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VIETNAM BUSINESS REVIEW

Highlight

Vn-Index predicted to hit all-time high of 1,300 pts in April

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What's in it today?

FINANCE

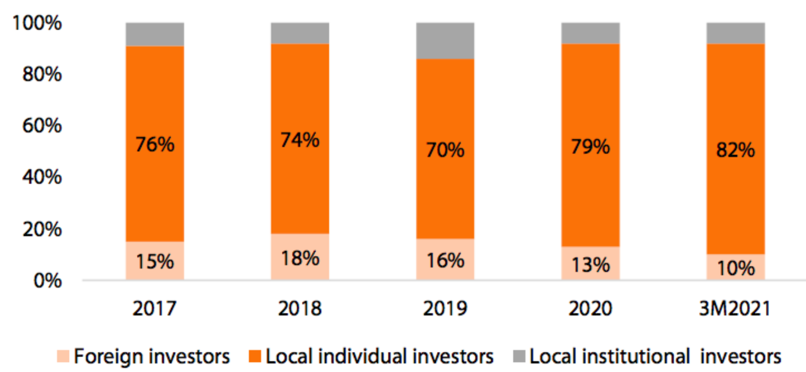
Vn-Index predicted to hit all-time high of 1,300 pts in April

Strong involvement of individual investors and participation of new foreign fund would help offset the net selling trend of foreign investors.

Vietnam's benchmark Vn-Index could reach its all-time high of 1,300 points in April, with new foreign cash flows and domestic individuals as key market drivers.

The new capital inflow would help offset the net selling trend of foreign investors, said the Viet Dragon Securities Company (VDSC) in its monthly report.

Figure 1: Trading value (sell + purchase) breakdown by investors

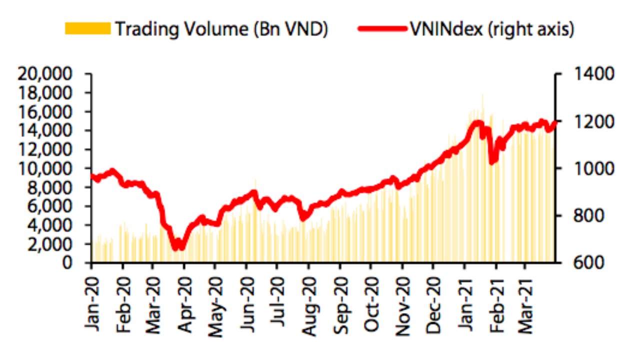


Source: Fiinpro, Rong Viet Securities

According to the VDSC, the stock market in April will maintain their upward movement from March, with the Vn-Index ending the month with a gain of 1.23% month-on-month to 1,191.44.

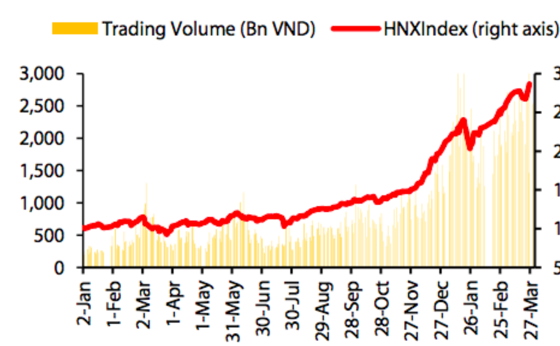
"Capital inflow pumped by foreign funds and domestic investors, along with positive business performance outlook in banking stocks are two main catalysts. However, inherent risk would be the unsolved issue of overloaded trading system in short-term," stated the report.

Figure 1: VN Index in 2020 till end of March 2021



Source: Fiinpro, Rong Viet Securities

Figure 2: HNX Index in in 2020 till end of March 2021



Source: Fiinpro, Rong Viet Securities

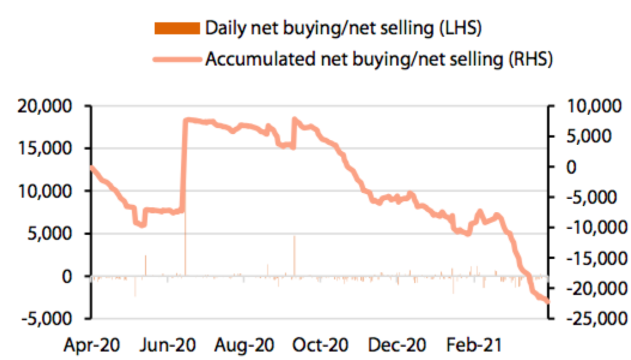
In the past year, foreign investors maintained net selling position with large value of VND29.3 trillion (US$1.27 billion).

"However, we did not recognize it as considerable risk thanks to the strong involvement of individual investors and participation of new foreign fund," stated the VDSC.

On March, the new ETFs from Taiwan - Fubon FTSE Vietnam ETF by Fubon Financial Holdings was established. A few days later, Fubon FTSE Vietnam ETF conducted an IPO and raised TWD5.28 billion (US$185.3 million), while planning to mobilize further TWD10 billion (US$350.8 million) to invest in Vietnam stocks.

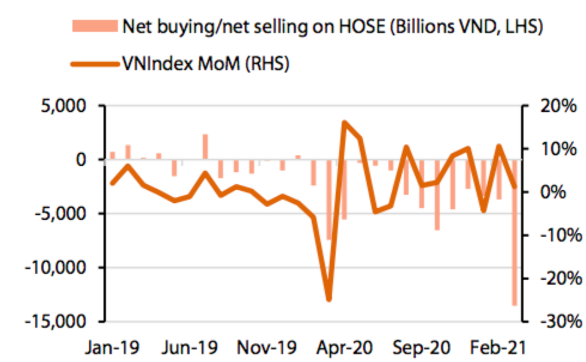
As this fund uses the base of FTSE Vietnam 30 Index, it is expected to supplement new inflows to VN30 group and possibly uplift the market, said the VDSC.

Figure 5: Total daily net buying/selling by foreigners (Billion VND) in last 1 year



Source: Fiinpro, Rong Viet Securities

Figure 6: Net buying/selling on HOSE via matching-order transaction versus VN index MoM



Source: Fiinpro, Rong Viet Securities

Banks to serve as main driving force supporting the market in April

VDSC's report predicted the growth of bank's profit-before-tax (PBT) to be 26% in 2021. The performance of the banking sector in the first quarter was even more optimistic with the three-digit growth of 115% in PBT thanks to the contribution of non-interest income, and negative growth in provision costs.

"Therefore, VN-Index would be likely to go further with the force from banking stocks," it added.

In April, one significant event will be the review of ETFs benchmarked VN30, VN Finlead and VN Diamond. In this restructuring period, banking stocks including ACB, EIB, MSB and VIB are expected to benefit from VN Diamond ETF Fund's cash flow when they meet the conditions to be added to the index basket.

Picky approach is prioritized when VN-Index surpassed 1,200 points

After the end of annual general meeting (AGM) season, market would fall into "information scarcity" time. Therefore, the driving force of the market in the end of April and May may not be the same and the market could be subject to correction, especially when the issue of trading system has not been fully solved.

The report urged investors to adopt a bottom-up approach and focus on stocks having “better than expected result” in 2021.

At the close today [April 6], the Vn-Index rose by 0.32% or 3.91 points to 1,239.96, with foreign investors being net buyers of VND21 billion (US$910,000) on the market.

Corporate bond rush heads for slowdown

With Vietnamese regulators’ efforts to minimise the risks of corporate bonds’ mass issuance, the landscape is predicted to be cooled down compared to a frenzy of debt instruments in the previous period.

According to fresh data from the Hanoi Stock Exchange, as of January 22, there were seven successful corporate bond private placements with a total value of $279 million and two public offerings of $70 million. The real estate sector accounted for $233.7 million, equivalent to 66.9% of the total issued value.

Previously, over $17.82 billion of corporate bonds were issued last year, which increased by 38.5% from end-2019 and 83.5% from end-2018.

Albeit a decline in the last quarter of 2020’s issuance volume the real estate sector witnessed the largest corporate bond issuance volume in 2020 of over $6.09 billion, accounting for over 35% of total issuance value at an average coupon rate of 10.52%. The banking sector also made up for nearly 30%, with an average coupon rate of 6.69%, lower than 7.06% in 2019. Some significant bond issuers included BIDV, VietinBank, HDBank, and TPBank.

The rush of corporate bond issuance has sought attention from yield-hunt investors in the face of ultra-low interest rates.

“Rising medium- and long-term capital demands to satisfy stricter regulations on credit safety limits and capital adequacy ratio in 2021 were putting much pressure on commercial banks to raise funds from bond issuance in late 2020,” explained Nguyen Tu Anh, director of the General Economic Department under the Central Party’s Economic Commission. “On the other hand, foreign investors have been closely engaged in the domestic debt market. In 2020, foreign investors were actively net buyers, expect only three months of slight net-selling, with a total net buying value of $179.7 million.”

However, the lack of transparency and independent credit rating agency makes the task of re-evaluating the debts much harder. According to Nguyen Hoang Duong, deputy director of the Banking and Finance Department under the Ministry of Finance (MoF), Decree No.153/2020/ND-CP dated December 31 on private offering and trading of corporate bonds in the domestic and international markets, stipulates that investors are responsible for their own investment decisions and risks.

As per Decree 153, corporate bonds for private offering shall be traded among professional securities investors only, except for cases of implementing judgment or decision of courts that have taken legal effect.

The MoF also cautioned investors to keep an eye on corporate bonds issued by companies that are members, subsidiaries, or affiliated firms of large corporations.

Bao Viet Securities Company added, “We believe that the demand for corporate bond issuance of domestic firms will also decrease, and insolvency risk may occur in a number of businesses in 2021. However, we believe that this risk is unlikely to spread and negatively affect the financial system.”

Nguyen Tu Anh of the General Economic Department cautioned, “Despite its rapid development in recent years, there are still several shortcomings hindering the industry. The scale of the Vietnamese corporate bond market still pales in comparison with regional peers. Furthermore, the secondary market has not been developed yet, and liquidity of corporate bonds after issuance is relatively low. An independent rating agency is still the major absent element.”

On a regional level, an improving global economic outlook and progress on pandemic vaccinations have pushed up bond yields in the emerging East Asia, including Vietnam. According to the Asian Development Bank (ADB), steady expansion in both the government and corporate bond segments supported the growth.

Specifically, government bonds grew 7.1% from the previous quarter to $58.8 billion at the end of December, accounting for 82.8% of the country’s total bond stock. Meanwhile, corporate bonds also sustained their growth momentum, increasing 13.6% from the previous quarter and 169.5% from a year earlier to $12.2 billion.

Local mergers and acquisitions portray businesses’ confidence

The first three months of the year have witnessed more local businesses beef up their mergers and acquisitions efforts in order to scale up operations.

In January, seafood processing company Vinh Hoan Corporation scooped up 51.29% stake in Sa Giang Import Export Corporation. The company spent nearly $15.2 million buying 3.56 million shares from State Capital Investment Corporation which held Sa Giang’s stake.

Vinh Hoan is also preparing to purchase 25.43% of Sa Giang from four individual investors to raise its ownership to 76.72%. Sa Giang produces instant noodles and crackers made from crab and squid. The company exports its products to Europe, especially Germany and the Netherlands, as well as some Asian countries.

Meanwhile, GTNfoods, a subsidiary of Vinamilk, has approved the merger into Vietnam Livestock Corporation (Vilico). Following the merger, GTNfoods will cease existence, with all assets, rights, and obligations transferred to Vilico. Meanwhile, Vilico is oriented to become a major player in the field of breeding and processing meat products in Vietnam.

The deal also marks the completion of Vinamilk's restructuring. At GTNfoods' recent AGM, Vinamilk chairwoman Mai Kieu Lien said that the dairy group will not engage in any mergers and acquisitions (M&A) deals for the next 5-10 years.

Meanwhile, other local companies are still preparing plans to diversify their portfolios. At last week's AGM, REE chairwoman and CEO Nguyen Thi Mai Thanh said that the board has seen enormous opportunities for M&A this year.

The company needs to set aside cash to purchase projects instead of relying on loans. Therefore, REE will not pay dividends to save capital for potential deals in electricity, water, and real estate this year.

In the same vein, Hau Giang Pharmaceutical Joint Stock Company's Board of Directors predicts that M&A transactions in Vietnam's pharmaceutical industry have become more vibrant as several international pharma brands have entered into partnership with local players.

In light of the official entry of the EU-Vietnam Free Trade Agreement, EU companies can make deeper penetration into the supply chain, production, and distribution in the Vietnamese market, fuelling a stronger wave of pharmaceutical M&A deals, and creating opportunities for local companies to increase competitiveness. At present, Japan's Taisho Pharmaceutical Co., Ltd. currently holds 51.01% in Hau Giang Pharmaceutical.

Elsewhere, Dong Nai Plastic also acquired 18.76 million shares of brick producer CMC JSC, equivalent to 51.14% of the ownership. The acquisition of CMC is considered an important step in realising Dong Nai Plastic's strategy to become the number one supplier of materials for civil and infrastructure construction works in Vietnam.

In another case, at the upcoming AGM on April 29, Transimex will submit a proposal about buying shares of seafood producers and exporters Special Aquatic Products JSC. Masan HighTech Material, a subsidiary of Masan, is seeking shareholders' approval to raise its capital through a private stock offering to serve investment and M&A activities.

Simon Kavanagh, partner and head of Industrials at BDA Partners said, "Vietnam is one of the most active M&A markets in Asia. Its favourable demographics, manufacturing and supply chain infrastructure, and economic and political stability make it particularly attractive to investors. Given the government's successful control of the COVID-19 pandemic, we expect 2021 to be a record year for investment in Vietnam, and for industrial M&A deals in particular."

Experts agree that the emergence of a local M&A market is a sign that local management teams are maturing in their abilities and consider different options to grow, with more local players seeing the attractive opportunities in Vietnam.

It is believed that successful M&A projects rely on smart decision-making and integration of the business acquired, so the pressure on management to successfully implement the deals is huge.

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E-COMMERCE

Where will costly promotion e-commerce campaigns lead?

Online sale apps are spending big money on promotion campaigns to retain consumers, but the money seems to have been spent in vain.

Online sale apps are spending big money on promotion campaigns to retain consumers, but the money seems to have been spent in vain.

In order to buy a body care lotion bottle at a preferential price from a sale promotion program, Tran Thanh Truc in Ba Dinh district, Hanoi, installed a shopping app. Buying the product via this app, she enjoyed a discount of VND50,000 and did not have to pay a delivery fee under the new membership program.

One month after the purchase, Truc removed the app from her smartphone because she no longer wanted to buy things via this app.

Consumers like Truc are potential clients targeted by shopping apps. They compare selling prices offered by suppliers and choose the ones with lowest price levels. They are willing to shift to use other apps if the apps offer more attractive prices.

With the principle ‘new one in, old one out’, they are not loyal clients.

Nguyen Thi Hoai, a housewife in Hanoi, said she often installs new shopping apps. She noticed that sale promotion programs tend to target new customers rather than loyal clients.

With the habit of saving every dong, Vietnamese consumers prefer COD (cash on delivery) payment, though online payments are convenient.

Hoai confirmed that she only makes online payments when there are promotion programs run by her e-wallet or Visa card.

When asked which app is her favorite, Hoai said that she doesn’t have one. She buys milk and napkins for kids via onr app, but chooses other apps for books and electronics.

Meanwhile, Do Quang Thang in Hanoi said he removed two apps because of bad quality of products and services.

On consumers’ forums, people complain that the quality of products is not exact as advertised, and the service is not professional. And trade fraud is another problem. This explains why many people turn their back on online shopping and only buy things after seeing them with their eyes.

A representative of a shopping app said customers will delete unsuitable apps after trying. They install apps when the apps offer preferences, but if they don't feel satisfied about the services, they will give up the apps because they have too many other choices.

The Southeast Asia e-commerce map of iPrice Group shows that the app removal rate in Vietnam is the highest in Southeast Asia, 49% in Q2 2020, though Vietnam was the second largest market in the region, after Indonesia in terms of access traffic.

The average number of visits to websites in Vietnam in 2020 was four times higher than Malaysia, three times more than the Philippines and twice as much as Thailand.

The race to win customers' heart

In order to lure customers like Truc and Hoai, shopping apps spend billions of dong to make their apps known to customers and persuade them to install the apps. And in order to retain them, they run promotion campaigns continuously and compete with each other every minute.

Lazada, Shopee, Tiki and Sendo, the 'big four' in Vietnam's e-commerce market, ran big sale promotion programs in 2020, on Single's Day on November 11, Black Friday on November 27, Cyber Monday on November 30, December 12 and others.

Market analysts say that consumer psychology influences buying habits. As the Covid-19 pandemic has been controlled well in Vietnam, consumers are returning to do more shopping.

iPrice suggested that in addition to running sale promotion programs to attract customers, e-commerce firms should think of measures to improve customers' experience.

E-commerce platforms will get big benefits if using AI and Big Data which gives better recognition to customers, understands their tastes and makes reasonable suggestions to them.

Tran Tuan Anh, managing director of Shopee Vietnam, said when people stay home during social distancing campaigns, they tend to shift to online platforms, which allows them to both satisfy their daily needs and use for entertainment purposes.

E-commerce apps need to integrate many factors for interaction, including games and livestreams to improve connections with consumers.

Vu Duc Thinh, CEO of Lazada Logistics Vietnam, said Lazada will continue to use technological resources and initiative to optimize customer's experiences. In addition, it will shorten the time needed for north-south deliveries, striving for within-day delivery service at the lowest possible cost.

At present, e-commerce platforms are still taking a loss. They accept this because they have high hopes for the Vietnamese e-commerce market, which is predicted to have the value of $29 billion by 2025.

Google predicts that Vietnam's e-commerce will obtain the highest growth rate, 34%, in the region by 2025.

More people in rural areas shopping online

Rural consumers are increasingly shop online, with 46% of internet users engaged in online shopping activities.

This was revealed in an annual report on consumer behaviour, consumption of media, brand usage and awareness of consumers in rural and suburban areas of Vietnam, which was produced by Facebook and GroupM Vietnam.

Rural and suburban areas are potential areas for businesses to drive growth. Rural areas currently account for 63% of the population, and 60% of the country's gross domestic product.

It is estimated that the monthly cost of fast moving consumer goods (FMCG) in rural areas will increase by 7% on average annually from 2020-2025, faster than in class-1 urban areas (4%).

Compared to class-1 urban areas, over 70% of industries still have the opportunity to boost the number of consumers.

The survey also showed that consumers in rural areas are very proficient in using technology products and digital services. Up to 92% of rural residents have used smartphones, a sharp increase compared to 2 years ago with 84%.

Accordingly, consumers in rural areas are using the internet more than traditional means for shopping and the number is rapidly increasing from 2018 (84%) to this year (91%).

Not only the number of people, daily internet usage continues to increase (149 minutes) and nearly double TV time (87 minutes). Among consumers watching TV, up to 47% use phones in parallel to chat or access social networks.

Using social media is the most popular internet activity with 92% of participants and Facebook is the most widely used social network with 97%.

It can be seen that the habits and behaviour of online consumers in rural areas have changed drastically. A Google report on this issue last year also pointed to the rise of rural digital consumers.

Google said that, although urban areas continue to dominate on "online maps" of spending, Vietnamese rural areas were a key market for growth. It is home to more than half of the country's population, an untapped market with increasing internet penetration. If businesses can attract users in these areas, the potential for growth in the future is huge.

Experts affirmed that the online sales channel would be an opportunity to increase product presence in many rural areas, especially when the traditional distribution channel has not reached, or met demand of today's busy consumers.

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ENERGY

Vietnam plans more solar, wind power cuts

Vietnam is set to cut up to 1.74 billion kilowatt-hours of renewable energy in the second half this year to deal with national grid overload.

A plan proposed by the National Load Dispatch Center (NLDC), under the national utility Vietnam Electricity (EVN) intends to cut 180 million kilowatt-hours per month in the third quarter and 350-400 million kilowatt-hours per month in the last quarter.

This time frame corresponds with the expected third and further quarter annual flooding in the northern, and central-southern regions, respectively, when hydropower power supply would increase.

The proposed amount of 1.74 billion kilowatt-hours is 34% higher than EVN's previous plan to cut 1.3 billion kilowatt-hours of renewable energy this year.Cutting solar and wind power has been the go-to solution for EVN since last year, after a surge in the number of such plants strained the national grid.

As solar power plants depend on the number of sunshine hours during the day, authorities still have to rely on traditional sources such as coal, gas and hydropower to ensure grid stability.

This is why solar power, whose output could fluctuate by up to thousands of megawatts in seconds depending on the intensity of sunlight, is the first to be cut when there is an overload.

Another reason for the output cut is slower growth in consumption. Last year, due to Covid-19 impacts, demand grew by less than 2.5% compared to 10% in previous years.

The cuts have hurt renewable energy developers. A leader of a solar power company in the central province of Ninh Thuan, who asked not be identified, said his plant has seen output cut since the end of last year.

The company has to bear losses of hundreds of million Vietnamese dong (VND100 million = $4,300) each month, not to mention suffer interest payment to banks, he added.

The Phu Lac Wind Power Plant in the central province of Binh Thuan is also suffering output cuts.

The plant's CEO, Bui Van Thinh, said both developers and EVN were victims in this situation as the number of new plants exceed the government's original plan, while there is a lack of synchronization in source and transmission investment.

The transmission line has reached its max capacity as dozens of plants come online, he said, adding: "Our revenues have plunged and the situation is tense."

Although energy authorities had earlier warned of power shortages this year, the boom in renewable power development has in reality created an oversupply, creating problems for EVN.

Solar capacity surged to 19,400 megawatts-peak at the end of last year, accounting for 25% of total power capacity. This capacity came from over 100 farms and 101,000 rooftop constructions.

Last year, authorities cut solar power by a total of 365 million kilowatt-hours after the Ninh Thuan and Binh Thuan grids were overloaded.

Mekong Delta long-term future relying on renewables

The latest draft of the country's power development plan puts focus on renewable energy development – however, the Mekong Delta should see more attention in the development of renewables to protect its assets in the long run.

The latest draft of the National Power Development Plan 8 (PDP8) calculates with an expected commercial power capacity estimated at 491 billion kWh by 2030, and 877 billion kWh by 2045. To develop power capacity, the total installed power generation is planned to hit 137.2GW, contributed by 27% coal-fired power, 21% thermal gas, 18% hydropower, and 29% renewable energies, as well as 4% imported energy by 2030.

By 2045, the capacity of installed power is planned to be around 276.7GW, supplied by 18% coal thermal power, 24% thermal gas, 9% hydropower, and 44% of renewable energies, as well as 2% of imported energy.

"The PDP8 highlights the evolvement of renewables, in addition to hydropower, with a significant increase from 13% in 2020 to nearly 30% in 2030 and 44% in 2045, while most other sources will be reduced," said Le Anh Tuan, deputy director of Can Tho University's Research Institute for Climate Change.

In the view of Tuan, the draft PDP8 is different in many ways to its predecessor, removing 5,000MW of coal thermal power and significantly raising the contribution ratio of renewable energies. However, Tuan also raised some issues like capital sources, the suitability of green finance solutions, and banking that are all also mentioned in the Politburo's Resolution No.55-NQ/TW dated October 2, 2020 on the orientation of Vietnam's National Energy Development Strategy until 2030 and outlook to 2045. It will be tough for coal power projects to mobilise capital in the future, because numerous global financial institutions are divesting from this sector.

Under the plan, three coal thermal power plants will be developed in the Mekong River Delta. A project in Hau Giang province and two in Soc Trang province are expected to generate around 5,000MW, which will significantly impact the environment of the region – one that is crucial for rice cultivation and aquaculture.

He explained that developing coal-fired power plants in this region stands in contrast to Resolution No.120/NQ-CP issued in 2017 on sustainable and climate-resilient development of the delta. “In this region, in addition to solar and wind power, biomass at small scale is quite suitable to develop, which would help the use of eco-friendly technologies and the reliance on coal thermal power,” Tuan suggested.

Hiep added that while the PDP8 should consider developing coal thermal power projects, especially in the next 10 years, there should also be a stronger focus on renewables like solar, wind, and biomass in the Mekong Delta.

Nguyen Ngoc Huy, senior climate change advisor at Oxfam in Vietnam, said that developing renewable energy in this region would pay attention to its characteristics. “Around 75% of the region’s total power output serves aquaculture, while the remainder is spent for factories and consumption. Therefore, developing renewables in the delta will offer doubled benefits for both the energy sector and the region’s aquaculture and husbandry,” Huy said.

$2 billion for Mekong Delta development

At the regular governmental meeting last week, the government discussed the budget allocation for the Mekong Delta’s sustainable development goals.

Climate change, natural disasters, and saline intrusion are getting more serve. Thus, the sustainably development of the delta is an urgent task that makes it necessary to mobilise resources and implement various solutions. Prime Minister Nguyen Xuan Phuc approved to apply for international loans of about $2 billion from the World Bank, as well as German and French organisations, for the task. The PM assigned the Ministry of Planning and Investment to accomplish the master plan in collaboration with other ministries and localities.

Clean energy efforts in the region

Long seen as emerging markets for coal power, South and Southeast Asian countries have reconsidered their plans. According to Forbes, Bangladesh, Indonesia, the Philippines, and Vietnam cancelled huge quantities of planned coal plants in 2020, and their pipeline has been declined 80% in the last five years.

India is still building coal plants, but since 2017, renewable energy has been outpacing that of coal. The country has promised to source 40% of its electricity from renewables by 2030 and is now even on track to reach 60%.

Meanwhile, China accounts for more than half of the world’s coal consumption, as well as around half the coal plants under construction. Last year, President Xi Jinping committed to carbon neutrality by 2060 and a few months later announced new commitments to build 1,200GW of wind and solar power by 2030. However, the country’s latest 5-year plan is underwhelming on decarbonisation, and China continues to build new coal plants.

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RETAIL

Thai Central Retail pours US$1.1 billion for business expansion in Vietnam

Thailand's Central Retail Corporation Public Company (CRC) announced to invest US$1.1 billion for its business expansion in 55 provinces and cities in Vietnam from 2021 to 2025.

In its five-year plan, the Thai retailer will focus on expanding multi-concept penetration to build its presence across the country including suburban and rural areas as well as build brands in the food category for enhanced customer experience and brands in non-food categories, and develop the omnichannel platform, said Philippe Broianigo, CEO of Central Retail Vietnam.

In addition to expanding businesses across Vietnam, Central Retail also aims to enhance the customer experience through the development of its omnichannel platform including online sales channels such as Nguyenkim.com and Supersports.com.vn; e-commerce platforms such as Alibaba-owned online marketplace Lazada, Shopee and TIKI; quick commerce such as ride-hailing firm Grab, Chopp, Now.vn. and Baemin; social commerce (Chat & Shop) such as Zalo; as well as “Hotline” and “Click and Drive” services.

Specifically, Thai giant retailer will pour an investment of 6.6 billion baht ($211 million) in opening four GO! malls in the northern provinces of Thai Nguyen, Thai Binh, Lao Cai and the Southern Province of Ba Ria- Vung Tau and one mini-supermarket in the Southern Province of Tay Ninh.

Last but not least, it will change 15 Big C to eight GO! hypermarkets and seven to Tops Markets, and further diversify its non-food business.

In 2020, Big C developed omnichannel services in response to the Covid-19 crisis with a 5% sales contribution at the end of 2020 whereas it is zero% at the beginning of the year. In 2020, CRC opened four GO! Malls in the Mekong Delta provinces of Tra Vinh and Ben Tre, the Central Province of Quang Ngai, the Central Highlands City of Buon Ma Thuot.

Furthermore, it rebranded Big C to GO! adding five more branches, while opening the first branch of GO! Supermarket in the Central Province of Quang Nam to serve customers in the rural area.

After nine-year operation, the company has opened 37 shopping centers and 230 stores with total area of 1,000,000 square meters across 39 provinces nationwide, receiving an average of 175,000 customers per day.

According to the company, Vietnam’s service sector posted a 2.34% growth, led by wholesale and retail trade with a 7% increase compared to the same period last year, contributing 33.5% to the economy. It is also expected that the service sector will continue to grow steadily in 2021.

Vietnam’s service sector is forecast to fast develop in 2021 helping to push Vietnam into one of fastest growing and most lucrative markets in the world.

CRC’s distribution channels in Vietnam also take part in Ho Chi Minh City’s market subsidy program.

Buy2Sell Vietnam adds new stores in HCMC

The B2B e-commerce platform's newly opened stores are located in two of the most crowded shopping locations in Ho Chi Minh City, Lotte Mart and SC VivoCity Shopping Mall.

Buy2Sell has launched a cosmetics store at Lotte Mart Vietnam, offering attractive choices and new selections of high-end cosmetic brands from Europe, South Korea, and the U.S.

Lotte Mart is a retail brand of South Korea's Lotte Group, a major supermarket chain in Asia. It now runs 46 stores in Indonesia, 14 in Vietnam and 123 in South Korea.

On March 24, Buy2Sell continued opened a new store in SC Vivo City, specializing in a wide range of unique international appliances, accessories, gifts, food and beverage, electronics and pet products. SC Vivo City is an all-in-one destination with five floors, offering the latest fashion products, hypermarkets, movie theaters, restaurants, entertainment, education and lifestyle brands. The shopping mall covers a total 62,000 square meters.

Since 2015, Buy2Sell Vietnam has distributed a diverse range of branded goods to the medium and high-end Vietnamese market. The company has signed distribution agreements with thousands of international suppliers and distributed over 200,000 items, including cosmetics, food an beverage, fashion, household appliances, pharmaceuticals and electronics items, imported from over 60 countries around the world.

Thailand’s top coffee chain to expand in Vietnam

Thailand’s leading coffee chain Café Amazon plans to expand in Vietnam after five months of establishment in the country. A spokesperson said recently the chain sees long-term potential in Vietnam and will expand in Ho Chi Minh City and neighboring provinces this year, but did not reveal specific figures.

The chain opened its first outlet in southern Ben Tre Province last October, and later two in Tien Giang Province and Tra Vinh Province in December, all in Go! Supermarkets operated by Thai giant Central Retail. It also opened in December an outlet in HCMC. Thailand’s Central Group owns 40% of Café Amazon Vietnam, while the remainder belongs to another Thai fuel distributor PTT Oil and Retail Business.

Café Amazon has over 3,000 stores in 10 countries. In Vietnam, it will have to compete with long-established domestic players like Highlands, Phuc Long, The Coffee House and Trung Nguyen. The market in the past has seen the withdrawal of foreign brands like NYDC – New York Dessert Café and Gloria Jean’s Coffees.

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LOGISTICS

Development of logistics industry needs outstanding mechanism, policy support

HCM City has just approved and issued a project to develop the logistics industry in the city until 2025, with a vision to 2030 to develop logistics to become a key service industry of the city, account for an increasingly high proportion in the structure of the gross regional domestic product (GRDP), thereby, helping the city to improve the role of the hub for domestic goods exchange and connection with the international market, contributing to reducing the rate of national logistics costs against the national GDP.

Small-scale logistics enterprises

The country currently has about 4,000 professional enterprises. Of which, the leading multinational logistics enterprises in the world have already been present in Vietnam. The size of Vietnam's logistics service market is small, at about 2-4% of GDP, but its growth rate is extremely high, estimated to increase by 20-25% per year. Importantly, the Vietnamese economy is forecasted to still outperform in Southeast Asia in the next 10 years. The advantage of a coastline stretching from North to South and the fast-developing e-commerce industry are plus points for the development of logistics.

It raised the question that why, up to now, Vietnam has not fully exploited the potentials of logistics. Mr. Ha Ngoc Son, Head of the Import-Export Management Department under the Department of Industry and Trade of HCMC, explained that the team of logistics enterprises is large but not strong. Their business is quite small. Most domestic enterprises only provide basic services, services for small supply chains with little added-value or outsourcing to foreign companies, and do not have differentiated services or programs. The financial potential of Vietnamese logistics enterprises is weak, with 80% of established enterprises having charter capital of a few billion Vietnamese dongs. They lack separate voices with shipping lines, so they are controlled in terms of price. In the long term, price competition will no longer exist. Instead, the quality and variety of service will be the decisive factor for the development of logistics enterprises.

According to Mr. Ha Ngoc Son, the development of logistics in HCMC is facing many challenges because the infrastructure fails to meet its requirements and becomes an obstruction. The inland container depot (ICD) system has exceeded its designed capacity and five out of six ICDs in the city have decided to relocate, so they operate separately with a poor association, and domestic connectivity is weak. The level of fees of each port has not been unified. Fees and tolls remain high, and there are many other costs incurred on the road that enterprises cannot list. In the context of more and more FDI enterprises investing in logistics for e-commerce, if Vietnamese enterprises are not linked, creating a closed service system to compete with them, they will possibly lose their market share right on home ground.

Which direction for development?

According to the project of developing the logistics industry in HCMC to 2025, with a vision to 2030, the total capital needed for the development of the logistics industry in the 2020-2030 period in HCMC is about VND95.8 trillion. Mr. Ha Ngoc Son said that the project would solve many problems not only for the city but also for the region if we developed a feasible implementation plan.

Regarding the development orientation, according to Mr. Bui Ta Hoang Vu, Director of the Department of Industry and Trade, digital transformation and information technology application should be considered as an inevitable and priority trend of the logistics industry in the 2021-2025 period, with two strategic tasks: to focus on developing logistics for the e-commerce industry and providing a service chain for import and export goods to Asian markets and transshipment to Cai Mep - Thi Vai Port to Europe and America.

Assessing the current situation of the city's logistics industry, Mr. Le Kim Cuong, Deputy Director of Tan Cang Logistics Service Center, said that it is necessary to consider transforming the functions, turning Cat Lai Industrial Park into the logistics center of the city. It is difficult to find new land banks to develop logistics centers, but there are a few places that the city can consider the conversion. For example, there are no logistics services behind Cat Lai Port, so the city can consider the Cat Lai Industrial Park nearby. Is it possible to relocate enterprises in the industrial park to other areas to transform its functions into a logistics service center?

There was also an opinion said that HCMC should use its meager land fund to build research centers and train human resources for logistics to develop sustainably. This human resource will provide for not only HCMC but also the entire southern region. At that time, when referring to HCMC’s contribution to logistics, it will be brainpower, technology, and high-quality human resources.

With the project of developing the logistics industry in the area of HCMC, the State just builds the overall project, determines the location and the policies, while the implementation and operation are done by businesses. The centers will be built and developed completely by major infrastructure investors, and they only use a part of the centers. In each subdivision, there will be component investors who sublet to divide for partners.

Dr. Tran Du Lich, a member of the Prime Minister's Economic Advisory Group, said that if a leading ecosystem in the logistics sector was not established in HCMC, which locality would be able to do this? Therefore, the implementation needs to be considered carefully and get opinions from many dimensions so that we have a quick, successful, and correct plan.

7 logistics centers

Regarding technical infrastructure, based on the demand for production, circulation of goods in the region, and import and export, based on the existing land fund, the Department of Industry and Trade proposed to the People's Committee of HCMC to build seven logistics centers.

They include Long Binh Logistics Centers, Cat Lai, Linh Trung, High-tech Park in Thu Duc City; Tan Kien Logistics Center in Binh Chanh District; Cu Chi Logistics Center in Cu Chi District; Hiep Phuoc Logistics Center in Nha Be District. It is expected that the total area of these centers is 623 hectares.

According to Mr. Ha Ngoc Son, Head of the Import-Export Management Department under the Department of Industry and Trade of HCMC, if this proposal is approved, Linh Trung Logistics Center and Cat Lai Logistics Center will be built in 2023. Linh Trung Logistics Center is adjacent to the cargo flow of Binh Duong and Dong Nai provinces. These warehouses can be considered as a funnel to pour goods to Ho Chi Minh City, passing through Linh Trung's area is the shortest way for goods to HCMC.

Container shortage compounds Vietnamese exporters' shipping woes

Vietnamese businesses are once again struggling to get containers to export their goods amid a global imbalance in the logistics sector. Bui Thi Ngoc Tuyen, deputy director of Bich Chi Food Company in the southern province of Dong Thap, said as empty containers have become scarcer, prices have tripled.

Duy Tan Plastics, which gets one-fifth of its revenues from exports, is also caught in a similar struggle, with logistics costs on some main routes rising 95–231% year-on-year. The company has seen the number of orders declined by around 10% due to higher shipping costs, its deputy director Le Anh said.

Tran Thanh Hai, deputy director of the Agency of Foreign Trade under the Ministry of Industry and Trade, said sea shipment costs have risen because container costs have surged seven or eight times.

Vietnamese companies had already faced a container shortage towards the end of last year and earlier this year as global trade rebooted after months of limited activities caused by the Covid-19 pandemic, but the recent Suez Canal blockage has once again triggered shortages that could severely hurt exporters.

Although the mega-ship Ever Given has been freed from the canal, some ships had been forced to reroute on a longer journey, and a two- or three-week delay of shipments is expected.

This means Vietnamese exporters will have to wait a couple of weeks or even a month to receive empty containers for the next shipment, and they will have to bear higher costs due to shortage of the metal boxes, said Ho Van Hiet, CEO of Prime Logistics Vietnam, which transports around 200 containers a month.

Container rents in December and January had surged 5-10 times from earlier due to a global shortage of containers. Although prices dropped by 10-20% last month, they could return to the previous peak in this and the next month due to the Suez blockage, Hiet told VnExpress International. His company has been urging customers to make quick deliveries now, before prices climbed again.

Lam Thi Thanh Bong, CEO of Karl Gross Logistics Vietnam, said that after a period of limited trade activities last year caused by the Covid-19 pandemic, many Western countries are having an oversupply of empty containers while some Asian ones are seeing shortages.

For now, exporters need to book their shipment between two and four weeks prior to ensure they have slots on the vessels and they should negotiate sharing higher logistics costs with their partners, she added.

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INVESTMENT

Vietnam announces 84 business lines restricted for foreign investors

Vietnam has for the first time released a list of sectors which foreign investors are restricted or banned from accessing.

The list was issued along with Government Decree No 31/2021/ND-CP dated March 26, 2021.

The list specifies 25 business lines prohibited for foreign investors, including trading in goods and services subject to State monopoly; press activities and information gathering in any form; fishing; judicial administration services; temporary import for re-export activities; and tourism services, except for inbound tourism services for international visitors.

Meanwhile, there are 59 business lines where market access for foreign investors is conditional, for example the production and distribution of cultural products, including visual recordings; the production, distribution, and broadcasting of TV programmes and music, stage performances, and motion picture works; postal and telecoms services; educational services; the exploration, extraction, and processing of natural resources, minerals, and oil and gas; hydropower, offshore wind power, and nuclear energy; and gambling and the casino business, among others.

The release of the list of restricted sector was a daunting effort, as it was quite complex and time-consuming to identify business lines restricted to foreign investors in accordance with Vietnam's international commitments, according to Tran Thi Thanh Huyen, a lawyer from NHQuang and Associates.

Investors can make a decision only if they know what they are allowed to do and under what conditions, she said.

Foreign investors are treated as domestic investors in terms of market entry conditions when investing in business lines that do not fall within either of the two lists.

The decree took effect on the date of issuance./. VNA

Foreign firms take over petroleum market, Ministry of Industry and Trade anticipates risk

The Ministry of Industry and Trade (MoIT) has proposed removing the rule in a decree that says foreign investors are allowed to hold no more than 35% of shares in petroleum trading businesses.

The rule is included in an amended draft Decree 83/2014. The Ministry said that it was necessary to do further research.

In its document recently submitted to the Government, MoIT further explained the regulations allow domestic petroleum trading firms involved in production activities to transfer their shares to foreign investors, but it cannot exceed 35%.

This is controversial content. The ministries of Public Security, Planning and Investment, and Finance believe that this is a new regulation, raising concerns about energy security, legality, and the actual benefits of opening up for foreign investment.

According to MoIT, this regulation has recently been included in Decree 83, but in fact it has been implemented for many years for state-owned petroleum trading enterprises such as Petrolimex (with 20% of shares owned by foreign investors), PVOil (35%), BSR (49%), through equitization and mobilization of investment capital. This was also approved by the Prime Minister before implementation. These firms are still doing business and operating normally.

MoIT explained that the inclusion of this regulation in the amended draft Decree is to comply with the Government's guidance issued in March 2016 on the issuance of shares to increase capital for strategic shareholders of Petrolimex.

In addition, the participation of foreign investors contributes significantly to improving governance, making financial statements more transparent, thereby improving efficiency and competitiveness, and helping increase the value of petroleum trading businesses through shares.

The Ministry said that foreign investors are very knowledgeable and abide by Vietnamese laws and regulations in petroleum trading. However, because of the absence of official and specific regulations on the shareholding ratio of foreign investors, domestic enterprises as well as state management agencies are very confused when negotiating with foreign investors on investment and capital increases, especially the lack of heterogeneity in the shareholding rate of this subject when these firms are listed on the stock exchange.

The Ministry said that when the Government Office consulted the Government members on the draft amended Decree, 24 of 25 members passed it. One did not agree with the content allowing petroleum traders to transfer no more than 35% of shares to foreign investors. Three members approved but had additional comments on some content of the amended draft decree.

For the needs of businesses?

According to MoIT, in fact, there are thousands of other companies involving in petroleum trading, including many listed joint stock companies which also need to attract foreign investment.

Foreign investors are also interested in the shares of those firms, but the lack of clear and specific regulations hinders them from investing in local petroleum trading firms. Therefore, MoIT believes that this regulation is consistent with the actual situation and the development needs of the petroleum industry.

"The rule on share transfer limitation at 35% helps solve the problem of capital, technology, and business management skill attraction while still restricting foreign investors' intervention in production and business activities of local enterprises," the MoIT said.

Therefore, it is necessary to consider the benefits of not opening the door for foreign investors to buy shares of local petroleum trading companies with the early opening of the door for foreign capital and technology.

"The proposal to open the petroleum market comes from the needs of domestic petroleum trading businesses, not from foreign enterprises," the Ministry said. Most countries in the world and the region have opened their petroleum markets, such as China, Singapore, Thailand, and Japan.

The Ministry affirmed that petroleum enterprises, regardless of economic sector, when doing business in the Vietnamese market, must comply with the conditions and provisions of this Decree and other related legal documents. Therefore, businesses are controlled to ensure management of energy security, quality, fire safety and others.

Allowing share transfer in such cases is an indirect investment activity that does not allow foreign firms to directly exercise the right to distribute petroleum in Vietnam. The exercise of the right to distribute petroleum in Vietnam is only possible when a foreign company establishes its branch in Vietnam and directly conducts distribution activities.

The Ministry also added that if the Prime Minister thinks this content needs to be further researched and evaluated, MoIT will propose removing this content from the amended draft decree.

This decree has not been approved by the Government, so it will have to wait for the decision of the new Government.

Commenting on the draft decree, the Ministry of Finance proposed setting regulations to control the number of petroleum traders.

In response, MoIT said that the increase in the number of petroleum traders is consistent with actual conditions. Before 2015, there were 23 major traders nationwide, which has increased to about 40 at present. The Ministry emphasized that the increase is not high. China has nearly 500 and Singapore more than 500 petroleum traders.

MoIT promised to coordinate with the Ministry of Finance and relevant agencies to strengthen the post-inspection task to closely control the quality and number of petroleum distributors.

Multinationals may hesitate to enter Vietnam because of rising land rent

Rising land rent and shortages in industrial zones (IZs) may cause multinationals, which are seeking land near Hanoi and HCMC City, to hesitate to come to Vietnam.

Despite the Covid-19 pandemic and policies on restricted travel, more manufacturers are following the China plus 1 model and seeking places in Vietnam to set up their production facilities. This is why industrial real estate continues to see high growth in rental and occupancy rates.

Savills Vietnam reports that in 2020 the occupancy rate was 88% in HCM City, 94% in Dong Nai, 99% in Binh Duong, 84% in Long An and 79% in Ba Ria – Vung Tau.

In the north, the figures were 90% in Hanoi, 95% in Bac Ninh, 89% in Hung Yen, 82% in Hai Duong and 73% in Hai Phong.

The land rent was $129 per square meter in Hanoi (up by 13.1%), $95 in Bac Ninh (9.2%), $83 in Hung Yen (6.4%), Hai Duong $76 (15%) and Hai Phong $96 (3.2%).

As occupancy rates were high in areas around Hanoi, many investors had to move to Thanh Hoa, where the land rent was competitive, $40-$50 per square meter, compared with key industrial provinces in the north and south.

Thanh Hoa attracted $349 million worth of FDI in 2020, the 20th biggest FDI recipient. Foxconn's development plans in Thanh Hoa have attracted electronic component manufacturers which provide materials to big investors.

Competitive land rent and a big labor force are the two biggest advantages of Thanh Hoa.

In southern provinces, the land rent in IZs in 2020 was $147 per square meter in HCM City, $107 in Binh Duong (+ 4.9%), $98 in Dong Nai (+ 6.5%), $123 in Long An (7.8%) and $65 in Ba Ria – Vung Tau (18.1%).

Matthew Powell from Savills Hanoi said the surge in land demand and land rent can also be attributed to improved development of infrastructure and better access to roads, harbors and airports.

However, the land rent escalation is a major concern for businesses, especially ones in industries with low profitability such as textiles and garments and interior furnishings.

If land prices keep rising, Vietnam's competitiveness in price will be weaker, unless there is more industrial land in key economic zones to satisfy demand and stabilize prices.

As for land supply in the future, the Department of Economic Zone Management is expected to approve 561 IZ projects with a total area of 201,000 hectares.

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