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ECONOMY

Capital for high-tech agriculture

VOV - High-tech agriculture is a key direction for economic development. A credit package of US$4.4 million for high-tech and clean agriculture is considered a nudge for agricultural enterprises to expand production. But there remain obstacles to accessing the credit package.

Vietnam has 3 high-tech agricultural zones in Hau Giang, Phu Yen, and Bac Lieu. The Ministry of Agriculture and Rural Development has licensed 26 high-tech agricultural enterprises.

The government issued Decree 30 in March to allocate a credit package of US$4.4 million to loan high-tech enterprises. The State Bank of Vietnam launched a loan program for high-tech enterprises with interest rates of 0.5% to 1.5%.

Nguyen Thi Hong, Vice Governor of the State Bank, said the number of high-tech enterprises is small and the incentive loan program has not been widely implemented.

"Enterprises are still studying the program and have not yet submitted loan applications. They need to study the criteria of high-tech and clean agriculture according to the government decree. Commercial banks say they are preparing documents to instruct local branches to launch the program.", noted Ms Hong.

Enterprises say one problem is that their property and assets are not acceptable collateral for bank loans. Minister of Natural Resources and the Environment Tran Hong Ha said "High-tech enterprises have to invest large sums in their facilities. The Ministry has drafted a circular to acknowledge their asset values and will consult other ministries to finalize it."

Minister and Head of the Government Office Mai Tien Dung said some localities have proposed incentives for local businesses.

"The government has received proposals from the provincial Party Committees of Ha Nam and Thai Binh to allow them to rent land from farmers and lend it to enterprises. It will be a key policy to help high-tech agricultural enterprises", Mr Dung noted.

Technology turns cashew-nut shells into "gold"

VNN - Carnadol is much more valuable than raw cashew oil which can bring profits of at least VND2 million per ton.

Cardanol is a natural phenol obtained from anacardic acid, the main element of cashew nut shell oil. The oil is highly effective against metal corrosion and is used in many industries.

Cashew nuts are one of Vietnam's important industrial crops. According to the 2013 statistical yearbook, the total output of cashew in Vietnam reached 289,900 tons.

However, after harvesting and processing of cashew nuts, the shells have usually been thrown away. Scientists believe that if the shells can be properly treated, the waste will turn into 'gold' and bring high profits.

It is estimated that one ton of dried cashew can produce 700-750 kilos of shells from which 154 kilos of cashew nut shell oil is created.

Cashew nut shell oil can be used as industrial fuel which is 60% less costly than FO.

The oil can also be used as material to make adhesives, anti-corrosive metal, insulating materials, electronic products boards, forest product preservatives, and structural wood treatment liquid.

In 1999, Vietnam began exporting cashew nut shell oil. At that time, the export volume was modest, 1,000 tons only. The figure rose to 80,000 tons in 2011. Vietnamese enterprises export 600,000 tons of the oil to China, the Republic of Korea, Indonesia and Spain.

A representative of F.T.E Technology Development said cashew nut shell oil brings US$7 million a year to the company with the profitability rate of 20%.

He said that Vietnam has great advantages to become a world's cashew nut shell oil production base.

However, most Vietnamese enterprises export cashew nut shell oil as fuel or raw material. They could even earn bigger money if they developed more valuable products from cashew nut shell oil, such as Carnadol.

In countries with hot weather and high humidity like Vietnam, the demand for substances which can protect construction works, machines and equipment from corrosion is especially high. Carnadol is a good solution.

A group of scientists from the Youth Scientific and Technological Promotion Center (TST) headed by Pham Quoc Nghiep recently conducted research on using carnadol to make a green corrosion inhibitor to protect metallic materials from corrosion.

The researchers used the cardanol extraction method from cashew nut shell with supercritical CO2 technology. The carnadol content obtained was 23% with a purity of 68.6%. The product can protect metal at a high rate of 84%.

BANKING & FINANCE

11 Vietnamese banks have combined total assets of $10 billion

VNN - The finance reports from the first half of the year show that Vietnam has three banks with combined total assets exceeding VND1,000 trillion, or $50b, while 11 banks have total assets of over $10 billion.

The Bank for Investment & Development of Vietnam (BIDV) leads with total assets of VND1,100 trillion. The other 2 banks which also have total assets exceeding VND1,000 trillion are VietinBank and Agribank. VietinBank has recently joined the VND1,000 trillion club, while Agribank had assets hitting the level late last year.

Eight other banks have assets of over $10 billion, including Vietcombank (VND850 trillion), SCB, Sacombank, Military Bank, ACB, SHB, VP Bank and Techcombank.

H1 finance reports showed significant improvement in the banks' business performance in the first six months of the year. SCB was the only bank which reported a decrease of 4.1 percent in profit in comparison with the same period last year, to VND90 billion.

Sacombank had the most impressive growth with the reported profit increasing by 16 times compared to last year's period, at VND422 billion. VP Bank also caught the investors' special attention with net profit of VND2.6 trillion and a growth rate of 108 percent. Techcombank ranked third, with profit increasing by 72 percent, reaching VND2.184 trillion.

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However, Vietcombank topped the list with profit of VND4.23 trillion, followed by Vietinbank.

In terms of business efficiency, VP Bank led the banking system in the first six months of the year with the average return on charter capital ratio at 26.1 percent. The figures were 24.6 percent for Techcombank, while SCB was at the bottom of the list with 0.6 percent.

Regarding the NPL, an important index that measures bank health, Sacombank is leading with an NPL ratio of 6.8 percent. Southern Bank merged with Sacombank, which has had to take on bad debt from Southern Bank.

Meanwhile, VP Bank reported a bad debt ratio at 2.81 percent. ACB was the bank with the lowest NPL ratio which accounted for 1.1 percent of outstanding loans only.

Analysts noted that private banks have been thriving in recent years, predicting that they would outstrip state-owned banks, which have huge capital and enjoy advantages.

VP Bank, for example, has charter capital just equal to 24 percent of BIDV's and total assets equal to 29 percent, but its profit was just VND200 billion lower than BIDV's.

If VP Bank's current growth rate can be maintained, it may outstrip BIDV by the end of the year and be level with Vietcombank and VietinBank.

More investment funds receive licenses as stock market thrives

VNN - The Thien Viet Fund Management Company (TVAM) of Thien Viet Securities (TVS) on July 28 organized a ceremony to celebrate the first anniversary of the TVGF fund, where it announced the establishment of the second TVGF - TVGF2 fund.

A manager of TVAM said TVAM would launch the new fund – TVGF2 – a closed-end fund in early October. It will be listed on HOSE.

Observers commented that more funds are being set up because of improved management and increased demand for investment because of the thriving stock market.

PVI, a fund management company, set up PIF, a fund specializing in investments in infrastructure, a member fund with charter capital of VND520 billion and duration of 5 years. PIF will focus on investing in asset management and development companies with an expected return of 9.5 percent per annum.

The total charter capital of them two member funds (the other is POF, managed by PVI AM) is VND1.52 trillion. With the investment portfolio management and investment consultancy worth VND10 trillion, PVI AM is one of the companies managing the biggest assets in Vietnam.

Meanwhile, SSI Fund Management Company (SSIAM) in July carried out the IPO for SSI Bond Fund (SSIBF), with total initial capital of VND50 billion. The fund is expected to become operational in mid-August, targeting individual and institutional investors who seek long-term assets growth and safe investment portfolios.

SSIBF is the third domestic public fund managed by SSIAM. The other two are SSI-SCA and ETF SSIAM HNX30. SSIBF said it would inject 80 percent of capital into bonds, deposit certificates and tools which can bring fixed income, and maximum 20 percent into shares, including listed shares and shares to be listed.

By mid-July, the VN Index has increased by 17 percent over the beginning of the year, nearly hitting the 780 point threshold, the highest peak since 2008.

The State Securities Commission has allowed Manulife's MAFBAL and VietinBank Bond Investment Fund (VTBF), both open-end funds, to sell fund certificates to the public with expected minimum capital of VND50 billion for each fund.

Analysts commented that that the establishment of new funds indicates high demand for investing via funds, compared to the past when investors were not interested.

There are 30 funds in the market and most of them have stable growth rates in NAV (net asset value). Most (nearly 20) are open-end funds) and real estate investment funds.

By mid-July, the VN Index has increased by 17 percent over the beginning of the year, nearly hitting the 780 point threshold, the highest peak since 2008.

Farm sector set for wave of mergers, acquisitions

VNA - **Thanh Thanh Cong Tay Ninh Joint Stock Company (TTCS)** will fully acquire Bien Hoa Sugar Joint Stock Company (JSC), becoming in the process the biggest sugar producer in Viet Nam.

TTCS will issue nearly 304 million shares in a stock swap to acquire all outstanding shares of Bien Hoa Sugar at a ratio of 1:1.02.

The conversion ratio was calculated by a third-party company that valued the shares of TTCS and Bien Hoa Sugar at VND20,944 ($0.92) and VND21,356 ($0.94), respectively.

The deal will be carried out within 90 days.

After the merger is completed, the chartered capital of TTCS will increase by VND3.04 trillion ($133.75 million) to VND5.57 trillion ($245.07 million). The new company will be renamed Thanh Thanh Cong Bien Hoa-Dong Nai Sugar Co., Ltd.

The combined turnover of the companies last year was VND8 trillion ($353.42 million) with its capital of VND10 trillion (US$$440.53 million)

Thanh Thanh Cong is one of several major companies to invest in the agricultural sector through mergers and acquisitions (M&A).

In recent years, though M&A activities in agriculture have admittedly not been as frequent as in other sectors, the agricultural sector too has seen a significant increase in the number of successful M&A deals, and several major investors like Vingroup, Truong Hai, PAN, and Unifarm have been involved.

They have benefited in the form of trillions of dong worth of turnover.

VinEco, a member company of Vingroup, the leading estate developer in Viet Nam has invested around VND4 trillion in agriculture, generating revenues of VND354 billion last year and an estimated VND2.25 trillion this year.

The Fresh Vegetables and Fruits Production and Supply Joint Stock Company, a subsidiary of TH Corporation, has announced plans to inject US$35 million to develop 3,000 hectares of vegetables and fruits in the northern province of Thai Binh and 180 hectares in the north-central province of Nghe An.

Masan Nutri-Science owns 75.15 per cent of Vietnamese-French-owned Cattle Feed JSC (Proconco) and 99 per cent of International Agriculture Nutrition JSC (Anco), which added VND24.42 trillion to the company's turnover and VND1.54 trillion to its net profit last year.

PAN Farm owns a 75 per cent stake in the Viet Nam National Seed Joint Stock Company (Vinaseed) and a 63.8 per cent stake in PAN Saladbowl.

Those companies, all of which have strong resources and ambitious and methodical strategies, are expected to help improve the quality as well as productivity of the agriculture sector, thus creating more opportunities for M&A deals.

Analysts have come up with many reasons to explain giant companies'great interest in M&A deals in the agricultural sector.

Many of the Government's recent policies are aimed at developing the agricultural sector with high quality and productivity.

Notable among those is a resolution to provide credit worth VND100 trillion (US$4.4 billion) at lower than market interest rates to develop high-tech agriculture.

It stipulates that banks must cut costs so they can reduce interest rates for enterprises and individuals engaged in high-tech agriculture by 0.5-1.5 percentage points. They also need to simplify disbursement procedures to ensure that these enterprises can borrow.

The Government is set to table amendments in the National Assembly to Land Law provisions stipulating limits on individual farm holding and to encourage development of technology-based farming models.

The Government's plans to equitise several major agricultural enterprises and sell stakes in them will also encourage investors to enter the agricultural sector, energising the M&A market.

This year the Government plans to equitise the Viet Nam Rubber Group, Southern Food Corporation, Vegetables, Fruits and Agro-Products Corporation, Viet Nam Tea Corporation, and Viet Nam Coffee Corporation.

Besides, the Government will sell stakes in them estimated at VND1.643 trillion ($64.45 million).

Many of the agricultural companies have strong brands as well as extensive land use rights, which would also be attractive to investors.

Vinamilk to again try to sell stake

The State Capital Investment Corporation (SCIC), the country's sovereign fund, recently announced plans to sell 48.3 million shares in Viet Nam Dairy Products Joint Stock Company (Vinamilk), equivalent to a 3.33 per cent stake, in October.

This is part of the 3.6 per cent stake remaining from 2016 when it had planned to sell 9 per cent.

The SCIC hopes to earn at least VND7 trillion (US$308.4 million) from the sale.

Market observers said they expect the share sale to be more successful this time than the last time.Vinamilk, Viet Nam's top listed firm by market value, has a 50 per cent market share of dairy products and has seen steady earnings growth.

Last October, when SCIC sought to sell a 9 per cent stake in the company, despite the ostensible interest in the company among foreign investors, it turned out to be a disappointing exercise.

There were only two bids, each for 2.7 per cent, worth a combined $500 million.

They came from two wholly-owned units of Singapore-headquartered Fraser and Neave Ltd (F&N), owned by Thai billionaire Charoen Sirivadhanabhakdi.

The failure to sell out was blamed on certain reasons, one of which was the timing of the sale: It was during Christmas when western investors are busy with other things.

The minimum price of VND144,000 ($6.35), which was much higher than the market rate, was also cited as a reason.

INVESTMENT

Kyoei Steel revives Vietnam investment plans

Nikkei - Japanese steelmaker building $200m plant after halting project earlier

Japanese steelmaker Kyoei Steel announced Friday that it will build a plant for reinforcing bars in northern Vietnam for about 21.8 billion yen ($200 million), revisiting stalled plans in order to both boost output capacity and cut down on costs.

Construction will begin by the end of the year, with the rolling mill slated to come online in 2019 and the steelmaking facility in 2020.

The Osaka-based company began planning a new steelmaking and rolling facility with an annual output capacity of 500,000 tons back in 2012, when it acquired the operations in Vietnam. But it suspended all new construction in 2014 amid a tougher market.

Kyoei Steel currently can only roll steel in Vietnam. It processes steel billets purchased from the outside into bars and other products. But market conditions in China have led to an increase in billet prices. By also handling production in house, the electric-furnace steelmaker hopes to cut production costs.

PE firm EQT invests in Vietnam's English language trainer ILA

Deal Street Asia - Private equity firm EQT Capital Partners has invested an undisclosed amount in a group which owns Vietnam's English Language Training (ELT) company ILA Vietnam which was put up for sale late last year with the owners seeking about $150 million at that time. ILA Vietnam, claimed to be a market leader in the ELT sector in Vietnam, has over 20,000 ELT enrollments across Vietnam, and in addition offers overseas study consultancy, teacher training services and corporate English training. "Strategy is to support continued growth and development of the company to stay ahead of its peers, through enhancements of the academic product offering, learning experience and environment, and network expansion, by leveraging on EQT's experience and network globally," EQT announced earlier this month. The Sweden-headquartered alternative investment firm invested in the Vietnam company through its mid market vehicle EQT Mid Market investment strategy (EQT Mid Market). Late last year, it was reported that HPEF Capital, formerly Headland Capital Partners, along with other shareholders of the Vietnam company had started inviting for bids for ILA Vietnam. The company attracted global bidders more so when Vietnam has become an attractive destination for foreign investment in the education sector. "The vast EQT experience, insights and network in the education sector globally, will be of great support in taking ILA to the next level," said Johan Bygge, Chairman of EQT Asia Pacific. Going forward, there will be interesting opportunities to grow the ILA offering to students all across Vietnam added Tak Wai Chung, Partner at EQT Partners, Investment Advisor to EQT Mid Market. EQT, an alternative investments firm with approximately EUR 37 billion in raised capital across 24 funds has portfolio companies in Europe, Asia and the US.

Yamato bringing chilled delivery to Vietnam's sizzling market

Nikkei - Delivery company Yamato Holdings will launch its flagship temperature-controlled service in Vietnam, where competition is heating up amid a new generation of players.

Tokyo-based Yamato said Tuesday it will start offering its refrigerated delivery service in the Southeast Asian nation next month, first working with restaurants and other businesses before moving on to consumers.

"Vietnam's growth rate of over 6% makes the country a particularly attractive market," President Masaki Yamauchi told a news conference here.

Yamato is looking outward now that Japan, long a reliable business foundation, is suffering from a crippling labor shortage. The company has teamed with a local partner to form joint venture Yamato 365 Express, setting up a logistics center in Ho Chi Minh City's Tan Binh district.

Tough nut to crack

Workers at Yamato's Ho Chi Minh City distribution center are gearing up for the operation start next month.

For Yamato, cultivating the Asian market has been a challenge for more than a decade. It launched a door-to-door parcel delivery service in Taiwan back in 2000 and has since branched out to Shanghai, Malaysia and beyond. Still, the company has yet to become a household name in many parts of Asia, like it is in Japan. Foreign sales apparently make up less than 10% of the total, a far cry from the company's goal of generating more than 20% of sales outside its home market in the year ending March 2020. The company will set a new target in its medium-term business plan due out at the end of September, Yamauchi said.

The reason Yamato has not had much success is a stubborn insistence on quality and self-reliance. Determined to provide the same level of service as in Japan, the company previously used only drivers and fleets of wholly owned subsidiaries. But consumers in many parts of Asia do not necessarily want top-notch service. And as Yamato invested the time required to train workers up to its exacting standards, it found that the market had changed rapidly.

The company finally relented last year, switching its policy to focus on developing overseas businesses through operational or capital partnerships with local players.

Eyeing e-commerce

As with other markets in Asia, the number of smartphone users in Vietnam is rising rapidly, and they are using their gadgets to shop online. They are mostly buying cosmetics and durable goods now, but are expected to eventually start snapping up such products as sweets and frozen food -- which require refrigerated delivery services, Yamato's area of expertise.

The industry is already starting to get crowded with many entrants anticipating market growth. One of the leading players is GiaoHangNhanh, a Ho Chi Minh City-based startup with a customer-friendly app similar to Uber's.

ENTERPRISES

Closer look at three companies to be divested by VNPT and EVN

VIR - In late August, Vietnam Posts and Telecommunications Group (VNPT) and Electricity of Vietnam (EVN) will divest their capital in three major companies with a total charter capital amount of VND1 trillion ($44 million).

Saigon Postel Corporation

On August 29, VNPT will sell all 10.26 million of its shares, equal to 8.53 per cent of all outstanding shares in Saigon Postel Corporation (SPT), at the starting price of VND12.487 ($0.55) per share.

SPT was founded in 1995 and operates mainly in telephone, internet, and postal services. SPT's direct business units includes Saigon South Telephone Centre (SST), S-Telecom, and Saigon Post (SGP), among others. SPT's charter capital is currently VND1.2 trillion ($52.8 million), with seven major stakeholders controlling 77.08 per cent of the total stakes.

Reports showed that SPT has made profit in recent years, however debts from the S-Fone mobile network project (which ceased operations in 2012) has kept the company short on capital for operation as well as expansion. By the end of 2016, SPT's accumulated loss was more than VND100 billion ($4.4 million).

Due to years of difficulties, SPT's revenue comes primarily from exploiting existing resources. As such, the company's resources, including the domestic and international transmission network, are dwindling.

In 2016, SPT reported a revenue of VND804.1 billion ($35.4 million) and pre-tax profit of VN38.8 billion ($1.7 million), slight increases compared to 2015, meeting 80 and 26 per cent of its targets, respectively. This year, the company targets the revenue of VND1 trillion ($44 million) and pre-tax profit of VND150 billion ($6.6 million), similar to 2016.

EVN Finance JSC

EVN Finance JSC was founded in 2008 to arrange and manage capital for EVN's electricity projects and to provide other professional financial services. The company's current charter capital is VND2.5 trillion ($110 million), 15 per cent of which is owned by EVN, 8.4 per cent by An Binh Commercial Joint Stock Bank, and 1.8 per cent by Refrigeration Electrical Engineering Corporation.

EVN is planning to divest all its capital in EVN Finance, equivalent to 37.5 million shares, on August 18 at the starting price of VND14,133 ($0.62) per share.

In the last two years, EVN Finance's after-tax profit figures were VND134.9 billion ($5.94 million) and VND165.5 billion ($7.28 million), respectively. In the first quarter of 2017, it reported a profit of VND117.7 billion ($5.18 million), meeting almost 59 per cent of the annual target VND200.5 billion ($8.82 million).

At the end of the first quarter of 2017, EVN Finance's total assets was 19 trillion ($836 million), but its total liabilities amounted to VND16 trillion ($704 million), accounting for 80 per cent of total assets and over five times as much as its stockholders' equity (VND3.1 trillion - $136.4 million).

A Vuong Hydropower JSC

On August 22, EVN is expected to auction 7.51 per cent of its charter capital (5.66 million shares) at A Vuong Hydropower JSC, currently held by five of its subsidiaries, starting at VND17,000 ($0.75) per share.

A Vuong Hydropower JSC has a registered charter capital of VND1.12 trillion ($49.28 million), and by the end of 2016, its actual contributed capital was VND750.5 billion ($33.02 million). The A Vuong Hydropower project is located in the central province of Quang Nam, with a capacity of 210MW, and the total investment of VND3.87 trillion ($170.32 million).

Additionally, the company also invested in other hydropower projects, such as Song Bung 3A, Song Bung 4A, and Dak Pring 2 Hydropower.

A Vuong Hydropower's revenue comes mainly from selling commercial electricity. In 2015 and 2016, the company reported VND603 billion ($26.53 million) and VND597 billion ($26.27 million) in revenue with VND143 billion ($6.29 million) and VND122 billion ($5.37 million) in after-tax profit, respectively.

Its financial targets for 2017 are VND573 billion ($25.21 million) in revenue and VND124 billion ($5.5 million) in pre-tax profit, decreasing 4 and 3.5 per cent, respectively, compared to 2016 targets.

In the first quarter of 2017, A Vuong earned a revenue of VND187 billion ($8.23 million), pre-tax profit of VND94.2 billion ($4.14 million), and after-tax profit of VND92.8 billion ($4.08 million). Its total assets were $2.3 trillion ($101.2 million) and stockholders' equity was VND1.14 trillion ($50.16 million), including VND341.5 billion ($15.03 million) in undistributed profit.

For the third quarter and second half of 2017, many securities companies, such as SSI, PHS, and BSC, have recommended investors to pay attention to the divestment of state-owned enterprises and enterprises with large state ownership. Among the three divestments mentioned above, it is predicted that VNPT's divestment from SPT will have difficulties attracting investors.

In fact, earlier this year, Ho Chi Minh City Party Committee Office has auctioned all its shares at SPT at the starting price of VND13,412 ($0.59) per share, but was unsuccessful as only a single investor participated in the auction.

Truong Hai, Toyota battle for automobile market share

VNN - Taking every opportunity to reduce prices, Truong Hai and Toyota, the two big automobile manufacturers, are trying to capture every corner of the market.

On August 9, the selling price of CX-5 model was reduced by VND40 million to VND800 million. A veteran car dealer said: "2017 is quite a crazy year".

Truong Hai Auto slashed selling prices in 2015, 2016 and the first quarter of 2017. By the end of 2016, it had surpassed Toyota to become the automobile manufacturer with the highest number of cars sold, which amounted to 24.1 percent of market share.

However, Truong Hai cannot maintain the price cuts. Bui Kim Kha, deputy CEO of Truong Hai, said the manufacturer slashed prices to boost sales and stop losses, but lost profits.

Meanwhile, Toyota continues slashing prices. It started the price reduction campaign later than Truong Hai, in the second half of 2016.

The campaign has helped Toyota surpass Truong Hai in the number of cars sold. By the end of July, Toyota regained its No 1 position in the market with 23.4 percent of market share, while the rival had 19.8 per cent.

For how long will auto manufacturers cut selling prices? Some analysts think manufacturers will continue slashing prices to obtain targets in sales and market share set earlier this year.

VAMA earlier this year predicted that sales would increase by 10 percent in 2017 compared with 2016, though it anticipated that customers would delay their car purchase plans until 2018 when Vietnam has to cut import tariffs.

However, by the end of July, sales had decreased by 6 percent compared with the same period last year.

Analysts believe this was why the manufacturer decided to slash the price of CX-5 further by VND40 million.

The move was taken partially because Honda cut the price of CR-V by nearly VND100 million in early August.

The Vietnam Automobile Manufacturers' Association (VAMA) reported that the total automobile sales in the first seven months of 2017 decreased by 6 percent to 154,930 units. Sales of tourist, commercial and specialised cars experienced a year-on-year decline of 2 percent, 10 percent, and 18 percent, respectively.

JATO, a UK-based market analysis firm, in its report released earlier this year, showed that the Vietnamese market grew by 27.1 percent in 2016, becoming the second fastest growing market in the world.

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MARKET & PRICES

Big players compete with newcomers in forwarding market

VNN - VNPost, EMS and ViettelPost, the big players in the forwarding market, are now faced with growing competition from smaller players such as giaohangso1.vn, tochanh.vn and giaohangnhanh.vn which are scrambling for market share.

According to Euromonitor International, the revenue of the Vietnamese e-commerce market is expected to reach 2.4 billion euros by 2020. CEL Consulting believes the market would see a sevenfold increase in scale by 2020.

Online retailers now need good logistics and transport solutions to expand their business scale.

A delivery company noted that in an urban area like HCMC with 8 million people, only 10 percent of the demand for private cargo transport is needed to make big profits.

In order to obtain the 10 percent, delivery companies are competing on the speed of services.

Of these, delivering goods and collecting money are the most competitive. Grab Taxi has jumped into the market with Grap Express, offering very competitive fee of VND15,000 for the first 5 kilometers in the inner city.

Uber has also joined the market and applied many solutions to compete with Grab. Meanwhile, Ship S, AhaMove and Bagasus believe their costs are the most competitive because they deliver goods with 2-wheel vehicles.

However, forwarding companies also understand that the winners must be those who can settle different problems in the e-commerce ecosystem, including storehouses, logistics, sales and maintenance.

Therefore, anticipating that it will be stop losses by 2018, Giao hang nhanh has spent big money to set up three concentrated storehouses with the area of 1,600-1,700 square meters, and 100 storehouses in different provinces and cities (60-70 square meters for each).

Tran Ngoc Thai Son, managing director of Tiki.vn, said it had put two big storehouses in HCMC and Hanoi into operation to be sure that all goods undergo inspection and can be delivered to customers as quickly as possible.

If the competitiveness of forwarding businesses lies in e-commerce ecosystem, DHL eCommerce would have big advantages, though it is a newcomer.

The strong points of DHL eCommerce are the prestige and experience of the holding company DHL, which has a large global network. With the facilities in airways, waterways and road, it can deliver goods within several days in first-class cities and 3-7 days in second-class cities.

However, the director of a Vietnamese company said it was unclear who will win the prize. DHL is strong in Hanoi, HCMC, Da Nang and some large cities, but it still depends on partners in other cities.

Foreign chains: a launchpad for Vietnam goods to reach world market

VNN - More and more Vietnamese enterprises are exporting goods via foreign supermarket chains.

In late June, Luc Ngan litchis were on sale at Tops and Central Food Hall, the food retail chain owned by Central Group, in Bangkok.

Also in the month, Lotte Mart exported consignments of food products, washing liquid and kitchenware from the Choice L brand, worth VND1 billion, to Myanmar.

Lotte Mart Vietnam's Yoon Byung Soo said in 2016 Lotte South Korea imported VND1.3 trillion worth of goods from Vietnam.

The value of the goods available at Lotte's distribution chain is expected to increase to VND2 trillion this year, with a focus on bananas, mangoes and dragon fruit.

In the last few years, Aeon, through its supermarket network in Asia, has been importing Vietnam's products in large quantity.

Aeon Vietnam's Nishitoghe Yasuo commented that the quality of Vietnamese products has improved significantly and Aeon imported $200 million worth of products from Vietnam in 2016.

The imports were mostly garments and food, which were sold at Aeon's 14,000 shops in Asia, including Japan.

Dang Hoang Hai, director of the European Market Department under MOIT, emphasized the importance of the export of goods via foreign distribution chains. The method allows to bring Vietnam's goods directly to foreign customers.

The program on exporting Vietnam's goods to other countries via foreign supermarket chains is receiving support from agencies and associations.

In an effort to export Vietnam's products to distribution chains in Thailand, the Vietnam High Quality Product Enterprise Association arranged a working visit for businesses to the ASEAN-India international trade fair in Thailand on August 2-5.

At the event, Vietnamese businesses reached initial agreements on bringing Vietnam's goods to the largest retail chains in Thailand such as BJC, CP ALL Public Company Limited (7-Eleven), Fresh Mart International Public Company Limited (which runs 200 FreshMart convenience stores) and Central Group.

Some Central Group activities scheduled to take place in the time to come will bring opportunities to Vietnamese enterprises to export products to Thailand.

On August 17-21, at Central Plaza Ladprao Bangkok, one of the biggest shopping centers in Bangkok, the Vietnamese Goods Week will be organized by Vietnam's MOIT and Central Group.

Experts warned that most Vietnamese businesses are small in scale with small capital. They can only get payment from foreign supermarkets 1-3 months after delivery. This may lead to a lack of working capital. They also have to pay for discounts and advertisements.

HIGHLIGHTS

MPI proposes big breaks for special economic zones

VNS - The Ministry of Planning and Investment (MPI) has proposed major incentives including prolonged income tax exemptions for businesses and individuals working in special economic zones in three provinces.

The investment incentives are contained in a draft Law on Special Administrative Economic Units that the ministry has prepared for submission to the Government and the National Assembly (NA).

The special economic zones are Phu Quoc in Kien Giang Province, Van Don in Quang Ninh Province and North Van Phong in Khanh Hoa Province.

The MPI is suggesting an income tax exemption of five years for individuals living and working in these zones, and a 50 per cent income tax break in the remaining years until 2030.

This applies to "managers, scientists and qualified experts, as well as businesses, workers and other economic factors," the draft says.

The draft is slated to be passed by the National Assembly at its meeting in October this year.

The MPI has also asked that Phu Quoc be given its own incentives, such as increasing additional income for civil servants working here from 30 per cent to 50 per cent of their base salary.

It has also suggested that in order to encourage investment, local administrations of the special zones are allowed to grant permanent residency to foreign investors with projects worth US$5 million and above who stay for a minimum of five years in Phu Quoc without breaking any Vietnamese law.

The MPI also considers Phu Quoc's infrastructure to be developing with balance and forethought, with many high quality resorts operating successfully. It notes that the Politburo has permitted the island to build a casino where Vietnamese citizens would be allowed to gamble.

To turn Phu Quoc into a commercial, service and shopping hub of world standards, the MPI considers this the only special economic zone to have priority for developing its fisheries and manufacturing sectors.

The island is seen as having numerous advantages, despite its distance from the mainland and having just two major access points via air and sea. It is blessed with great weather, 63.2 per cent of fertile agricultural land, scenic mountains, forests and beaches, and great potential to develop a large, diversified fisheries sector.

The other two zones, Van Don and North Van Phong, should also receive similar preferential treatment, the MPI says.Van Don should focus more on developing ecotourism and sea travel and hi-tech agriculture, while North Van Phong should utilise its geographic advantage to develop deep water ports, logistics, medical and convalescence resorts, it says.

The Ministry hopes that the Law on Special Administrative-Economic Units will create frameworks that surpass existing ones so that the zones can compete with other countries in attracting foreign investment, open doors for strategic investors and boost the merger and acquisition market.

Rapid credit growth possible, but risky: experts

VNS - The Government has called for faster than targeted credit growth in pursuit of this year's GDP goal of 6.7%.

However, experts have some concern that this would exert more pressure on the central bank to ensure macroeconomic stability and efficiency of credit growth.

In a meeting with top Government top officials last weekend, Prime Minister Nguyen Xuan Phuc urged the State Bank of Vietnam to work out measures to boost credit growth to 21% this year, higher than the initial target of 18%.

This is the second time in a month that the SBV has been officially requested to do this.

In mid July, Mai Tien Dung, Minister and Chairman of the Government Working Group to the central bank conveyed a message from the PM, asking the SBV to ensuring the credit growth pace at 18-20%, identifying it as one of the ways to reach the year's GDP goal.

The newly-set lending growth rate is said to be achievable, but there are concerns the extra pressures it will bring to bear on the central bank in maintaining macroeconomic stability.

Experts say the economy's ability to absorb the additional capital as also inflationary pressures should be taken into account.

According to the National Financial Supervisory Commission, credit growth in the first seven months is estimated to reach 9.3%, 0.5 percentage points higher than the same period last year.

In fact, several commercial banks have asked for the central bank's permission to raise the credit growth limit as they have almost used up the quota set for the year.

The Vietnam International Commercial Joint Stock Bank (VIB)'s outstanding loans have increased by 15.7% in the first two quarters of the year, while the target set by the SBV in the beginning of the year was 16%.

The Vietnam Prosperity Commercial Joint Stock Bank (VPBank) also saw a 12% growth in H1 lending, meaning that it can only raise its outstanding loans by four per cent in the remaining six months of 2017.

SBV Governor Le Minh Hung said that the target of 18-20% credit growth was feasible as many commercial banks have launched programmes to support enterprises by reducing lending interest rates, following the central bank's decision to cut several basic interest rates.

Credit demand

Nguyen Khac Quoc Bao, head of the Faculty of Finance under the HCM City University of Economics, said that the SBV allowing commercial banks to lower lending interest rates in some areas, or opening more credit room for them to increase lending was, in the end, just moves to influence the money supply side.

If the Government wants efficient and sustainable credit growth, it must pay attention to the economy's capability to absorb capital, he said.

It is important that the Government and other ministries and agencies create favorable conditions for businesses in priority sectors to access bank loans while reducing administrative procedures and non-interest expenses, according to Bao.

If this is done, the reduction in lending rates and expansion of credit growth for the banking system will make sense and bring real benefits to the economy.

Dr Le Xuan Nghia, former chairman of the National Financial Supervisory Commission, said, "The faster-than-planned credit growth of over 20% is reachable thanks to favourable macroeconomic conditions that the SBV can use as a base to consider an expansion in money supply and facilitate a further cut in lending and deposit interest rates."

However, the SBV should also take into account the ability of SMEs to absorb the expanded credit, Nghia stressed, adding that the ability depends on whether the lending interest rates remain high or not.

"If the interest rates are still kept high, the additional source of capital will likely flow to risky sectors like real estate and securities – something that the Government does not expect," he said.

"If the lending interest rates are lowered, more capital would flow into production and processing fields, which would help increase aggregate demand, thereby boosting GDP growth," he added.

Nghia explained that "processing and manufacturing enterprises usually have to borrow money used as working capital to buy materials. Expense on input materials probably amounts to 80% of their total costs, so they suffer a huge pressure of paying interest."

The expert reiterated his warning: "We do not have 'large room' for further credit growth, so we must be prudent."

Financial expert Phan Ngoc Minh said that it would be more difficult for the SBV to manage its monetary policy if it was forced to ensure credit growth of over 20%, because it would still have to keep inflation below 5% this year.

Potential risks

According to a report by the Bao Viet Securities Company, total outstanding loans in the whole banking system has reached VND6 quadrillion (US$266 billion).

If the credit growth rate of the year is 20%, the lending must increase by VND1.2 quadrillion for the whole year and by VND642 trillion in the last five months of the year.

This might put pressure on the liquidity of the banking system, especially when banks have to make more payments towards the end of the year, the report said.

Earlier, the IMF country report for Vietnam released in July showed that the credit growth averaged 24% in the last 10 years. It said credit-to-GDP ratio reached 124% of GDP at the end of 2016, while the appropriate level should be 80%.

The report highlighted that the credit-to-GDP ratio was now close to levels during previous periods of macroeconomic stability, signalling potential risks ahead.

IMF experts also said that alongside rapid credit growth, productivity of credit and rates of return on investment have deteriorated due to misallocation of capital across enterprises, between and within industries.

They have, therefore, voiced concerns over Vietnam's credit growth, saying "monetary policy should remain on hold but be alert for signs of rising core inflation."

Executive directors at the IMF warned that "vigilance would be needed to contain rapid credit growth and credit allocation made more market-based, which would improve its efficiency in supporting growth."

Household spending on children in Vietnam surges

Nikkei - Rising incomes in Vietnam are encouraging parents and grandparents to spend more for their children, fueling the expansion of baby store chains as well as expensive educational services such as in-home tutoring programs and swimming lessons.

According to local news media VietNamNet, the market for children's goods last year skyrocketed to $7 billion.

The market boom is reflected in the so-called "angel" coefficient, which shows the proportion of the cost of raising a child including buying toys and extracurricular activities in household outlays -- a pun coined by Nomura Securities on the Engel's coefficient, which measures food spending.

Behind this trend is the country's growing economy, which is augmenting household incomes. More money in family coffers means that the number of families opting to have three or more children is increasing, indicating that the country's decadeslong two-child policy has become ineffectual. The policy, in place since 1988, was designed to curb population growth.

The six-story Bibo Mart store on Pham Ngoc Thach street in Hanoi not only sells baby essentials but also features a room where free child-rearing seminars are held. Sales at the store have soared some 30% on the year; young mothers flock there on weekends.

Pham Thi Hue, a 31-year-old mother who has one-and-a-half years old twins, said she cannot help but buy clothes, toys and other child-related items because of the wide product lineup and quality services at the store.

Bibo Mart is a major baby goods retail chain with 120 stores across Vietnam. The company expects to quadruple the number of stores to 500 by 2019. It is attracting attention from entities such as an investment fund under Sumitomo Corp., which is financing Bibo Mart.

The number of other baby-related stores -- Concung and Kids Plaza -- in the country has ballooned to 133 and 71, respectively, over the last few years.

Hot-selling products such as strollers, powdered milk and diapers are mostly imports. Another baby goods retailer, Soc & Brothers, which partners with Japanese snack maker Ezaki Glico and other companies, saw its sales of strollers in January to July rise 30-50% on the year.

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