Highlight

The “fantastic four” Japanese retailers in Vietnam

What’s in it today?

FINANCE

Early identifying fintech
F&B stocks push Vietnam market upwards

E-COMMERCE

Lazada, Tiki, Shopee wrestling in urban, Sendo actively moves to rural
Lalamove knocked out by fierce food delivery competition

START-UP

B2B restaurant platform KAMEREO raises $500k from Genesia Ventures
Fitness platform WeFit.vn raises $1m from CyberAgent

RETAIL

Vietnam’s retail and consumer services grows 11.7% in 2018
The “fantastic four” Japanese retailers in Vietnam

INVESTMENT

Investors hunt for foreclosed properties
NNA survey: Japanese firms pick Vietnam as top investment spot

LOGISTICS

AirAsia set to meet its match in Vietnam’s Vietjet
Asian airfreight traffic drops for first time in 2.5 years
FINANCE

Early identifying fintech

According to Mr. Nghiem Thanh Son, Deputy Director of Payment Department (State Bank - SBV), there are about 80 Fintech companies operating in various fields of Fintech. This figure is lower than that of regional countries such as Singapore (490 companies), Indonesia (262 companies), Malaysia (196 companies) ... and most are concentrated in the payment.

In the context of the revolution of 4.0, not only FinTech payment field, but FinTech in many other areas such as e-KYC, Open API ... is expected to grow strongly in both quantity and service. In the coming time, the legal framework is gradually being improved.

Two areas, alternative lending and insurance technology (insurtech) will also grow to a new height because of great potential. Accordingly, start-up companies are mainly developing in these two areas and can be added in the field of investment / robotics (investment / robo-advisor).

The reason is that in these services, there are many units with the capacity to pay attention to and invest more aggressively, while the market is more familiar and ready to receive.

In recent years, the average growth rate of 40% per year of the market is considered to high in terms of arithmetic, but compared to the size of Vietnam's population, the capacity of the market, it is very small.

Currently, Fintech in the payment (accounting for about 60% of FinTech companies operating in Vietnam) has been operating stably, new FinTech fields such as P2P Lending, e-KYC, personal finance ... is expected to develop more in the coming time when the legal framework for these activities is completed.

F&B stocks push Vietnam market upwards

Strong performances by food and beverage stocks, an average rise of 3.88%, in the first session of the week pushed the VN-Index up to 889.64. At the end of the session, the country’s benchmark stock index, VN-Index rose by 8.74 points to 889.64, while HNX-Index on the Hanoi Stock Exchange gained 1.08 points to close at 101.93.

Blue-chips saw strong recovery in the Monday session. A major contributor to the rise of the VN-Index on Monday was Vinamilk (VNM), the largest dairy company in Vietnam, which saw a price increase of 4.1% to VND131,000 ($5.66) per share.

Other large cap stocks such as SBC (Sabeco, Vietnam’s largest brewery), VJC (VietJet Air, the country’s largest low cost carrier), and VIC (Vingroup, the biggest domestic private company), also contributed to the growth of the stock index.

Two major groups: banking and oil and gas stocks, continued to maintain good momentum as members of these groups saw parallel rises across the stock market. For instance: BID (BIDV Bank) increased by 2.4%, and GAS (PetroVietnam Gas) increased by 2.1%.
E-COMMERCE

Lazada, Tiki, Shopee wrestling in urban, Sendo actively moves to rural

Sendo will use $ 51 million from eight investors to reach a market of 70 million people in areas outside of the two big cities of Hanoi and Ho Chi Minh City.

Sendo is geared towards customers in rural

In the middle of the fiercely competitive e-commerce trading market in big cities, Sendo sees a golden opportunity to gain market share in the provincial areas.

Large e-commerce companies such as Lazada, Shoppee or Adayroi, Tiki are competing fiercely to protect and gain a foothold in the two major cities of Hanoi and Ho Chi Minh City. Unlike them, Sendo's business model focuses on users in undeveloped areas outside these two major cities.

Chairman of the Board of Sen Do Technology JSC owns Sendo.vn trading floor, Mr. Nguyen Dac Viet Dung, shared with Nikkei: "We focus on shoppers living in the cities of the province and the provinces. retail market - unexplored market with about 70 million people”.

Sendo offers more than 10 million products from 300,000 sellers. Products on Sendo have an average price of 15 USD and fashion products under 50 USD are the best selling products.

At the end of 2017, Vietnam’s e-commerce revenue reached 1.08 billion USD, accounting for less than 1% of the 130 billion USD retail sales in the country. However, Vietnam E-commerce Association affirmed that Vietnam is one of the most developed e-commerce markets, with an annual growth rate of about 30%, in recent years. This rate can continue to maintain until 2020.

Sendo only serves Vietnamese suppliers

"Sendo" - inspired by the traditional lotus with the red color of the Vietnamese flag - Sendo determined that they only serve Vietnamese suppliers.

Chairman Sendo said: "From the beginning, we had to build the foundation in the form of FPT Corporation's project, then e-commerce is still a very new idea in Vietnam. None of us Having experience as well as professional knowledge about e-commerce, right from the first steps, we have self-taught and built daily foundation with the support of FPT and SBI”.

Three months after Sendo was born, the company bought 123mua.vn, an e-commerce platform of VNG Group, allowing Sendo to directly reach 30 million customers of VNG system and promote presence. of Sendo in the early stages.

At the end of 2014, the company received an investment of about 18 million USD in exchange for 33% of shares from three Japanese companies, including SBI Holdings and two Econtext ASIA companies, Beenos. Recently, Sedo received $ 51 million in the second round from eight investors including SBI
Holdings, Daiwa PI Partners, SoftBank Ventures Korea and Beenos. Currently, FPT Corporation is the largest shareholder of Sendo, but still holds less than 50% of the company's shares.

Sendo considers Facebook a major threat to Vietnam's e-commerce, as this social network is being widely used to exchange goods. Millions of individuals exchange information about the desired items, and eventually sellers and buyers arrange their meeting points to quickly negotiate and exchange mainly in cash.

Over the next 5 years, the company seeks investors for one or two capital calls, strengthening the consumer portal portal to consumers with a digital payment platform. The company's SenPay mobile wallet service also received licenses from the Central Bank of Vietnam in 2016.

**Lalamove knocked out by fierce food delivery competition**

Similar to ride-hailing and e-commerce, investment in food delivery is a race of heavy investment to secure a large market share. In this battlefield, players with smaller financial potential and less competiveness are easily beaten – a lesson highlighted by Lalamove’s failure.

Accordingly, after only three months of its launch, Lalamove’s food delivery application named Lala: Food Delivery has completely disappeared from the iOS and Android app stores. Furthermore, the food order function on its website lala.vn no longer works.

Based on information announced on the website, there is a high chance that Lalamove will transfer its business form B2B2C (business to business to customers) to B2B (business to business). Thus, Lalamove will focus on business solutions for firms and quit delivering food to customers.

When it entered Hanoi in October, Lalamove set the goal of employing 10,000 drivers by the end of the first quarter of 2019 to directly compete with Grab and Go-Viet thanks to its backing from Scommerce Group as well as its brother Ahamove’s 10,000 shippers.

Despite high demand in urban areas, the local food delivery market is not a fertile ground for many firms because of low profit. A representative of a firm running in the segment stated that in favourable conditions, profit growth could reach 10-12%. Food delivery requires preservation, swift delivery, and separate storage space from other kinds of goods like clothes.

As a result, in a fierce battlefield, it is unavoidable for weak players to keep dropping out. Before Lalamove, the market also saw the retirement of Foodpanda which decided to sell itself to local food delivery company Vietnammm.

Lalamove was established in late 2013 under the name EasyVan. The Hong Kong delivery service has come to be known for delivering goods within an hour, and was named the “Asian Uber”. 
B2B restaurant platform KAMEREO raises $500k from Genesia Ventures

KAMEREO, a B2B purchasing and sourcing platform for restaurants in Vietnam, has raised $500,000 in a seed round from Japan’s Genesia Ventures and homegrown VC firm Velocity Ventures Vietnam (VVV), according to an official statement.

Founded in June last year by Taku Tanaka, KAMEREO operates as a one-stop platform where restaurants and suppliers can connect to each other. Since its launch, the platform has got more than 120 suppliers and 200 restaurants registered with around 4,000 SKU’s (stock-keeping unit).

The funding raised will be used for developing more product features and strengthening its customer success team, the Ho Chi Minh-based company said in the statement.

Before founding KAMEREO, Tanaka was institutional equity research & sales analyst at Credit Suisse in 2012. He left Credit Suisse to pursue his dream to be involved in the restaurant business in expanding markets. He joined Pizza 4P’s in January 2015, and got appointed as COO in charge of accounting, purchasing/sourcing, and HR.

Japanese Genesia Ventures, which has invested in a number of Vietnamese and Thai startups, was set up in 2016 led by Soichi Tajima, former CEO of Cyberagent Ventures. The firm focuses on the seed and pre-Series A stages across various sectors, including new economy, digital media, AI and robotics. In March 2018, the VC firm led a $2.5-million pre-Series A funding round in Vietnam’s Airbnb-like startup Luxstay. Founders Capital, Y1 Ventures and two other investors also joined the round. The Tokyo-based ventures capital firm also led a $1.2-million funding round into Docquity.

Founded in mid-2018, VVV is a home-grown venture capital firm that targets seed to series A investment. It seeks to invest in marketplace businesses in areas like real estate, food, commerce, healthcare, finance, travel, mobility, cloud computing, and education. KAMEREO is its first investment.

Fitness platform WeFit.vn raises $1m from CyberAgent

Fitness platform WeFit.vn, which helps connect workout enthusiasts with fitness studios across Vietnam, has raised $1 million in a pre-Series A funding round from Japan’s CyberAgent Capital, Korea’s KBInvest and undisclosed angel investors, according to an official statement.

WeFit, which raised $155,000 investment led by homegrown venture capital firm ESP Capital in 2017, is a mobile application platform that provides users with beauty and fitness care packages at more than 1,000 locations in Hanoi and HCMC. The funding raised will be used to further develop its offerings and expand into new markets. The company expects to grow its user base to 1 million and to raise its Series A round in 2019, WeFit said in a statement.
Vietnam’s retail and consumer services grows 11.7% in 2018

Driven by the domestic market’s growing purchasing power, the total revenue generated from retail sales and consumer services in Vietnam in 2018 reached VND 4,396 trillion (US$191 billion), up 11.7 percent compared to 2017.

The wholesale and retail sector continues to be a major attractor of foreign direct investment (FDI), with total registered capital in 2018 reaching US$3.37 billion, accounting for 10.3 percent of the total FDI.

According to Vietnam’s Ministry of Industry and Trade, total revenue generated from the retail sales of goods and consumer services is estimated to grow at an average of 13 percent from now to 2020 reaching VND 5.8 quadrillion (US$255.5 billion) by 2020.

Between 2021 and 2025, the predicted growth rate is 14 percent with total revenue reaching VND 11 quadrillion (US$484.58 billion) by 2025.

The “fantastic four” Japanese retailers in Vietnam

Japanese retailers AEON, Takashimaya, 7-Eleven, and FujiMart will create new consumer habits instead of buying and hunting for sales like Big C and Metro Cash & Carry did 10 years ago.

Sumitomo’s FujiMart – a breath of fresh air

Vietnamese people are “mad” for supermarkets. Supermarkets are popping up everywhere, fed by the changing buying habits of Vietnamese consumers. Instead of buying everything one by one at traditional markets or grocery stores, lots of consumers take to the supermarket where they can find their needs at a single place.

Understanding consumer habits in Vietnam, with 100 years of experience in the field of investment and trade and 50 years of experience in retail, Sumitomo followed the footsteps of its “countrymen,” all the way to the Vietnamese retail market.

According to Keisuke Hitotsumatsu, general director of FujiMart Vietnam, FujiMart is rich in seasonal commodities and impresses the customers with its selection of goods, display, storage, and service. Sumitomo assumes that with nearly 95 million people, the Vietnamese consumer market will increase rapidly.

The traditional retail market in Vietnam is still largely made up by small independent stores, but modern retail markets such as supermarkets and convenience stores are capturing a growing piece of the pie in big cities like Hanoi, Ho Chi Minh City, and Danang.

BRG Group, holding the Hapro chain, is not the partner Sumitomo wants to co-operate with. In June 2017, through ACA Investments, Japan’s leading fund management company, Sumitomo completed the purchase of a 20% stake in Bibo Mart JSC. Hiroyuki Ono, director of ACA Investments, together with the
owner of Bibo Mart, plans to raise this chain to 500 stores, earning at least $300 million in 2019 and increasing enterprise value to $500 million.

In addition, ACA Investments has invested in four firms in Vietnam, namely Viet Thanh Technology Corporation (March 2014), Cat Dong Trading and Service JSC (March 2015), BBM Investment JSC (August 2016), and Son Kim Land Corporation (January 2017).

Recently, Sumitomo spent $41.1 million on buying 22% stake of Simple Mart Retail Co. (Taiwan). This investment will help Simple Mart increase from more than 600 stores to 1,200 stores by 2023.

Previously, Sumitomo also shook hands with Thailand’s top consumer goods manufacturer Saha Group of Boonsithi Chokwatana to establish a teleshopping firm under the name Shop Global.

After this deal, Saha Group and Sumitomo entered the Vietnamese real estate market together by the $4 billion smart city project in Dong Anh, Hanoi, in league with BRG.

Saha Group and Sumitomo want to increase their competitive position in Asia, capitalising its connection to the rest of the world through the ASEAN Economic Community (AEC) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) that will take effect in January 2019.

**Japanese style**

Many Japanese brands are present in the Vietnamese retail market, such as AEON, Takashimaya, 7-Eleven, and now Sumitomo with FujiMart.

AEON was the first to enter. Recently, this retailer had to abandon the Fivimart supermarket chain to Vietnamese retailer Vingroup and also broke up with Trung Nguyen with whom they jointly bought the franchising rights to Ministop. However, in the commercial centre segment, AEON Mall has turned a profit only after three years of operation, while many competitors are suffering big losses.

Meanwhile, Japanese retailer Takashimaya decided to conquer the Vietnamese market by setting up its first shopping mall in Ho Chi Minh City with the capital of over $25 million. However, the mall’s prices are considered too expensive by consumers. The firm is planning to increase sales by expanding daily family services and expects to turn a profit by 2022.

Latecomer 7-Eleven set foot into the Vietnamese market nearly two years ago and still mainly operates in Ho Chi Minh City, focusing on districts 1, 3, and Binh Thanh. In particular, 7-Eleven does not expand through the franchise form, but will open and operate stores by itself. 7-Eleven aims to open 100 stores in three years and 1,000 stores in the next 10 years.

Thereby, the Vietnamese retail scene has four large-scale Japanese contenders, with each one operating with their own strategy, but sharing one trait: they are all very quick to catch up with shifting consumer habits. In addition, traditional markets and retail stores in Vietnam have a terrific market coverage and their products are no different from those offered by commercial centres, supermarket chains, and large utility stores.
LOGISTICS

AirAsia set to meet its match in Vietnam’s Vietjet

Three times Tony Fernandes has tried to take AirAsia Group into Vietnam, one of Southeast Asia’s fastest growing aviation markets. Three times he has failed. Now, the unstoppable head of the region’s first and largest low-cost carrier is going for a fourth attempt.

But he may have met his match in Vietnam’s Vietjet Aviation, which in just seven years has snapped up 45% of the local market, largely by imitating -- and sometimes topping -- AirAsia's brash, confident business model.

Both understand the vast potential of Vietnam, an emerging economy with an annual growth rate ranging between 6% and 7% over the past three years. Of its population of 95 million, over 40% is between 25 and 59 years old. Yet budget-flight penetration is one of the lowest in Southeast Asia, at 1.7 aircraft per million people operated by low cost carriers, compared with 2.1 in the Philippines and 2.6 in Indonesia, according to Vietjet.

It is this potential that makes Fernandes determined to crack the Vietnamese market, the missing piece in the puzzle for the Malaysia-based airline with operations in India, Indonesia, Japan, the Philippines and Thailand.

His latest attempt was sealed in December when AirAsia struck a deal to set up a joint venture with Vietnamese tour operator Thien Minh Group, by the second half of 2019. AirAsia will hold 30% of the venture.

But Vietnam’s skies are already crowded with several key players vying for airspace. In addition to Vietjet, national carrier Vietnam Airlines and its low cost affiliate Jetstar Pacific Airlines, jointly owned with Australia’s Qantas Group, operate commercial flights. A fourth, Bamboo Airways, is hoping to make its first commercial flight in the coming weeks.

Vietjet, focusing on the same price-conscious market and often employing the same savvy marketing techniques, arguably poses the most significant challenge to AirAsia’s Vietnamese ambitions.

Vietjet, which listed in February 2017, recently overtook AirAsia in terms of market capitalization with a value of $3.6 billion in September -- the second-highest for a Southeast Asian carrier after Singapore Airlines. Meanwhile, AirAsia’s market value

Founded in 2007, the budget airline carried its first passengers in 2011 and has seen compound annual sales growth of 46% over the past three years. Its fleet of 60 aircraft is one of the youngest in aviation, with planes averaging less than 3.5 years in age. The carrier has placed orders for a further 371 jets to be delivered by 2025, according to its investor relations website.

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stands at $2.5 billion, even though it dominates the region through a joint venture network operating 208 aircraft, with another 375 jets on order.

Yet both carriers face challenges. Barely two weeks ago on Dec. 25, Vietnam's aviation regulator halted Vietjet's expansion and put the airline under supervision following incidents which it said represented a "serious threat" to aviation safety. In recent weeks, one aircraft landed on the wrong runway after being forced to return to the airport following a technical error, and others have reported false alarms tied to software installed in new planes delivered last year.

Vietjet is expected to remain under supervision until Jan. 15, when the regulator will decide whether the airline should be allowed to resume adding flights. A Vietjet spokesperson said the company was coordinating with authorities to ensure the "highest level of safety" in its operations.

Meanwhile, AirAsia also faces headwinds from rising fuel costs and overcapacity across its network. All units except Malaysia reported operating losses in the third quarter, when net operating profit fell two-thirds due to higher financing costs, signaling the "start of tough times ahead," according to Raymond Yap of CIMB Research.

AirAsia also suffered a setback to plans for Chinese expansion. In August, the carrier aborted a project to enter the market with a state-backed Chinese partner, when bilateral relations soured in the wake of a new government in Malaysia.

Fernandes this week admitted that the company needs to focus on making its existing franchise profitable before looking for new partnerships. "AirAsia will not be opening up any more new airlines for the next three years," he tweeted on Jan. 2, saying the Vietnam joint venture would be the last until units in Indonesia and Philippines return profits.

Vietnam may now be key to keeping the carrier's momentum in the region going, but success is far from guaranteed.

The country has been on AirAsia's radar since 2005, just four years after the airline's founding. The carrier initially offered to support Vietnam's Pacific Airlines, the predecessor to Jetstar Pacific, but lost out to Qantas.

Its first serious attempt to break into the market was made in 2007 through a joint venture with Vietnam Shipbuilding Industry Corporation, or Vinashin, in which AirAsia had a 30% stake. Reports in Vietnamese media suggested the partnership failed over government reluctance to license new airlines, especially those with foreign investors.
Asian airfreight traffic drops for first time in 2.5 years

Airfreight traffic, often a leading indicator of trade trends, turned down in the Asia-Pacific region in November, the first fall in more than two-and-a-half years.

The drop is notable as the region is the busiest in the world for airfreight and home to many of the top cargo-handling airlines and airports. The decline comes amid a lull in U.S.-China trade tensions but suggests that worries about the outlook for more conflict or economic deceleration are already dampening activity.

Asia-Pacific carriers carried 2.3% less freight in November than they did a year earlier, according to data collected by the International Air Transport Association, a global airline trade group. This was the first monthly drop posted since March 2016 when the figures were distorted by the effects of a U.S. labor dispute. Global freight traffic was flat for the month.

"Weaker manufacturing conditions for exporters and shorter supplier delivery times particularly in China impacted the demand," the Transport Association said. In October, freight traffic had risen 2.1%.

The data comes as manufacturers around the region report weakening demand. Among 15 markets included in the Nikkei Purchasing Managers' Index, nine declined in December.

Cathay Pacific Airways, the largest Asian-based freight carrier, saw its freight load in November drop 1.3% to 185.14 million kilograms. "We face a great deal of demand uncertainty in the coming months due to geopolitical factors that have the potential to impact global trade flows," said Ronald Lam, the airline group's cargo director.

At Hong Kong International Airport, the world's busiest for freight and the home base of Cathay and its sister airlines, cargo throughput fell 2% to 466 million kg. Meanwhile, Cathay rival Singapore Airlines saw its freight load dip 1.2% to 116.7 million kg.

The Association of Asia-Pacific Airlines, which separately tracks data for 36 regional airlines, reported 0.1% growth in regional freight traffic for November. "The moderation in export activity with slowing business orders, contributed to the slowdown in air cargo growth for the month," said Andrew Herdman, the group's director general.

Despite the slowdown, the region's airlines continue to add capacity. By AAPA's count, freight capacity was 5.9% higher in November than a year earlier. As a result, capacity utilization fell to 65.2% from 69%.

Regional passenger traffic, meanwhile, continues to grow. AAPA reported a 6.5% gain on the passenger side, where capacity utilization improved to 79.3%.
Investors hunt for foreclosed properties

Vietnam’s total outbound investment in 2018 was an estimated $432m, according to the General Statistics Office. The bad debt trading market is getting busy as properties used as collateral for bad loans are selling more quickly now.

Agribank, for example, has sold V-Ikon, a building in the eastern part of HCMC, to a private investor. Sources said the new owner plans to spend money to reform the 125 meter high building and turn it into an office building for lease.

More successful deals have been reported. Analysts said there is an undercurrent’ of foreign and domestic investors hunting for properties mortgaged for irrecoverable debts.

The real estate market has heated up again and a new FDI wave has boomed in Vietnam. This explains the establishment of a series of asset management companies recently.

Japanese Samurai Power unexpectedly set foot in Vietnam, pouring $31 million to acquire shares in IDS Equity Holdings.

IDS Equity Holdings is a Vietnamese company which specializes in restructuring and capital investment targeting family-run and state-owned enterprises with potential in production and trade activities.

Samurai Power has many years’ experience in dealing with NPLs in Japan and overseas with the value of up to tens of billions of yen for each asset. The Japanese investor restructures businesses, pumps credit into them and follows M&A strategies to make a profit.

In October 2018, IFC, an arm of the World Bank, announced investment of $65 million in Altus Corporation which aims to build a program on restoring the value of bad assets in Southeast Asia, including Vietnam.

Vietnamese investors have also taken important moves. Ha Do Real Estate has unexpectedly taken over Minh Long Sai Gon Debt Trading Company. Established in 2017, Minh Long, with charter capital of VND120 billion, specializes in trading bad debts.

Prior to that, Tan Hiep Phat, a beverage company, also set up a debt trading company with charter capital of VND100 billion, officially becoming a realtor.

Van Thinh Phat is a well known name in the field. The investor has spent huge amounts of money in the last few years to buy projects in advantageous positions, upgraded them, and transferred them to new investors.
Bamboo Capital took over a project in district 2, initially developed by Hoan Cau Group, while Hung Thinh Corporation got involved in the restructuring of some projects of BCCI and Thao Loan Real Estate.

John Sheehan, former CEO of Lehman Brothers, said Vietnam’s bad debt market is relatively attractive and foreign investors are willing to pour money in the market if a legal framework is set up. The price of the debts could be 30-35 cent for every dollar worth of bad debt.

**NNA survey: Japanese firms pick Vietnam as top investment spot**

Japanese firms in Asia regard Vietnam as the most prospective place to invest their money in the region, thanks to the country’s high economic growth as well as its position as a production hub and a large consumer market, an NNA survey showed.

Among 630 respondents working for Japanese companies in East Asia, Southeast Asia, India and Australia, 35.7 percent said Vietnam is the most promising economy for investment, far above the 17.8 percent who preferred India, which was the second most popular spot in the survey.

India is also attracting Japanese investors for its high growth potential, according to the survey conducted from Nov. 26 to Dec. 9.

Respondents said the Indian economy has overcome the drag from the abolition of high-value banknotes and the introduction of goods and services tax.

A Japanese employee at a manufacturer see growth potential in India due to “an increase in the population and incomes as well as demand for new products prompted by environmental regulations.”

Those based in other countries agreed. Income inequality remains in the South Asian economic giant but an employee at a Japanese manufacturer in China praised Prime Minister Narendra Modi’s economic policies that have helped boost GDP growth.

In the survey, China was the third most popular place for investment, endorsed by 7.9 percent of the respondents, down from 12.6 percent in the 2017 poll, due largely to growing uncertainties stemming from the U.S.-China trade war.

Thailand finished fourth, favored by 7.3 percent of the respondents, up from seventh the previous year, in light of an economic recovery led by the automobile sector.

Thailand, the second largest Southeast Asia economy after Indonesia, has “a desirable environment for starting a new business model,” a Japanese employee in the non-manufacturing sector in Thailand said.

Indonesia remained fifth, back by 6.7 percent of the respondents.

Myanmar ranked sixth at 6.5 percent, down from 8.7 percent from a year earlier, in the wake of the Rohingya refugee crisis in the western state of Rakhine.
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