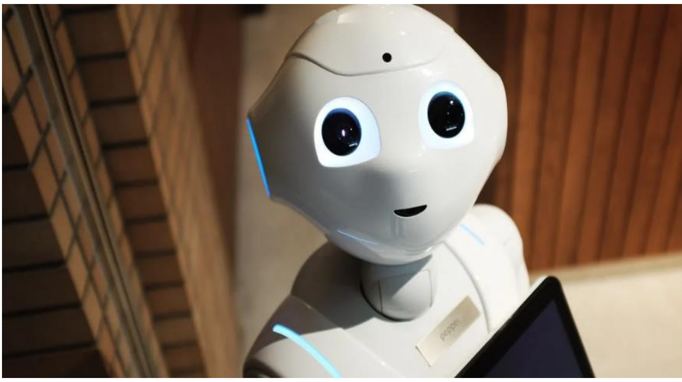

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VIETNAM BUSINESS REVIEW

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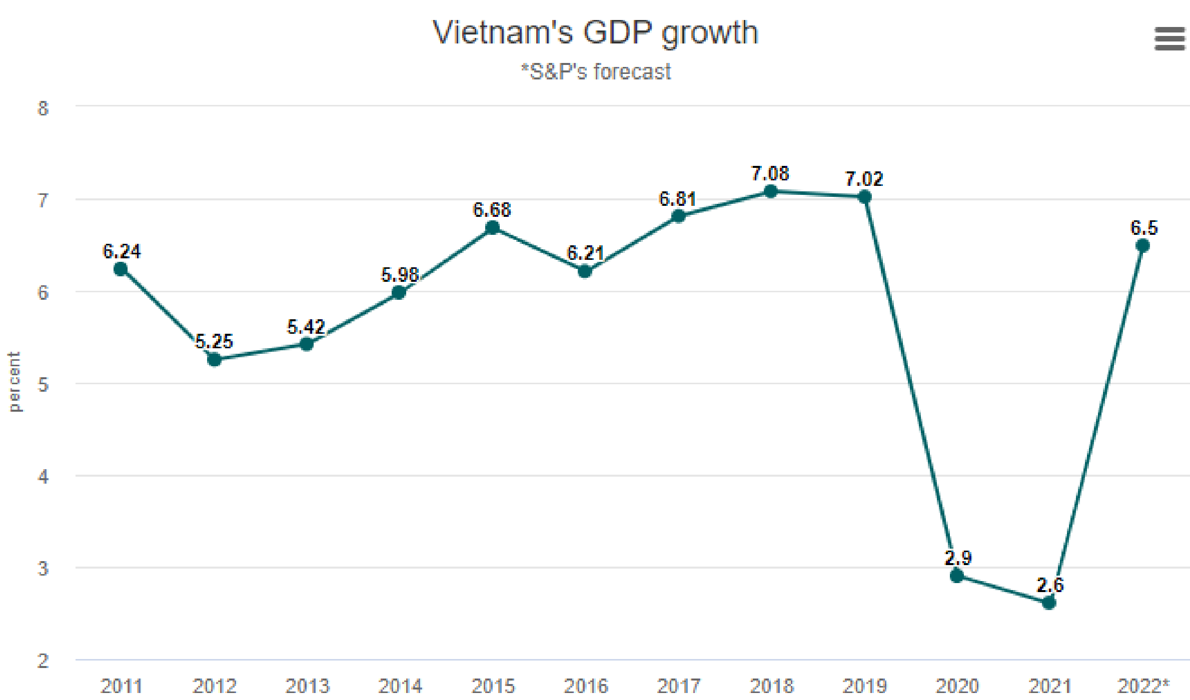
FINANCE

Vietnam’s currency sovereign credit ratings gained ‘BB+’ with a stable outlook

S&P Global Ratings has upgraded Vietnam’s currency sovereign credit ratings to ‘BB+’ with a stable outlook, demonstrating that Vietnam’s economy would keep recovering from Covid impacts.



"We raised our sovereign ratings on Vietnam to reflect our view of improvements in the government's administrative processes," S&P stated in 26 May. In recent years, the government had implemented measures that helped close the gap on lapses in repaying guaranteed debt.

The ratings upgrade is also supported by Vietnam's robust economic prospects and sound external position. Vietnam continued to attract strong foreign direct investment (FDI) flows, despite pandemic disruptions.

"We expect export-led growth and strong investment to keep the economy's trend growth rate well above the average of its peers," S&P said.

Vietnam's gross domestic product (GDP) per capita has risen quickly in the past few years from a relatively low base, and the ratings agency expects GDP per capita in 2022 to reach $3,868, against the country’s target of $3,900.

S&P forecasts GDP growth to hit 6.9 percent this year (compared to 2.6 percent last year), adding that the country would likely grow 6.5-7 percent from 2023 onward.

"Vietnam's attractiveness as a premier destination for foreign direct investment in Southeast Asia, along with its young, increasingly educated, and competitive workforce, should help keep the country's long-term development trajectory intact despite temporary labor market disruptions from Covid-induced lockdowns."

But the ratings agency said that risks to economic growth are tilted toward the downside, because Vietnam's export-led economy relies on strong external demand.

Rising inflation and financing conditions, as well as geopolitical risks, could dampen global growth and reduce demand for Vietnamese exports, it added. vnexpress

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Vietnam targets to reach 8% export growth

Despite existing risks continuing to impact production and exports, the Ministry of Industry and Trade is still making every effort to fulfill this year's export growth target of 8% set by the National Assembly (NA). According to figures given by the Ministry of Industry and Trade, despite facing an array of difficulties due to the impact of the COVID-19 pandemic and the Russia-Ukraine conflict which pushed up fuel prices and transportation charges, exports and imports continued to see positive growth. This has therefore made an important contribution to macroeconomic stability and socio-economic development.

Over the past five months, total export turnover continued to maintain a high growth rate compared to the same period from last year, with total import-export turnover estimated to stand at US$311 billion. Of the figure, export turnover hit an estimated US$156.5 billion, up 29.8% on-year, while imports reached US$155 billion, an annual rise of 22.6%. The balance of trade in goods during the five-month period is estimated to have recorded a trade surplus of US$1.53 billion, thereby helping to increase foreign exchange reserves, stabilise exchange rates, and contribute to macroeconomic stability.

Among the three main growth pillars, including investment, export, and consumption, exports represents one of the important contributory factors to national GDP growth, this pillar continues to see strong growth, even over the past two years of suffering from the impact of the pandemic. Most notably, 2021 saw export turnover reach US$336.3 billion, up 19% from the previous year, with a trade surplus of roughly US$ 4 billion, while in 2020, export turnover reached US$282.66 billion, up 7%, with a trade surplus of more than US$19 billion.

Deputy Minister of Industry and Trade Tran Quoc Khanh emphasised that exports still enjoy many growth opportunities, largely through free trade agreements (FTAs) coming into effect. Up to the present, enterprises have been utilising these FTAs for export activities.

Over recent months, export turnover to new markets in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), such as Mexico and Canada, have increased sharply. In addition, export turnover to the EU soared by over 22% after the first five months of the year and to ASEAN it expanded by more than 20%. Despite recording high growth in some key markets and new markets, the Ministry of Industry and Trade said that it will strive to maintain a relatively cautious forecast for export turnover for the year ahead due to future risks. However, one existential risk remains high global inflation. High inflation has forced many countries to gradually reduce the size of their economic stimulus packages, while simultaneously raising interest rates to curb inflation as a mean of reducing investment and consumption demand.

The second biggest risk can be viewed as supply chain disruption and raw material shortages, which are increasingly serious globally and stem from the serious political conflict between Russia and Ukraine, as well as China's zero-COVID policy. For a long period, Vietnamese goods have been part of regional and global supply chains, meaning that when a problem occurs with the supply chain, exports will be duly affected.

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E-COMMERCE

Opportunities for e-commerce in Vietnam to boom

Recently, e-commerce in Vietnam is assessed to grow robustly. It is forecasted that Vietnam's internet economy will reach US$57 billion by 2025, ranking second in Southeast Asia, after Indonesia.

According to Mr. Nguyen Ngoc Dung, Chairman of Vietnam E-commerce Association (Vecom), in 2021, despite being heavily affected by the Covid-19 pandemic, Vietnam's e-commerce still maintained a good growth momentum with an increase of about 20 percent and a scale of $16 billion. Keeping the growth momentum, Vietnam is now one of the countries with the largest e-commerce market size in the region, besides Indonesia, Thailand, and Malaysia.

Vietnam's internet economy in 2021 grew by 31 percent compared to 2020 and reached a scale of $21 billion. Of which, the online retail sector enlarged by 53 percent and touched a scale of $13 billion.

There are two waves that have contributed to the steady development of e-commerce in Vietnam in 2020 and 2021 and will be the driving force for the next period. The first wave took place during the early stages of the Covid-19 pandemic in 2020, and the second one from June to September 2021, during the fourth Covid-19 outbreak.

The notable features of these two waves are that in the context that all socio-economic activities were stagnant, and business activities were seriously affected. However, many traders have made efforts to digitalize to seize new business opportunities, and the number of online consumers has increased drastically in both quantity and quality.

From 2022, e-commerce will become the mainstream shopping trend. Every trader needs to change quickly to accommodate this new shopping experience for customers. With outstanding features, obviously, the second wave has created momentum for the development of e-commerce.

The Chairman of Vecom said that in 2020 and 2021, despite being heavily affected by the Covid-19 pandemic, online retail still stood firm and made an important contribution to maintaining the growth momentum of e-commerce, especially promoting economic recovery after the pandemic. Vietnamnet

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ENERGY

TGS Green Hydrogen to develop US $850 million plant in Ben Tre

TGS Green Hydrogen from Germany plans to develop a green hydrogen plant in the Mekong Delta province of Ben Tre with the total investment capital of VND 19.5 trillion ($847.8 million).

Hydrogen is categorised 'green' when it is extracted from water using electrolysis powered by renewable energy and is seen as crucial to help decarbonise industry, though the technology is still expensive and at an early stage of development.

The project is located in Ba Tri district. The construction of the green hydrogen plant is expected to start in late June and start a trial run in the first quarter of 2023. It marks the first green hydrogen project in Vietnam. The plant is expected to generate 24,000 tonnes of green hydrogen initially with an annual capacity of 150,000 tonnes of ammonia and 195,000 tonnes of oxygen.

Later, the annual production capacity is expected to be 60,000 tonnes of green hydrogen, 375,000 tonnes of ammonia, and 490,000 tonnes of oxygen, which is more than double the capacity. The project is suitable for Vietnam's policy to boost its clean energy usage and hence work on reducing its dependency on coal. Vietnam, a regional manufacturing powerhouse, wants to nearly double its total installed power generation capacity to 146,000MW by 2030 and prioritise using renewable energy while reducing dependency on coal.

The country made a commitment at the United Nations climate conference in Glasgow (COP26) in November last year to become carbon neutral by 2050. VIR & vnexpress

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Lawmakers at odds on nuclear power resurrection proposal

Two lawmakers have opposed on safety grounds the National Assembly's Economic Committee's recent proposal to revive nuclear power plans.

In 2009 the government had announced plans to build two nuclear plants in the south-central province of Ninh Thuan at a cost of several billion dollars, but the House shot down the proposal in 2016 saying they were unaffordable. The projects should be scrapped altogether, Truong Trong Nghia, a Ho Chi Minh City representative said an NA meeting Monday.

"We can make a new plan in the next 10 or 20 years if we want to develop nuclear power." More than 10 years of the Fukushima nuclear disaster, Japan has still not completely dealt with the aftermath despite being a developed country and using nuclear power for a long time, he pointed out.

Vietnam's ability to control the risks is "very low", and the country should not countenance nuclear power, he added. A deputy from Ninh Thuan, Dang Thi My Huong, said people are concerned about the plants. The debate over Vietnam's first nuclear power projects resurfaced this year after it made a commitment at the 2021 United Nations Climate Change Conference to achieve net zero carbon emissions by 2050.

The Economic Committee said in a report last week the country should consider reviving its nuclear plans to ensure energy security and economic development since nuclear energy is clean in terms of greenhouse gas emissions. Former head of the Vietnam Institute of Energy, Nguyen Manh Hien, had told a forum in April that restarting the nuclear power program by 2030 is the only way to fulfill the net-zero carbon commitment by 2050. Minister of Industry and Trade Nguyen Hong Dien said Monday that the decision by the National Assembly in 2016 was to "suspend" the construction of the plants, not to cancel them altogether.

The location in Ninh Thuan was thoroughly studied by Russian and Japanese experts, who assured it is the best place to build nuclear power plants, he said. Many countries such as the U.S. and Germany have begun to make plans to again develop nuclear power after moving toward eliminating it three years ago, he said. To achieve the net-zero target, Vietnam needs to utilize renewables such as solar and wind power, but they need a stable source of power to ensure adequate supply, he said. Nuclear power is clean and affordable while coal could no longer be used and the country has fully utilized its hydropower capacity, he added. Prime Minister Pham Minh Chinh told VnExpress last week that the nuclear energy option needs to be carefully studied and he is waiting for directions from the Communist Party politburo. While a final decision is pending lawmakers have called for dealing with certain issues that surfaced after the nuclear plans were shelved. Huong said the land earmarked for the nuclear plants remains unused, but locals who own them cannot use or sell them either. vnexpress

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RETAIL

Vietnam's CPI up 2.25 percent in five months

Vietnam's consumer price index (CPI) in the first five months of the year edged up 2.25 percent year-on-year while core inflation rose by 1.1 percent, according to the General Statistics Office (GSO).

The CPI in May increased by 0.38 percent compared with the previous month, with the urban area experiencing a hike of 0.34 percent and the rural area 0.42 percent.

The GSO attributed the CPI hike to a surge in fuel prices which have been revised up 13 times through five months of this year, resulting in a 1.8 percentage point increase in the overall CPI.

The upturn of gas prices was also a reason, which contributed to a 0.38 percentage point rise in the index.An increasing demand for dining out of local residents and a rise in the prices of construction and input materials also made a negative impact on the CPI.

Meanwhile, prices of food dropped 0.73 percent year-on-year with that of pork plunging 20.8 percent, causing the overall CPI to fall by 0.16 percentage point, it said. The prices of education and telecommunication services, which declined by 3.71 percent and 0.56 percent, respectively, also pushed the CPI down. The GSO said that the May core inflation increased by 0.29 compared to the previous month and 1.61 percent over the same period last year. VNA

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LOGISTICS

More room to develop Vietnam's international shipping fleet

The potential is great, but the development and operation of Vietnamese cargo shipping has not been commensurate with the role and position of the country.

In the project to develop Vietnam's international shipping fleet by the Vietnam Maritime Administration (Ministry of Transport), the administration said that the country's seaport system in recent years has developed relatively synchronously and modernly and is able to welcome some of the world's largest ships.

However, containers of goods imported and exported to/from Vietnam are mainly handled by foreign shipping lines, especially on long-distance sea routes from/to developed countries such as Europe and the US. The domestic fleet currently mainly undertakes domestic transportation and short international routes in Asia. The international shipping market share of Vietnam's shipping fleet has been on a downward trend in recent years. The fleet structure is not as good as it could be with mainly small tonnage ships carrying dry and bulk cargo. There is a lack of container ships and large tonnage ships operating on international routes.

There were 1,502 ships under the Vietnamese flag (excluding data of ships under construction) as of December last year, with a total tonnage of about 7.15 million GT and 11.7 million DWT. The number of ships ranged from 1,000 to over 1,200 ships in the 2016-2020 period.

The number of ships has decreased by over 200 last year compared to 2016, equivalent to a decrease of 17.2 percent.

Compared with the 2010-15 period, Vietnam's transport fleet has decreased by over 400 ships. However, the total tonnage of the transport fleet grew by over 6 percent.

On the basis of the situation of the international transport market and the growth trend of goods through Vietnam's seaports over the years, the maritime administration shows that there is a huge potential for developing an international shipping fleet.

However, Vietnamese shipping enterprises' development and operation have not been commensurate with the role and position of the country. The Vietnam Maritime Administration proposed many solutions to develop Vietnam's shipping in the 2021-2026 period, with a vision for 2030.

Accordingly, the first is to renovate mechanisms and reform administrative procedures, creating a stable and favourable legal corridor to support businesses to operate effectively.

Regarding the financial solution, ship owners should be allowed to not pay VAT when importing ships to transport goods for Vietnamese goods owners until the end of 2026; exempt import tax and reduce 50 percent of tonnage fees when ship owners buy and operate container ships of 1,500 TEUs or more or ships powered by clean energy and LNG carriers.

The State Bank of Vietnam has a policy that allows Vietnamese ship owners who have ships operating on international routes with foreign currency revenue to be allowed to borrow foreign currency to invest in buying ships. Another important solution is to improve the quality of crew members. The Vietnam Maritime Administration recommends calling for private investment in human resource training, including domestic and foreign training. There are policies and special incentives for employees of the shipping industry in order to encourage workers to stick with the work for a long time.

Speaking at a seminar on developing the Vietnamese international shipping fleet last week, Deputy Minister of Transport Nguyen Xuan Sang said that the ministry had been completing a project to develop the Vietnamese international shipping fleet with many synchronous solutions and a specific roadmap to submit to the Government to facilitate the development of not only the international shipping fleet but also the domestic fleet.

The deputy minister affirmed that he would continue to gather suggestions and opinions from businesses and associations to complete this important project in detail.

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Joining world logistics passport brings benefits to the enterprises

Joining the world logistics passport (WLP) initiative could help enterprises reduce logistics costs and increase competitiveness for exports. Nguyen Minh Phuong from the Ministry of Industry and Trade's Asia – Africa Market Department said the logistics industry of Vietnam was developing along with the country's increase in imports and exports.

Phuong said that Vietnam had an advantageous geographical position to develop a logistics centre in Southeast Asia with an improved system of warehouses, seaports and highways, adding that the development of the logistics industry would also create favourable conditions for Vietnam to become a new production centre of the region.

According to Avery Shipton from the WLP initiative forum, products granted passports by the UAE would be given priority in customs clearance with less time for checking, loading and storing. Products could be cleared before arrival at the ports. WLP would help save time and costs by around 40 per cent, he said.

Some ports of UAE are currently offering exemption of duties and fees for products with WLP, which is expected to boost trade between Vietnam and UAE and other markets in the Middle East region from 0.5 per cent to 27 per cent.

According to world logistics passport, the WLP is a global, private sector-led initiative designed to smooth the flow of global trade, unlock market access and provide economic efficiencies to members. Enabled by key logistics partners such as airports, ports, and customs, the WLP offers financial and non-financial benefits to traders and freight forwarders in reward for increasing their trade.

The WLP, the world's first global freight loyalty scheme, benefits businesses by reducing their supply chain costs and ensuring that goods will be moved faster and more efficiently. This is achieved through access to benefits such as quicker customs clearance and priority handling and leads to a 2-3 per cent increase in trade value over two years. It is established to overcome trade impediments that limit trade growth and build logistical bridges between manufacturing hubs in Asia, Africa, and Central and South America.

To date, the WLP networks include countries across Latin America, Africa, the Middle East and Asia, with more global trade hubs registering every month. Building a better logistics system is critical for Vietnam to increase competitiveness and expand exports, as geopolitical tensions and rising oil prices are causing transportation costs to grow rapidly.

According to Tran Thanh Hai, deputy director of the Ministry of Industry and Trade's Import-Export Department, the COVID-19 pandemic pushed up sea freight rates by 4-6 times in the past two years, and there has been no sign of cooling down.

Figures of the Vietnam Logistics Association revealed that logistics costs were equivalent to around 20-22 per cent of the country's GDP, much higher than Thailand (19 per cent), China (18 per cent), Malaysia (13 per cent) and nearly three times higher than the US and Singapore (8 per cent).

Nguyen Tuong, an expert from the Vietnam Logistics Association, said that high logistics costs were pushing up the prices of products, which was a big problem for export firms and competitive advantages of Vietnamese products.

He also pointed out that a problem of Vietnam's logistics industry was that most enterprises were small and medium-sized, and had a lack of linkage and connectivity among transport modes and a shortage of infrastructure.He said logistics firms should promote cooperation to create an efficient supply chain. He said that to lower logistics costs, it was also necessary to renovate operation methods to accelerate digital transformation. VNS

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INVESTMENT

FDI grow strongly in the first five months of 2022

Additionally-registered and share-purchased foreign direct investment (FDI) capital kept rising at 45.4 and 51.6 per cent on-year respectively in the first five months of the year, while newly-registered FDI inflows decreased by 12.3 per cent. Both additionally-registered and share purchasing of FDI rose strongly in the first five months

According to the Ministry of Planning and Investment's Foreign Investment Agency, Vietnam counted newly-registed FDI inflows of about $11.7 billion in the first five months, equivalent to 83.7 per cent of the previous year's total.

Of this, $4.12 billion was poured into 578 newly-licensed projects, a slight decrease of 5.7 per cent in the number of projects, and a sharp reduction of 53.4 per cent in value. $5.61 billion was added to 395 projects currently underway, a rise of 45.4 per cent in value and 15.5 per cent in number. Overseas investors also poured almost $2 billion into just over 1,300 share purchase deals, an increase of 51.6 per cent over the same period last year. FDI disbursement climbed slightly by 7.8 per cent on-year to $7.7 billion.

Almost 35,000 valid foreign-invested projects were accumulated across the country with the total registered capital of $426 billion. Their disbursement was almost $260 billion, equivalent to 60.9 per cent of the valid registered capital.

Among the 18 sectors receiving funds in the first five months, processing and manufacturing took the lead with $6.8 billion, accounting for 58.2 per cent of total FDI. This was followed by real estate with almost $3 billion, making up 25.6 per cent, and science technology and professional activities with $375 million. Singapore led the 79 countries and territories investing in Vietnam in the first five months with a total investment capital of around $3 billion, followed by South Korea ($2 billion) and Denmark ($1.3 million).

Binh Duong attracted the highest amount of FDI in these five months with over $2.3 billion, followed by Bac Ninh with approximately $1.6 billion, Ho Chi Minh City with $1.3 billion, Thai Nguyen with nearly $950 million, and Hanoi with just under $660 million.

The export turnover of foreign-invested enterprises (FIEs) continued increasing by 17.5 per cent on-year to nearly $115 billion, making up about 73.4 per cent of the country's total export value. Their import turnover was estimated at around $100 billion, up 17.9 per cent and accounting for 65.5 per cent of the total. The trade surplus of FIEs was $13.8 billion, while local businesses reported a trade deficit of $12.3 billion. VIR

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Vietnam is an ideal destination for foreign investment in high-tech projects.

Amid ever-increasing foreign investment, high-tech industrial projects are attracting large amount of foreign direct investment (FDI) capital into the nation, with the country widely viewed as an ideal investment destination, according to industry insiders.

According to a recent report on the topic of foreign investment attraction provided by the Foreign Investment Agency under the Ministry of Planning and Investment, many projects relating to electronic and high-tech product manufacturing and production have been expanded to be done a large scale.

Do Nhat Hoang, director of the Foreign Investment Agency, said that a series of schemes in this regard include the Samsung Electro-mechanics Vietnam project in Thai Nguyen which has increased capital by US$920 million. This is in addition to projects on electronics, network equipment and multimedia audio product manufacturing in Bac Ninh, Nghe An, and Hai Phong, with respective capital increases of additional US$306 million, US$260 million, and US$127 million, as well as an electronic component manufacturing project in Phu Tho with investment capital increasing by US$163 million.

The Ministry of Planning and Investment said that last year the nation attracted US$38.85 billion in foreign investment, a rise of 25.2% on-year.

Most notably, of the three updated projects with capital exceeding US$1 billion, there is a high-tech project with a capital scale of over US$3 billion that has made important contributions to significantly increasing investment capital in the Vietnamese high-tech sector. In addition, it has simultaneously affirmed the tendency of foreign financiers keen to choose the Vietnamese market as their production base.

Within the framework of his recent visit to the United States, Prime Minister Pham Minh Chinh received leaders of a series of major groups, including famous names in the high-tech field, such as Intel, Apple, and Google. Affirmations from these corporations highlight that they are all targeting further investment in the Vietnamese market.

Intel has since completed its phase I investments and is in the process of preparing for Phase II. Meanwhile, according to Tim Cook, CEO of Apple, his firm strongly desires to expand the supply chain within the Vietnamese market.

Once Apple decides this, Foxconn, Goertek, Pegatron, and Winston are all likely to continue to expand their investment in the nation in the near future as these are product manufacturers for Apple.

Currently, although Apple does not have a direct manufacturing plant in the country, there are 31 factories of original equipment manufacturing partners across 14 provinces and cities with approximately 160,000 employees. The number is therefore projected to continue rising in the future, providing that Apple continues to choose the nation as a key investment destination.

Foreign investment attraction is currently recording a positive trend. According to data recently released by the Foreign Investment Agency, during the first five months of the year, there was over US$11.71 billion of foreign investment capital registered in the nation, equaling 83.7% over the same period from last year.

The decrease mainly occurred due to the continued fall in newly-registered capital and too many large-scale projects. However, both adjusted capital and investment capital through capital contribution and share purchases increased sharply. Specifically, newly-registered capital reached roughly US$4.12 billion, down 53.4%, whilst adjusted capital hit US$5.61 billion, up 45.4%, capital contribution and share purchase stood at more than US$1.98 billion, up 51.6% on-year.

“Despite the adverse effects of the COVID-19 pandemic, foreign investors still put their confidence in the economy and investment environment of Vietnam and make investment decisions on existing project expansion," stated the Foreign Investment Agency.

Furthermore, it is not only foreign investment managers who have made such optimistic assessments. At the Vietnam Industrial Real Estate Forum 2022, recently organised by the Investment Newspaper, reviews were very positive about the Vietnamese industrial real estate market, with open opportunities stemming from the trend of increasing foreign investment in the nation.

When referring to the trend of many investors moving production facilities out of China, despite the northern neighbour being the world's big factory, Bruno Jaspaert, general director of the DEEP C Industrial Park Complex, said that Vietnam is a country with a good position. Indeed, it boasts many advantages to become a 'winner' in receiving capital flows of the +1 China trend.

Meanwhile, Pao Jirakulpattana, vice president of Warburg Pincus Singapore Investment Fund, said that amid global uncertainties, ASEAN is being increasingly viewed as a good area for investment attraction, of which Vietnam is an ideal destination. VOV

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