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# VIETNAM BUSINESS REVIEW

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## FINANCE

### Foreign investments might flow into Vietnam's stock market from the second half of 2021: BVS

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Bao Viet Securities Company (BVS) expects Vietnam's stock market might attract up to US\$1.4 billion from index tracking funds, if Vietnam is officially upgraded to a secondary emerging market by FTSE.

In an assessment and classification result released at the end of March, FTSE acknowledged efforts of the State Securities Commission of Vietnam in improving the legal corridor, and as the revised version of the Law on Securities went into effect in January, it is expected to pave the way for improving the market's quality.

However, in practice, Vietnam's stock market continues to fail to meet the criteria for clearing operations under the Delivery vs Payment (DvP) model due to the requirement of depositing enough money in Clause 2, Article 7 of Circular 203/2015/TT-BTC, according to FTSE.

Therefore it continued not to meet the two criteria, including "Settlement Cycle (DvP)" - rated at Restricted, and the criterion "Settlement - rare incidence of failed trades" - was not rated.

As the market met seven out of nine conditions for being upgraded to the secondary emerging market offered by FTSE, the Vietnamese stock market continues to be on the watch list for upgrading to secondary emerging market of FTSE for the evaluation in September.

Despite that, BVS still maintains a positive stance on the prospect that Vietnam will be upgraded to a secondary emerging market by FTSE in its 2022 upgrade assessment.

In case of officially being upgraded to a secondary emerging market, BVS estimated that Vietnam's stock market will attract up to US\$1.4 billion from funds tracking or benchmarking indices like the FTSE Global All-Cap, FTSE All-World and FTSE Emerging Markets.

Based on historical data of actual movements of global markets, at least three months, from September to December, before a stock market is officially upgraded to emerging market by FTSE, that market usually receives strong cash flows from foreign investors and enters an upwards trend, BVS said.

With the expectation that the Vietnamese stock market can be upgraded in two assessments of FTSE in 2022, BVSC expects that foreign cash flows may flood into the country's stock market from the second half of 2021.

Under FTSE's set of criteria, large-cap stocks are the most likely to benefit from the trend.

BVSC believes that with a positive macroeconomic outlook, being upgraded to secondary emerging market is a positive signal for the improvement of the market quality and will help the country's stock market attract investment flows. — VNS

## Shares rise on growth of pillars and energy stocks

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Shares ended on a positive note on Tuesday thanks to cash flow that continued pouring into pillars as well as oil and gas stocks.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) rose 0.32%, equivalent to 3.91 points, to 1,239.96 points. The market breadth was negative as 190 stocks climbed while 248 stocks fell and 47 ended flat.

The market liquidity was high with a trading volume of over 694 million shares, worth over VNĐ16.9 trillion (US\$737 million).

Foreign investors were net sellers on both HoSE and HNX. Besides, market breadth turned negative with an increase in liquidity compared to the previous session.

According to the current assessment, VN-Index can continue to fluctuate in the coming sessions and it is likely that there will be a slight decrease, the company said.

Foreign investors net sold VNĐ2.43 billion on HOSE, including Vietinbank (CTG) (VNĐ297.8 billion), dairy firm Vinamilk (VNM) (VNĐ50.8 billion) and Masan Group (MSN) (VNĐ34.7 billion). They were net sellers on the HNX with a value of VNĐ48.73 billion.

The VN30-Index, which tracks the 30 biggest stocks on the southern bourse, increased 0.44%, equivalent to 5.46 points, to 1,255.36 points.

In the VN30 basket, 14 stocks rose, while 13 declined and three stayed unchanged.

The afternoon trading session was somewhat quiet as system overload from the morning session continued to worry traders, said financial news site cafe.vn. But pillar stocks and energy stocks still posted good performance on Tuesday, supporting indices.

Notable gainers included insurer Bảo Việt Holdings (BVH), Vietinbank (CTG), Eximbank (EIB), Hoà Phát Group (HPG), Novaland (NVL), VinGroup (VIC), Vincom Retail (VRE), PetroVietnam Technical Services Corporation (PVS), The PetroVietnam Drilling & Well Service Corporation (PVD), PetroVietnam Construction Corporation (PVC), PetroVietnam Gas JSC (GAS) and Bình Sơn Refining and Petrochemical Company Limited (BSR).

On the Hanoi Stock Exchange (HNX), the HNX-Index rose 0.15% to close Tuesday at 291.68 points.

In Tuesday's trade, some 198 million shares were traded on the northern bourse, worth nearly VNĐ3.7 trillion.

The market is expected to encounter fluctuations with alternating increases and decreases in the next session, said Bao Viet Securities Co.

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## E-COMMERCE

### E-commerce supply chain, not rescue campaigns, will help farmers

Hanoi plans to develop an app to sell farm produce and organize an e-commerce supply chain in an effort to build a close link among producers, logistics and e-commerce service providers.



Under the newly released 2021 e-commerce development plan, Hanoi authorities will continue utilizing modern technologies to create business models.

The plan aims to promote online shopping and non-cash payments, gradually change consumers' habits and shopping behaviors, accelerate the application of e-commerce in enterprises' production and business activities, and encourage startups in e-commerce.

The city will develop infrastructure and solutions to support electronic transactions integrated with payment in trade and public services, and ensure security and safe payments. It will also develop infrastructure for e-commerce forwarding and logistics services, and apply new technologies in logistics activities.

Hanoi has set many goals for e-commerce development in 2021: revenue from B2C e-commerce will account for 8% of total sales of goods and consumer services in the city; and 45% of local population will shop online shop, and the city will maintain the high position in EBI (E-Business Index).

The city aims to raise the non-cash payment ratio in e-commerce to 40% and 60% for goods transactions on websites and apps with electronic bills. It is expected that 70% of e-commerce websites will have online ordering, and 40% of small and medium enterprises will carry out business activities on e-commerce marketplaces.

In addition, 85% of essential service providers (electricity, water, telecommunication and others) will use electronic contracts with consumers.

The entire farm produce production-supply chain of the city will join the electronic information system using QR Codes for product traceability.

The Hanoi People's Committee is also encouraging startups in online tourism, digitizing tourism destinations with 3D transactions and virtual reality technology, and developing cross-border e-commerce marketplaces and human resources for e-commerce.

To reach the goals, it is necessary to build supply chains and give maximum support to agricultural products.

The city will continue improving the e-commerce market at [chonhaminh.gov.vn](http://chonhaminh.gov.vn), where safe farm produce is sold, and apps on mobile platforms. A website about safe farm produce in Hanoi at [nongsanantoanhanoi.gov.vn](http://nongsanantoanhanoi.gov.vn) connects producers, distributors and consumers.

The farm produce traceability system can be seen at [check.gov.vn](http://check.gov.vn). QR Codes will be used in online information retrieval, online payments and tax electronic declarations.

In 2021, Hanoi will continue running the website 'ban do mua sam thanh pho Hanoi' (Shopping map of Hanoi) at [bandomuasam.hanoi.gov.vn](http://bandomuasam.hanoi.gov.vn) to provide solutions to searching for shopping points and automatic vending machines.

## Will e-commerce boom continue in 2021?

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E-commerce is forecast to continue booming in 2021 with revenue surpassing last year's figure of US\$11.8 billion, offering opportunities for domestic businesses to build new business strategies and approach modern distribution channels.

### High growth

According to the Vietnam E-commerce and Digital Economy Agency under the Ministry of Industry and Trade, with 53% of the population participating in online shopping, the Vietnamese e-commerce market grew 18% in 2020, reaching US\$11.8 billion, accounting for 5.5% of total retail sales of goods and services nationwide.

Nguyen The Quang, deputy director of the Vietnam E-commerce and Digital Economy Agency, said e-commerce saw impressive growth last year and will continue booming this year.

According to the national master plan on e-commerce development in the 2021-2025 period, up to 55% of the population will participate in online shopping by 2025, with the average online purchasing value reaching US\$600 per person annually. The revenue of the B2C e-commerce model is set to increase by 25% each year, reaching US\$35 billion, accounting for 10% of total retail sales of goods and services nationwide.

Vietnam is among the top three countries in the region in the growth rate of retail market share. Since 2015, the growth rates of the three largest internet economies in the region has averaged 35-36%, with Vietnam growing by 36%, Indonesia 41% and the Philippines 30%.

A Nielsen study shows that the demand for shopping on e-commerce floors has increased sharply since the outbreak of the Covid-19 pandemic. In 2020, 70% of Vietnamese people accessed the internet and 53% of e-wallet users made payments when buying online, an increase of 28% compared to 2019. In particular, in Hanoi and Ho Chi Minh City, e-commerce activities accounted for 70% of total e-commerce transactions nationwide.

According to Amazon Global Selling Vietnam, Vietnamese sellers exceeded US\$1 million in sales on Amazon last year, a three-fold increase from 2019.

### **Driving towards digital transformation**

E-commerce is expected to create a new driving force for economic growth in 2021, offering opportunities for domestic businesses to build new business strategies and approach modern distribution channels, helping them expand markets and promote post-pandemic recovery.

The Vietnam E-commerce and Digital Economy Agency has implemented the Online Vietnamese Store program on three major e-commerce floors in Vietnam, including Tiki, Sendo and Voso, creating a new platform for manufacturers to develop distribution systems with digital transformation solutions and apply e-commerce and digital technologies in connecting the domestic market.

Dang Hoang Hai, director of the Vietnam E-commerce and Digital Economy Agency, said the agency will implement the GoOnline program to support businesses in the e-commerce application process, along with telecommunications groups, technology units and e-commerce systems nationwide.

### **HCM City approves 8 projects to boost industry, trading, e-commerce, exports**

The HCM City Department of Industry and Trade said eight key projects have been approved by the city government to promote the industry, trading, e-commerce, and exports and facilitate goods transport.

A support programme to develop their production in 2020-30 has been drawn up with a focus on developing human resources for them and support firms in these segments.

Also approved are three programmes to support businesses and plastics-rubber and mechanical engineering-automation products and the food processing sector until 2030.

To support the development of e-commerce and exports, the city has approved various projects, Hà Ngọc Sơn, head of the department's import-export management division, said.

The e-commerce development project will focus on expanding the size of the market in 2021-25 and help e-commerce firms in HCM City expand internationally in the next five years.

The industry will enhance the use of modern technologies to meet various demands of customers.

The eighth project the city has approved is for logistics development. Under it, it will establish seven logistics centres with a total area of 623 hectares to improve the transshipment of goods and support the city's retail system and e-commerce by reducing traffic congestion and pollution and optimising delivery times.

The logistics sector would adopt IT to create a shared eco-system for both private enterprises and state agencies, Sơn said. It would also enhance human resource training to enable the city to become a hub for churning out human resources for logistics, he added. — VNS

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## ENERGY

### Investors of renewable energy projects to be chosen through bidding

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Investors of renewable energy development projects will be chosen through competitive tenders and they will set the minimum selling price of the output of their projects.

The Ministry of Industry and Trade has directed the Electricity and Renewable Energy Department to coordinate with the World Bank and the Asian Development Bank to study bidding mechanisms for renewable energy projects which are projected to be applied after 2021, Thanh Nien Online newspaper reported.

The ministry's requirement is aimed at encouraging residents and enterprises to develop solar power projects mainly for their own use. In addition, the purchase prices of solar power will be set through bidding, instead of using a common price for the entire country as was the case earlier. The larger the projects, the lower the price of the output.

In late 2020, Vietnam Electricity Group (EVN) wrote to the Ministry of Industry and Trade proposing three bidding solutions.

Specifically, large projects with favorable connection conditions will be put up for bidding separately and added to the National Electricity Development Plan based on localities' proposals and the Institute of Energy's appraisal.

As for the second solution, tenders will be held for projects proposed by localities. These projects are appropriate to localities' land use plans and investors will be responsible for facilities to connect these projects to power transmission lines owned by EVN.

In addition, tenders will be held in regions or transmission stations designated by the competent agencies.

Associate Professor Dr. Ngo Tri Long, former director of the Ministry of Finance's Price Market Research Institute, threw his support behind the plan to auction solar power projects, saying that the unchanged feed-in tariff for 20 years has resulted in many issues, including an overload on electricity transmission lines.

Bidding will help prevent the boom of solar power projects. Further, prestigious investors will be chosen to ensure the quality of projects, Long added.

According to Dr. Ngo Duc Lam, former deputy head of the Institute of Energy, the bidding of solar power projects is appropriate to the market mechanism and needed to regulate the market and control the development of solar power.

However, tenders must be held in line with the Law on Bidding to ensure fairness and transparency and should be piloted in rooftop solar power projects first, followed by other solar power projects.

## Wind power: investors wait for PM's decision on Feed-in-Tariff price

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The Feed in Tariff (FIT) price of VND2,000 per kwh will expire in seven months, but the price for the next period has not been fixed yet.

Electricity of Vietnam (EVN) reported that it has signed contracts on purchasing electricity from 113 wind power projects with total capacity of 6,038 MW. Twelve projects with total capacity of 582 MW have been put into commercial operation.

Reports by investors show that 87 projects (4,432 MW) may become operational prior to October 31, 2021. Meanwhile, 14 projects (1,024 MW) are not likely to become operational prior to that day.

However, the figures reported by investors are described as "too optimistic". Analysts point out that some investors have not completed site clearance. But firms say their can complete construction prior to the deadline to be eligible for the FIT.

In Quang Tri alone, the total electricity capacity of all sources approved by the provincial authorities is 4,724 MW.

According to the provincial Industry and Trade Department, of 25 approved projects, only 16 can open before October 31.

However, experts believe the number of projects will be no more than eight to 10.

An investor implementing three wind power projects in Ninh Thuan and Dak Lak provinces said he is worried as the proposal to extend the FIT until the end of 2022 has not been approved, and there is no information about the new price.

He said it is more difficult to execute wind power projects than solar power. Covid-19 has made it harder to buy equipment and materials and to send specialists to Vietnam, slowing down project implementation.

Even when equipment docks at Vietnam's ports, it is not easy to move oversized or overweight cargo.

Wind power projects also heavily depend on weather conditions. There are only three months in the year when the conditions are favorable enough to install equipment and meet standards and requirements on labor safety.

As a result, it is doubtful that 4,432 MW of wind power will be operational by October 31. About 2,000 MW is the more realistic figure.

### **Investors want transparency**

With total capacity of 582 MW, wind power accounts for less than 1% of total capacity (70,000 MW). Solar power, however, is witnessing a boom.

Under the eighth national power development plan, Vietnam would have 11,320 MW of wind power. As for solar power, the total capacity of solar power by the end of 2020 had exceeded the designed capacity by 2025.

Experts believe that wind power should be promoted because it is more efficient and stable than solar power.

Once the Covid-19 pandemic is contained, the demand for electricity will increase. The ongoing electricity oversupply will exist only for a short time.

The development of different electricity generation sources is needed to avoid electricity shortages which occurred in 2018 and 2019.

At meetings with Quang Tri provincial People's Committee and EVN, many investors proposed extending the FIT application. However, EVN said this is within the jurisdiction of the Ministry of Industry and Trade and the Government.

In late 2020, the Ministry of Industry and Investment (MOIT) sent a document to the Government, proposing to continue the FIT after October 31, but at lower prices.

It proposed prices of 7.02 cent per kwh for onshore projects that will be operational from November 2021 to December 2022, and 6.81 cent for projects to be operational in 2022.

As for offshore projects, the prices are 8.47 cent and 8.21 cent, respectively.

At a working session with wind power investors in Quang Tri province, an EVN leader asked if investors would develop projects with these tentative prices.

Huong Hoa has become the main wind power site of Quang Tri province. There are 22 communes and towns in the district, and half of the communes have wind power investors.

In reply, an investor did not answer, but said that under the pressure of time, the prices for equipment, construction and transportation all will be higher. And assessment of investment efficiency will be based on the FIT of VND2,000 per kwh as stipulated in Decision 39.

However, investors need to be informed about the new policies as soon as possible.

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## RETAIL

### Retail industry strives to exploit US\$200-billion market

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The Vietnamese market had a spectacular leap in scale last year, becoming one of the 16 most successful emerging economies in the world. In which, the retail sector was extremely attractive and full of potentials, with lots of room for development.

#### A fertile soil

After joining the World Trade Organization (WTO), Vietnam has continuously been among the top countries with the most attractive retail markets in the world for many reasons. Of which, the first factor is the potential from a young population. Therefore, the purchasing power is huge.

In the general picture of the strong economic recovery, retail is considered one of the brightest colors. According to the General Statistics Office of Vietnam, last year, the total retail sales of consumer goods and services increased by 2.6% compared to 2019, the lowest increase in the 2011-2020 period, but the market scale still added more than \$11b. If the market recovers and continues to maintain a high growth rate as in the past years, within two years from now, Vietnam's retail market will possibly hit \$200b.

Mr. Nguyen Anh Duc, CEO of Saigon Co.op, said that 2020 was an extremely difficult year for Vietnamese retailers. Not only the Covid-19 pandemic but natural disasters, storms, and floods had also dragged down the purchasing power of the market heavily. Amid this situation, the management board of Saigon Co.op had built many different scenarios to adapt to the new situation, with all the proposed scenarios unprofitable. However, at the end of last year, Saigon Co-op still had a profit, although it did not meet the plan. Revenue was estimated at approx VND33 trillion, equivalent to nearly 90% of the plan.

The largest commercial center system in Vietnam, Vincom also recorded that during the Tet holidays, the number of visitors to shopping centers still reached about 80-90% compared to 2019. The business report of Aeon Mall Vietnam shows that since the shopping centers were reopened as of April 24 last year, footfall rose again, and from October last year, the number of customers to Aeon Mall exceeded 90% compared to 2019.

In 2020, despite difficulties, many FDI retailers had continuously expanded their networks across the country. The most prominent retailer was the fashion brand Uniqlo, which opened five more stores in Hanoi and Ho Chi Minh City; MUJI - a famous Japanese brand also set up its very first store in Vietnam at Parkson Dong Khoi shopping mall in HCMC; Fila sports fashion brand also headed North with the opening of two stores in a row in Hanoi; fashion company H&M also launched two more stores in Ha Long and Can Tho cities, bringing the total number of H&M stores in Vietnam to 11, while it had just closed 250 stores globally due to the Covid-19 pandemic. In the culinary sector, the Chinese hot pot brand Haidilao Hot Pot also opened three consecutive stores last year, all in large shopping centers.

Mr. Tadashi Yanai, President cum CEO of Fast Retailing Group, the parent company of Uniqlo, assessed that Vietnam has great potential and will be one of the largest consumer markets in the world

## The time of modern retailing

According to Nielsen Vietnam, the retail picture in 2020 has been changing a lot, especially the portrait of buyers, which will continue to occur more strongly in 2021. The retail market in modern channels, such as supermarkets and stores, still achieved positive growth last year, and this distribution system will continue to be the driving force of the growth of the fast-moving consumer goods market in 2021, as well as the near future.

In 2020 and up to now, several stores trading clothing, footwear, souvenirs, cosmetics, and food at wet markets in Ho Chi Minh City are still closed to wait for customers. Meanwhile, convenience stores, supermarkets, and shopping centers continued to develop and diversify sales methods in the direction that is most beneficial to consumers. The shift in Vietnam's retail structure from traditional commerce to modern retail channels has been taking place deeply, especially in large cities, like HCMC and Hanoi.

Mr. Nguyen Anh Duc admitted that the Covid-19 pandemic had made the retail market more divided. On the positive side, it helps retailers identify and focus more on their target customers. The rate of transformation of high-end customers is 4-5 times higher than in previous years. This is the reason why Saigon Co-op must promote a new image, along with high-end supermarket chain Finelife in large cities to serve more high-end customers in 2021.

Racing against domestic enterprises, foreign retailers have also planned to invest, upgrade, and develop more new points of sale. Aeon Mall Vietnam revealed that by 2025, Aeon Group would develop 20 shopping centers in Vietnam. To realize that, Aeon Mall has prepared a capital source of up to \$2 billion for investment, striving to export \$1 billion of goods from Vietnam to Japan and other countries. According to Mr. Nakagawa Tetsuyuki, CEO of Aeon Mall Vietnam Co., Ltd., in the business of shopping mall chains in Asian countries, Vietnam is the country with the earliest recovery, thanks to efforts to effectively cope with the pandemic.

## H&M caught in a catch 22 as Vietnam boycott begins

H&M's attempt to mend fences in China after angering consumers there with its stance against forced labor appears to have triggered another boycott next door in Vietnam.

The Swedish fashion retailer drew Vietnam's ire after it posted a map on its website that depicts islands in the South China Sea as Chinese territory. Vietnam has a competing claim on the islands. H&M changed the map at the request of authorities in China, according to Vietnamese media.

Authorities in Shanghai said they summoned H&M's local unit last week to address an issue with a map on its website, though it is unclear if this is the same map as the one angering Vietnamese citizens.

In Vietnam, Twitter and Facebook users have been circulating images of a crossed-out map of China next to a map of Vietnam reflecting Hanoi's claims to the islands and demanding the company apologize or have its 11 stores in the Southeast Asian country shuttered.

The company has been attempting to win back consumers in China, where it became a lightning rod for public anger after multiple foreign brands stopped carrying items made using cotton from Xinjiang

because of reports of human rights and labor abuses in the Muslim-majority region. It has been the subject of boycotts, and a number of its physical stores have been forced to close by landlords since the controversy flared up. H&M stores even disappeared from leading mapping service Baidu Maps and ride-hailing platform Didi Chuxing.



The territorial dispute in the South China Sea is a hot-button topic in Vietnam. Hanoi has been one of, if not the most, vocal governments pushing back against Beijing’s claim to govern most of the sea, though the U.S. often calls for freedom of navigation in the region, calls which European powers have recently echoed.

The dispute is not just a matter of government interest, either. When maps of the region are published, the Vietnamese public looks closely to see how the islands are portrayed. Backlash has followed perceived slights from an array of institutions, from the Hollywood film “Abominable” to the maps in passports issued by Beijing. Even the U.S. Embassy in Hanoi was accused of misrepresenting the territorial issue in September, when it posted on Facebook a Vietnam map with the islands, only to later delete the archipelagos.

While the uproar in Vietnam adds to H&M’s recent headaches in Asia, the company is just one of several multinationals caught up in the Xinjiang controversy. Nike, Adidas, Burberry and others are also struggling with the balance between retaining Chinese shoppers and complying with Western laws against forced labor and other human rights violations. The U.S., Canada, the European Union and the U.K. all slapped sanctions on China in March, citing the country’s human rights violations against Uyghur Muslims.

### Thai retail giant to invest \$1.1 bln for expansion in Vietnam

Thailand’s Central Retail Corporation plans to invest \$1.1b in Vietnam in the next 5 years to expand its stores network. It said Vietnam’s wholesale & retail sector grew 7% year-on-year in the last quarter of 2020, & growth is likely to be strong this year, making it one of the most attractive markets in the world.

The company opened four shopping centers last year in central and southern Vietnam, and renamed five Big C supermarkets as “GO!”. It plans to invest \$211 million for expansion this year, opening stores in the northern provinces of Thai Nguyen, Thai Binh and Lao Cai and the southern provinces of Ba Ria-Vung Tau and Tay Ninh.

Over 9 years in Vietnam, foods have proven to be a key product for Central Retail, contributing 70% of its revenues. With 37 shopping centers and 230 stores in 37 cities and provinces, it serves an average of 175,000 customers a day.

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## LOGISTICS



### Suez Canal fiasco adding to prolonged trade difficulties

As the incident with the Ever Given on the Suez Canal has finally been resolved, Vietnam's exporters can at least look forward to free routes for their goods. However, the pressure amid the ongoing health crisis and international trade tensions remains.

The exports of Tien Dat Wood Technology JSC to Europe are suffering additional effects from the congestion in the Suez Canal, while the pressure of a supply chain disruption by COVID-19 still exists. A third of the company's current output is exported to the European market. This figure will rise to a higher level by the end of this year, an expected 60 containers per month when Tien Dat completes the equipment upgrade at its third plant.

If the ships pass through South Africa's Cape of Hope, Cuong worries that the journey from Europe to Vietnam will take "another two weeks and come with significantly increased costs."

Salvage teams on last week's Monday finally freed the colossal container ship Ever Given, ending a week-long crisis that had clogged one of the world's most vital waterways and halted billions of US dollars a day in maritime commerce.

The incident also affected the plans of Dalat Worsted Spinning Co., Ltd. (DWS), a subsidiary of German Südwole Group. DWS produces wool yarns from wool in the Central Highlands city of Dalat for export to the European market, with the largest buyer being Germany. As the global health crisis remains largely under control in Vietnam, with the situation also getting better in Europe, Alessandro Di Palma, general director at Südwole, hopes now to handle the "large amounts of inventory that got accumulated during the pandemic, helping the plant to operate at its correct capacity."

European and Vietnamese trade is promoted by the EU-Vietnam Free Trade Agreement, which helps to partially limit the negative impact of the pandemic.

Data from the Ministry of Industry and Trade shows that in 2020, Vietnam exported goods to Europe with a turnover of \$43.7 billion and imported wares worth \$18.5 billion. In the first three months of 2021, Vietnam exported \$9.6 billion to Europe and imported \$4 billion from this market, corresponding to a growth rate of 14.2 and 15.4% on-year.

Europe's measures to control COVID-19 are taking slowly effect, with some countries gradually reopening their economies. Vitajeon Co., Ltd. hopes to regain its production and export momentum in the second quarter, and other textile and garment exporters such as Vitajeon, Garment 10, and Vinatex are betting on the long-term growth potential of this market of more than 600 million consumers to reduce the negative effects of the US-China trade tensions and COVID-19.

Their expectations, however, meet the risks from supply chain interruptions that cause some exporters to consider changing their sourcing plans. Nguyen Huu Thanh, director of Eurolink JSC, considered importing raw materials from South Korea – a country that allows apparel and footwear products to

enjoy cumulative origin rights when exporting to the European market. “Eurolink is dependent on 85% of high-end raw materials imported from this market,” Thanh said.

Meanwhile, the average shoe export prices of Vietnam are no longer low, partly due to the higher labour costs. Currently, the average price lies somewhere around \$17 per pair, with the average export price of Europe being \$25 per pair.

Meanwhile, the average export price of shoes worldwide sits at only \$9 per pair, according to calculations of the Vietnam Leather, Footwear and Handbag Association.

However, the incident at the Suez Canal contributed to increasing the difficulties for Vietnamese importers and exporters, while the shortage of containers and the rising cost of ships due to the pandemic continued to stress global supply chains.

The incident on the Suez Canal – an important point on the journey to Europe – demonstrates the role of logistics in global trade. Some of Vietnam key export sectors to the European market in 2020 included phones and accessories (\$10 billion); computers, electronic products, and components (\$6.5 billion); and machinery, equipment, and tools (\$3.5 billion).

The congestion on the Suez Canal has finally been resolved, but extreme market fluctuations and incidents like with the Ever Given can occur at any time, showcasing the sensitive state of international routes.

## **Adding LNG import terminal for Ca Na LNG Power Complex**

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The prime minister approved the suggestion of the Ministry of Transport of adding a liquefied natural gas (LNG) import terminal in Ca Na LNG Power Complex. Accordingly, the terminal can endure loads of up to 97,000 tonnes and will directly support the first phase (1,500MW) of the LNG power complex.

The national LNG import and transit port plan is part of the national energy and seaport system master plan for 2021-2030 with a vision to 2050.

By the end of 2020, Ninh Thuan People's Committee issued Decision No.2162/QD-UBND approving the project of the first phase of the Ca Na LNG power complex, with a capacity of 1,500MW implemented in Phuoc Diem commune (Thuan Nam district), with a total project investment value of more than VND49 trillion (\$2.13 billion).

The project includes the LNG power plant using combined-cycle gas turbines with a capacity of 1,500MW, as well as the material supply and handling system (including LNG import terminal, LNG storage, gas recycling warehouse, and gas pipeline system), the power transmission system to ensure the transmission of the entire 6,000MW generated by the LNG power complex, and the related infrastructure and technical works. The Ca Na LNG complex will commence implementation in the third quarter of 2021, and put into operation in the third quarter of 2024.

## What awaits logistics in Vietnam

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John Campbell, manager of Industrial Services at Savills Vietnam, outlines the major trends facing the logistics industry in the year coming.

### **Vietnam ranked among world's top 10 emerging logistics markets**

2021 has witnessed a bright start for Vietnam's logistics sector, which ranked among the world's top 10 emerging logistics markets in the 2021 Emerging Markets Logistics Index with a score of 5.67 out of 10. It jumped three spots to eighth in this year's global index of emerging logistics markets after emerging as a popular manufacturing hub, particularly with the recent mass relocation of production out China. The report emphasised Vietnam's improved performance across domestic logistics opportunities, international logistics opportunities and business fundamentals.

### **Logistics industry forecast to grow in 2021 on global recovery**

According to the Vietnam Logistics Business Association's latest survey, there are around 30,000 logistics companies in the country, 4,000 of them foreign-owned. Furthermore, the industry has been growing at 12-14% annually and is now worth over \$40 billion.

According to SSI Securities, the growth prospect of the seaport and logistics industry is positive in 2021, forecasted to grow significantly on the possibility of global trade recovery this year when the COVID-19 vaccine is administered worldwide. The securities company expects the revenue of the seaport and logistics industry would expand by 10% in 2021. The expansion of Cai Mep-Thị Vai and Lach Huyen seaports, for example, would attract big ships to Vietnam instead of Singapore and Hong Kong.

This year will also witness Gemalink Port – Vietnam's largest deep seaport – put into use at least 80% of its designed capacity and reach its full capacity of 1.5 million TEU by 2022. Beginning construction in February 2019, Gemalink is the biggest seaport in the Cai Mep-Thị Vai complex with a total investment of \$520 million and becoming one of the world's 19 largest deep seaports with the capability to receive the world's largest ships (up to 200,000 DWT) today.

Despite being affected by the pandemic last year, the industry was confident about the country's trade growth thanks to positive impacts of free trade agreements (FTAs) which were signed recently, including the EU-Vietnam FTA (EVFTA) and the Regional Comprehensive Economic Partnership (RCEP). In addition, expectations on investment inflow triggered by the global production shift out of China is another driver instilling confidence in the sector's recovery.

Statistics from the General Statistics Office showed that Vietnam's total import-export value reached \$543.9 billion in 2020, up 5.1% on-year. It is also predicted by SSI that Vietnam's import-export value and total goods via seaports would increase by approximately 10% in 2021, pushed by global recovery, FTAs, and the global production shift out of China.

### **Warehousing demand continues to rise**

This expectation was also driving demand for logistics infrastructure. For example, total warehouse area increased significantly in recent years and the price escalated over 5-10% on-year. According to Savills Vietnam figures, the average warehouse rental price in the North and South Economic Zones in 2020 was \$4.1 per square metre per month and \$4.4 per sq.m per month, respectively.

New warehousing and distribution centre projects are sprawling to Long An and Dong Nai as Ho Chi Minh City and Binh Duong province have restricted supply. In Long An for example, *JD.com* invested in a new 10-hectare warehouse project in Duc Hoa district and Cianiao Network (Alibaba logistics provider) has a new 15ha project in Ben Luc district. Last year also witnessed the announcement of LOGOS Property entering the market with a \$350 million logistics development joint venture. The Australian developer has also invested in its own warehousing project in Can Giouc district, Long An.

### **Global warehousing costs, Savills Research**

According to Savills Global Warehousing Costs report by Paul Tostevin, director of Savills Research, when it comes to analysing total warehousing property costs, aside from rental rates, it is also important to factor in labour costs which are typically the single largest component of a warehousing operation (often making up half of all operational costs). Electricity and diesel costs, for the running of buildings and their vehicle fleets, are also a major factor in warehousing operations. The report stated that very low labour costs coupled with extremely low energy costs make operations in Vietnam the cheapest location of the reports sample (54 markets across 21 countries), led by Hanoi. These low costs make Vietnam highly attractive to multinationals setting up operations in the country, but the government is actively targeting higher value companies. Troy Griffiths, deputy managing director of Savills Vietnam, said, “The government has been investing heavily in all manner of infrastructure while promoting industrial clusters to attract businesses higher up the value chain. High levels of corporate taxation relief are also available to ensure healthy regional competition.”

### **Suez blockage threatens Vietnam trade**

The Suez Canal blockage caused by the Taiwanese container vessel *Ever Given* is threatening to delay some of Vietnam’s exports and imports with Europe and the US, leaving exporters concerned. As the situation continues, Vietnamese seafood exporters will suffer as they have to ship seafood to their partners, according to Truong Dinh Hoe, general secretary of the Vietnam Association of Seafood Exporters and Producers (VASEP).

The Ministry of Industry and Trade has advised exporters to adopt the necessary measures to limit any economic damage posed by the situation. For example, the Vietnamese Trade Office in Egypt recommended Vietnamese firms to coordinate closely with shipping companies for updates on the transport capacity, time of docking, and goods loading.

It was also advised to take out insurance against delays or possible damage of goods, especially aquatic products. Businesses would also need to contact the Vietnam Trade Office and work with importers to address possible problems related to slow delivery to avoid any trade disputes.

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## INVESTMENT

### Korean conglomerate SK Group to buy 16.26% stake in Vietnam’s largest retailer VinCommerce for \$410m

SK Group on April 6 announced the signing of an agreement with Masan Group Corporation (HOSE: MSN) to acquire a 16.26% stake in VinCommerce, one of Masan’s subsidiaries, for a cash consideration of US\$410 million.



*At a Vinmart supermarket run by VinCommerce. SK Group will pay \$410 million to acquire a 16.26% stake in the company*

The transaction values VinCommerce at \$2.5 billion.

Masan and SK agree on Vietnam’s modern trade grocery retail explosive growth trajectory.

The country’s modern trade grocery retail market is expected to increase its share from 8% of total retail to 50%, making Vietnam the fastest growing MT market in the Asia Pacific over the next decade.

SK’s investment validates Masan’s turnaround execution capabilities: store network and assortment optimisation, continuous profitability improvement through disciplined commercial margin enhancement, and operating cost-saving rationalisation.

As a result, VCM achieved earnings before interest, taxes, depreciation, and amortisation (EBITDA) breakeven in the fourth quarter last year and delivered positive EBITDA this year. The management expects to achieve positive EBIT in the second half of 2021.

Woncheol Park, representative director of SK South East Asia Investment, the SK Group subsidiary that is making the investment, said: “We have strong belief in the potential of Vietnam’s online/offline retail sector and expect VinCommerce to play a vital role in its modernisation.

“We are extremely proud of the work Masan Group has done to turn around VinCommerce in such a short period of time and we believe VinCommerce will become the national champion of O2O (Offline to Online) retail in the near future.

“Our investment in VinCommerce is part of SK’s broader strategy of investing in Vietnam’s fast-growing sectors. This is another landmark transaction for SK and reaffirmation of our commitment to Masan Group and Vietnam.”

For 2021 VCM has laid out a clear plan to strengthen its platform to deliver high-growth and sustainable profits: commercial margin improvement of 2% via direct fresh sourcing and strategic supplier contracts,

nation-wide rollout of pilot store models by Q2, and enhanced supply chain model empowered by auto-replenishment engines at MSN’s recent annual shareholder meeting.

Trương Công Thắng, CEO of VinCommerce, said “We are excited that our partner, SK, has validated our turnaround initiatives. The hard work we have done over the last 12 months gives us the foundation to scale up nation-wide to provide 30-50 million consumers with their daily essential needs.

“As we continue to drive VCM’s promise of ‘The Very Best of Fresh,’ I believe we will become consumers’ grocery partner of choice.”

Masan is planning to use the proceeds from this transaction to strengthen its balance sheet and fund future growth initiatives.

Credit Suisse (Singapore) Limited acted as its exclusive financial advisor. — VNS

### Japanese company sets up joint venture in HCM City

Toppa Cosmo Inc, a trading arm of Japan's Toppa Printing Co, has set up a joint venture in HCM City with two Japanese partners to provide high-quality 3D computer graphics content, Kyodo News reported.



*Toppa Equator is targeting construction, interior design and housing equipment businesses for its 3D CG and other state-of-the-art technologies*

Toppa Equator LLC was formed earlier this week and is 65% owned by Toppa Cosmo, 26% by Studio Tec, a visual creation studio in Osaka Prefecture, and the rest by entrepreneur Takanobu Sugiyama who has a design office in Vietnam's southern hub.

The joint venture attempts to optimise Toppa Cosmo's expertise in catalog and sample book production and Studio Tec's technical, and creative capabilities in 3D CG work, with Sugiyama responsible for

quality control.

Toppa Equator is targeting construction, interior design and housing equipment businesses for its 3D CG and other state-of-the-art technologies, with demand increasing from these sectors, according to Tokyo-based Toppa Printing.

Expecting that the visual content market will grow steadily in Asia, Toppa Equator plans to focus on Japanese customers in the initial stage of its business before expanding into Vietnam and other countries in the Association of Southeast Asian Nations region. The company aims for two billion JPY (US\$18 million) in sales in fiscal 2025. — VNS

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