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FINANCE

The financial markets of Vietnam to enjoy benefits from economic recovery in 2022

The financial markets of Vietnam would continue to enjoy benefits from economic recovery in 2022 after recording positive growth in the previous year, the Asian Development Bank and the Bank for Investment and Development of Vietnam (BIDV) made a forecast in a report released on May 25.



In their Vietnam Financial Markets 2021 and Outlook 2022, both ADB and BIDV agreed that the national economy is projected to expand 5.5-6% in 2022 and higher in 2023, while inflation is likely to rise to 3.8-4.2% in 2022 and to be kept at 4% in 2023.

Accordingly, profits of the banking sector are anticipated to grow by an average of 20-25% compared to 2021, with credit growth projected at 14-15%. The stock market would be adjusted to become

more stable and healthier, with VN-Index likely to rise 8% to 1,610 points under an optimistic scenario, or slightly fall 4% to 1,440 points under a pessimistic scenario.

The corporate bond market is forecast to continue to develop in a more transparent and healthier manner when stricter regulations are issued along with solutions to strengthen market management and supervision in an attempt to reduce risks for market participants. Meanwhile, the insurance market in 2022 is forecast to maintain growth, with premium revenue increasing by about 18 - 20%, of which life insurance acts as the main driver of growth. The report points out that the Vietnamese economy recovered quite quickly in 2021 thanks to appropriate changes in pandemic prevention and control and the reopening of the economy in the fourth quarter. Therefore, the country recorded impressive economic growth of 5.22% in the fourth quarter from a 6.02% contraction in the previous quarter, helping secure a rate of 2.58% for the whole year, while inflation was controlled at a low level of 1.84%.

Vietnam's financial markets maintained positive growth thanks to macroeconomic stability, and implementation of a number of fiscal and monetary policies to support people and businesses affected by the COVID-19 pandemic. In 2021, the net profit of companies listed on three stock exchanges HOSE, HNX and UPCOM grew by 49.5%, the VNIndex rose by 35.7%, the market liquidity expanded by 253%, and capital mobilization through the stock market reached VND757 trillion, up 62% against 2021.

However, the banking market also incurred risks of bad debts and financial crimes. The stock market, after a period of rapid growth, nosedived following acts of price manipulation and violations of information disclosure. These risks are being examined and solutions are being introduced by competent management agencies in order to stabilize the market. This is the first time a Vietnamese financial institution has collaborated with ADB to produce a comprehensive report on Vietnam's financial markets in all three categories of banking - securities - insurance. VOV

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Vietnam incurred a trade deficit of US\$2.7 billion in the first half of May

Vietnam incurred a trade deficit of US\$2.7 billion in the first half of May, after earning a trade surplus of US\$2.53 billion in January-April, according to the General Department of Vietnam Customs.



Commodities seeing a sharp fall in export revenue in the first two weeks of May included phones and phone parts (down 39.3%); computers, electronics and accessories (down 32.1%); and machinery, equipment, tools and accessories (down 24.4%). Meanwhile, fuels and animal feed materials registered the highest import turnover in the two-week period, at 31.7% and 57.1%, respectively.

In the first 15 days of this month, the country's total import-export turnover reached US\$28.34 billion, down 15.6% over the previous 15 days. The figure in the year to May 15 had amounted to US\$270.56 billion, up 15.4% year-on-year. The country's exports totaled nearly US\$135.2 billion while its imports reached US\$135.39 billion.

The export revenue from computers, electronics and accessories; fuels; and coal soared by US\$7.5 billion, US\$2.14 billion and US\$1.46 billion, or 30%, 129.7% and 111.9%, respectively.

Imports of many products surged, such as phones and phone parts by US\$2.61 billion; textiles and garments by US\$2.32 billion; machinery, equipment, tools and accessories by US\$1.76 billion; and computers, electronic products and accessories by US\$1.78 billion. Vietnamnet

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E-COMMERCE

On-demand services in steep advance

The on-demand economy is surpassing traditional business models faster than anticipated, changing customer behaviour in Vietnam while also levelling the business-to-business playing field.



Illustration photo/ Source:freepik

According to Nguyen Huy Hoang, chief business officer at OnPoint E-commerce, the e-commerce trends that were expected to happen by 2025, such as edtech and fintech, have already occurred in Vietnam. “The pandemic pushed forward the trends of e-commerce in Vietnam 2-3 years earlier,” Hoang noted. “According to the latest report from Google, Temasek and Bain, in 2025, the e-commerce market size in Vietnam will be about \$30 billion. Hence, all the e-commerce platform companies are investing hugely in the country.”

In many fields, from taxis to video-on-demand, what began as a question of the fastest way to do something has ended up replacing the original methods and revolutionising the whole industry. Specifically for e-commerce, a major driving force for the on-demand economy, the common behavioural trend is shifting towards accessibility, simplicity, and privacy, which is believed to be both a result and cause for the sector’s dramatic development. In Vietnam, this particular side of the economy is experiencing a 4.5 per cent on-year growth rate.

Elsewhere in the world, besides e-commerce, delivery services and the sharing economy that have become familiar, a number of other industries are experiencing disruptions due to new on-demand ideas. Even in heavy industries like logistics or automobiles, long-term players are being shaken up by the emergence of innovative apps, including Instacart and Postmates (grocery shopping), JustPark (parking), Task Rabbit (handyman services) and Airbnb. According to a report by PwC, the global on-demand apps market will reach approximately \$335 billion by 2025.

In Vietnam, education and healthcare are considered to be the next industries to participate in the on-demand race. With new education models like asynchronous learning, and online or hybrid classes, learning-on-demand is a concept associated with the learner’s role in determining what they want or need to learn at any given time. This idea has brought about the rise of new edtech platforms like Topica, Duolingo, or ELSA speak.

“Vietnam has become our largest market in Southeast Asia. Specifically, 3 per cent of Duolingo’s daily active users are from Vietnam, and we saw a massive 67 per cent growth in monthly active users between January 2021 and January 2022,” said Haina Xiang, Duolingo’s marketing manager for China and Southeast Asia. Consulting companies are also paying attention to this growing trend. Warrick

Cleine, chairman and CEO of KPMG in Vietnam and Cambodia, said that the firm has launched an on-demand app to reach out to customers.

“The app gives our clients access to our people and our knowledge in ways that they didn’t previously have access to,” Cleine said. “Even as a very conservative market like the consulting industry, we have received a huge amount of engagement from our clients.” Meanwhile, the past few years have witnessed the birth of an entirely online and on-demand healthcare segment, partly as a coping mechanism with COVID-19. Some popular apps in Vietnam include Suc Khoe Vietnam (launched by the Ministry of Health), Dr.OH, Apple Health, and eDoctor.

On-demand models are also believed to give businesses higher profits without the initial cost of business models. Since technology plays such an important part in this segment, the cost of logistics, human resources, and brick-and-mortar offices can be saved. While the focus of on-demand is business-to-customer, business-to-business (B2B) companies are not left out of the picture.

According to Nguyen Duc Trung, partner of VinaCapital Ventures, the supply chain disruption caused by the pandemic has accelerated the growth of B2B companies in the on-demand economy. At the same time, the government is also a determining factor in the process.

“The B2B side needs fertiliser and integration in terms of the global demand or local consumption. The on-demand economy can only be implemented effectively with the government regulating the supply chain to facilitate imports and exports, and the harmony in digital transformation among all of the larger corporations,” Trung noted.

On the other hand, a minus point of the on-demand economy model is the urgency in regulation adjustment and user privacy management. While most of the sectors with booming on-demand growth are previously highly regulated, their rapid development is putting state authorities in a regulation and tax puzzle.

In addition, given the huge amount of data generated by on-demand companies, changes in existing laws and regulations might result in massive transfers of sensitive customer data. Hoang of OnPoint E-commerce assessed that another challenge for businesses entering the on-demand economy is the big shift in both business mindset and logistics.

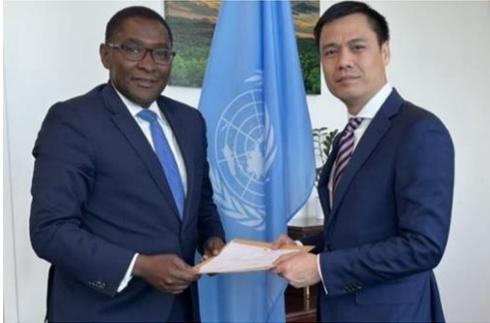
“Specifically for Vietnam, I think a lot of enterprises are still stuck in the old way of thinking. So while customer behaviours change so rapidly, companies’ mindsets are not ready to catch up. After that, there have to be modifications to the supply chain and operations. There are a lot of new capabilities you need to acquire,” Hoang noted. VIR

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ENERGY

UN promises support for Vietnam's energy transition scheme

The United Nations (UN) has affirmed its willingness to support Vietnam in establishing a partnership on energy transition with the Group of Seven (G7) nations in a letter of UN Secretary-General Antonio Guterres to Vietnamese Prime Minister Pham Minh Chinh.



Special Adviser to the UN Secretary General on Climate Action Selwin Hart handed over the letter to Ambassador Dang Hoang Giang, Permanent Representative of Vietnam to the UN at a meeting in New York on May 18.

In the letter, the UN Secretary General applauded Vietnam's decision to make a strong commitment to net-zero emissions by 2050 and reducing domestic coal-fired electricity consumption at the 26th United Nations Climate

Change Conference of the Parties (COP26), affirming that the UN fully supports Vietnam's efforts to phase out coal-fired power by 2040.

Guterres welcomed G7 nations' recent agreement to prioritise the establishment of partnership with Vietnam on energy transition.

Ambassador Giang thanked the UN and the Secretary General for the support for Vietnam, saying that he will soon send the letter to PM Chinh and will continue to work closely with the special adviser and UN agencies in this issue. VNA

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Shortage looms despite large wind, solar power capacity

Wind and solar power account for a third of capacity and generate 15 percent of output in Vietnam, but there is still a risk of shortages in summer. Vietnam has wind power plants with a capacity of 3,900 MW, but most of the time their output is less than half of this, according to data from the National Load Dispatch Center.



On March 19, for instance, there was little or no wind and the output fell to 15 MW, or 0.37 percent of capacity. EVN deputy general director Vo Quang Lam said power generated from wind changes not just seasonally but daily, even hourly. Ha Dang Son, director of the Center for Energy and Green Growth Research, said renewables were insignificant in the past with small-scale plants only. But they are now a vital part of the power grid, and so it is a challenge for operators to overcome the uncertainty, and a forecasting tool to match demand and supply is imperative, he said.

Trinh Quoc Vu, vice chief of staff of the Steering Committee for Energy Saving, cited the example of Ireland, which exports power to neighboring Britain, but struggles in winter, the peak season amid demand for heating, when there is no wind to generate power. He also pointed to geographical and transmission limitations faced by renewables.

Wind and solar power plants are concentrated in Vietnam's central and southern parts, where demand is lower than the north, while transmission infrastructure is inadequate. EVN estimated that the northern part may lack about 1,500-2,400 MW during the summer's peak. Currently, Vietnam only generates 40,000 MW of electricity as against a designed capacity of 76,600 MW. Renewable sources accounted for 30 percent of total installed capacity, or 20,700 megawatts, at the end of last year, according to national utility Vietnam Electricity. They generated 13.2 billion kilowatt-hours in the first four months of this year, accounting for 15.4 percent of production.

To ensure power supply during the peak season, EVN said it could buy 130 MW from Laos and 500 MW from China if needed. It is also planning to expand some hydropower plants and stock up on coal and gas for generators. Lam said electricity production should increase by 8.3-12.4 percent this year to meet post-Covid recovery demand. It needs to develop energy as a service market to stabilize the power grid and optimize supply, he added. Experts called for promoting energy-saving solutions to reduce the burden on the power grid.

Vietnam has yet to become an energy-efficient country, using up to 400 kilograms of oil for each US\$1,000 to GDP. It is 30 percent higher than the rate for Thailand, 40 percent higher than Malaysia's and four or five times higher than the U.S.'s. vnexpress

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RETAIL

Pharmacy chains to marginalise private drugstores

Big names in the pharmaceutical industry are wasting no time expanding their market dominance, raising concerns over the marginalisation of private drugstores.



Official data shows that three leading pharmaceutical retailers in Vietnam own 1,962 drugstores by 16 May: 1,088 belong to Pharmacity, 581 to Long Chau and 293 to An Khang.

Pharmacity aims to reach over 5,000 drugstores by 2025, Long Chau has set a target of 800 by year-end, and An Khang is striving to raise its number of pharmacies to around 400 by late June.

Expansion can be observed in other pharmaceutical retailers, including Phano Pharmacy, Nha Thuoc 7 and Nha Thuoc Muoi, which also want a bigger share of the pie. The fast growth of pharmacy chains has put off many pharmacists who planned to open their own private drugstores. They are concerned that their drugstores can no longer provide a niche in such a highly competitive market.

"The market is so competitive that it has shattered my dream of having my own drugstore," said a disheartened pharmacist. However, not all pharmacists are pessimistic, as some have found a way to hold ground amid mounting competition. One pharmacy owner revealed that private drugstores who know their advantages could carve out a niche in the market.

"Local private drugstores have considerable advantages in terms of business premises. Additionally, their owners are always available for client consulting, adding flexibility to their services," said the owner. He stressed that consulting held the key to client loyalty. Pharmacists good at consulting could easily lure clients away from pharmaceutical chains and turn them into their own loyal clients.

He also underlined older people as an essential client segment that private drugstores should focus on. These people are less likely to change their consumption habits, so they are indifferent to big names and innovative technologies that the big names have been offering. "They don't care about applications and brand names. They care about pharmacists who patiently listen to them complaining about their insomnia and back pain," said the owner. Nguyen Bach Diep, Chairwoman of the FPT Retail, shared the view.

She said pharmaceutical retailers were opening new pharmacies at a fast pace. However, room for growth was ample for all market actors as big names still held a tiny market share. "There is ample room for growth for all market actors. While Vietnam has around 57,000 pharmacies, big names like Pharmacity, Long Chau and An Khang own less than 3,000, a tiny portion", Diep said.

Another pharmacist stressed that pharmaceutical chains to private drugstores were like supermarkets to traditional markets. The expansion of supermarkets would undoubtedly lead to the decline of traditional markets. However, traditional markets would not disappear in the short term, given Vietnamese people's current income levels and consumption habits. "Likewise, private drugstores are unlikely to lose ground in the short-term," said the pharmacist.

Some pharmacists are moving their drugstores online to seek profits in virtual markets amid shrinking revenues from brick-and-mortar businesses. The World Bank forecast that people aged 65 and above in Vietnam would reach approximately 20 per cent of the population by 2050. That means the demand for healthcare and pharmaceutical products will rise steadily in the coming years, providing a fresh impetus for the fast-growing industry.VNS

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LOGISTICS

Cargo throughput via seaports sees modest growth

Cargo throughput across seaports nationwide hit 241 million tonnes in the first four months of 2022, rising 2% year-on-year, according to the Vietnam Maritime Administration.



The volume, excluding transited goods not unloaded at seaports, included 61.95 million tonnes of exports (up 2%), 67.49 million tonnes of imports (down 9%), and 110.99 million tonnes of domestic goods (up 10%). Container throughput also increased 2% to over 8.3 million TEUs during the period.

The administration said 2% is the slowest growth in recent years though Vietnam has entered the post-pandemic new normal. Seaports in many localities have recorded a sharp decline in volume, such as Binh Thuan down 28% from a year earlier, Can Tho 25%, and Kien Giang 12%.

Major ports also witnessed drops from 0.5 - 4%, including Hai Phong down 0.5%, Ho Chi Minh City 2.8%, and Vung Tau 4%. The growth slowdown has been attributed to different factors, mainly that production, export and import activities by domestic enterprises have yet to fully recover.

Besides, China's zero-COVID policy has also impacted firms doing business with Vietnam's largest export and import market, according to the administration.

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USAID helps Saigon Port to ease congestion

The United States Agency for International Development (USAID) has released an action plan for reducing congestion at Cat Lai Terminal, the busiest in Vietnam, located at Saigon Port. The action plan, which contains 21 recommendations, aims to restore the port's capacity to the level prior to the Covid-19 pandemic and meet the growing demand that is estimated to double by 2030 in terms of container throughput at the port.

Launched in partnership with the General Department of Vietnam Customs (GDVC), the action plan is the result of a Pre-Feasibility Study on Anti-Congestion and Facilitating Trade Logistics at Cat Lai Port conducted by the USAID Trade Facilitation Program worth US\$21.7 million in the 2018-2023 period.

The recommendations cover a wide range of issues from leveraging IT solutions, enhancing information flows, cargo clearance, and expanding port facilities, to improving operational performance. In addition, through USAID's INVEST project, the agency is working with the Ministry of Transport's Vietnam Maritime Authority to examine likely areas for public-private partnership, which is an effective way to mobilize investment for large-scale infrastructure projects. "As international trade recovers from the impacts of Covid-19, addressing congestion at Cat Lai Port has become a priority," Mai Xuan Thanh, GDVC Deputy Director-General, said, adding that when implemented, the anti-congestion measures will facilitate international trade, contributing to enhancing Vietnam's competitiveness in the region and the world. "Easing congestion at Vietnam's ports will become increasingly important as trade rebounds in the post-Covid-19 environment," said Ann Marie Yatishock, USAID/Vietnam Mission Director.

She said the pre-feasibility study conducted by USAID recommends an action plan for Vietnam's busiest container port to help it handle a projected surge in container volume. Vietnam has 44 seaports with a total capacity of about 500 million tons per year. The major ports are located in Ho Chi Minh City, Haiphong, Danang, and Qui Nhon. Approximately 4.9 million 20-foot containers (TEUs) are handled in Saigon Port each year, which equates to about three million trucks, or more than 8,000 trucks per day transiting in and around the city to discharge or load containers from the port area. Cat Lai Port handles over 92% of this volume and roughly 50% of the country's total container throughput.

The USAID-supported program results from the fact that inefficient border procedures, including customs clearance at ports, are preventing Vietnam from improving its trade competitiveness. For that reason, the five-year program is supporting the Government of Vietnam to adopt a risk-management approach to customs and specialized inspection, strengthening the implementation of the World Trade Organization's Trade Facilitation Agreement of which both Vietnam and the United States are members. This will assist Vietnam in achieving its development objectives while reducing the time and cost to trade. It focuses on standardizing customs procedures, strengthening national and provincial coordination, and building the capacity of customs officials, supporting Vietnam in developing a more attractive trade and investment climate for enterprises, traders, and investors. The program is expected to reduce up to 70% of customs clearance time at Cat Lai Terminal. The results would also facilitate transactions between Vietnam and the US in long-term trading. Hanoitimes

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INVESTMENT

Investment flow drives Vietnam's industrial property

There would be huge investment capital inflows in Vietnam's industrial property sector in the coming time if bottlenecks are solved to pave the way for multinational manufacturers, according to participants of the first session of the Industrial Property Forum 2022 co-organised by VIR and BW Industrial Development JSC.



According to Pao Jirakulpattana, vice president at Warburg Pincus Singapore, China is competing with many other emerging areas, including Vietnam.

“If you look at the investment flow on the global scale, although the flow is coming back to China in the global perspective as political tensions have arisen, ASEAN is becoming an attracting destination, including Vietnam,” Jirakulpattana said. “Vietnam has done pretty well in receiving new investment flows.

We highly appreciate the determination of the government to define which sectors should be the top priority. For example, the electronic and power sector will develop strongly in the next 10 to 15 years. Vietnam has started with intensive labour sectors. However, sustainable development must be more concentrated,” he added.

Jirakulpattana also expressed Vietnam's disadvantages in capital and financial products. “We do not have an efficient approach for large-scale international investors yet, such as the Centre Group or chains from the Philippines,” he added. Investment flow drives Vietnam's industrial property

Panellists of the first session of the forum focused on capital investment flows and the removal of bottlenecks. Meanwhile, Bruno Jaspaert, general director at DEEP C Industrial Zones expressed that Vietnam should not directly compete with China, but must be different from China and attractive to investors.

“Vietnam has an effective economy but like many other countries, it has to improve its infrastructure system, to meet the increasing demand of the market,” Jaspaert said. He expressed the trend is shifting from Taiwan and China where manufacturers are expanding their factories. “Despite China remaining the biggest manufacturer base for a long time, Vietnam is at a very strong position,” he added.

Jaspaert expected that there would be a large investment movement if an expressway connecting China's Shenzhen and Vietnam was built in the future. Vietnam, moreover, needs to strengthen its competitiveness by improving policies and regulations, to be more supportive for investors and developers,” he said.

Bui Trang, general manager of Cushman & Wakefield Vietnam, also expressed that manufacturers from Singapore, the US, and the European community have been moving into the Vietnamese market.

“Real estate developers have been very well connected with banks and other financial solutions to raise capital for their businesses. However, they need to focus on long-term financial sources for sustainable development,” Trang said. “Japan and South Korea are also very interested in the Vietnamese market. With many multinational trade agreements, billions of US dollars are waiting to come to Vietnam,” Trang said.

Regarding bottlenecks, skyrocketing land prices in some key areas led to higher costs for manufacturers. Meanwhile, although Vietnam has spent about 5.8 per cent of GDP on infrastructure development, it is still a long way from developing an integrated infrastructure network with a deep-sea port system, inter-regional highways, and waterways. VIR

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Gia Lai to partner with Japan in agriculture, renewable energy, tourism

The Central Highlands province of Gia Lai held a workshop on May 22 to introduce its potential and seek chances for investment cooperation with Japan in agriculture, processing, renewable energy, and tourism.



Ho Phuoc Thanh, Vice Chairman of the provincial People's Committee, said Gia Lai is inviting investment to hi-tech agriculture, agricultural services, intensive processing, renewable energy, and tourism, which are among the pillars identified in its socio-economic development strategy for 2021 - 2030.

Although most of local enterprises are of small or medium size, many are turning out products meeting European standards such as the Vinh Hiep Co. Ltd and the Dong Giao Foodstuff Export JSC, which were also the first of Vietnam to export to Europe under the EU - Vietnam Free Trade Agreement (EVFTA), he noted.

Shimonishi Kiyoshi, Deputy Consul General of Japan in central Da Nang city, said Gia Lai is famous for such farm produce as peppercorn, coffee, and rubber, which are also the items Japanese firms have been importing from this province.

He expressed his belief that cooperation between Japan and Gia Lai will not be limited to agriculture, as there remains much potential to tap into.

Thanh pointed out that as Japan is not an easy market, Gia Lai businesses need to take careful and firm steps, the prerequisite of which is to apply scientific and technological advances to manufacturing and continually improve product quality.

The province will create a transparent and favourable investment climate while removing obstacles in a timely manner so that all economic sectors, as well as both local and foreign businesses will develop, according to the official. VNA

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