VIETNAM BUSINESS REVIEW

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Highlight

Vietnam in top five markets globally for cost efficiency

What's in it today?

FINANCE

VN insurance market sees growth this year despite COVID-19

Vietnam's insurance market has experienced growth this year, while many other sectors are suffering a lot of negative impacts from the COVID-19 pandemic, according to the Ministry of Finance.

The ministry reported total insurance premium revenue in 2020 is estimated at 184.7 trillion VND (7.86 billion USD), an increase of 15% compared to 2019. Total non-life insurance premium was 57.1 trillion VND (up 8%) and life insurance was 127.6 trillion VND (up 19.6%).

Insurers have paid 48.2 trillion VND for customers, a surge of 11.4% year on year.

According to the ministry's Department of Insurance Management and Supervision, the pandemic has been controlled to create a stable business environment for local enterprises, including insurance companies, helping them resume and promote business activities.

To achieve the dual goal of both controlling the pandemic and ensuring economic development, the Government has implemented a series of solutions and policies to remove difficulties and support people and enterprises.

The ministry has also completed policies to support insurance companies for the comprehensive and sustainable development of the domestic insurance market. That would help the insurance companies stabilise their business in the context of a sharp reduction in benefits from investments and interest rates of government bonds as well as the unpredictable development of the pandemic.

The ministry has reduced and simplified administrative procedures to remove difficulties for enterprises. It has also reduced contributions of insurance companies to the insurance protection fund from 0.15% of the total insurance premium revenue to 0.05%.

Meanwhile, insurance companies have reviewed and cut expenditures to improve operational efficiency, and increased charter capital to improve financial ability and expand distribution channels. In addition, they have promoted the development of health insurance and healthcare products.

They have also increased investment in information technology and digital transformation to improve service quality, operational efficiency and risk management ability.

In addition, people's demand for insurance products is increasing because their awareness of the importance and significance of life and health insurance has been raised significantly, according to the department.

It expects that in the future, the legal framework for the insurance business sector will be completed to create a transparent business environment and favourable conditions for the development of this market.

The domestic insurance market has a high and stable growth but it is still smaller than its potential, according to the department. In Vietnam, total revenue of the insurance market accounts for 3.07% of the national GDP, lower than the average rate at 3.35% in the ASEAN region, 5.37% in Asia and 6.3% in the world.

The department also reported that in 2020, insurance companies have contributed to socio-economic development with a total investment of 460.5 trillion VND, up 22% over the same period in 2019. By this year, total assets of insurance businesses are estimated at 552.4 trillion VND, 20% higher than the same period in 2019. Total equity is estimated at 113.5 trillion VND, up 18%.

Insurance products in many fields are not yet developed on the domestic market, such as for natural disasters, public property, import-export, life and healthcare. So far, insurance companies have products for many major sectors including property, aviation, marine, credit, agriculture and fisheries./.VNS

Vingroup sells stake in Vinmec for $203 million

A consortium led by the Singaporean investment firm GIC has acquired VND4.7 trillion (US$203 million) worth of stake in VMC Holding Business Investment JSC (VMC), the subsidiary of the largest private enterprise Vingroup JSC. VMC is the parent of private hospital developer and operator Vinmec.

The investment will be used to expand Vinmec's medical network and "pursue breakthroughs in excellence of care and patient treatment," Vingroup said in a statement.

After the transaction, Vingroup will remain "the sole controlling shareholder of VMC" and "GIC will receive a share of income from VMC proportionate with its equity interest, whilst Vingroup will continue to re-invest all income into the business, in line with the group's existing commitment that its investment in healthcare will remain non-profit," the company said.

The investment emphasises "the attractiveness of Vinmec's comprehensive suite of service offerings and leadership in the development of quality private healthcare," Vingroup said. The financial advisor to VMC in this deal is Credit Suisse (Singapore) Limited.

Vinmec is a non-profit business and manages seven international hospitals and five clinics across the country. Vinmec is the first hospital to secure two JCI accreditations for Vinmec Times City International Hospital and Vinmec Central Park International Hospital. Its parent firm – Vingroup – is the largest local private enterprise with main focus on technology, industrials and services.

Vingroup is listing more than 3.38 billion shares on the Hồ Chí Minh Stock Exchange (HoSE) with code VIC. Its shares rose 0.6 per cent to VND106,500 apiece on Tuesday.

Vingroup also sees two of its subsidiaries listing shares on HoSE, which are Vincom Retail (HoSE: VRE) and Vinhomes (HoSE: VHM). The Singapore-based investment business GIC was established in 1981 to oversee Singapore's foreign reserves. — VNS

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E-COMMERCE

Online shopping booms, sellers thriving

As the number of online orders is up to several million on special days, sellers are rushing to build storehouses.

December 12 was one of the biggest sale promotion campaigns of the year for e-commerce sites.

According to Lazada, the volume of washing liquid sold in one day was enough for 3.5 million households to use for a day.

Around 200,000 plants and seeds were sold on that day. The number oil-free fryers sold on that day could save 9,000 liters of vegetable oil, while the lipsticks sold would be as tall as the highest building in the world, the Burj Khalifa in Dubai.

According to Shopee, one seller of smartphone accessories on the platform earned VND13 billion after 24 hours on December 12. Around 1,000 skincare products were sold every minute. And 60,000 kitchenware items and dining table accessories were sold on that day.

Prior to that, during the October 10 sale promotion campaign, Tiki saw sales increasing by 30% compared with the September 9 campaign, which was reported as having the highest revenue for Tiki in 10 years.

The revenue on October 10 was 3.5 times higher, and the number of products was 2.5 times higher than the same period last year.

All e-commerce sites reported sharp sales increases on Singles' Day November 11, Black Friday November 11, and Christmas and New Year sale seasons.

While the retail industry has suffered heavily because of Covid-19, e-commerce has been thriving as people tend to buy online instead of going to supermarkets and shops to avoid direct contact.

Forbes commented that Vietnam is a promising land for e-commerce firms, with internet penetration rate reaching 65%.

According to Redseer, the gross merchandise value (GMV) of Vietnam's e-commerce sector may reach $50 billion.

Napas reported a growth rate of 76% in online payment transactions in the first months of 2020. Consumers with e-wallets make 1.6-2 transactions a day via mobile phones, mostly to pay for food, eride-hailing, and electricity and water bills.

The strong rise of e-commerce is expected to be a driver for the development of the logistics real estate sector. Because of the sharp increase in number of orders, e-commerce firms have to store more goods at places near customers, which leads to higher demand for flexible storehouses.

JLL has reported an increased demand from large clients who want storehouses near central areas with the area of 10-15 hectares.

Developing distribution centers nearer to ports and bus stations is a wise strategy which helps minimize risks of interruptions if global upheavals occur in the future.

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LOGISTICS

Vietnam's sixth carrier making plans to take off by mid-January

Vietravel Airlines, Vietnam's sixth carrier, has received permission to fly aircraft for commercial purposes, and plans to begin operations in mid-January.

It received the aircraft operator certificate from the Civil Aviation Authority of Vietnam (CAAV) last week, the last permit it needed to fly.

Vietravel would start selling tickets in January, Vu Duc Bien, its general director, said. It targets breaking even in its second year of operations, he said

Starting amid the turbulence created by the pandemic has helped the carrier acquire good aircraft and pilots and engineers at competitive rates besides benefiting from low fuel costs and a stimulus package from the government, he added.

It recently took delivery of its first 220-seat Airbus A321CEO plane and is due to get two more soon to meet the increased travel demand during the Lunar New Year Tet in Februrary, 2021.

Based at Phu Bai International Airport near Hue, Vietnam's former imperial capital, it will start with services to Hanoi and HCMC before expanding to major tourist destinations like Nha Trang, Da Nang and Da Lat.

It has hired some 200 pilots and flight attendants, and is looking to expand its fleet to 30 to prepare for international operations.

It plans to fly to Southeast Asia, especially Thailand, the Middle East and Northeast Asia, markets that Vietravel services.

The airline enters a fiercely competitive aviation market which already has five players, Vietnam Airlines, Vietjet, Jetstar Pacific, Vietnam Air Services Company, and Bamboo Airways, at a time when the industry has gone through one of its most challenging years ever due to Covid-19 restrictions, which have caused airlines huge losses.

Vietnam's logistics industry: How Vietnam's expanding economy is boosting growth

Vietnam's logistics industry has been boosted by the country's booming GDP, rising manufacturing, and e-commerce sectors. In addition, the rapid adoption of e-commerce by the country's young demographic has increased the demand for expansion in logistic services.

Vietnam aims to develop itself as an export-driven economy. By establishing economic zones and industrial parks, the government is proactively taking steps to foster manufacturing investments, which is another reason why Vietnam's logistics industry has strong potential.

Logistics on fast-growing trajectory

Logistics is one of the fastest expanding sectors of Vietnam's economy, whose growth may outpace GDP. The country's import-export revenues reached close to US$390 billion in the first three quarters of 2020. This is a 1.8 percent growth compared to the same period last year as per the General Statistics Office (GSO). The Vietnamese government aims to achieve an annual logistics growth rate close to 20 percent by 2025.

Aviation, maritime, road transport contribute to logistics growth

As per World Bank rankings in 2018, Vietnam demonstrated a significant improvement in its Logistics Performance Index (LPI). It ranked 39 out of the 160 countries, rising 25 places above its position in 2016. Data from the Ministry of Industry and Trade showed that Vietnam's logistics sector grew by over 12 percent in 2018.

In terms of weight, Vietnam's cargo throughput has steadily grown between 2010 and 2018, achieving an 8.4 percent compound annual growth rate (CAGR). Over three-fourths of freight tonnage in Vietnam was transported by road, growing five percent in this period. Meanwhile, the share of water transport fell from a quarter portion of cargo tonnage to one-fifth. Railway and aviation sub-sectors together transport less than one percent of cargo by weight.

In terms of freight ton-kilometers, Vietnam's freight traffic achieved a growth of 9.6 percent CAGR between 2010 and 2018. With a 150 percent growth in this period, the aviation sub-sector was the main driver of growth. Aviation, maritime, and road transport sub-sectors steadily carried about 95 percent of freight traffic.

Rising manufacturing industry

In the past two decades, Vietnam has evolved into a leading manufacturing hub in ASEAN. As the country aims to be an export-driven economy, it requires importing raw materials and then exporting finished goods.

The increasing movement of goods to and from Vietnam has necessitated further development in its logistics sector. Vietnam's participation in several free trade agreements (FTAs) has further helped augment its manufacturing growth.

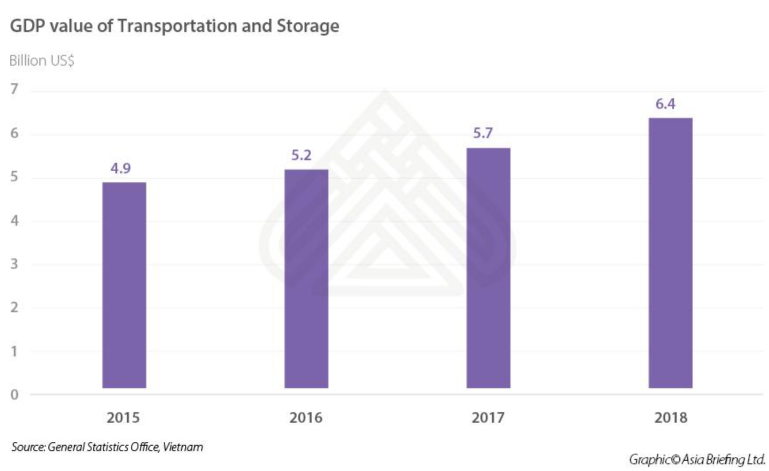
Manufacturers diversifying from China

The US-China trade war and the pandemic have forced manufacturers to diversify their supply chains and shipping networks. This has resulted in businesses relocating their operations from China to Vietnam over the last few years. This is also known as the China plus one strategy.

Due to its low labor cost, Vietnam has received a large influx of capital for establishing labor-intensive industries. Thus, the country's assembling and manufacturing industries have shown significant growth.

Logistics players in Vietnam

Vietnam's logistics market involves numerous SMEs that provide low-value-added service. Over 90 percent of the country's 3000-plus logistics firms have their registered capital below US$430,000. The other five percent have capital exceeding US$860,000, while the remaining companies play between these amounts.



Domestic logistic companies face intense competition among themselves and from foreign players. Vietnam's logistics market is dominated by foreign players, who account for about three-fourths of its revenue.

In Vietnam, over 30 companies provide international logistics services including big names like DHL, FedEx, and Maersk.

Major local players include Vinalines, PetroVietnam Transport (PV Trans), and Viettel. Vinalines mainly offers services in port operations, shipping, and logistics, while PV Trans focuses on maritime transport and services for the oil and gas industry. State-owned Viettel Post provides a broad spectrum of services such as courier and warehouse rental.

The logistics services tend to be outsourced in Vietnam – characterized by basic and specialized services. Basic services include transport and warehousing. Specialized services include higher-order services such as the management of warehouse, inventory, and vendor; processing of orders; liaising with customs; and reverse, and climate-controlled logistics.

Logistic companies in Vietnam are established as follows:

MNC and JV – Multinational and joint venture companies typically attract foreign investments. They target international clients in Vietnam by providing logistics packages;

State-owned companies or corporations, which dominate the local logistics market; and

Joint-stock and private companies, which primarily rely on private-sector customers. These are small companies with limited capital that have the potential to develop.

Government's push for maritime transport

Vietnam's geography gives it a logistical advantage that comes from its proximity to China. A long coastline that spans over 3000 kilometers and a vast network of rivers gives Vietnam a significant potential to develop its maritime transport.

Vietnam's current maritime network includes 44 major seaports. However, Vietnam has a number of smaller ports as well, which takes the total number of ports in the country up to 320. Ho Chi Minh City's Cat Lai is the biggest and most advanced port in Vietnam. In 2018, it handled nearly a quarter of the country's 293 million metric tons of sea cargo. Its 71 million metric tons throughput exceeds that of the next four largest ports combined.

The throughput of the country's seaports increased by one-fifth between 2017 and 2018. These seaports handled over 520 million metric tons of cargo in this period. Vietnam has over 1300 SMEs engaged in maritime logistics, which fulfill a small fraction of market demand.

The Vietnamese government is empowering its maritime industry to raise contribution to a tenth of GDP by 2030. This includes raising the maritime sector's GDP contribution of coastal cities and provinces from 60 percent in 2017 to over 65 percent by the next decade.

Further, there are plans to enhance the country's maritime throughput at over 1000 tons per year. These efforts complement the government's vision to reduce the country's reliance on road networks. Nevertheless, Vietnam's maritime sector will require significant investment for further development.

Opportunities in logistics

The logistics sector presents a whole range of opportunities, which include:

Storage and distribution: Opportunities exist for developing warehousing infrastructure and distribution centers. There is a need to integrate existing storage infrastructure with other logistic functions, such as transportation, inventory management, cold chain, customs facilities, and warehouse management.

Software solutions: Most of Vietnam's warehouses and distribution centers lack software packages like Warehouse Management System (WMS) and Transport Management System (TMS). A WMS is essential for modern supply chain management, as it automates the process of order fulfillment from accepting raw materials to dispatching finished goods.

The WMS takes care of routine tasks such as picking-and-placing goods, scanning barcodes, and RFID tags, and updating inventory records in the ERP system instantaneously. The TMS system, helps shippers in scheduling, fulfilling, and optimizing the delivery process.

Learning resources: The rapid expansion of the country's logistics has increased the demand for a skilled and experienced workforce. The industry needs advanced and reasonably priced logistics programs. Local universities also have opportunities to introduce such programs.

Temperature controlled logistics: Import and export of perishable items like food and drugs have created a demand for climate-controlled logistics. In light of the pandemic, the need for the transportation of vaccines will provide further opportunities for temperature-controlled logistic operators.

Last-mile delivery: The massive boom in Vietnam's e-commerce has created several opportunities in the delivery sector. Services like two-hour and one-day delivery have great potential as the country's growing middle-class can afford such value-added services.

High costs, infrastructure leading barriers

The logistics industry in Vietnam continues to face high costs. Logistics costs are 6 to 12 percent higher than that of Thailand, China, and Malaysia. These high costs may affect the manufacturing sector's competitiveness that import raw materials and export finished goods. However, the Vietnamese government has been proactively taking actions to reduce these by improving its transport infrastructure. These efforts have resulted in a significant decrease in logistics costs, from 25 percent to 16 percent of GDP in the last decade.

Underdeveloped infrastructure has restricted the capacity of several seaports in the country. For solving this issue, certain seaports have started collecting fees for using infrastructure and service facilities. In 2017, Haiphong set this trend, with Ho Chi Minh City following by announcing similar fees from July 2021.

These fees should supplement an additional revenue of US$130 million to Ho Chi Minh City and US$70 million to Haiphong. The government aims to use this collected revenue to develop transport infrastructure to ease jams at seaports.

Currently, not all logistics facilities are located close to ports and manufacturing hubs. Thus, new warehouses and distribution centers will need to be positioned closer to such hubs to facilitate the movement of goods.

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RETAIL

MM Mega Market opens food wholesale & distribution center in HCMC

MM Mega Market Vietnam (MM) on December 24 inaugurated its food wholesale and distribution center - MM Food Service Hung Phu - at 9B Kha Van Can, Linh Dong Ward, Thu Duc District, Ho Chi Minh City.

This is MM Mega Market Vietnam's first wholesale and distribution food center in Vietnam, which serves customers who need to buy large quantities and professional customer groups like HoReCa (Restaurants, Hotels, Canteens), etc. This center is built in Thu Duc District as the district is designed to be the "new city in the East" of Ho Chi Minh City and a creative economic city in the near future.

"Focusing on fresh and safety food, which has always been our company's strength. MM Food Service Hung Phu is operated under the wholesales format dedicated to professional customers as a more convincing proof that MM Mega Market has been well recognized as the destination of high - quality fresh food. This is also in line with the Vietnamese Government's direction and showing our consistent & high requirements on food hygiene and safety," said Mr. Bruno Jousselin, Managing Director of MM Mega Market, at the launching ceremony.

Mr. Le Huynh Minh Tu, Deputy Director of the Department of Industry and Trade, said: "Many businesses such as restaurants, hotels, canteens of manufacturing zones chose MM Mega Vietnam because of their reputable in providing quality products and transparency in business."

"In particular, MM is also an active distributor of local goods in supermarkets, always aims to become a 'green retailer'. With the official establishment of Thu Duc City, it will bring lot of advantages for MM Food Service and attract a large of customers to here, bring opportunities for citizens here to purchase best quality agricultural products, fresh foods, with a safe and reasonably price; and to experience the civilized and convenient services," he said.

Mr. Apirat Sugondhabhirom Na Phatthalung, Thai Consulate General in Ho Chi Minh City, said: “The new MM Food Distribution Center is located at the northeast gateway of Ho Chi Minh City and at the heart of an increasingly important commercial, academic and high-tech residential area. I am sure that this MM Food Distribution Center will not only provide fresh, qualified food at competitive prices but also create favorable conditions for businesses and professional customers in Ho Chi Minh City and surrounding areas.”

Among the potential development of Thu Duc City, investing in service and solving the problem of consumer’s demands for a safety and quality products, not only targeting on high-end customer segments but also aim for the mass segment which aims to serve for "No one is left behind" is one of the key factors to build up Thu Duc into a creative economic city.

Responding to that development trend, MM Food Service Hung Phu opened with the objective to provide quality, safety foods at competitive price for customers here. Specifically, MM Food Service has programs "that guarantee the prices are always cheaper than the market"; The supply chain of agricultural and fresh foods "from farm to fork” with VietGAP standard always ensures safety and traceability of products.

MM Food Service Hung Phu is located in Linh Dong ward, one of the central locations of Thu Duc District and closes to Binh Thanh District, neighboring areas including many educational institutions, residential areas, high industrial center, etc. which is the gathering place for key potential customer groups of MM.

Food Service Hung Phu Center also owns a total area of nearly 4,000 square meters with the net sales area is almost 2000 square meters. The items at Food Service are diverse in types, from domestic to export, including 6500 SKUs, mainly agricultural products, fresh foods, dried foods, cool and frozen foods, other essential items that cater to professional customers.

MM Food Service Hung Phu has modern infrastructure with food storage systems including cool stores, frozen warehouses, and refrigerators with different temperatures in accordance with standard for each kinds of product. In addition, following the trend of "green and sustainability" of MM, at Food Service Hung Phu is also installed an LED light system to optimize energy efficiency, encouraging customers to use disposable bags instead of disposable plastic bags, replacing packaging with recyclable materials, etc.

At MM Food Service, there is always a sales force team to serve the professional customers. In addition, the center also applies free delivery service within 7km for those who directly go to the Food Service center, door delivery service for professional customers, sales via phone and website; The M-card application is also applied at MM Food Service Hung Phu.

MM Mega Market (Vietnam) Ltd is a strategic brand name of the multinational corporation BJC/TCC. As a business enterprise in the development of safety food supply chain, MM has continuously improved the value of Viet agricultural products domestic and internationally with quality products and competitive price.

Together with 4,000 employees, 2,000 suppliers and hundreds of farmer household partner nationwide, MM put corporate social responsibility (CSR) on top with many activities to improve education, community life and environment.

In the future, MM Mega Market Vietnam commits to continue to operate with the philosophy focusing on becoming a reputable, innovative business in companion with the sustainable growth of Vietnam.

Japanese developer Tokyu to develop a shopping mall in Binh Duong

Japanese developer Tokyu Corp. will build a large-scale shopping centre featuring an outlet of major Japanese retailer AEON in Binh Duong, near Ho Chi Minh City in southern Vietnam.

Tokyu announced that the shopping mall, tentatively named SORA gardens SC and located in Binh Duong New City in Binh Duong province, some 30 kilometres north of Vietnam's most populous city, will open in the spring of 2023.

It also said its Vietnamese subsidiary, Becamex Tokyu Co., Ltd. will invest in the shopping centre, which will be replete with restaurants and other facilities, in addition to an AEON outlet.

Becamex Tokyu has been involved in urban development in the new city, where it has already opened two commercial facilities.

Binh Duong New City is currently expanding with new developments in education, sports, and recreational areas, and commercial centres. In addition, the government of Binh Duong province has relocated its municipality to the newly-built Administration Center in the heart of Binh Duong New City which includes offices for the Provincial Party Committee, People's Committee, and People's Council in Binh Duong province.

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ENERGY

BCG Energy installs 43MW rooftop solar energy systems in 2020

Skylar Joint Stock Company, a subsidiary of BCG Energy JSC, held a grand inauguration ceremony for the rooftop solar system installed at Kangda Board Co., Ltd located in the Linh Trung III export processing zone, Tây Ninh Province, on December 28.

Skylar JSC, which specialises in rooftop solar, signed two contracts with Kangda Board and Sheng He Wood to supply and install rooftop solar systems with a capacity of 6 MW and 2.3 MW respectively on September 29. Both companies are situated in the Linh Trung III processing zone.

The systems with a total capacity of 8.3 MW and costing of over VND150 billion (US$6.4 million) have been installed and put into operation after three months of construction.

The ceremony was attended by local leaders, the management of the processing zone and representatives of Bamboo Capital Group, its subsidiaries and strategic partners.

According to the Ministry of Industry and Trade, rooftop solar is a clean and renewable energy, which helps prevent power loss during transmission.

Besides, rooftop solar systems make use of the existing grid, generate electricity mainly during the day, the peak time for the power system, thus helping reduce load peaks, and take advantage of roof space in residential areas and industrial parks.

Under MoIT's renewable energy programme, the country plans to have 100,000 rooftop solar systems, equivalent to 1,000 MW of capacity.

In 2020 BCG Energy put into operation a number of rooftop solar projects in HCM City, Bình Dương, Tiền Giang, Bến Tre, Lâm Đồng, Quảng Ngãi, and Bình Định with a total capacity of 43 MW.

The company currently has 100 MW in the pipeline ready to be developed. It aims to have 500 MW of rooftop solar energy in commercial operation in 2020 –24. — VNS

EVN to stop buying rooftop solar power after December 31

Vietnam Electricity (EVN) has announced its power companies will stop buying rooftop solar power after December 31, 2020, to wait for further guidance from the Government.

It will also handle requirements for connection and signing power purchase and sales contracts from solar power systems before the deadline.

The EVN said the Prime Minister's Decision No 13/2020/QĐ-TTg dated April 6, 2020, on the mechanism of encouraging the development of solar power in Việt Nam will expire after December 31, 2020. However, there is no new decision and guidance for the implementation of the policy after that date.

The Electricity and Renewable Energy Authority (ERAV) under the Ministry of Industry and Trade (MoIT) is working with consulting units to study the models, scale and corresponding electricity purchase and sale prices for each type of rooftop solar power. It is expected the agency will report to the ministry for consideration and submit policies to encourage rooftop solar power for the next period to the PM in the first quarter of 2021.

A representative from the EVN said the group and its member units are committed to supporting the development of renewable energy and rooftop solar power in particular.

As of December 25, there were 83,000 rooftop solar power projects connected to the EVN grid with a total installed capacity of nearly 4,700MWp. The total power generation output to the grid from rooftop solar power projects has reached more than 1.13 billion kWh, contributing to ensuring power supply for the country.

The purchase price of electricity from rooftop solar power projects under the Decision No 13/2020/QĐ-TTg is 8.38 cents per kWh, lasting for 20 years with connection projects, commercial operation before December 31, 2020. This is the highest price among solar power investments, one of the reasons for the massive development of rooftop solar in recent years. — VNS

Solar power plant inaugurated in Khánh Hòa

A VND2.4 trillion (US$104.5 million) solar power plant was inaugurated in Vân Ninh District, the central province of Khánh Hòa on Saturday.

The plant was invested by the KN Van Ninh Solar Development and Investment Company and first generated electricity for the national grid on December 11 this year, with an output of nearly 162,000 MWh a year.

Addressing the inauguration ceremony, Vice Chairman of Khánh Hòa People's Committee Đinh Văn Thiệu said the plant has boosted the national electricity generation capacity and created jobs for local labourers.

The development of renewable energy, including solar energy, is in line with the Government's strategy for sustainable growth, contributing to national energy security, realising commitments on reducing greenhouse gas emissions, and pushing economic restructuring, he said.

The official affirmed the provincial administration will continue to support and create favourable conditions for enterprises to invest in the locality. — VNS

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INVESTMENT

Vietnam in top five markets globally for cost efficiency

Vietnam is among the top five countries in the world in cost efficiency, according to ManpowerGroup Talent Solutions' Total Workforce Index (TWI).

Total Workforce Index 2020 has identified the top five markets globally for cost efficiency: the Philippines, Croatia, Morocco, Vietnam and Thailand. Photo ManpowerGroup

The annual TWI report combined Big Data with expert analysis to identify the workforce engagement potential of 76 markets.

New Zealand, Hong Kong, Singapore, Japan and the Republic of Korea were ranked as the top markets in the Asia-Pacific region, according to the report. Singapore and Hong Kong ranked highly for workforce productivity.

The TWI also identified the top five markets globally for cost efficiency: the Philippines, Croatia, Morocco, Vietnam and Thailand. These markets are driven by favourable country dynamics, such as cost of labour and regulations.

The average Vietnamese monthly wage was 321 USD a month in 2020, up by 32.6 percent compared to the year earlier, while the regional average was 1,835 USD a month.

In an increasingly complex global market, access to skilled talent is a top priority for organisations looking to build or grow their business.

For this year's analysis, ManpowerGroup Talent Solutions took a deeper look at talent availability, comparing the percentage of remote-ready workforces in different markets and exploring the availability of cybersecurity resources.

IT skills, particularly those that support remote work such as cybersecurity, continue to be in demand, along with an ongoing need for medical, operations and logistics skills and roles that are deemed essential./.VNS

Thai cement giant buys 7th packaging firm in Vietnam

Thai cement giant SCG Group has acquired its seventh packaging company in Vietnam, Bien Hoa Packaging, at a cost of VND2.07 trillion ($89 million).

The company owns a 94.11 percent stake in the company through its subsidiary Thai Containers Group Company Ltd, according to a recent statement. It paid VND171,450 ($7.38) for each share of Bien Hoa Packaging, 84 percent higher than the current market price.

Bien Hoa's clients are mainly high-growth consumer brands that are multinationals, the statement said. Its three manufacturing facilities in southern Vietnam will enlarge SCG's customer base in the food, beverage and fast-moving consumer goods segments, it added.

One of the six companies SCG acquired earlier is the largest in the country, Kraft Vina, a joint venture with Japanese packaging firm Rengo. SCG was one of the earliest foreign investors in Vietnam, coming as it did in the 1990s.

Over the last decade it has been pouring money to acquire major companies, including one of the largest plastic producers, Binh Minh Plastics.

Healthy foreign investment in spite of tumultuous year

Overseas investment into Vietnam's real estate market this year remained attractive for as a new wave of funding found its way into the country despite 2020's restrictions. Peter Dinning, chairman of Colliers International Vietnam, shares his thoughts about this flow and expectations for the new year.

Prior to the COVID-19 pandemic we were seeing many well-established foreign investors continuing to expand their portfolio in the real estate sector in Vietnam as well as welcoming many new investors who had begun to look at investing directly into projects, potentially partnering with Vietnamese companies to take part in the growing and exciting real estate sector.

Unfortunately the world was hit by a crisis which, while some had predicted, most had not foreseen the huge implications on the world economy.

Vietnam is well known around the world for handling the pandemic in a very careful and professional way, ensuring the safety of their people and keeping the local economy functioning and continuing to grow. We here in Vietnam are one of the very few countries that have not fallen into depression and have predicted strong growth for 2021, even before a vaccine had been delivered to the world.

As a result, foreign companies continue to regard Vietnam as one of the greatest potential markets for growth and investment and real estate is no exception. A strong and effective government that can control the pandemic the way that it has only adds to the feeling that Vietnam is a place where we can do business.

All of the fundamental macroeconomic data remains very strong with good GDP growth and a developing manufacturing economy as companies see Vietnam as an alternative to China. It has a growing and modernising agricultural sector, a developing service sector, strong foreign currency reserves, and a young and eager population.

All of these circumstances coupled with a very young real estate sector provide a strong demand for all types of property with huge opportunity for growth. In comparison to other regional centres such as Bangkok, Manila, and Jakarta, Hanoi and Ho Chi Minh City have a long way to go to catch up.

Due to the ongoing political tensions between China and the United States, industrial properties are in very high demand as more and more manufacturers are preparing to make Vietnam their second location to allow them to avoid any potential trade wars and import duties and taxes. The most exciting sector is the residential one, which is still in high demand from the growing young middle-class population who are ready to marry and move out of the traditional family homes, often utilising combined family capital to purchase their own home.

Favourable factors

Before the pandemic, Vietnam was already in the top 10 countries worldwide in terms of inward investment. Due to the excellent way in which the Vietnamese government has controlled the consequences of the pandemic, Vietnam is now considered in the top five countries for investment.

Our clients are eager for travel restrictions to be lifted so that they can come to Vietnam and complete their site inspections and physical due diligence and report to their committees for final funding approvals.

The outlook for 2021 and future years is still very strong for foreign investment into the real estate sector in Vietnam as the underlying macroeconomic circumstances and the local demand and supply factors are very favourable for investors to make excellent returns compared to other developing economies around Southeast Asia.

From our conversations with our key investor clients, we have noticed a shift in the way investors would like to enter this sector. Foreign developers who perhaps have not had any experience in Vietnam find it difficult to navigate the often complicated and unusual licensing and pre-construction activities.

All foreign investors are looking for projects where all legal licences are in place, land is held legally with full red book title, planning has been completed, and perhaps even a construction licence is in place. In other words, the project is ready to go.

However, once a local company has reached this level of licensing and have prepared all of the groundwork they either have very high expectations on the value of their project or in fact do not need any help or assistance from a foreign investor or developer. The number of ready-to-go projects in Vietnam is very limited both by overseas and local developers.

As a result, those international developers and investors are now more likely to seek out strong local partners who perhaps require additional expertise in the execution of their projects, or are in need of some financial assistance outside the usual banking arrangements to complete such matters as land compensation and pre-construction activities.

The opportunity for up-and-coming local companies to find foreign investors willing to join is very good, but they must reach a certain level to pass the often stringent requirements that the foreign investor needs to receive approval from their investment and/or board committees to make a substantial commitment to these local companies.

Dedicated understanding

There are several requirements that can be described. At the top of the list should be a company which has some track record in the completion of buildings, not simply a list of proposed projects.

Second would be a strong and significant land bank and or land bank opportunity with the ability to secure and streamline the acquisition process.

Next is an understanding and perhaps experience of how to work with foreign investors and what they require in terms of transparency and standards of accounting and responsibility.

And finally is what I term having the correct DNA, including a chairman and a management team committed to the internationalisation of their company, and a willingness to listen to new ideas and suggestions with the knowledge that the right foreign partner has the same distinct vision and plan to create a company for the benefit of all shareholders.

Unfortunately, many Vietnamese companies view the foreign investor as simply a source of funding which can be utilised in the usual way of their course of business without the need to adapt to a different set of rules and corporate governance.

The Vietnamese developer who has projects at various stages of the process will have the greatest chance of securing foreign investors and partners. They must have phase 1 projects which are ready to go as described above; phase 2 projects where licensing is well underway and planning applications are being prepared in readiness for the final stages of pre-construction approvals; and phase 3 projects which perhaps are only at the ideas stage where discussions with local authorities or private landowners have just begun and the local partners have the ability and experience in securing the rights to develop.

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