Business Monitor. This includes both Vietnamese and foreign fast food. Besides, a larger group of small Vietnamese brands that are exploring the possibilities of franchising in Vietnam and other regions, beyond the familiar names such as Pho 24, Highlands Coffee, Wrap and Roll and Mon Hue is making hot this market.

[R&C, FOLLOWING TALKVN]

Re-applying the policy on tax incentives applicable to projects of expansion investment from 2014

Official letter No. 2203/TCT-CS dated June 5th, 2015 of the General Department of Taxation regarding enterprise income tax policy

According to Law on enterprise income tax No. 32/2013/QH13 and Clause 5 Article 16 of Decree No. 218/2013/ND-CP, a project of expansion investment in fields or localities eligible for enterprise income tax incentives shall be entitled to enjoy the incentives. This provision takes effect from 2014. Under Clause 5 Article 16 of Decree No. 218/2013/ND-CP, if a project of expansion investment satisfies one of the following criteria, it shall be given incentives:

i) The cost of additional fixed assets reaches at least 20 billion VND when the project of investment is completed and commenced, applicable to expanding investments in the fields eligible for enterprise income tax according to this Law, or at least 10 billion VND, applicable to expanding investments in localities facing socio-economic difficulties or localities facing extreme socio-economic difficulties;

ii) Cost of fixed assets increases by at least 20% of the cost before investment;

iiii) The design production increases by at least 20% of the design production before investment.

However, this preferential policy is not applied to the following cases:

- Expansion investment due to splitting, separation, merger or ownership conversion (including also cases of implementation of new investment projects with assets and business locations and lines of old enterprises for continued production and business activities), acquisition of operating enterprises or investment projects (point a, Clause 6 Article 18 of Circular No. 78/2014/TT-BTC).
- Expansion investment in fields or geographical areas eligible for tax incentives under Decree No.218/2013/ND-CP (point b, Clause 6 Article 18 of Circular No. 78/2014/TT-BTC).

Fine level imposed on the wasteful use of investment capital provided by State budget

Decree No. 58/2015/ND-CP dated June 16, 2015 of the Government on amending and supplementing a number of articles of the Government's Decree No. 192/2013/ND-CP dated November 21, 2013 on penalty for administrative violations of management and use of owned- state property; thrift practice and waste combat; national reserve; state treasury. This Decree is to supplement some provisions on fine levels imposed on violations of public property management, include

- The use of means of communications, gas, oil, books, newspapers, and stationery, reception of guests and traveling on business using funding from the state budget which exceed the norms and standards issued by competent agencies.
- Purchase of equipment served for the operation of medical examination and treatment facilities covered by the State budget which are not included in the list approved by competent authorities
- Violations of the use, management of funds derived from the State budget
- The wasteful use of investment capital funded by the State Budget.
- The wasteful exploitation and use of natural resources....

Accordingly, the fine level imposed on the wasteful use of investment capital provided by the State budget (the use of investment capital in exceed of standards, regulations, norms, price units) shall be between 50 and 60 million VND.

This Decree takes effect from August 1st, 2015.

How will TPP impact the revenues of Vietnam?

Budget revenues from export activities will not be impacted much

Compared to Vietnam agreements signed previously, the TPP is considered as a new generation agreements with the extensive commitments 100% of tariff lines, which has a very important partnership with Vietnam as the US, Japan, Australia, New-Zi-Lan. Only the United States is not FTA with Vietnam. However, in terms of trade relations, Vietnam is the country has surplus to TPP countries in general and in particular the United States while the trade deficit with most of the former trading partner. Besides, review the structure of the two economies trade relations between Vietnam and the US in nature complement each other without competing, excludes certain items as agriculture poultry meat cattle station.

When TPP enters implementation phase is also Vietnam market opening depth with the former trading partner. So, decreasing tax in the TPP and some later Agreement may only reflect the shift of trade flows to partners like the US and the EU are partners that do not have signed previous trade agreements. Vietnam has trade surplus to US over $ 18 billion. After the US-Vietnam Bilateral Trade Agreement (BTA) affective, bilateral trade relations developed very impressive. In terms of imports structure from the US, 60% of the total imports from the US of Vietnam focused on tariff lines with preferential tax rate is 0% MFN. Thus, only the remaining approximately 32% imports will affect the import tariff reduction to 0%.

Besides, the reduction of import duties in the TPP, imports increase can increase revenues from import duties and value added at the import stage. About import tariffs, including the volume of imports did not increase ,import tariffs in the last phase will be reduced to 0 from its current level is about 172 million dollars in 7-10 years (about 17-25 million / year). Meanwhile, VAT increased by about 50 million / year, assuming imports increased by 20-30%. So, the reduction of revenue from import and export activities will not be.

TPP will impact the inland revenue

However, apart from the impact on revenue from import and export operations, the reduction in TPP also affect domestic revenue from production and business activities. For the export manufacturing sector, this will be the opportunity to take advantage of cheaper imported raw materials with better quality for export, replace the previous traditional partners. The increase in exports and business sectors will contribute to increasing revenues for the state budget. In the other hand, for other manufacturing businesses, the expansion of the US market with some products have a competitive advantage from the United States would increase difficulties for enterprises should be reduced impact revenues by product Export of these businesses can be narrowed. The import sector will be impacted by imports from the US and by tax cuts including agricultural commodities fruit, milk, dairy products, seafood, beef, pork, chicken, grains, oil Animal fat, animal feeds, fruit juices, chemicals, pharmaceuticals, cosmetics, plastics, rubber, steel, iron and steel products, machinery, spare parts, engine ...

In addition to commodity chicken and pork are items most potential US, other items have also been willing to open the door for former partners such as China, Korea, Japan, ASEAN therefore, affect the sector will mainly redirected partners rather than direct competition.

[R&C Dept., following TriThucTre]

[Survey] Vietnam has SE Asia's most curious shoppers

Consumers in Vietnam show a strong affinity for brands investing in new product development and are among the most likely regionally to try new product offerings, according to a report released by a global performance management company.

The Nielsen Global New Product Innovation Survey polled 30,000 online respondents in 60 countries to understand consumer attitudes and sentiments about the reasons behind new product purchases. Consumers in Southeast Asia are enthusiastic about new products, and are more inclined in this region to try new products and Vietnam had the highest score for trying new products in Southeast Asia, with 88 percent of consumers saying they had purchased a new product during their last grocery shopping trip. This was 19 percentage points higher than the region's average of 69 percent. Thailand ranked second with 77 percent, and was followed by Indonesia with 72 percent and Philippines with 68 percent.

As many as 34 percent of Vietnamese consumers say they "like when manufacturers offer new product options" and 32 percent prefer to buy new products from brands which with they are familiar. As for obtaining information on new products, television advertising plays a key role. Close to one in five consumers in Vietnam (18 percent) rank television as their number-one source of new product information and 55 percent rank television advertising in their top five sources. Recommendations from family and friends along with doing active search on the internet are also key influencers of new product trials, with 60 percent ranking family and friends in their top five sources of new product information and 43 percent ranking active internet searches in their top five sources.

The Nielsen report, which was released on June 23, revealed convenience was a top driver of new product trials for consumers in Vietnam, followed by family suitability and the brand they are used to.

Affordability was ranked as the number-one driver of new product purchases globally, followed by personal recommendations and convenience.- *VNA*

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