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VIETNAM BUSINESS REVIEW

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Highlight

Vietnamese ports among top 50 effective container seaports

What's in it today?

FINANCE

Vietnam economy under inflationary pressure

Inflation has been kept at a low rate in Vietnam since the beginning of the year, although pressure is starting to build up moving into the remaining months of the year and early 2022, according to economists.

The General Statistics Office (GSO) reports that the opening nine months of the year saw average inflation rise by 0.88% year-on-year due to a poor purchasing power caused by the impact of the COVID-19 pandemic. This figure is rather low, making it easier for the country to rein in inflation this year.

Dr. Nguyen Duc Do, deputy head of the Finance-Economic Institute, forecasts that this year's inflation is likely to hover at around 2%, with the current rise in food prices coming as a result of supply chain disruption not lasting long. "When the pandemic is completely controlled, food prices will drop again," explains Do. "Generally, COVID-19 causes people's incomes to decrease, and when the purchasing power is low, prices are unable to soar sharply," Dr. Do explained.

"For some materials, their prices may increase sharply, but the proportion of these products in the consumer price index (CPI) basket is not large. For instance, steel prices have increased sharply in recent times, but steel is part of a group of housing, electricity, water, fuel and construction materials that account for less than 20% of the currency basket," he analyses.

In contrast, other experts warn there remain factors that are set to fuel inflation in the remaining months of the year and into the start of 2022. Dr. Pham The Anh of Hanoi-based National Economics University, says the low CPI rate mirrors the true nature of the ailing economy which has been hit hard by COVID-19, although it will be a different story when the nation moves to fully reopen its economy. "When the economy opens up and market demand increases again, inflationary pressure will rise considerably, especially given the current monetary context," says the economic expert.

"Deposit interest rates are low, there is almost no demand for production loans, and banks are also finding it difficult to mobilize capital. Meanwhile, huge amounts of money have been poured into the stock and real estate markets. The property bubble has already happened, prompting housing prices to increase double or triple in the past year. Therefore, room for the monetary policy is very narrow," analyses Dr. Anh. Sharing Dr. Anh's view, Dr. Nguyen Duc Thanh, director of the Vietnam Institute for Economic and Policy Research, says that production costs will also start to pick up very strongly ahead in the coming months, with this taking time to incorporate rising costs into product prices.

According to the expert, commodities prices are currently starting to rise, although the purchasing power is not much, meaning that it is possible the country falls into a mixed situation of both inflation and stagnation. "Vietnam needs bailout packages to support post-pandemic economic recovery, but monetary policies should be implemented in a flexible way so as not to pressure inflation," Dr. Thanh suggests. VOV

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High growth rate of cashless payments in 9 months of 2021

Cashless payments in Vietnam have continued to record a high growth rate this year, according to a recent Government report.

Specifically, online payments in the first nine months of this year reached 435.25 million transactions with a value of VND 22.78 quadrillion, up 54.1 per cent in quantity and 30.7 per cent in value compared to the same period in 2020.

During the period, more than 1.19 trillion transactions worth more than VND 13.5 quadrillion were made via mobile phone, up 74.98 per cent in quantity and 93.69 per cent in value.

According to the report, non-cash payments for public services in Vietnam have witnessed strong changes with significantly improvements seen both in quantity and quality.

Currently, more than 90 per cent of tax payment transactions of enterprises in centrally-run provinces and cities are made through banks while local people nationwide can pay electricity bills through banks.

Some 42 per cent of medical facilities have implemented non-cash payments for medical services and 39 per cent of pensions, social insurance and unemployment benefits nationwide are paid through personal accounts. However, the report also noted in addition to the surge of non-cash payments, payment fraud also become more common across the country in recent years.

Dao Minh Tuan, chairman of the Vietnam Card Association, also admitted though banks have continuously updated new security technologies, fraud in payments is still increasing.

To minimize fraud, commercial banks have to simultaneously issue many warnings to customers. Most recently, Vietnam Prosperity Commercial Joint Stock Bank (VPBank) and Commercial Joint Stock Bank for Foreign Trade of Vietnam (Vietcombank) have given warnings to users to not access links of forums or websites impersonating the bank. At the same time, customers should not provide account security information, digital banking or card details, or any other information to these websites.

Representatives of banks said relevant parties need to enhance coordination to ensure payment security and safety. To further promote cashless payments in Vietnam, experts said the most important thing is to change people's consumption habits through financial education programs as a pillar in implementing a comprehensive financial development strategy.

The Government also needs to complete the legal corridor for the digital economy and government, including digital finance. The Government also needs to develop an open banking system with stronger cooperation among commercial banks, Fintech and payment intermediaries. VNS

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E-COMMERCE

Reasons to Invest in Vietnam's E-Commerce Industry

In Vietnam, e-commerce is on the rise, increasing from roughly 28% in 2017 to nearly half of the population by 2020. Over 70% of Vietnam's 100 million people are predicted to use e-commerce transactions by 2025. According to Statista, the country's e-commerce sales will be nearing US$9 billion by 2025.

Vietnam's e-commerce is drawing near to its ASEAN rivals, with the country ranked 86th in the United Nations E-Government Survey for 2020. Its 40 million online shoppers spend an average of US$210 each per year, making it the second-largest e-commerce market in the area. With increased internet access, smartphone use, and more trust in online buying, Vietnam's e-commerce business is predicted to keep rising, with no sign of stopping anywhere in the future.

The success of various Vietnamese-originated e-commerce platforms, like Tiki, Sendo, and Thegioididong, demonstrates Vietnam's ability to nurture e-commerce. Moreover, Sendo.vn received a US$51 million investment from Japan's SBI Holdings. Grab and Gojek, the region's two most valued companies, are also weighing the pros and cons of a possible merger. This merger has the potential to develop market dynamics in Southeast Asia's e-commerce sector.

Vietnam provides one of the most favorable regulatory conditions in the ASEAN area for starting e-commerce. As of 2021, Vietnam is a signatory to thirteen free trade agreements (FTAs), which allow the import and export of commodities with reduced or zero customs tariffs.

Vietnam's digital economy might reach $52 billion by 2025, garnering the attention of major brand names such as Goldman Sachs and JD.com. By 2025, E-Commerce might account for 10% of Vietnam's retail sales. Online purchasing in Ho Chi Minh City and Hanoi might reach 50%.

The Vietnamese government's dedication to the digital transformation of the economy has actively fueled the development of the country's e-commerce. Foreign investment in this sector is a profitable opportunity that also has the potential to support the sector's growth. Cekindo

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ENERGY

Money flows to wind power projects but coal-fired power lacks capital

Coal-fired power developers find it increasingly difficult to find capital amid the growing support of renewable energy globally.

The Statement to the Government on approving the 2021-2030 national electricity development plan shows a significant decrease in the proportion of coal-fired power in electricity generation sources, a slowdown of renewable energy development, and an increase in gas-fired thermal power. It's expected that coal-fired power will have the capacity of 40,899MW by 2030, accounting for 28.4-31.4 percent, while gas-fired power may reach 27,471-32,271MW, accounting for 21.1-22.4 percent.

Meanwhile, coal-fired power projects will account for 15.4-19.4 percent of total electricity generation sources by 2045, while gas-fired thermos power, including LNG (Liquefied natural gas), will continue increasing, accounting for 23.5-26.9 percent. As such, the draft national electricity development planning No VIII (eighth plan) has realized the strategy on reducing the proportion of dirty energy.

The Ministry of Industry and Trade (MOIT), which is drafting the plan, has been pursuing the principle of no new investment in coal-fired power projects. Only projects named in the seventh and revised seventh plans will continue developing. Currently, coal-fired power still plays an important role in Vietnam's electricity generation system.

Coal-fired power accounted for 30.8 percent of electricity generation capacity in 2020. The figure is expected to be 28.4-31.4 percent by 2030, the same as the average proportion in the world currently (29 percent) and South Korea (30 percent), and lower than many countries, including China and Indonesia (49 percent). Despite the decrease in number of coal-fired power projects, it is increasingly difficult to arrange capital for them as many large financial institutions now say 'no' to coal-fired power.

The Energy Institute estimated that Vietnam would need VND5.7 quadrillion worth of capital, or $248 billion, for electricity generation projects in 2021-2045, including VND1.1 quadrillion in 2021-2025. Every year, Vietnam needs investments of about VND231 trillion, or $9.96 billion, on these projects. The total investment capital needed in 2021-2030 is estimated at VND2 quadrillion dong, or VND200 trillion ($8.57 billion) a year.

Of this, coal-fired power would need VND358 trillion in 2021-2025 and VND425 trillion in 2026-2030. Meanwhile, wind power needs VND376 trillion in 2021-2025 and solar power only VND5.5 trillion.

Green financing

Ngo Duc Lam, former Deputy Head of the Energy Institute, predicts it will be difficult to mobilize capital for coal-fired power projects as many financial institutions are turning their back on coal-fired power projects.

Patrick Jakobsen from Danish EKF commented that financing coal-fired power projects has become taboo in the financial community. Many countries, including China and the UK, have regulations restricting the arrangement of capital for coal-fired power. Some countries are planning to announce their green energy policies at the COP26 meeting.

Jacobsen recommends that Vietnam accelerate the development of renewable energy, such as offshore wind power. He said Vietnam would receive more financing if it followed this way.

Mark Hutchinson from Global Wind Energy Council (GWEC) thinks that domestic commercial banks would also be harsh in funding coal-fired projects.

Jakobsen said that lending interest rates applied to wind power projects vary depending on the risks of projects. However, the average interest rates are now 4-12 percent for coal-fired projects, and 2-5 percent for offshore wind power. He said one of his projects in the UK can borrow money at an interest rate of 1.2 percent. However, a low interest rate is seen only in countries where the offshore wind power market has become stable. The interest rates in Vietnam could be 1.2 percent + 2-5 percent.

He said that with green financing becoming more common, offshore wind power projects are very attractive to financiers. They will have to compete with each other for the right to fund offshore wind power projects. Only 10 percent of financiers provide loans to coal-fired projects. The lenders have to bear certain risks when funding coal-fired projects because it affects the implementation of green criteria that financial institutions have to satisfy.

Policymakers admit that they are facing terrible pressure from the international community to cut financing for coal-fired power and to accelerate renewable energy development. Renewable energy could be the future of the world, but countries will have to find a solution to set up stable and safe electricity systems. Investing in power storage technology is one of the solutions, though it is very costly.

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28 wind farms qualify for early incentive price

Twenty-eight wind power plants have qualified for the incentive feed-in tariff for early operation which the government offered to stimulate investment in renewable energy. For 20 years they will enjoy the feed-in tariff of 9.8 cents per kilowatt-hour for offshore projects and 8.5 cents for onshore projects offered to projects that go on stream before November 1st.

Of them 23 were approved this month. Together they have a capacity of 1,247 MW, according to Vietnam Electricity (EVN). They account for over 22 percent of total registered capacity of 5,655 megawatts from 106 farms.

Industry insiders had claimed earlier it would be very difficult for the remaining projects to qualify for the incentive feed-in tariff since construction was delayed due to Covid-19. Those that fail to become operational before Oct. 31 will go through a bidding process to determine the tariff.

The country aims to produce 10.7 percent of its electricity from renewables by 2030, mainly solar and wind power. The Vietnam Energy Association wants the wind power generation capacity to be increased sevenfold from the Ministry of Industry and Trade’s current proposal of 2-3 GW in the country’s energy development plans for the next decade. This translates into a capacity of 15-20 GW.

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RETAIL

Top 10 prestigious retailers in 2021

The Vietnam Report JSC has announced a list of top 10 prestigious retailers in 2021.

Honorees in fast consumption and supermarket group include Central Retail Vietnam, Wincommerce, Saigon Coop, MM Mega Market, Aeon Vietnam, Lotte Vietnam, SATRA, SASCO, IPP Group and Hapro.

In electronics and jewelries, the list comprises MWG, DOJI, PNJ, FPT Retail, Saigon SJC, Cao Phong Co. Ltd, Mediamart Vietnam, Viettelimex, Fahasa and VHC.

The rankings are based on three criteria, including financial capability based on the latest financial reports, media prestige using media coding method, and results of surveys in August and September 2021.

General Director of Vietnam Report JSC Vu Dang Vinh said despite the COVID-19 pandemic, retail sector still expanded in early 2021.

According to General Statistics Office, retail revenue in nine months of this year was estimated at over 2.7 trillion VND (117.3 million USD), down 3.4 percent annually. In August alone, it went down 8 percent month-on-month and 25.3 percent year-on-year, but went up nearly 4.5 percent in September thanks to relaxed social distancing in many localities.

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LOGISTICS

DHL E-Commerce to stop nationwide domestic delivery operations in Vietnam

DHL E-Commerce, a division of the world's leading logistics company Deutsche Post DHL Group, has announced stopping nationwide domestic delivery operations in Vietnam.

The company's decision was made four years after DHL E-Commerce started operating in Vietnam. It also comes despite the ample potential for growth in the local e-commerce scene. The company has not disclosed the reason of its decision.

All DHL E-Commerce Solutions customers will continue to be served during the notice period of their contracts until the end of November 2021. The company currently has 250 service points across the country. All relevant employees have been informed of the situation and the company will make every effort to assist them in their transition. Other divisions such as DHL Express, DHL Global Forwarding, and DHL Supply Chain will continue to operate in Vietnam.

In July 2017, the company launched a nationwide network of ServicePoints to capitalize on the huge and relatively untapped potential of the local e-commerce market. It expected to benefit from the Vietnamese e-commerce market, which was forecast to grow at a compound annual growth rate of 32 per cent in 2018-2022 by Euromonitor. VIR

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Vietnamese ports among top 50 effective container seaports

Three Vietnamese seaports have been named among the top 50 of the Container Port Performance Index (CPPI) launched by the World Bank and IHS Markit.

Cai Lan International Container Terminal in the northern province of Quang Ninh ranked at 46th while Hai Phong Port and Cai Mep International Terminal in the southern province of Ba Ria-Vung Tau ranked at 47th and 49th, respectively.

Yokohama port in Japan has been ranked as the most efficient port in the world, followed by Saudi Arabia's King Abdullah Port. Other ports in the top five are Chiwan, part of Shenzhen's port in Guangdong province, Guangzhou port of China and Taiwan's Kaoshiung port.

Ports in Asia, the Middle East and North Africa dominated the top 50 spots, while four US ports cracked the top 100 - Philadelphia (83rd), the Port of Virginia (85th), New York & New Jersey (89th) and Charleston, South Carolina (95th).

The COVID-19 pandemic has disrupted trade around the globe, snarling trade and exposing the frailty of a supply chain of goods. The US is the world's biggest consumer, importing goods valued at roughly 2.5 trillion USD a year.

Southern California's Los Angeles and Long Beach ports handle the most ocean cargo of any ports in the US, but are some of the least efficient in the world, according to the ranking which reviews 351 container ports around the globe.

Los Angeles was ranked 328th, behind Tanzania's Dar es Salaam and Alaska's Dutch Harbor while the port of Long Beach was at 333rd, behind Turkey's Nemrut Bay and Kenya's Mombasa.

The CPPI is based on the total port hours per ship call, with this being defined as the elapsed time between when a ship reaches a port to its departure from the berth after completing its cargo exchange. VNN

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INVESTMENT

Quang Nam calls for investment in mechanical supporting industry

Quang Nam is exerting efforts to improve its investment environment and speed up administrative reform to attract more investors, especially in supporting industry, said Le Tri Thanh, Chairman of the People's Committee of the central province.

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Speaking at a recent online meeting with enterprises in Ho Chi Minh City and the southern region on measures to boost the development of supporting industry for mechanics, Thanh noted that Quang Nam is home to the first industrial park in the country designed for supporting industry for the mechanical industries, including automobile industry.

Tran Ba Duong, Chairman of the Truong Hai Auto Corporation (THACO), said that THACO has established its Mechanical and Supporting Industry Corporation, which is the first step in its plan to boost the growth of the mechanical supporting industry.

It is a new model in Vietnam, he said, adding that THACO will continue to support Quang Nam to turn the Chu Lai Open Economic Zone into a mechanical industrial hub, helping Vietnam engage deeper into the global production chain, he said.

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Vingroup to expand their investment

Over the past 20 years, Vietnam has seen over 4,000 merger and acquisition deals conducted in the country, with an aggregated value of $50 billion, securing third position in ASEAN.

Vingroup has kicked off a series of projects worth 10 billion USD in the northern coastal province of Quang Ninh, including the Green Ha Long Urban Area in Quang Yen town and Ha Long city; Dong Trieu Golf Course; Quang Ninh LNG Plant; and Van Ninh Port.

These projects cover a total area of over 4,000 hectares, in prime locations in Quang Ninh province.

Vingroup has also focused its investment in electric car manufacturing, aiming to go global. Most recently, Vingroup poured more than 8,800 billion VND into a battery factory in Vung Ang. The corporation has withdrawn from retail, phones, TV, football ... to focus on a field that is capable of having breakthroughs in the future. However, the real estate and tourism segments are still one of its pillars.

Over the past decade, real estate has remained the main profitable segment for Vingroup, developing into the largest private group in Vietnam. Meanwhile, if it is successful, Vinfast car brand could become the pride of Vietnam in the field of industry as well as technology.

However, the new business requires a lot of money. In September, Vingroup sold more than 100 million shares of Vinhomes (VHM) to earn nearly 11,000 billion VND. Accordingly, its ownership in Vinhomes fell from 69.66% to 66.66% of charter capital.

By the end of the second quarter of 2021, Vingroup was considered the "king of cash" on the stock market. Holding a huge mountain of cash has helped this group create a shield to protect itself against the uncertainties of the Covid-19 epidemic, and is a premise to quickly transform and take advantage of opportunities after the epidemic is under control.

In recent years, billionaire Pham Nhat Vuong has taken strong steps to restructure Vietnam's largest private group, aiming to become a giant in the region based on the pillars of technology, services, industry and real estate.

However, the prices for shares of Vingroup and Vinhomes have fallen sharply in recent months. VNN

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