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FINANCE

VN-Index predicted to reach 1,500 points in 2021: PYN Elite

PYN Elite believes this year's index could reach 1,500 points, after ending 2020 with 1,097 points.

According to investment fund PYN Elite, banks' whole year earnings growth is likely to reach a robust 35-40% increase on-year.



The brisk price gains in the property market have increased speculations about the State Bank of Vietnam's intervention in the market. However, this should be short-lived, and PYN Elite expects this year's earnings growth will push the bank stocks to higher levels.

Strongly cyclical steel companies have had a big role in the performance of the VN-Index.

The fund does not have in its portfolio Hoa Sen Group's shares, which has a strong weighting in the index, or any other steel companies.

Recently, Vingroup's holding company's VIC stock spiked as the company announced plans to expand manufacturing of Vietnamese car brand Vinfast in the US and possibly be listed in the New York Stock Exchange. So far, the company has made losses with its car business.

"We do not have any position in Vingroup's shares, we would rather not bet on a new brand entering the US automobile market, as we concentrate on our holdings with the companies that benefit from the high growth of the domestic demand in Vietnam," Petri Deryng, portfolio manager noted.

"We share the consensus forecast that the Vietnamese stock market can continue to perform well this year due to the solid earnings growth as well the bright outlook for years to come. In the first quarter, the foreign investors have been net sellers in the Vietnamese stock market, but we believe the tide must turn as the year goes along," he added.

Consumer finance market anticipated to continue facing difficulties after recovery

The consumer finance market in the year ahead is predicted to struggle making any significant breakthroughs, despite lending interest rates witnessing a downward trend, according to experts.

Last year saw the novel coronavirus (COVID-19) pandemic negatively impact the world's economy and international trade, with interruptions in the global supply chain causing a slowdown to all economic, trade, and investment activities, whilst also reducing people's consumer demand.

The nation made up one of the few countries which was able to bring the pandemic under effective control, with the Vietnamese economy showing clear signs of recovery after nine months.

Despite this, according to figures compiled by the General Statistics Office (GSO), last year saw 101,700 enterprises suspend business operations for a definite period, or halt working in order to wait for dissolution procedures or to complete dissolution procedures, an increase of 13.9% compared to the previous year.

Of the local firms, the majority of enterprises have been forced to halt business operations, with many new or small companies dissolving as they are the most vulnerable to damage caused by the negative impact of external shocks.

This therefore led to employee's income being negatively affected last year, with more than 69% of staff having their income reduced, 39.9% of them having working hours reduced or removed from the work schedule, whilst 14% of workers were forced to temporarily stop or suspend production and business activities.

The decline in people's income impacted borrowers' demand for borrowing and debt repayment ability, thereby having a significant impact on the consumer finance industry due to finance companies operating in this field having a large number of customers, with most customers being middle or low income earners.

FiinGroup, a data collection and analysis organisation, reports that the figure regarding losses in the global consumer finance segment caused by COVID-19 is rather high, with revenue recording a drop of 25%, while bad debt increased by 100%, resulting in a fall of approximately 200% in profit.

In a report sent to the Prime Minister, Nguyen Thi Hong, the Governor of the State Bank of Vietnam, stated that in the event of no COVID-19 pandemic, the results of the handling of bad debts would have been conducted on schedule, although bad debt showed a drastic upturn due to the impact of the pandemic. In fact, amid the complicated developments of the epidemic, the majority of customers lost their ability to repay debts, with finance companies forced to make every effort to restructure loans and reduce interest rates for customers.

Consumer credit anticipated to recover, but hard to accelerate

Moving forward, forecasts made by the HSBC Global Research stated that the year ahead will see the labour market continue to stagnate due to COVID-19, resulting in little improvement in people's demand.

Dr. Nguyen Tri Hieu concurs with this viewpoint, saying that the consumer finance market this year would continue to face difficulties without making a breakthrough as a result of the unpredictable developments of the COVID-19 epidemic, even though the lending interest rate remains on a downward trend.

According to the FiinGroup report, following the "golden" period of 2014 to 2019, with a gradual growth rate of roughly 35% per year, the Vietnamese consumer finance market slowed down in 2020 and needs to take cautious steps this year due to the impact of the COVID-19 pandemic.

A representative of FE CREDIT stated that in the event the pandemic is not competently controlled, concerns regarding unemployment could rise and the ability of customers to repay debts would weaken.

Furthermore, amid drastic changes in consumer behaviour and trends after the pandemic, companies must be proactive in applying technology to their business activities, thereby building a financial ecosystem that is capable of meeting the needs of customers in a timely and effective manner.

Competitive pressure will ramp up with the new appearance of Fintech companies, which tend to have advantages over traditional banks and consumer finance firms. This represents both a challenge and an opportunity for financial companies to co-operate, whilst maintaining and developing the market.

Moreover, consumer loans are being encouraged by banks and finance companies with many preferential loan packages, although demand is not as high as expected due to consumers having to limit spending. Currently, many banks, as well as financial companies, have offered incentives to individual customers in need of capital.

Local banks target high profits

During the "season" of shareholders' meetings, Vietnamese banks are confident about their plans to increase profits by several trillion dong in 2021. Several banks have set a record growth target of up to 30%-50%.

Tien Phong Commercial Joint Stock Bank (TPBank) recently held its annual shareholders' meeting to approve a plan to have its pre-tax profit in 2021 to rise by 32% compared to 2020, equivalent to about VND5.8 trillion.

The target is high but it considered appropriate in the context of the economy still facing challenges from Covid-19. It is in line with the Government's policy, and measures to stimulate economic growth and macroeconomic stability.

TPBank of brothers Do Minh Phu and Do Anh Tu also plans to have total assets of VND250 trillion by December 31, 2021, an increase of 21%. Total mobilization is expected to reach over VND221.8 trillion, up 20%.

In 2021, TPBank will accelerate digital transformation, focusing on building IT infrastructure, platforms, and essential and specialized applications. Thanks to its digital strategy with the LiveBank system, TPBank has quadrupled the number of customers opening new accounts and cards; the Current Account Savings Account (CASA) increased by 5 times and the service time fell by 40-60% in 2020.

In the first three months of 2021, total assets of TPBank rose by 22.38% year on year, with over VND216 trillion. As of March 31, 2021, the bank's credit balance reached more than VND138 trillion, up 24.36%

year on year. In the first quarter, the bank recorded pre-tax profit of more than VND1.42 trillion, up 40.87% year on year.

Meanwhile, the shareholders' meeting of the Saigon Hanoi Commercial Bank (SHB) approved the highest profit plan of 2021 with VND6.1 trillion if the bank completes the raising of capital in the third quarter. If it completes raising capital in the fourth quarter, the expected profit is VND5,828 billion.

Viet Capital Bank (BVB) has set a target of 44% growth in profit in 2021. In 2020, it reported a 27.4% increase in pre-tax profit, with VND201 billion.

In 2021, the Bank for Foreign Trade of Vietnam (Vietcombank) has set a target for profit growth of 10-20% and credit growth of 8-11%.

MBBank proposed a pre-tax profit plan to increase 25-30% compared to 2020, reaching over VND14.6 trillion.

Meanwhile, OCB expected pre-tax profit to increase by about 15% to VND5,560 billion.

With positive developments in 2020, shares of many banks have increased sharply. The price for TPBank shares increased from VND18,000 in November 2020 to VND28,000 per share at present. The price for SHB shares doubled within three months, and that of MBB shares nearly doubled in six months.

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E-COMMERCE

49% of Vietnamese delete shopping apps on mobile devices

The increase in app deletions shows that Vietnamese e-commerce platforms need to improve the quality of services in order to retain customers.

AppsFlyer and iPrice Group analyzed 12.4 million shopping app installs on Android devices in 2020 to learn about consumer behavior. The results showed that the removal rate of e-commerce applications in Vietnam was the highest in Southeast Asia. Specifically, the rate of deleting online shopping applications in Vietnam was 49% in the second quarter of 2020.

Thus, e-commerce users in Vietnam were the pickiest group in the region. They removed inappropriate e-commerce apps soon after they tried them out.

To solve the problem, according to experts of AppsFlyer and iPrice Group, e-commerce platforms need to improve the quality of their services to be able to keep users.

Despite a high rate of app deletion, Vietnamese businesses occupy five positions in the top 10 e-commerce websites in the region. The names on the list are The Gioi Di Dong (Mobile World), Tiki, Dien May Xanh, Sendo and FPT Shop.

According to a report from the Vietnam E-commerce Association (VECOM), in 2020, Vietnam's e-commerce reached about \$13.2 billion and had a growth rate of about 15%.

During the time of social distancing, from February 2020 to April 2020, e-commerce became the only shopping channel to access certain goods and services.

Many domestic firms have been active in applying IT in production and business activities, promoting digital transformation and training human resources to maximize the advantages of online platforms.

Facing the rapid development of Vietnam's e-commerce market, Google, Temasek and Bain & Company also forecast that the average growth rate in the 2020 - 2025 period of Vietnam's e-commerce will be 29%. By 2025, the country's e-commerce market is expected to reach \$52 billion.

More farming products sold on e-commerce sites

The e-commerce sites of Vietnam Post and Viettel Post saw 33 more suppliers of agricultural products and regional specialties open new booths in the first 10 days of April. Of the 33 new suppliers, 21 were on Viettel Post's Vỏ Sò (seashell) and 12 were on Vietnam Post's Postmart.

From April 1 to April 10, Postmart and Vỏ Sò e-commerce sites received more than 2,600 orders for agricultural products.

The two sites are carrying out many activities to help farmers get acquainted with new business methods.

These efforts including helping farmers familiarise themselves with digital technology and a representative of Vietnam Post said that since April, Postmart has opened short training courses on doing business using e-commerce in Ha Nam and Thai Binh provinces for household businesses.

In addition, the Postmart e-commerce floor offers free use for business households that register early for the marketing service package.

Meanwhile, in Vo So's development plan for the final months of 2021, it will focus on bringing all products meeting OCOP and VietGap standards to the e-commerce site from mid-April to November.

Along with that, Viettel Post will support digital transformation in nine provinces and cities, namely Son La, Lao Cai, Bac Giang (in the second quarter); Ben Tre, Can Tho, Hau Giang, Dong Thap (in the third quarter); Lam Dong and Nghe An (in the fourth quarter).

The Vở Sò e-commerce platform has helped sell farming products in Hai Duong Province amid the bad impacts of the COVID-19 pandemic by providing knowledge on doing business on e-commerce sites for about 200 farming households. As a result, 50 households have opened pages on the Vở Sò e-commerce platform.

According to the postal enterprises, most farmers are still not familiar with selling and buying online. Therefore, guidance on online business to help farmers change their awareness and habits need to be maintained for a long time.

The Vietnam E-commerce Association (VECOM) Chairman Nguyen Thanh Hung was quoted by the ICT news as saying the market has a trend of expanding online trading channels for all kinds of goods, including agricultural products.

By developing the consumption of agricultural products through e-commerce platforms, farmers not only have more sales channels but also can promote their products to partners and consumers.

The big challenge in selling agricultural products on e-commerce sites is storage and transportation of retail orders, with support in shipping retail goods, farmers would have a lot of opportunities for the development of e-commerce, Hung said.

A representative of VECOM also said it is necessary to encourage businesses to support farmers in the development of online trading farming products. E-commerce service providers need to help farmers build and operate platforms for online sales.

E-commerce workforce downsized due to COVID-19

The proportion of enterprises with employees specialised in e-commerce decreased significantly last year compared to previous years

The proportion of enterprises with employees specialised in e-commerce decreased significantly last year compared to previous years, according to the Viet Nam E-Commerce Index 2021 by the Viet Nam E-Commerce Association (VECOM).

The decline was partly due to the great impact of the COVID-19 pandemic and financial pressure, hence firms cut their workforces and spread employees across multiple roles to remain operational through difficult times.

In terms of enterprise size, the percentage of small and medium enterprises (SME) with e-commerce specialised employees is only half of that of large enterprises.

Arts - entertainment and information - communications are the two sectors with the highest proportion of employees specialised in e-commerce, accounting for 45% and 42% respectively among surveyed enterprises, followed by finance - banking - insurance (38%) and professional - science - technology activities (31%).

More businesses have struggled to recruit skilled workers in e-commerce and IT over the past three years, said VECOM. Promoting both formal and informal training of specialised human resources was a major issue, it said.

Website and e-commerce floor administration is still the skill enterprises are most interested in, with 46% of firms reporting difficulties in recruiting workers with those skills.



Super app race

The report also revealed the proportion of enterprises with a mobile version of their website had not changed much compared to previous years.

Most enterprises no longer choose to build a separate website for the mobile version, instead, they choose a solution to build a new website with technology that automatically adjusts the interface compatible with different platforms such as computers, tablets and mobile phones, it said.

The concept of a 'super app' was brought into the scene last year, referring to the advantages of applications that provide an ecosystem for mobile consumers, this topic was also discussed at the VECOM 2020 Ecommerce Review Forum.

The survey showed the proportion of enterprises that had sales applications on mobile devices increased slightly in 2020 from the previous year.

Last year, 75% of enterprises said that they prioritise building applications on Android platforms (an increase of 5% compared to 2019), followed by iOS platforms (48%) and Windows (37%).

The majority of surveyed enterprises said the average time customers spent when accessing e-commerce mobile version websites/sales applications was very low.

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ENERGY

Nuclear energy, an option for Vietnam in the long run

Clean and reliable nuclear energy could help Vietnam meet its growing power demand over the long term and ensure its development is not derailed, experts say.

Prof Sheldon Landsberger of the University of Texas at Austin, the U.S., an expert in nuclear and radiation engineering, said: “With a population of nearly 100 million people, Vietnam will need a lot of energy. The country has to figure out what is the best way of getting electricity.”

It is crucial for Vietnam to sustain the growing standard of living of its people and have competitive industries, he said.

While renewable energy sources such as solar and wind could be unreliable depending on the climate, nuclear plants could work 24 hours on all 365 days a year, he pointed out. It is a stable source like coal, and enables electricity storage as well, he said. However, unlike coal, nuclear energy is free from carbon emissions and does not pollute, he said.

Talking about the status of nuclear energy around the world, he said it is “very mixed” with parts of Western Europe planning to continue with it but others phasing it out.

The world would run out of coal and gas, maybe later this century, Landsberger said.

“For that reason, Vietnam, like other countries, has to look not five or 10 years down the road but 30 or 40 years.”

Dr. Steven Biegalski, nuclear and radiological engineering, and medical physics program chair, Georgia Institute of Technology, the U.S., said in his country nuclear power is still coming out on top today. Americans are seeing a significant reduction in using coal and natural gas, two main competitors of nuclear energy.

Dr. Sama Bilbao y Leon, director-general, World Nuclear Association, said nuclear energy could help ensure not only the grid stability of a country but also produce heat used in industrial processes and transportation. With this, countries could decarbonize various sectors, she said.

Vietnam could also use nuclear energy to produce fresh water, something that Middle Eastern countries are looking into, she said.

Prof Ken-ichi Fukumoto of the Research Institute of Nuclear Engineering, University of Fukui, Japan, said nuclear power is a realistic solution for Vietnam to ensure power supply.

In fact, despite the Fukushima accident in 2011, Japan still uses nuclear energy because it is reliable and reduces carbon dioxide emissions, he said. However, new plant development is now restricted as the public are concerned about their safety.

Germany, despite abandoning nuclear power at home, buys nuclear power from neighbor France, he pointed out.

Author of “A Question of Power: Electricity and the Wealth of Nations,” Robert Bryce, said Vietnam, like other developing countries in Asia, is seeing rapid growth in electricity demand and should include advanced nuclear reactors in plans to expand its electric grid.

There are several challenges to building new nuclear reactors, including cost, the time required and fuel production and disposal, but if Vietnam is to help reduce global greenhouse gas emissions, it should include nuclear in its electricity portfolio, he said.

Jennifer Gordon, a senior fellow at the Global Energy Center, Atlantic Council, the U.S., said it is now an important time for Vietnam to start discussions about investment in nuclear energy.

In 2009 Vietnam had planned to build two nuclear power plants in the south-central province of Ninh Thuan at a cost of several billion dollars, but the National Assembly shot down the proposal in 2016 on cost grounds.

Vietnam would not build old types of reactors if it is starting a nuclear program now, Gordon pointed out. To ensure safety, the newer types of reactors shut down automatically without human management, she said, citing the example of the sodium-cooled fast reactor.

Landsberger said in Vietnam, nuclear energy could be a combination with wind, solar and tide.

Vietnam should keep in mind that the climate is changing and so being dependent on renewable energies, including hydropower, would be shortsighted, he said, suggesting that Vietnam should consider a baseload, or the minimum amount of electric power delivered, of 30-40 percent from nuclear plants.

South Korea and Japan are good examples of successful economies partly thanks to nuclear energy development, he said. They have steady electricity prices over long periods of time and do not have to rely on other countries, he pointed out. Vietnam should look at all areas of energy and choose the best path forward based on economics, he said.

Speaking about costs, he said nuclear power would be expensive, but Vietnam should weigh all factors. For instance, people would have health expenses if the country has pollution (caused by fossil fuels), and Vietnam could get a lot of support as a developing country from the International Atomic Energy Agency.

Biegalski said there is a significant and earnest desire in the U.S. to look at the next generation of nuclear power technologies.

He said he understood there is a fear in various countries after the accident in Fukushima, but when people look at the data they would see no one died as a result of the reactors, whereas the tsunami claimed 15,000 lives.

Fukumoto said it is desirable to examine the latest technologies if Vietnam is considering nuclear energy. Small modular reactors, which are being opted in the U.S, Canada and Japan, offer greater economic benefits and have higher safety standards including in the disposal of nuclear wastes and while decommissioning, he said.

Bryce said nuclear energy is the safest form of electricity generation, adding that Vietnam, like other countries, would need to adhere to safety protocols around the handling of nuclear materials and operation of nuclear plants.

Biegalski said Vietnam needs to build regulatory frameworks and develop a workforce before producing nuclear power. So it should start investing in training programs in universities, he said.

Landsberger said Vietnam needs to invest in nuclear engineering programs to train technicians, reactor operators, regulators, and environmental scientists. It should have an open discussion about the public health benefits of nuclear power compared to burning fossil fuels, he said.

Fukumoto expressed optimism that Vietnam and Japan could begin cooperation in training that had been discussed before when the projects in Ninh Thuan Province were under consideration.

It is necessary for the Vietnamese government and other related stakeholders to have a deep understanding of nuclear power generation and Japan's experience, he said.

Leon said when a country wishes to develop nuclear energy, there is a lot of international support and co-operation, and newcomers could learn best practices from other countries that have effective nuclear power programs.

Leon said if people in Vietnam and other countries feel uncomfortable about using nuclear energy after the Fukushima accident, it is completely reasonable. So, if the Vietnamese government is looking at nuclear energy, the first thing that needs to be done is talking to the public, making sure people understand the facts about nuclear energy, she said.

US group proposes US\$15 billion LNG project in Soc Trang

Millennium Energy Vietnam Co Ltd, a member of the US-based Millennium Group, has proposed to develop a liquefied natural gas (LNG) project in Soc Trang Province. Once approved, it would be the largest LNG project in the Mekong Delta region.

The project has a designed capacity of 9,600MW. The investor needs an area of 200 hectares to develop the project. The construction will be implemented in two phases.

According to Lam Hoang Nghiep, vice chairman of Soc Trang People's Committee, the province will organise a site visit and then the investor will have to build the detailed plan which the province will submit to the Government for approval.

The investor committed to using modern equipment and ensuring safety for the environment. — VNS

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RETAIL

Japan's retail sales rise at fastest pace in five months

Japanese retail sales rose 5.2 percent year-on-year in March, representing the fastest pace of growth in five months as consumer demand returned after suffering a huge hit due to the coronavirus pandemic last year, according to a report.

The world's third-largest economy's retail sales gains beat the median market forecast of 4.7 percent growth with the fastest rise since a 6.4 percent jump in October and the first positive growth seen in four months. Compared with the previous month, retail sales rose 1.2 percent on a seasonally adjusted basis.

Fashion items were one of the categories driving growth in March and department stores saw particularly strong gains, posting a 19.3 percent jump in sales.

This said, Japan's slow vaccine rollout and a resurgence of Covid-19 cases, leading to new state of emergency declarations last week, are expected to weigh on consumption in the near term.

HCM City retail sector expected to see double digit growth in 2021

HCMC's industrial production grew by 3.8% year-on-year in the first 3 months of the year, and retail sales went up by 12%. It suggests the COVID-19 pandemic has been well controlled and enterprises feel secure about doing business again, according to the city Department of Industry & Trade.

Its director, Bui Ta Hoang Vu, speaks to Vietnam News about the manufacturing situation in the first quarter and measures needed in the second to sustain it.

How was the retail sector's performance in the first quarter of the year and what will the department do to stimulate consumption and boost the sector's growth during the rest of the year?

Total retail sales and services in HCM City in the first quarter of the year were estimated at VND279.04 trillion (US\$12.1 billion), an increase of 6.2% over the same period last year. Of this, retail sales were worth VND156.5 trillion (\$6.79 billion), a year-on-year increase of 12%.

We enjoyed some growth in Q1. To maintain the momentum we have to do a lot of work to promote trade and production activities. To be specific, we continue to deepen our linkages with provinces and cities in the supply chains for goods and services through agreements we have signed. We will continue to join hands with localities to organise programmes that enable enterprises from other cities and provinces to meet directly with enterprises and traders at wholesale markets in the city so that they can together make market forecasts and prepare goods for the former to meet the city's demand and vice versa.

In addition, we facilitate businesses' promotional activities by solving administrative procedures related to promotion activities quickly and conveniently.

Every year the department receives 500,000 applications to carry out promotion programmes from businesses. This year, with an increase in IT use, the number is expected to rise by 10-15%.

We have got the green light from the city People's Committee to organise consumer promotion fairs and a concentrated promotion programme along with the tourism sector, airlines, transport companies, accommodation establishments, and shopping centres to offer big sales promotions for local and foreign tourists as well as city residents.

We will also take steps to stimulate investment, expand land availability for production establishments and improve the quality of human resources for the industrial, trading and import-export sectors.

We are still both fighting the COVID-19 pandemic and intensifying economic activities. Therefore, the first priority is to continue to ensure epidemic prevention at all production and trading facilities.

What do you think about the retail industry's prospects this year?

With a network of nearly 240 supermarkets and shopping malls, 237 traditional markets and three large wholesale markets, and an increase in digital application in commercial activities, we expect the city's retail industry to achieve double-digit growth this year. In this, e-commerce will continue to be the bright spot and could reach a growth rate of 20%.

Many consumers still complain about sales of fake goods on e-commerce platforms. How will your department deal with this issue to make shoppers feel secure when shopping online?

There are certain people who always operate in contravention of the provisions of the law. They sell knock-offs of famous brands or sell products with unclear origins. We have an agency associated with the Ministry of Industry and Trade's Market Surveillance Agency to strengthen inspection and strictly deal with violations like selling of counterfeit goods and products with unclear origins.

The department's inspectorate has collaborated with the city Department of Information and Communications' Inspectorate to gather information about online frauds. We work actively and have prevented a number of cases involving companies taking advantage of the online environment to sell illegal goods.

As for industrial production, what will the department do to sustain growth this year?

The city's industrial production sector has recovered quarter after quarter, with the index of industrial production in the first quarter of 2021 going up by 3.8% over the same period last year (it was down by 0.99% in Q1 2020), with the four key sectors (electronics, mechanical engineering, food processing, and pharmaceutical chemicals-rubber-plastic) growing by 7.5%.

This was thanks to enterprises being proactive in production and trading amid the COVID-19 pandemic and the assistance from the municipal government in addressing administrative issues rapidly and creating favourable conditions for businesses.

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LOGISTICS

High costs a drag on domestic logistics industry

High costs and delivery failure rates continue to plague local logistics companies, which are unable to compete with foreign-owned rivals.

Dao Trong Khoa, vice president of the Vietnam Logistics Business Association (VLBA), said the cost of logistics in Vietnam is equivalent to 20 percent of GDP while the global average is around 11 percent.

The delivery failure rate is around 10 percent, adding to the cost of logistics as businesses have to bear additional expenses for storage and inventory management.

The vast majority of domestic logistic companies are small ones that primarily provide low-value-added services and intensely compete among themselves.

The lack of coordination among them means they are unable to compete with multinational companies, who have grabbed an 80 percent market share.

Deputy Minister of Industry and Trade Tran Quoc Khanh said local logistics companies have to find new spaces to grow.

Tran Trung Hung, general director of Viettel Post, warned they would continue to languish if there is no technical innovation, especially in digital transformation.

Do Huy Binh, director of the digital solutions provider Smartlock, said digital transformation is key to reducing costs, and logistics companies could cut up to 30 percent of their costs. "Investment in technology is a no-brainer for logistics companies; it is a step into the future."

According to the VLBA, there are around 30,000 logistics companies in the country, 4,000 of them foreign-owned.

The industry is growing at 12-14 percent annually and is now worth \$40-42 billion.

Reducing logistics costs to strengthen agricultural competitiveness

The Mekong Delta contributes about 90 percent of rice production, 65 percent of aquatic products and 70 percent of fruit production for Vietnam's exports. However, besides the underdeveloped transport infrastructure, the Mekong Delta also lacks key logistics centers, satellite systems, food safety inspection units and qualified irradiation facilities. Just three logistics centers in the region are not enough to serve the whole region.

Ms. Ngo Tuong Vy, Deputy Director of Chanh Thu Fruits Import and Export Co., Ltd., stated that logistics costs for Vietnamese dragon fruits to the US and the EU currently account for more than 30 percent of production cost. Meanwhile, Thailand's logistics costs for dragon fruits only account for 15 percent of the production cost.

This means Vietnam cannot compete with other countries in the region. If there are many logistics centers and infrastructure is completed, it will increase the competitiveness of Vietnamese fruits, and farmers will benefit from the reduction in transportation costs.

Dang Phuc Nguyen, General Secretary of the Vietnam Fruit and Vegetable Association, there should be a focus on regional linkage and creating conditions for trade are urgent matters. In particular, it is necessary to have an effective processing and production model soon. To achieve this expectation, it is necessary to have teamwork between the state and enterprises.

To be successful, localities need to have policies for investors on capital and land. If logistics centers are linked together, it will create a large-scale concentrated production area, with high technology and consumption in the value chain of agricultural products, suitable for the global market. As for localities, it is necessary to improve infrastructure and industrial zones towards modernity that link with arterial roads and effectively exploit ports for convenient circulation and transportation of goods.

Conference seeks to promote logistics services in Haiphong

A conference on promoting linkages to develop logistics services in Hai Phong was held in the city on April 23, aiming to seek solutions to improve the competitiveness of the logistics sector.

The event was jointly held by the Vietnam Business Forum Magazine under the Vietnam Chamber of Commerce and Industry (VCCI), the People's Committee of Hai Phong city and the Vietnam Logistics Business Association.

Vice Chairman of the Hai Phong City People's Committee Nguyen Duc Tho affirmed that with the advantage of being the main gateway to the sea of the whole Northern region, Hai Phong boasts a strategic location, playing a particularly important role in the development of the Northern Economic Zone.

In particular, Hai Phong plays a key role in the "Two corridors, one economic belt" cooperation initiative between Vietnam and China and also has strategic relationship with major economies in East and Southeast Asia.

The logistics infrastructure in the city has been gradually completed with strong investment in seaport and traffic infrastructure.

However, logistics enterprises in Hai Phong are facing many difficulties including a lack of human resources, asynchronous planning of seaports and logistics facilities, a lack of linkages between hundreds of logistics enterprises, fragmented development of logistics enterprises, and others.

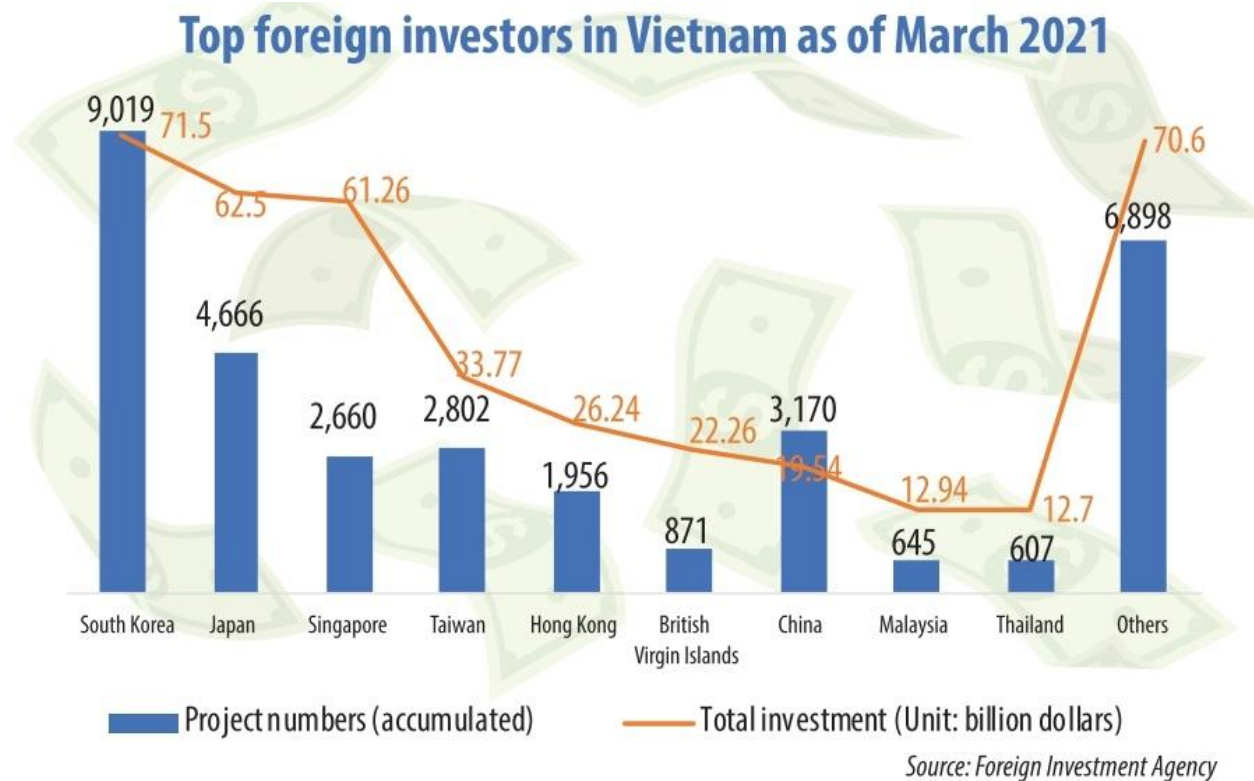
VCCI Chairman Vu Tien Loc said that despite its advantages in position and its huge potential, Hai Phong has yet to bring into full play its existing advantages and is yet to become a leading locality in logistics development.

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INVESTMENT

New wave of high-tech ventures await entry

South Korea is expected to keep its top position as Vietnam’s largest foreign investor on the back of upcoming investment inflows going into high-tech production, buoyed by pandemic successes on both sides.



Director general of the Ministry of Planning and Investment’s (MPI) Foreign Investment Agency (FIA) Do Nhat Hoang confirmed that the number of South Korean investors setting eyes on Vietnam has been increasing, even during the pandemic when all trade and investment activities were interrupted.

With hundreds of newly-registered and capital expansion projects arriving every year, with around \$5-10 billion of the total investment, South Korea was the first of 139 countries and territories investing in Vietnam in March. According to the FIA, there were more than 9,000 valid projects by South Korean investors in Vietnam with the total registered investment of \$71.5 billion, ranking first both in registered capital and the number of projects.

“There were twice as many South Korean projects than Japanese investors [ranking second], with \$9 billion more in capital. This confirms the determination of South Korean investors, as well as the quality of their investment in Vietnam,” said Hoang.

He confirmed that South Korean investors are receiving investment certificates and making inquiries day by day, and clearly felt the growing attention of South Korean investors over the past years, especially in projects related to high technology and green development.

Last week was the first time the MPI collaborated with the Korea Federation of Small- and Medium-sized Enterprises (KBIZ) to organise an online conference with the participation of hundreds of South Korean businesses from energy, industry, electronics, and services. Of these, investors expressed greatest interest in semiconductor production, with many expressing eagerness to enter Vietnam at the soonest to carry out billion-dollar projects. They said they were impressed with Vietnam as a destination for semiconductor projects, thanks to the affordable investment and skilled human resources.

Investment in semiconductor production has increased significantly in Vietnam thanks to the country's policies encouraging digital transformation as well as its advantages in exporting – and the interruption of global supply chains. Most recently, AT&S, an Austrian semiconductor manufacturer, began looking for a location to build a factory in Vietnam with a total investment of €1.5 billion (\$1.8 billion). At the same time, Intel Products Vietnam, a subsidiary of the US' Intel Group, received an investment certificate for an additional investment of \$475 million to build the most modern facility for testing and assembling chips in Saigon Hi-tech Park (SHTP), raising its total investment to \$1.5 billion, according to director general Ingolf Schroeder.

Samsung Electronics Ho Chi Minh City CE Complex has also just been approved to change from a high-tech into an export processing business that can facilitate its supporting businesses, especially semiconductor producers, to gain more added value. Meanwhile, in February, a new semiconductor player from the US, United States Enterprise, has set foot in Danang Hi-Tech Park with a \$110-million project.

Highly appreciating the plans of South Korean semiconductor manufacturers, director general Hoang emphasised the special incentives Vietnam is offering in high-tech sectors and semiconductor production. "Numerous giants, especially from South Korea, have been developing research and development centres in Vietnam, which is good condition for semiconductor manufacturers to invest here. We are ready to extend special incentives like corporate income tax under 10 or even 5% for high-tech projects committing to technical transfer. Immigration procedures can also be fast-tracked if investors can provide evidence of their plans or existing projects in the country," said Hoang.

The Economist Intelligence Unit under The Economist gave Vietnam six points out of 10 for its foreign investment attraction policies, with India and China getting only 5.5 points. Meanwhile, Vietnam scored 7.3 points in controlling foreign trade and exchange, while it was 5.5 points for India and 6.4 for China.

However, despite the favourable conditions here, not all of foreign projects succeed. Talking to VIR, Ko Sang Goo, founder of K&K Global Trading Co., Ltd., the operator of the K-Mart and K-Market chains in Vietnam, discussed challenges of bad timing and poor preparation, bringing up the Korean Town in the VKO building in Hanoi, which it had to close very soon after opening.

Meanwhile, several projects were not developed even a decade after receiving their investment certificates. Specifically, Leeku Vina Co., Ltd., which planned to build a factory producing stainless steel in My Phuoc 3 Industrial Park in the southern province of Binh Duong, has done nothing since receiving approval for its \$600,000 investment in 2008. In 2012, the project was transferred to Duck Heung Wire MFG, but there were no developments, excepting for paying around \$242,000 rent for the 2008-2012 period.

“Investors, who do not seriously implement their investment projects in the committed schedule will not receive the land use right certificates or any support of local authorities,” Hoang said, adding that these are only singular cases among thousands of South Korean projects that are operating successfully in Vietnam, for both sides’ benefit. “I believe that the quantity and quality of South Korean projects will improve in the time coming and South Korea will remain the leading foreign investor in Vietnam, and even widen the gap with the runners-up,” he said.

Local steelmakers red hot on investment

Over recent months, the steel market has retained positive momentum after its recovery in mid-2020, helping many steel producers record a strong performance in the first quarter of 2021.

In particular, locally-invested steelmaker Hoa Phat Group surpassed Taiwan’s Hung Nghiep Formosa Ha Tinh to become Vietnam’s largest steel producer after it produced two million tonnes of crude steel in the first quarter of this year, a 60% increase on-year.



This success has shown the growth of domestic steel enterprises, breaking the monopoly created in 2018 when Formosa Ha Tinh became the leading crude steel producer with estimated output of over five million tonnes of crude steel, double Hoa Phat’s crude steel production, and reaching 3.44 million tonnes of hot rolled steel. Formosa was the only company in

the domestic market that could produce hot rolled coil (HRC) at the time.

Steel businesses in recent years have invested hundreds of millions of US dollars to create high-quality products favoured by major markets around the world, and in 2018 CEO of Hoa Phat, Tran Tuan Duong, vowed that his group would not be inferior to Formosa and would not lose out in the competition.

At the Hoa Phat Dung Quat iron and steel production complex in the central province of Quang Ngai, the group has been pumping capital into installing a state-of-the-art closed blast furnace production line. It is capable of turning out high-quality steel using square billets, as well as hot- and cold-rolled steel, pipes, galvanised steel, and steel wire ropes using flat billets.

Valued at \$2.26 billion in total investment value, the complex encompasses a deepwater port system that is accessible by 200,000 dead-weight-tonnage vessels.

Dinh Van Chung, deputy director of the Hoa Phat Dung Quat iron and steel production -complex, said that at present, the group's hot rolled steel products are out of stock due to supply issues.

Hung Nghiep Formosa Ha Tinh and Hoa Phat are the two largest billet producers in Vietnam today and are also the only two companies in the country supplying HRC steel. In terms of monthly output, Hoa Phat has surpassed Formosa since September 2020 by putting blast furnaces 3 and 4 at its Hoa Phat Dung Quat complex into operation. While Formosa Ha Tinh aims to produce 6.5 million tonnes of steel per year, Hoa Phat is confident to produce eight million tonnes of steel this year.

With the total registered capital of \$10.5 billion, Formosa Ha Tinh reported a revenue in 2019 of VND72 trillion (\$3.1 billion), a loss of over VND11.5 trillion (\$500 million) which was more than four times higher than in 2018. As of 2019, its accumulative loss was about VND25.38 trillion (\$1.1 billion).

Meanwhile, Posco Yamoto Vina JSC, the first big size structural steel maker in Vietnam producing special steel including high-grade section steel with the variety of dimensions and standards, reported losses of VND2.7 billion (\$117,400) for 2019 and VND1.09 billion (\$47,400) for 2018.

Meanwhile, in the first quarter of this year, a range of local steelmakers reported outstanding results thanks to a recovery in the global steel demand with eased restrictions that has elevated steel prices.

Hoa Sen said that its consolidated business results for March are estimated at \$180 million of net revenue, up nearly 18% on-year, leading to \$20 million of profit after tax. It exported high-value batches of galvanised steel sheets during the initial months of the year to the United States, Mexico, Europe, and Southeast Asia with the local group's export volume exceeding 120,000 tonnes per month.

In the first quarter, Tien Len Steel Group JSC achieved consolidated net revenue of over \$39 million and profit after tax of more than \$4.8 million. Its revenue only increased by nearly 4% while profit after tax reached over 30 times compared to the same period in 2020. With this result, Tien Len Steel has completed nearly half of its annual profit target.

Similarly, at the end of the first three months of the year, Me Lin Steel JSC recorded an after-tax profit increase of 41 times compared to the first quarter of 2020, reaching \$674,000 thanks to high steel prices and reduction in financial expenses and sales.

The most outstanding is Thai Nguyen Iron and Steel JSC (TISCO). The increase in steel price and good consumption helped TISCO's revenue reach over \$120 million, up nearly 40% on-year. After a period of loss, the first quarter of this year recorded a growth of 50% with a gross profit of over \$10.2 million.

Also, listed-firm VNSTEEL-Ho Chi Minh City Metal Corporation posted revenues of over \$47.8 million, up over 40% over the same period of 2020, while its profit after tax gained over 10 times compared to last year to \$2.5 million, marking the highest quarterly profit since it was founded.

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