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VIETNAM BUSINESS REVIEW

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FINANCE

Finance Ministry working on US\$1.04 billion support package

The Ministry of Finance (MoF) is mulling a VNĐ24 trillion (US\$1.04 billion) support package for businesses hit by the coronavirus pandemic by exempting and reducing tax and fees.



Minister of Finance Hồ Đức Phúc said that the 15th National Assembly (NA) on Sunday discussed the implementation of the socio-economic development and State budget plans for the first six months of the year.

The proposal will be sent to the NA and the Government for approval once completed.

In addition, the ministry also submitted a proposal to postpone the implementation of Circular 40/TT-BTC on tax for business households until January 1, 2022 to create more convenience for taxpayers.

Earlier, the Government approved a VNĐ26 trillion support plan for businesses and individuals affected by the pandemic. The money is currently being disbursed.

He added that the ministry had requested the Government to cut regular spending by 10 per cent and conference and business fees by 50 per cent to gain more resources to fight the pandemic.

At the same time, the Government needs to improve the efficiency of public investment, including official development assistance projects. They should consider cutting inefficient projects, while managing securities, insurance and currency markets. Fiscal and monetary policies should also be well coordinated.

The finance ministry has provided nearly VNĐ8.2 trillion to the Ministry of Health (MoH) to cover vaccine costs, and another VNĐ12.3 trillion is on the way, he added.

Regarding procurement of medical supplies and equipment for pandemic prevention and control, the minister said the issue had been resolved in Government resolutions which allowed the appointment of contractors for procurement in emergency conditions. The MoH is responsible for pricing and trading in accordance with Government guidance.

“Currently, the MoF has issued a circular guiding localities and the MoH to make timely procurement for pandemic prevention and control,” he said.

In the first half of the year, the socio-economic picture was positive with GDP growth of 5.64 per cent, and State budget collection reaching 58.2 per cent of the estimate, up 16.3 per cent on the same period last year.

State budget expenditures ensured efficiency, reaching 41.2 per cent of the estimate, with a surplus in the first 6 months of the year.

Public debt is also sustainable for restructuring. Government bonds are issued with a term of up to 12 years, with an interest rate of only 2.6 - 2.7 per cent a year.

The stock, insurance and money market have developed well, including securities, stocks, bonds and the derivatives market. The insurance market increased by 16.2 per cent.

The current stressful issue is the complicated pandemic, he said, adding that the Government and the Prime Minister had been taking proactive and drastic measures in the pandemic fight to ensure socio-economic development. VNS

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Vietnam's FDI inflows plunge 11.1% in seven months

Viet Nam raked in US\$16.7 billion in foreign direct investment (FDI) in the first seven months of 2021, down 11.1 per cent from the same period last year, data from the Ministry of Planning and Investment (MPI) shows.

This is the biggest fall in FDI inflows since the COVID-19 pandemic broke out again in the country in late April, wreaking havoc on multiple industrial parks in the northern provinces of Bac Gi ng and B c Ninh.

Earlier, FDI inflows declined 2.6 per cent year-on-year in the first half of the year, after it edged up 0.8 per cent in the January-May period.

According to the MPI's Foreign Investment Agency, of the 7-month figure, \$10.13 billion came from 1,006 newly-registered projects, up 7 per cent year-on-year.

Some \$4.54 billion was added to 561 existing projects, representing a year-on-year decrease of 3.7 per cent. Capital contribution and share purchases by foreign investors dropped by 55.8 per cent to \$2.05 billion.

Economists believed that the COVID-19 pandemic is taking a toll on Vi t Nam's FDI attraction. The fourth coronavirus wave has knocked the confidence of European businesses, with the EuroCham Business Climate Index (BCI) falling almost 30 points to 45.8 in the second quarter of this year.

Despite the contraction, the FDI disbursement slightly rose by 3.8 per cent from a year earlier to \$10.5 billion.

The largest proportion of the seven-month FDI, \$7.9 billion or 47.2 per cent, landed in processing and manufacturing, followed by electricity production and distribution, with \$5.49 billion or 32.8 per cent.

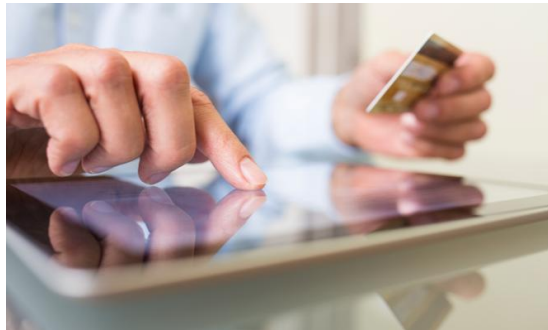
Singapore topped foreign investors, pouring \$5.92 billion into Vi t Nam, followed by Japan (\$2.54 billion), and South Korea (\$2.2 billion).

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E-COMMERCE

Vietnam defers e-commerce tax by five months

Vietnam is set to delay an online tax on e-commerce vendors by five months to support economic recovery amid severe Covid-19 impacts.



The Ministry of Finance has proposed to the government that the implementation of Circular 40 be postponed until January 1, 2022, Minister Ho Duc Phoc said Sunday. The circular was to take effect on August 1.

The delay has been proposed as part of several solutions to support the recovery of businesses as the fourth Covid-19 wave spreads in Vietnam, infecting over 105,000 people, most of them in HCMC, often referred

to as the nation's locomotive.

The circular imposes a 1.5 percent tax on e-commerce vendors with annual revenues of VND100 million (\$4,354) or higher.

E-commerce platforms are responsible for collecting this tax from vendors and paying it to the finance ministry.

An average of 3.5 million transactions are made on e-commerce platforms each day in Vietnam, and the transaction value has been increasing steadily, according to official data.

However, e-commerce platforms have proposed that they aren't made responsible for paying tax on vendors' behalf as it will create excessive costs and personnel burdens.

Vietnam's e-commerce market expanded by 18 percent last year to \$11.8 billion, the only one in Southeast Asia to record double-digit growth amid the pandemic, according to the Vietnam e-Commerce and Digital Economy Agency. VNE

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ENERGY

Vietranstimex tested the most Modern Blade adapter in Vietnam

On July 23rd, at Huong Hoa, Quang Tri province, Vietranstimex conducted a trial run of the Blade Adapter to obtain a permit for wind turbine blade transport. Previously, these blade adapters were tested successfully at Hon La yard, Quang Binh province.



The blade adapters are mounted on 10-axle hydraulic trailers (with lifting capacity up to 340 tons), they are possible to transport wind turbine blade over 80m in length weighing up to 30 tons with a payload moment of up to 600 metre tonnes. This is a type of specialized equipment used for difficult terrain such as mountainous areas with many bends and obstacles like electric lines.

In addition, this is also the most modern Adapter in Vietnam today with the following features: quick-release plate, easily and safely pick up and carry wind turbine blades; the wind blade can be set to an angle of 60 degrees or rotated endlessly around its own axis and especially around the trailer that the others which are available on the Vietnamese market cannot do.

This special feature helps to save much the land clearance and construction costs for investors, is the best solution for the most difficult transportation projects.

With this outstanding advantage, it can be affirmed that Vietranstimex is currently one of the best experts in providing transportation and installation services in the wind power market in Vietnam and the region. VER

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Vietnam's future transition to offshore wind auctions

Vietnam is at a critical point to decide which energy sources to implement to meet its rising electricity demand and power the country's rapid economic growth.



In a quite near future, we will be facing more challenges in our power sector in order to meet the rising demand for energy consumption for our economic development. The primary energy resources are being exhausted, especially oil and gas which may lead to the significant import of fossil fuels in the near future. Therefore, the trend of developing renewable energy in the world, including wind power, is a breakthrough

solution," Nguyen Anh Tuan, Director of Renewable Energy Center, Institute of Energy, stated.

The vision of the government to move away from a fossil fuels-based energy mix was formalized last year under Resolution 55, which established the long-term targets for Vietnam's green transition. The vision and targets of Resolution 55 should be supported by the much-awaited Power Development Plan VIII (PDP8), which is expected to be finalized later this year.

The latest draft of PDP8 saw the introduction of a new form of renewable energy – offshore wind. A recent study (World Bank, 2021) predicts offshore wind could meet between 5-12 percent of the country's electricity supply needs by 2035, with 11-25 GW installed capacity. Currently there are no true offshore wind farms in Vietnam, however, a number of large-scale projects have begun development works. The infancy of the offshore wind sector in Vietnam means that policy is still being formulated. It is highly important to ensure that policies are designed to facilitate stable and sustainable growth and allow time for the offshore wind industry to mature.

The report "Vietnam's Future Transition to Offshore Wind Auctions - International Best Practices and Lessons Learned" by the Global Wind Energy Council (GWEC) and Renewables Consulting Group (RCG), is a study of how six offshore wind markets, the UK, Denmark, Germany, France, the Netherlands and Chinese Taipei, kicked off their offshore wind industries. The report was launched this week by a webinar hosted by GWEC and attended by industry experts and offshore wind developers active in Vietnam: The Institute of Energy, Copenhagen Offshore Partners, Orsted, and the Renewables Consulting Group.

"Offshore wind is a complex industry - there are many lessons for Vietnam to learn from other markets when considering its auction policy. A key recommendation of the report is for Vietnam to establish the industry through a Feed-in-Tariff and transition to an auction process at the 4 to 5 GW mark. Auctions are a good tool for governments to control offshore wind tariffs, once the industry is stable," said Liming Qiao, Head of GWEC Asia.

The study focusses on how initial projects were selected by governments, and how governments managed the transition from subsidized Feed-in-Tariff (FiT) to competitive price-based auctions. The

report examines the characteristics and lessons learned from each market, and makes recommendations on the auction policies, timing and transition for Vietnam's offshore wind market to succeed.

The report identifies a key trend amongst the most successful offshore wind markets – all of these countries started with an initial Feed-In-Tariff scheme, and only moved to auctions once the industry was sufficiently active.

The key recommendations for Vietnam are summarized below:

- A FiT for offshore wind should be applied to support an initial stage of true offshore wind projects.
- The FiT will give confidence to investors to push ahead with project development, which will help to support the local supply chain.
- An earlier transition to auction would apply excessive pressure on these companies to upskill and deliver at low cost, without the resources and time to do so. Excessive pressure would lead to investors relying on the experienced international supply chain, rather than harnessing local companies.
- An earlier transition to auction will also require 1 to 2 years for the government to prepare the auction regime and guidelines, which will unnecessarily delay the first batch of offshore wind projects and delay the supply of energy to Vietnam.
- Ahead of auctions being introduced, bankability of the current PPA should be improved to attract foreign investment. PPA bankability will be crucial for development of offshore wind projects due to the large scale of investment required.

Webinar panelist Maya Malik, Senior Director at Copenhagen Offshore Partners and General Director of the La Gan Wind Power Project, commented, "Vietnam has good fundamentals and a huge potential for offshore wind but we are still at a very early stage of the market. It would be difficult for us to confidently price a project and submit an auction bid at this point in time. From our perspective, the preferred model is to first start with pilot projects and an initial FiT that allows the industry and the government the time to solve the issues around permitting, grid and harbor infrastructure, supply chain and project finance-ability, then transition to auctions once the industry is more stable." VEN

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RETAIL

Hanoi supermarkets overwhelmed by online orders

Hanoi supermarkets are finding it difficult to cope with the flood of online orders following the city's lockdown.



Loan of Ha Dong District orders vegetables and beef on a supermarket's online application. Her order was confirmed quickly, but the supermarket said delivery could be delayed due to the large number of orders.

Some other shoppers too said online systems were coping and placing orders was possible, but delivery was late.

BRG Retail general director Nguyen Thai Dung told VnExpress the company's online orders were up five times since before social distancing began on July 24.

Stocks at each BRG Mart outlet are 300 percent higher than normal, and THE company's central warehouse has 10 times the usual inventory, he said.

He was referring mainly to stocks of rice, chicken, instant noodles, cooking oil, spices, vegetables, and fruits. Aeon supermarket chains in Hanoi have also seen online orders increase 200-300 percent over the past two days. VinMart and VinMart+ said online orders were up 2.5 times.

Dung said to ensure smooth delivery his company has had to mobilize employees from other departments.

VinMart and VinMart+ said they have done the same. But many said they find it difficult to deliver goods to customers because Hanoi has clamped restrictions on delivery people and ordered tech-based transport firms to suspend operations.

Supermarkets and postal services have to send the list of their delivery people to the Department of Transport, but approval is not prompt in coming. Goods delivery to places along the city borders are proving difficult because checkpoints there are often congested.

To go through them, truck drivers have to show Covid-negative certificates and travel documents, but sometimes they are not issued in time because of the sheer numbers.

Hanoi has 123 supermarkets, 1,800 convenience stores, 2,382 outlets selling goods at fixed prices, and tens of thousands of grocers'. VNE

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LOGISTICS

Bamboo Airways, Vietjet suspend regular flights

Bamboo Airways, Vietjet and Pacific Airlines have suspended most of their regular routes amid a surging number of Covid-19 cases that have seen demand plunge.



Bamboo Airways will cease all regular flights for two weeks from July 26 to August 7 amid the severe spread of the disease and social distancing measures imposed in major cities, it stated.

Websites of Vietjet and Pacific Airlines on Tuesday showed few or no flights between popular destinations like Hanoi, Ho Chi Minh City and Da Nang.

Most passenger flights between HCMC and Hanoi have been cancelled since July 23 as the capital imposed strict social distancing.

Vietnam Airlines is the only carrier operating on this route with a maximum of two flights a day allowed.

Between June 19 and July 18, the number of flights plunged 84.6 percent to 3,772, according to the Civil Aviation Authority of Vietnam (CAAV).

Vietnam has recorded 105,287 local Covid-19 patients in 62 cities and provinces since the new wave started three months ago. VNE

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Seaport, maritime transport firms more profitable

Market recovery and larger freights helped Vietnamese seaport and maritime transport enterprises, both state-owned and private, gain bigger profits in the first half of this year.



Vietnam National Shipping Lines (VIMC) made consolidated revenues of more than VND6.2 trillion (nearly \$269.6 million), a 20 percent increase, and consolidated profits of over VND1.1 trillion, doubling against the same period last year.

Meanwhile, net profits of HCMC-based Saigon Port JSC surged 155 percent year-on-year. The company currently runs many ports in the city, including Tan Thuan, Tan Thuan 2, Nha Rong, Khanh Hoi and Sai Gon-Hiep Phuoc.

Dong Nai Port JSC in the southern province of Dong Nai saw revenues and profits increase 38 percent and 35 percent, respectively between January and June.

Profits of Cam Ranh Port JSC in the central province of Khanh Hoa, and of Quy Nhon Port JSC in the central province of Binh Dinh surged 118 percent and 93 percent, respectively.

Gemadep Corporation's management board estimated its first-half revenues at over VND1.4 trillion, up 19 percent, and pre-tax profits of some VND390 billion, up 38 percent. The firm owns four ports in the northern region, one port in the central area and three ports in the south. It plans to increase its share in the Vietnamese port market from 11 percent in 2020 to 19 percent in 2021, and 23 percent in 2025.

Like seaport operators, maritime transport service providers turned profits in the first half of this year, mainly thanks to market recovery and larger freights.

Maritime transport units of VIMC started making profits after a long period of losses. Vietnam Ocean Shipping JSC (Vosco), which suffered losses of nearly VND120 billion in the first half of last year, recorded after-tax profits of more than VND220 billion in the first half of this year, the highest since 2009.

Meanwhile, Hai An Transport and Stevedoring JSC, has been estimated to see pre-tax profits in the first half of this year more than double.

According to VIMC, the quick recovery of Chinese, U.S. and European economies amid Covid-19 outbreaks led to bigger demand for goods and materials, positively affecting the international sea transport market.

Data from the General Statistics Office showed Vietnam's import-export turnover stood at nearly \$320 billion in the first half of this year, increasing over 32 percent against the same period last year. The volume of goods through seaports surged, with container outputs rising 24 percent.

In early July, Drewry World Container Index (for container freight) stood at \$8,399, surging 346 percent against the same period last year.

According to the Vietnam Association of Seafood Exporters and Processors, at some ports, freight in mid-2021 doubled that of late 2020 and rose nearly six times against early 2020.

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INVESTMENT

Vietnamese cryptocurrency market cap tops \$2.5 billion

Axie Infinity, a Vietnamese cryptocurrency, has achieved a market cap of \$2.5 billion within four years since it was created. Its price has increased 82 times this year to \$41 at the time of publishing. It is the 43rd largest cryptocurrency in the world, according to crypto data platform CoinMarketCap.



Axie Infinity (AXS) price. Photo courtesy of CoinMarketCap.

Axie Infinity (AXS) is a blockchain-based game in which players buy non-fungible tokens of monsters and then battle them against each other. AXS is a native token and it costs four of them to "breed" a monster. The game is inspired by Nintendo's Pokémon series in which you collect and pit monsters against each other in combat.

A player might have to spend \$700 or more to build a starter team, and can sell the monsters later for profits, and the game's play-to-earn approach rewards players with crypto tokens that can be exchanged for money.

The project was developed by Sky Mavis, founded in 2017 by Nguyen Thanh Trung, 29. He was also the founder of e-commerce startup Lozi. As of June this year Axie Infinity has 60,000 players around the world.

In May Sky Mavis raised \$7.5 million from several foreign investors. VNE

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Vietnamese outbound investment continues to rise despite the pandemic

In the first seven months of 2021, Vietnamese businesses invested nearly \$570 million in overseas markets, more than 2.3 times as much as in the same period last year.



According to the Ministry of Investment and Planning, 28 projects were granted new investment registration certificates during the period with a total registered capital of \$145.3 million, equal to 70.4 per cent of the corresponding period last year. 11 overseas projects adjusted capital with a total additional \$424.8 million, 9.1 times as much as last year.

Vietnamese businesses have invested in 12 fields. The science and technology took the lead with new and added capital of \$270.8 million, accounting for 47.5 per cent of the total investment capital abroad. The wholesale and retail industry ranked second with a total of six investments with \$148.6 million.

In addition, Vietnamese investors have poured capital into 18 countries and territories. The US was the largest destination for Vietnamese companies with a total registered investment capital of \$302.8 million, followed by Cambodia (\$89.2 million), Laos (\$47.8 million), and Canada (\$32.1 million).

Vingroup has registered four investment projects abroad, making a significant contribution to outbound activities during the period. The conglomerate has projects in France, the Netherlands, and Canada, with the investment capital of each project reaching \$32 million. It also has a project in Singapore with an investment capital of \$20.5 million. These projects are invested with the goal of importing and exporting telecommunications equipment, electronics, household appliances, and automobiles. In addition, Vingroup also raised investment in the US by \$300 million, and by \$32 in Germany.

By July 20, Vietnam has 1,423 valid overseas investment projects with the total investment capital of \$21.8 billion. VIR

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