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VIETNAM BUSINESS REVIEW

Vol 29, July 27th 2016

[Vietnam M&A market heating up](#)

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ECONOMY

Construction sector grows 8.8%

VNS - The construction sector grew 8.8% in gross domestic product (GDP) for the first half of this year, the highest growth since 2010, reported the Ministry of Construction during a conference in Hanoi on Thursday on tasks in the second half of this year.

In H1, the ministry's enterprises booked revenues at about VND76.1 trillion ($3.45b) while the rate of urban and rural construction hit 100%, and urbanisation nearly 35.7% of their respective targets for the period.

The average floor area per person reached 22.3sq.m, a rise of 0.3 sq.m from late 2015. The construction ministry also said the construction industry still had limitations in building legal documents and standard systems compatible with international regulations, equitisation at some corporations and administrative reform.

Therefore, construction minister Pham Hong Ha said at the conference that the ministry would refine legal regulations, review the Law on Construction and issue decrees on construction, housing and real estate business.

The issuance of construction licences will be reduced to 22-25 days from 30 days, as part of efforts to realise the government's resolution on improving the business climate and national competitiveness, as well as the resolution on business development support.

Property market

In other developments, Viet An Hoa Company's general director Tran Khanh Quang said urban land, agricultural land and property products in and around industrial zones were expected to be hot by the end of this year, reported vnexpress.net.

The market of private property, including land and houses on land in urban areas had high growth in the first half of this year compared with that in the first half of last year, and land prices have increased by 20% since the beginning of this year, Quang said.

The unchanged apartment market and apartment prices have created a chance for house and land prices to grow strongly. Trading liquidity and the price of land and houses have increased constantly and the demand for these property products are expected to grow "hot" in the next six months.

Meanwhile, signed trade agreements and international integration have affected the growth of the local economy in general and the market of industrial zones in particular, he said.

Local and foreign companies have been prompted to lease facilities in industrial zones to expand production and business activities in the future.

Therefore, in medium term, the market of leased facilities in industrial zones would remain in high demand, especially in Long An and Binh Duong, neighbouring provinces of HCMC, he said.

Property markets around industrial zones have also attracted investors, including land and available houses for rent, for the first six months of this year, said Quang, adding that demand for property products around industrial zones would continue growth in the future.

Quang also said investors had increased buying land in sub-urban areas and neighbouring provinces to produce clean vegetable and food since early this year. This trend

ECONOMY

would continue developing through this year's end and beyond. The number of industrial projects in the southern region comprises approximately 100 industrial parks and processing zones, most of which are located in Dong Nai and Binh Duong, according to JLL, a foreign property service provider.

The industrial space market in the southern region is expected to welcome more than 10,000ha of land area by the end of 2020.

Rental fees are expected to be on a slight uptrend in the near future, since demand for industrial properties improves as VN will receive more FDI capital following the announcement of a number of FTAs.

Investments in eco-friendly industries with advanced technologies are expected to be further incentivised in the southern industrial market.

Exports: rice down, pepper up

VNS - The agroforestry-fisheries export turnover in July was estimated at US$2.64 billion, lifting the sector's export value in the first seven months to reach $17.8 billion, up 5.1% year-on-year.

According to the agriculture and rural development ministry, the country exported 2.93 million tonnes of rice in the reviewed period, earning $1.32 billion. The exports, however, fell 18.4% in volume and 14.4% in value year-on-year.

China remained the largest importer of Vietnamese rice, accounting for more than 35% of the market share. Indonesia came second with 11.6%.

Over the last seven months, pepper exports experienced a 26% year-on-year increase in quantity to reach 122,000 tonnes. But the turnover surged only 9% year-on-year to touch $988 million due to a 13% drop in export prices.

Likewise, the average export price of coffee in the period also plunged by 15.6% year-on-year. As a result, coffee exports earned $1.98 billion in turnover, up 18% year-on-year, despite a significant 38% growth in volume at 1.13 million tonnes.

A decrease of 15% in export prices was also seen in the rubber industry. From January to July, rubber exports stood at 564,000 tonnes, worth nearly $705 million, representing an 8.8% growth in volume, but a 7% fall in value year-on-year.

The volume of tea exports in the first seven months rose by 5% to touch 69,000 tonnes, but the value declined slightly by 2% at $110 million.

Among major farm produce, cashew nut exports increased in both value and volume. The sector earned $1.46 billion from shipping 189,000 tonnes of products overseas, surging 9% and 3% in value and volume, respectively, year-on-year.

The value of seafood exports for the seven-month period topped an estimated $3.65 billion, a yearly rise of 3.3%, while the forestry export turnover grew a modest 1% to reach about $3.98 billion, with the US, Japan and China being the largest importers.

BANKS & FINANCE

Bank cross ownership persists

VNS - Five months after the deadline set by the State Bank of VN (SBV) for resolving cross ownership in the banking system, the problem persists.

In 2014, SBV announced that by February 01, 2016, commercial banks with stakes in more than two other credit institutions, or holding five% of stakes in a credit institution, have to reduce them to less than five%.

So far, only VietinBank sold 16.9 million shares of Saigonbank to 10 individual subscribers on June 28 in accordance with the new regulation.

Vietcombank also announced the divestment in Orient Commercial Joint Stock Bank and SaigonBank, while Eximbank is proposing a divestment of 7% of its shares in Sacombank.

However, these actions are only initial steps in the divestment process stipulated by SBV's directive and the divestment rate by commercial banks is still very slow.

Currently, Vietcombank is holding 8.19% of Eximbank, 4.3% in Saigon Bank and 9.59% in Military Bank, 5.07% in OCB and 10.91% in Cement Finance Joint Stock Company (CFC). BIDV owns 65% in LaoViet Bank, 50% of stakes in VN-Russia Bank. Eximbank holds 8.76% of Sacombank.

Most banks think the slow pace of implementing the law is due to the low prices of bank shares.

A leader of a commercial bank in Hanoi told the media that selling stakes for low prices was not fair to shareholders.

Hoang Trung Viet, deputy director of the central bank's Hanoi branch, explained that while cross ownership could be positive in terms of improving capital, technology, experience and business management in some banks, it could also result in manipulations.

Some banking experts agree that limiting ownership in another bank to less than 5% was reasonable in order to ensure a secure banking system. They warned that having a stake greater than 5% could enable a group of 10 shareholders to carry out a hostile takeover of a bank.

Cross ownership and cross investment among banks carry systemic risks and reduce the competition, given that a union of banks could be powerful enough to influence interest and exchange rates and cause market distortion and damage to the economy.

In addition, cross ownership and investments among banks also increase risks to financial markets.

$3b int'l bond plan delayed

VNN - Viet Nam has postponed a US$3-billion international bond issuance plan due to unfavourable conditions in the global finance and monetary market, the finance ministry said.

The National Assembly in November last year had approved the international bond issuance plan, to be launched in 2016, to restructure domestic debts that arise during the 2015-16 period.

The bonds were expected to have terms of 10 to 30 years, with interest rates to be set depending on international capital market conditions at the time of issuance.

However, according to the finance ministry, the global finance and monetary market has continued to remain in flux since the end of last year, with the period witnessing several unfavourable conditions

BANKS & FINANCE

such as United States' Treasury bond rise, China's yuan devaluation and the Brexit vote.

The international bond issuance plan, therefore, has been postponed, the ministry said.

However, it said the government would closely watch the global market to be able to issue the bonds at a suitable time, ensuring national interests.

VN has so far issued international bonds 3 times, the first of which was in 2005, worth $750m; the second in 2010, valued at $1b; and the third in 2014, worth $1b.

Low crude keeps stocks down

Photo captured of screens at Vietcombank Securities Company. Vietcombank, listed as VCB on the HCM Stock Exchange, ended flat yesterday.

VNN - Vietnamese shares yesterday extended losses for a sixth day as lower oil prices kept investors worried about the prospect of energy stocks.

The benchmark VN Index on the HCM Stock Exchange inched down 0.1% to end at 648.59 points. The southern market index has fallen 3.7% in the past six sessions.

The HNX Index on the Hanoi Stock Exchange dropped 0.6% to close at 83.52 points. The northern market index has decreased by 4.1% in the last six days.

The energy sector weighed on investors' sentiment yesterday after oil prices declined for a fourth trading day.

US crude West Texas Intermediate (WTI) lost 0.9% to trade at $42.74 a barrel and London-traded Brent crude edged down 0.5% to trade at $44.49 a barrel, totalling a four-session fall of 4.9% and 5.7%, respectively.

The largest energy stocks all declined. PetroVietnam Gas Corp (GAS) plunged 4.8%, while the others such as PetroVietnam Mud Drilling Corp (PVC) and PetroVietnam Technical Services Corp (PVS) fell between 1.8% and 3%.

Other large-cap stocks on the two local exchanges yesterday continued to decline, including consumer goods producer Masan Group (MSN), Joint Stock Commercial Bank for Investment and Development of VN (BID), Tien Phong Plastic JSC (NTP) and Asia Commercial Bank (ACB).

MSN was down 0.7%, BID slid 0.6%, NTP fell slightly by 0.3% and ACB dropped 1.1%.

"Investors remained cautious on the market's current slowdown and chose to stay off trading," Sài Gòn-Hanoi Securities Corp (SHS) wrote in its daily report.

Weak investor sentiment resulted in low trading liquidity. Local exchanges had more than 143 million shares in trading worth VND2.4 trillion ($106.7 million), a quarter lower in value from last week's daily trading figures.

Investors also turned their focus on some listed companies that have given positive news on their business, SHS said. Those firms are VN Dairy Products JSC (VNM), steel producer Hoa Phat Group (HPG) and fish exporter Hung Vuong Corp (HVG).

VNM rose 1.9% after foreign investors purchased half of the stocks that were traded on the market. VNM last week announced it lifted the limit of ownership for foreign investors.

HPG jumped 3.4% and HVG surged 6.9% after the two companies reported higher YoY profits for the first half of this year.

INVESTMENT

FDI in HCMC drops 65%

VNS - FDI registered in HCMC has decreased by 65% YoY, according to the municipal Statistics Office.

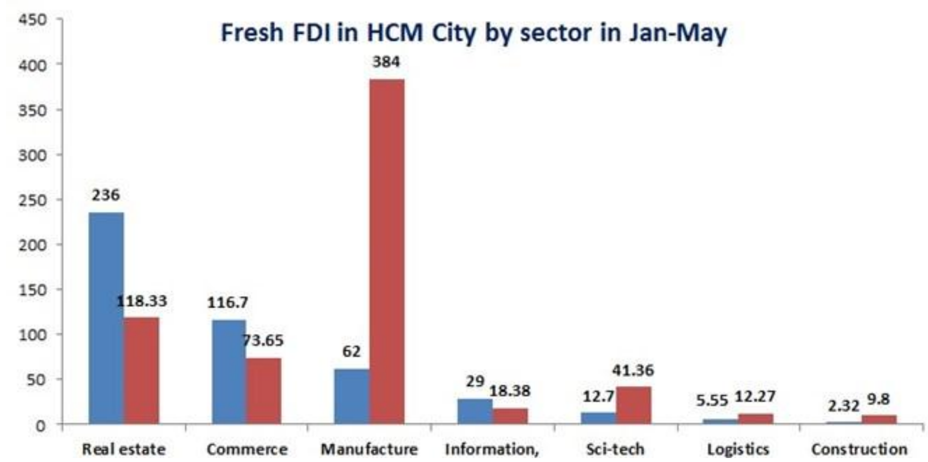
As of July 15, the country's major economic hub lured only $863.6m, much lower than $2.5b in the same period last year.

According to the office, real estate remained the most attractive sector to foreign investors, attracting $280m or 43.7% of the city's total FDI. Trade ranked second with $185m or 28.9%.

In the period, the Cayman Islands were the city's leading source of FDI with $231m. It was followed by Japan with $96.1m; Singapore ($87.2m); South Korea ($51.2m); British Virgin Islands ($45m) and Taiwan ($30.3m).

Deputy Director of the municipal Department of Planning and Investment Le Thi Huynh Mai told that the city's FDI results did not reflect its overall picture of investment attraction because large-scale projects were often proposed by foreign investors in the second half of this year.

To create favourable conditions for investors, HCMC continued to allocate more cleared land for production and upgrade infrastructure at industrial parks and export processing zones, Mai said.



The city was expanding the second phase of the Sai Gon Hi-Tech Park by 600ha and planned to expand Quang Trung Software Park. It also focused on speeding up administrative reforms, she said.

Da Nang Silicon Valley project stays in limbo

VIR - In spite of being taken over by the domestic investor after the withdrawal of its foreign investors, the fate of $278m Da Nang Information Technology Park (IT park) remains uncertain.

The project was invested by US and Japanese groups Rocky Lai & Associates and KDDI. Accordingly, Rocky Lai & Associates was to be in charge of technical infrastructure and KDDI would have developed the IT infrastructure.

The two investors established Danang Information Technology Park Development Co., Ltd. (DITP) to develop the project.

The construction was divided into two phases, the first phase was kicked off in April 2013 and expected to complete in 2017. The second phase would be taken from 2017 to 2023.

The IT park was designed with six functional areas: a production area, an area for research and development and training-consulting, an office area, an area for technical infrastructure, an area for product exhibition, and one for healthcare services, supermarkets, and a school.

The project would have followed the model of the Silicon Valley in the US and Hshinchu Science Park in Taiwan.

INVESTMENT

It expected to lure foreign scientists, engineers, and IT and hi-tech specialists into Danang, and encourage hi-tech training at universities.

In addition, the investors hoped the IT park would attract investors from around the world, including the US, Japan, South Korea, Taiwan, and India.

However, after 3 years of the ground breaking, the project remained immobile. In addition, despite Danang spending over VND100 billion ($4.48m) on site clearance, DITP had yet to pay land rent, taxes as well as other fees. As a result, the Danang Taxation Department was forced to freeze the investors' bank account.

The Danang People's Committee warned that if DITP failed to pay the advance payment to the city's fund, along with a fine of VND10 billion ($448.194) for the delay, before June 30, 2015, DITP would have its investment certificate revoked.

In March 2015, DITP announced to withdraw from the project due to lack of finances.

In July 2015, when the city decided to revoke the project certificate, Trung Nam Land JSC (Trung Nam) expressed interest in paying DITP's debts to the city to take over the project in partnership with Trung Nam Construction & Engineering Corporation (Trung Nam E&C).

The Danang People's Committee approved in principle to license Trung Nam to develop the project, however, it requested the company to pay the shouldered debts and implement the project onschedule, as it committed to, evidence of which would be submitted to the Danang People's Council in August 2016 for approval. However, in early 2016, Trung Nam E&C and Trung Nam Land started to implement the construction of the technical infrastructure without receiving the comments of the Danang People's Council.

VIR's reporter contacted the representatives of both companies to verify the reason for the discretionary start of project implementation, however, neither of the two companies came out with a comment.

Foreign investors bullish on Vietnam property market

VOV - A contingent of Japanese real estate investors performing a due diligence tour of the HCMC and Hanoi markets have said they find them to be highly attractive 'Frontier Markets' with high potential.

They said they had also considered Thailand and Indonesia as places to invest but after visiting both places they found the markets to be fully saturated and turned their attention to Vietnam.

Yasuyuki Enomoto, a member of the contingent, said his research points to Japanese businesses as being one of the largest investors in manufacturing in Vietnam and that was a big factor in making his decision.

He said he would like to use Vietnam as a place to get a toehold in the Southeast Asian property market and branch out and expand into the markets of Cambodia, Myanmar, Laos and other neighboring countries.

ENTERPRISES

Vinamilk products hit US supermarket shelves

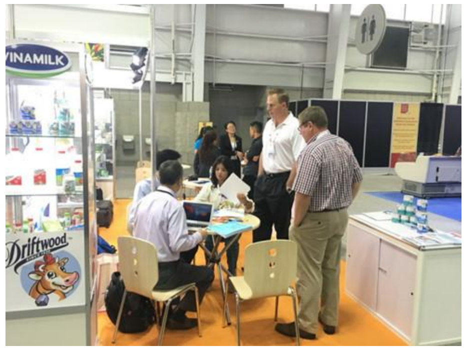
VOV - Vinamilk has begun selling a select number of its condensed milk and creamer products in the US under the brand name Driftwood, according to an announcement posted on the company's website.

Earlier in June of this year, Vinamilk with the support of the Vietnam Trade Promotion Centre for Agriculture joined an international trade expo in the US at the Jacob Javits Centre in New York.

Based substantively on the positive feedback received at that event and successful test-marketing of the products, a decision was made by Vinamilk management to foray into the dairy market in the states of Arizona and California.

In response to US consumer demand for better, wholesome nutrition from safe, responsible sources, Vinamilk through its wholly owned subsidiary Driftwood is excited to be introducing its innovative products to the US market.

Our products offer US consumers a dairy option that is sourced from sustainable family farms and provides strong market potential, said Vinamilk, and we are happy to announce the launch of a saucy advertising campaign therewith.



Complicated procedures in VN drive startups to Singapore

BD - More and more Vietnamese firms, especially technology startups, are registering their businesses in Singapore to avoid complicated administrative procedures in VN. Temasek, the investment corporation belonging to the Singaporean government, in late May invited regional firms, including Vietnamese, to an event organized in cooperation with Google.

The CEO of an internet firm, who participated in the meeting, said that besides him, the managers of some other technology firms were also invited to the event and most of them either have, or are going, to set up companies in Singapore.

Singapore is where many global companies such as Facebook, Google and Apple set up branches, offices and subsidiaries to oversee the companies' South East Asian markets.

Analysts said that the wave of setting up businesses in Singapore began two years ago as businesses realized the great advantages in setting head offices in VN.

Many stories on how to set up and maintain businesses in Singapore are shared on social networks.

With the advantage of providing services without borders, internet firms have the most favorable conditions to establish companies in Singapore. Most recently, an event on how to set up businesses in Singapore was organized on July 8 in HCMC by SHIELD & Alpha Business Solution. The director of a digital content firm in Vietnam said Singapore is attractive because of its open business policies and modern management which allows businesses to compete in a healthy way.

MARKET & PRICES

Slight rise in July consumer prices

VNS - VN CPI rose a modest 0.13% month-on-month in July, the lowest increase since February 2016, the General Statistics Office (GSO) announced.

The index represented a year-on-year increase of 2.39%. That was also lower than figures recorded in the past 10 years, the GSO said. For example, in July 2006, it surged 7.5% and 27.04% in July 2008; in July 2013 it rose 7.19% and 4.94% in July 2014.

In the first seven months of this year, the CPI grew 1.81% compared with the same period last year, it noted.

Do Thi Ngoc, deputy head of the CPI department, attributed the modest rise partly to a 0.05 per-cent decrease in restaurant and catering services, which accounts for nearly 40% of the goods basket. The drop was due to falling prices of food and food stuff at 0.64% and 0.01%.

Among other groups of products and services, the highest price increase of 1.19% was recorded in transportation services, followed by house and building materials with 0.14%, and beverages and tobacco with 0.09%.

Prices also rose 0.06% in equipment and home appliances; 0.04% in garment, hats and footwear; and 0.02% in medicine and health services.

Vietnamese turn their back on Chinese cars

NDT - Vietnamese are turning their back on Chinese cars for several reasons, including low quality, design copies and vulnerability.

Just within 10 years, six Chinese car brands came to Vietnam through different ways. They are either imported to Vietnam under the mode of complete built units (CBU) or assembled in Vietnam by joint ventures between Vietnamese and Chinese manufacturers.

Chinese cars tried to conquer Vietnamese hearts thanks to their low prices, positioned as the cheapest car products in the market. However, the low-pricing did not help them cement their position in Vietnam

The names of Chery, BYD, Geely, Lifan and MG have disappeared in the market. The other three Haima, Changan and BAIC are still in Vietnam, but there is no sign of vitality.

According to the General Statistics Office (GSO), Thailand has outstripped South Korea and China to become the biggest supplier of CBU cars to Vietnam.

The country imported 49,000 cars in the first half of the year, worth $1.2b. Vietnam now mostly imports cars from Thailand with 9,300 products imported in the first six months of the year, an increase of 42% over the same period of last year.

Nearly 4,000 cars were imported from South Korea, down by 8%. Meanwhile, imports from China witnessed a sharp fall by 50% with only 2,500 imported during the same time.

A car importer said on Phap Luat that Vietnamese enterprises don't want to import Chinese cars now because too many were imported in 2015.

The inventory level is high because Chinese products are selling slowly because of low quality.

"Chinese trucks are not safe, while the facilities are poor and most of them are imitations," he said. "Vietnamese have turned their back ton Chinese cars though they are cheap."

A car expert said that Chinese manufacturers can make products at surprisingly low costs because they cut expenses on safety tests.

LEGAL UPDATES

03 tax incentives for investment projects

Preferential corporate income tax

Circular 83/2016/TT-BTC governs in detail several cases subject to incentives as follows:

- New investment projects in economic zones and hi-tech zones (including the centralised information technology zones established in accordance with the decision of the Prime Minister) are entitled to tax incentives in accordance with the Law of Corporate Income Tax.
- New investment projects in industrial zones (except those located in areas with favorable socio-economic conditions as prescribed by the Government), which are not covered by the incentive investment fields or the new investment projects in economic zones and hi-tech zones, are entitled to tax incentives under the provisions of the Corporate Income Tax Law. This also applies to the new investment projects in the export processing zones.
- Expansion of investment projects: If such projects meet the criteria prescribed by the Corporate Income Tax Law, the enterprise is entitled to select the tax incentives for the remaining time (if any) of the project or a tax exemption and reduction on the increased income due to the expansion of investments. The duration of tax exemption and tax reduction for the increased income should be equal to the duration of tax exemption and tax reduction applicable to new investment projects in the same investment incentive fields or areas under the regulations of the corporate income tax law.

Preferential import duty

Projects with operational sectors subject to special investment incentives; projects operating in areas with extremely difficult socio-economic conditions, or projects with capital of VND6 trillion or more will be entitled to the following incentives:

- Import duty exemption for imported goods as fixed assets such as equipment, machinery and specialized means of assembly line technology which cannot be domestically produced, as prescribed in detail in the Law on Export Duty and Import Duty.
- Import duty exemption for 5 years for materials, supplies and components which cannot be domestically produced; imported for production activities of investment projects (except for the projects of manufacture and assembly of automobiles, motorcycles , air conditioners, electric heaters, refrigerators, washing machines, electric fans, dishwashers)

LEGAL UPDATES

Projects under the category of investment incentives, such as manufacture of automobiles, auto parts, shipbuilding; projects operating in areas with difficult socio-economic conditions such as Kon Tum, Son La, Lai Chau, or projects using 500 or more workers in rural areas: import duty exemption for imported goods as fixed assets.

Preferential non-agricultural land use tax

Tax exemption for investment projects:

• under the sectors subject to special investment incentives; or

• operating in areas with extremely difficult socio-economic conditions; or

• with capital from VND6 trillion or more, capital disbursement within at least 3 years from the date of issuance of the Investment Registration Certificate and operating in areas with extremely difficult socio-economic conditions; or

• the investment projects under the stipulated sectors subject to investment incentives and operating in areas with difficult socio-economic conditions.

A 50% tax rate reduction for investment projects:

• under the sectors subject to investment incentives as stipulated in Section B Annex I Decree 118/2015/ND-CP; or

• under areas with difficult socioeconomic conditions as defined in Annex II Decree 118/2015/ND-CP; or

• having 500 employees or more operating in rural areas with difficult socio-economic conditions.

In order to obtain such incentives, investment projects must meet one of the following conditions:

• The investment sectors of the project is in the field of manufacturing new materials, new energy; manufacturing electronic products and key mechanical products; high-tech activities, and many other sectors as prescribed in Clause 2 Article 15 of 2014 Investment Law, Clause 1 Article 16 of Decree 118/2015 / ND-CP;

• The capital scale of the projects should be from VND6 trillion or more, and the disbursement of at least VND6 trillion within three years commencing from the date of issuance of the Investment Registration Certificate or the investment policy decisions;

• At least 500 employees or more in rural areas;

• The operating area of the project has difficult or extremely difficult socio-economic conditions.

In addition, there are two cases that should be noted:

The investment projects for mineral exploitation are not entitled to preferential import duty and non-agricultural land use tax.

For projects producing goods and services subject to excise tax:

• Only new investment projects of under 24-seat cars (including cars for both passengers and cargoes transportation with two or more rows of seats, with fixed bulkhead design between compartments of passengers and cargoes) are subject to preferential corporate income tax.

• Other types of goods and services subject to special consumption tax cannot enjoy preferential corporate income tax, import duty and non-agricultural land use tax.

HIGHLIGHTS

Japanese university starts healthcare training in VN

VNS - Tokyo Human Health Sciences University VN has started offering undergraduate courses to Vietnamese students, with a training capacity of up to 1,200 people.

The courses specialise in nursing, physical therapy and orthopaedics.

The first private Japanese university in VN, located in the new urban residential area Ecopark in northern Hung Yen Province, was inaugurated last week. It is some 13km from Hanoi's city centre.

The university, covering 3.2ha, received investment from Japan's Waseda Health Sciences Education Corporation and a number of Japanese individuals and organisations, amounting to a total initial investment of some $20m.

The construction of the first university building has been completed, including lecture halls, classrooms, practice rooms, and a VN-Japan health-training centre.

The centre is expected to support healthcare activities in the region and to train healthcare workers.

Next year, it will run four-year degree programmes in two other majors and three-year degree courses in nursing.

Mari Kusumi, chair of the Board of Trustees of Japan's Waseda Health Sciences Education Corporation and president of the University of Human Arts and Sciences, said the Tokyo Human Health Sciences University VN aims to train healthcare staff to a highly professional level.

The graduates would have the opportunity to work at major hospitals in VN and around the world, she said, adding that they would be qualified to apply for a national job certificate to work in Japan and to continue their masters and doctorate study in this country.

The VN Tokyo Human Health Sciences University is the second fully-foreign invested tertiary educational institution to be licensed in Ecopark, after the British University VN.

As Japan grays, retailers covet youthful masses in Vietnam

Bloomberg - These days Thu Huong no longer shops at the fresh produce market near her home, opting instead to hop in a taxi and head off to Aeon Co.'s 9-month-old mall in Hanoi. There, as she shops for her family of five, she can bask in the air-conditioning and enjoy free Wi-Fi.

"It's very convenient to shop there, I can buy all the different things that my family needs for a whole week. I also feel more modern and fancy when shopping in a place like this," said the 30-year-old dairy company employee.

With a young population, an expanding middle class and one of Southeast Asia's fastest-growing economies, Vietnam is an alluring market for Aeon, Takashimaya Co. and Seven & i Holdings Co. The reason: China is slowing and growth is flat-lining at home.

"The Vietnamese economy is growing rapidly and its middle class is explosively expanding," said Nagahisa Oyama, who oversees Vietnam operations as the company's chief there. "Its retail market is growing very quickly with strong appetite for spending, especially among young people."

Young demographics

And there are plenty of them in the nation of 93 million. Almost 60% of Vietnam's population are under 35 years old and are becoming better educated, according to market research company Nielsen Vietnam.

Four days after an Aeon Mall opened in HCMC July 1, it recorded sales that were 18% higher than originally estimated, according to the company.

HIGHLIGHTS

Aeon, Japan's largest retailer by sales, currently operates four malls and 54 supermarkets in Vietnam. The number of Aeon supermarkets in the Southeast Asian country is more than double the grocery stores the company's invested in China and comprises a third of supermarkets the Japanese business has opened outside its home market.

They're not the only Japanese firms looking to sow profits in the Vietnamese market. About 20 consumer companies from Japan -- from a chocolate maker to noodle company to a green tea manufacturer -- met with potential Vietnamese partners last Wednesday at an investment conference in Hanoi organized by Mitsubishi UFJ Financial Group Inc. and Vietnam JSC Bank for Industry and Trade.

Japanese corporations are increasingly looking outside of the nation for growth. Aeon recorded a net loss for the March to May period, its third quarterly loss within a year as a declining and increasingly frugal Japanese population capped sales.

"We think competition in the Vietnamese retail market will increase with Japanese convenience stores as well as Korean and Thai companies entering there," Oyama said.

The company's tie-ups with local grocery chains Citimart and Fivimart will help expand its business, he added.

Shares of Aeon rose 0.4% to 1,505 yen as of 10:15 a.m. in Tokyo trading, trimming this year's drop to 19.4%. Takashimaya gained 1.9% to 793 yen while Seven & i advanced 0.9% to 4,488 yen. Japan's benchmark Topix index climbed 0.8%.

The world's fastest-aging major nation saw its Japanese population drop the most on record, falling for a seventh straight year in 2015. By contrast, Vietnam's young demographics is also bolstered by growing average incomes which rose to $2,111 last year compared with just $433 in 2000, according to World Bank data.

Evolving retail

Consumers in Vietnam increasingly desire better quality shopping experiences, prompting the country's retail model to evolve from one mainly dominated by neighborhood wet markets that sell fresh produce, according to Nielsen Vietnam.

The country has nearly 9,000 wet markets, 800 supermarkets and more than a million small stores run by individual households, according to a government report in June. Spending at formal retail stores and centers, as opposed to traditional local shops, is expected to rise to 40 of consumer spending by 2020, up from 25% currently, the report showed.

Vietnam's retail shift took off two years ago, aided by "both local giants and multinational companies who are accelerating their development to build solid footprint," Roberto Butragueño, Nielsen Vietnam associate director of retail services, said in an e-mail.

Shoppers in the country are also becoming more demanding. While six in 10 Vietnamese expect stores to be within reach, nearly as many also want them to be organized in such a way that enhances the shopping experience, according to Nielsen, which surveyed 30,000 people in 61 countries.

Young population

Department store operator Takashimaya will open a 15,000 square-meter (161,000 square feet) department store in the Saigon Center in HCMC this month, its first in the country to tap faster-growing markets abroad especially in Southeast Asia, Tokyo-based spokesman Hironobu Hanai said.

Vietnam's young population and high growth rate is attractive and Takashimaya has invested about 5 billion yen ($47 million) into the nation since 2012, including in the new store and other real estate, Hanai said.

HIGHLIGHTS

Japanese convenience store giant 7-Eleven last year signed a franchise agreement with Seven System Vietnam as part of its expansion plan in Pacific Rim. And the interest is not limited to Japan, as Korean retail conglomerate Lotte Group targets to open 60 supermarkets in Vietnam by 2020, while Thailand's TCC Holding Co. acquired Metro AG's Cash & Carry wholesale business in Vietnam for 655 million euros ($720 million)

Plastic bags

Homegrown retailers are pushing back. Hanoi-based Vingroup aims to open as many as 500 supermarkets and 8,000 convenience stores under its VinMart and VinMart+ brands in the next five years, even as large retailers from overseas have "created difficulties for local companies," the property developer said in an e-mail.

HCMC's Metro Line No 1 begins to take shape

VOV - With a total investment capital of US$2.49 billion, the 19.7 km metro line No 1 connecting Ben Thanh market and Suoi Tien Theme Park in HCMC has begun to take shape as construction work at several sections has been speeded up.

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