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VIETNAM BUSINESS REVIEW

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FINANCE

The State Bank of Vietnam to speed up foreign currency selling

The State Bank of Vietnam is set to increase the frequency of currency selling amid rising U.S. interest rates, which have strengthened the greenback.

With a foreign exchange reserve of over $100 billion, the central bank will continue to sell its foreign currency to stabilize the market, Pham Chi Quang, deputy head of the bank's currency policy department, said Monday.

"The State Bank of Vietnam will increase its sale of foreign currency to increase market supply."

The central bank's decision came after the U.S. Federal Reserve on May 16 increased its interest rate by 0.75 percentage point, the biggest increase in 28 years and the third time this year.

The increases boosted the U.S. Dollar Index, which measures the value of the greenback against a basket of foreign currencies, by 10 percent compared to the start of the year.

But Quang said the Vietnamese dong had only weakened against the U.S. dollar by around 2 percent so far this year, which shows the dong is stable.

Demand for foreign currency is met on time, especially for businesses who need to import essential items amid rising energy and commodity prices, he added.

The State Bank will continue to manage the currency exchange rate with flexibility to absorb external shocks, help stabilize the macro economy and control inflation. Vnexpress

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Vietnam records trade surplus of US$ 710 million in six-month period

Vietnam enjoyed a trade surplus of US$710 million in the first half of the year, according to a report on the country's socio-economic situation released on June 29 by the General Statistics Office (GSO).

The nation raked in US$96.8 billion from the export of goods in the second quarter of the year, an increase of 21% against the same period from last year, while grossing US$185.94 billion in the first half of the year, up 17.3% on-year.

Most notably, the group of processed industrial products accounted for 88.7% of total export turnover throughout the reviewed period.

Meanwhile, the country imported goods worth US$97.6 billion in the second quarter of the year, up 15.7% compared to the same period from last year and a rise of 11.3% compared to the first quarter of the year. Moreover, six-month import turnover stood at an estimated US$185.23 billion, up 15.5% against the same period from last year with the group of materials for production activities making up 94%.

The United States remained the nation's largest export market during the reviewed period with an estimated turnover reaching US$55.9 billion, while China was the country's largest consumer of Vietnamese goods with an estimated turnover of US$61.3 billion.

The export turnover of services during the first half of the year surged by 81.8% to US$4.3 billion, while the import turnover of services during the reviewed period was estimated at US$12.3 billion, representing a climb of 22.3%.VOV

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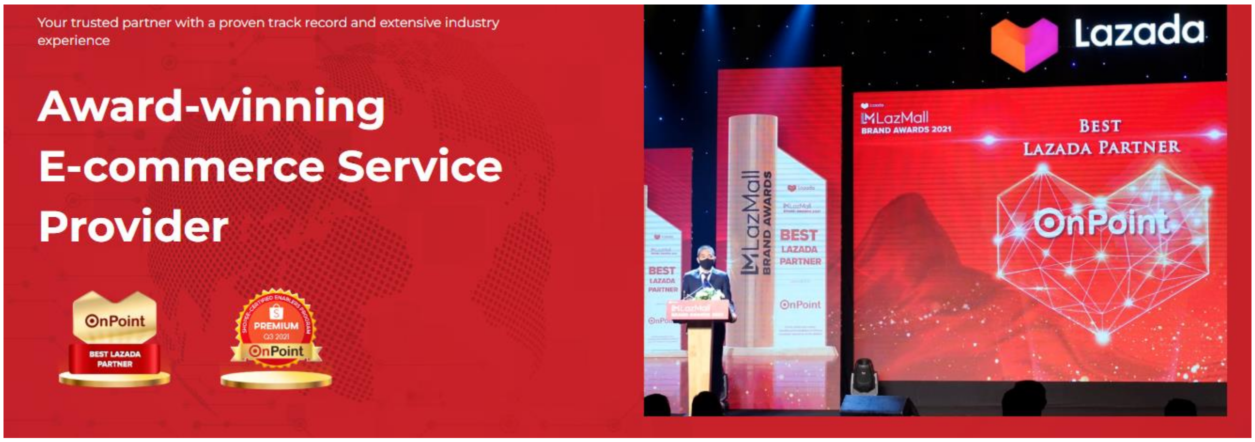
E-COMMERCE

OnPoint, an e-commerce enabler raises US$ 50 million from Singapore fund

OnPoint, an e-commerce enabler in Vietnam has successfully raised US$50 million in a series B fund-raising round from SeaTown Private Capital Master Fund managed by SeaTown Holdings International, an indirect wholly-owned subsidiary of Singapore's Temasek Holdings.



This is the largest private investment in the Southeast Asian e-commerce enabler industry in the last five years.

It will enable OnPoint to further invest in omni-channel marketing and sales solutions besides tapping into SeaTown's vast network and experience in the digital economy and consumer sectors across Southeast Asia and globally. Dickson Loo, managing director of SeaTown, said, "In one of the fastest-growing e-commerce markets globally, OnPoint has proven to be the best-in-class e-commerce enabler supporting a large portfolio of local and international brands.

"We strongly believe that, with its unparalleled experience and capabilities, OnPoint is well-positioned to capture the growth of the Vietnamese e-commerce industry and solidify its position as an integral part of the value chain." Tran Vu Quang, OnPoint founder and CEO, said, "We pioneered the number one Southeast Asian e-commerce enabling solution to connect brands, platforms, logistics partners, and shoppers.

"SeaTown is a valuable partner for us, given their long-term vision and a wealth of experience in the global digital economy." The company would use the money to expand its e-commerce enabling eco-system, strengthening talent and capabilities and developing emerging technologies with a data-driven approach.

Founded in 2017, OnPoint provides a one-stop solution that enables consumer brands to accelerate their online growth on multiple channels including e-commerce marketplaces, social media platforms and brand-owned websites.

After a successful series A round in 2020, it has focused on developing proprietary technologies to integrate and co-ordinate a network of service partners, utilising data and automating processes to streamline their operations. Its most advanced solution, Galaxy, is a digital marketing campaign management tool that leverages the power of big data, AI and machine learning.

OnPoint has also launched OctoSells, a Software-as-a-Service product to help SME merchants manage online stores. Last year, it was the only e-commerce solution provider in Vietnam to win the ‘Shopee Premium Certified Enabler’ and ‘Lazada Best Partner Vietnam’ awards.

It also received the Technode ORIGIN Innovation award in the e-commerce category and was listed among the Top 500 Largest Private Enterprises in Vietnam in 2021 (VNR500).

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ENERGY

Vietnam cannot lean solely on renewable energy for net-zero emissions

Experts say an exclusive focus on renewable energy, accounting for 27 percent of total power supply, will not be enough to help Vietnam reach its "net-zero" emissions target by 2050. Wind and solar power are not the sources of energy that will help Vietnam ensure national security, says Sean Lawlor, an energy expert at the U.S. Embassy in Vietnam.

To achieve the net-zero target, which means to have the amount of carbon added to the atmosphere not exceed the amount removed, Vietnam needs to speed up its energy transition process, which began in 2019, he said. This means the country needs to transition from coal-fired power sources to liquefied natural gas, biomass, ammoniac or hydrogen power sources, he added.

As of last year, wind and solar power accounted for nearly 27 percent of Vietnam's total energy supply, and their production was nearly 12.3 percent of the total, according to the Ministry of Industry and Trade. In the first six months of this year, the production ratio increased to 14.8 percent. While there is agreement that transitioning to cleaner energy is needed, there are hurdles in this path, officials say.

Nguyen Ngoc Hung, head of the energy economics department under the industry ministry's Institute of Energy, said Vietnam has great potential for transitioning from traditional energy sources because there is a variety of renewable energy sources on hand. However, the country lacks an efficient legal framework to boost the transitioning process and localization of energy technology is low, he said, adding that competition in the market was still at an early stage and lacked synchronization.

Hung said Vietnam badly needs the energy transition as the country faces the major challenges of declining traditional sources like coal and hydropower, but it was not easy to raise the funds needed.

Nguyen Tai Anh, deputy director of Vietnam Electricity (EVN) said he was concerned about the very high costs of transitioning to newer technologies like biomass, ammoniac or hydrogen power. "There are also many policy challenges for a successful energy transitioning, but cost remains the most important factor."

Deepak Maloo, Asia Pacific regional head with GE Renewable Energy, said every country struggles with the cost of transitioning to cleaner energy. But technology can help solve the problem, he added. For instance, Vietnam can partner with companies that have hundreds of years of experience in transitioning from coal-fired power plants to gas-fired ones, he said. Vnexpress

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Developers expect smoother LNG policy planning

In Vietnam, about 20 LNG-fired power projects are in the pipeline. Some of these programmes, however, have yet to identify a fuel source. The government has asked the Ministry of Industry and Trade to clarify the planning data and feasibility of liquefied natural gas power development towards 2030, which has set a target of almost 24,000MW, accounting for 16.4 per cent of the total power source in the nation's draft master power plan.

The input price of imported liquefied natural gas (LNG) fluctuates between 15-20 cents/kW while the saleable electricity price is currently 6-7 cents/kW only. This will be an obstacle in the future because Electricity of Vietnam (EVN) will have to buy high and sell low.

Despite the mandatory use of the standard form wholesale market power purchase agreement (PPA), complete with untenable fuel cost pass-through clauses being imposed on would-be LNG project sponsors, the market will never accept the proposition.

Prime Minister Pham Minh Chinh questioned why the latest draft of the Power Development Plan VIII (PDP8) seeks to effectively block any new solar power projects until 2030, since "solar power costs are getting cheaper and cheaper, and energy storage battery technology is becoming more advanced at more acceptable pricing".

The government has asked the Ministry of Industry and Trade to clarify the planning data and feasibility of liquefied natural gas power development towards 2030, which has set a target of almost 24,000MW, accounting for 16.4 per cent of the total power source in the nation's draft master power plan.

According to calculations by the Ministry of Industry and Trade, the import demand for LNG in PDP8 is about 14-18 billion cu.m in 2030 and about 13-16 billion cu.m in 2045. This number is higher than the specific target in the Politburo's Resolution No.55-NQ/TW released in February 2020 on the orientation of the National Energy Development Strategy of Vietnam to 2030. On the other hand, the input price of imported LNG is fluctuating due to events such as the Ukraine conflict.

A 3.2GW LNG-to-power plant in the Mekong Delta province of Bac Lieu, proposed to be built by Delta Offshore Energy (DOE), is much anticipated. Pham Thanh Hien, deputy director of Bac Lieu Department of Planning and Investment, said, "This would be a major event for Bac Lieu, but the plant has not been able to start construction yet. Currently, the project has not made any progress and is still waiting for consideration and decision."

Hien explained that investors are still negotiating a PPA with EVN. The project is facing a number of obstacles due to the harsh global restrictions of the last two years.

According to the plans of clean energy developer DOE, the first phase of the project with a capacity of 800MW is expected to start operation in 2024 and construction of the entire project is expected to be completed by the end of 2027. The complex of LNG port and warehouse will be located in the coastal area of Bac Lieu, 35km from the power plant.

Companies including Korean Gas Corporation (KOGAS) are also interested in LNG power generation projects. KOGAS, South Power, and Hanwha Energy are participating in the Hai Lang project phase 1 in the central province of Quang Tri, which was expected to start commercial exploitation in the 2026-2027 period.

However, progress that was approved in PDP7 has now been converted to the draft PDP8, which states that it will be carried out after 2040. Therefore, investors, as well as provincial authorities, are facing quite serious problems.

Previously, at the Vietnam Business Forum held in February, Kim Han-Yong, chairman of the Korea Chamber of Commerce in Vietnam, said that if some PDP8 plans are rolled back beyond 2030, such as it seems with the Hai Lang venture, project development may become practically impossible.

"For example, it will be difficult to coordinate with finance, construction, and equipment companies that are intending to participate in the Hai Lang project. We hope that the Vietnamese government will pay attention and create conditions for projects like these to be implemented as originally planned," he added.

In Vietnam, about 20 LNG-fired power projects are in the pipeline. Some of these programmes, however, have yet to identify a fuel source.

PetroVietnam Gas claims to have completed eight master sale and purchase agreements last year with LNG providers from the Americas, Europe, Australia, the Middle East, and Asia-Pacific, and that it is still negotiating, unifying, and signing deals with other LNG suppliers worldwide.

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RETAIL

Vietnamese retail giants to sell low-cost products

With powerful financial resources, big retailers are organizing retail chains that sell a wide variety of lower priced goods.

Mobile World Group (MWG) has joined the market of technology accessories. The retailer now sells portable smartphone charger, earphones, speakers and keyboards.

MWG is the first retail chain joining the technology accessory retail segment, which had been available only at small shops.

Analysts say that MWG made a wise move when jumping on the bandwagon. All smartphone users want to buy accessories. The typical characteristic of the market is that it mostly targets young clients, so products need to be diverse and suitable styles.

They estimate that the smartphone accessory market was valued over $202 billion in 2020. With an annual growth rate of 4.5 percent, it is expected to reach $328 billion by 2030.

Retailing technology products is MWG's forte with thousands of shops throughout the country. However, as the market is getting saturated, it has been trying to expand into other fields. Not only smartphone accessories, it also sells fresh food and essentials with its Bach Hoa Xanh chain.

MWG began selling drugs when the Covid-19 pandemic broke out. Last November, MWG bought 1.294 million shares of An Khang for VND 52.2 billion to own this drugstore chain. Earlier, An Khang sold 49 percent of shares to MWG in April 2021. After the deal, MWG reported an accumulative loss of VND 16.9 billion from An Khang in Q3/2021.

Bach Hoa Xanh was launched by MWG in late 2015 and by Q3/2017, the number of Bach Hoa Xanh stores reached 200. By August 2021, the chain had 2,000 stores in the south, the eastern and southern parts of the central region. FPT Digital Retail JSC (FPT Retail) has also begun selling drugs after taking over the Long Chau drug store chain, a well-known brand in HCM City. FPT Long Chau earned VND3.977 trillion in 2021, up by 3.3 times over 2020.

Nova Retail, a subsidiary of Nova Group, is running a retail chain that sells fashion products, accessories and cosmetics, and a convenience store chain, serving tourism destinations and the projects of Nova Group. Vietnamnet

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LOGISTICS

Explosive e-commerce growth drives demand for logistics

The rapid growth in e-commerce is driving an unprecedented increase in demand for logistics services, including express delivery services, according to industry insiders.

In its E-commerce White Book 2021, the Việt Nam E-Commerce and Digital Economy Agency said Việt Nam has the highest number of people shopping on e-commerce platforms in the Southeast Asia region at some 49.3 million.

In the last two years, the country has seen both consumers and firms moving online, it said.

Nguyễn Ngọc Dũng, president of the Vietnam E-commerce Association, said there has been a boom in e-commerce since the pandemic began.

More than 70 per cent of the population have access to the internet and nearly 50 per cent shop online, he said.

The online shopping boom has offered opportunities as well as challenges to the logistics industry, which has to meet the surging demand for order fulfilment and last-mile delivery, he said.

Delivery speed is a major factor affecting customer satisfaction and retention in the fiercely competitive online market, and so online shops that provide quality products and fast delivery gain an advantage.

There is also increased demand for transportation of specific or imported goods, especially cross-border express delivery, according to logistics firms.

New consumer trends and the e-commerce boom require express delivery, shipping and forwarding firms to make adjustments to their business models and strategies, they said.

Many have launched specialised services to meet the demands of various groups of customers and embraced digital transformation to improve service quality and increase customer satisfaction.

Delivery companies said the traffic infrastructure does not guarantee the desired traffic speed, with the frequent congestion in both cities and on inter-provincial roads making it difficult for them.

This has no immediate solution and so firms seek ways to optimise order processing time, they said.

Most online sellers require a last-mile delivery solution, and this has stimulated growth, especially for express delivery services, they said.

In the last few years, delivery firms have actively linked up with third parties to offer integrated service packages and solutions to optimise sellers' operations and better meet customers' demand.

J&T Express has, for instance, signed agreements with Pancake, Upos, Haravan, and Kiot Viet to enable sellers to track the entire shipping process and goods quality in each stage, and control the flow of goods in and out of the warehouse.

Phan Bình, its brand director, said the competitive challenge in today's constantly changing market is both a source of pressure and a driving force for express delivery businesses to improve themselves.

His company has stepped up investment in transit centres and the use of technology solutions in its management and operations.

Owning a network of 36 modern transit centres helps his company ensure the circulation and transport of goods to consumers quickly and accurately, he said.

It has the 'Track and Trace' technology system which allows customers to update the status of goods, their order information or contact the carrier directly, he said.

Mobile applications and websites also make the delivery of goods easier, faster and more efficient, he added. VNS

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The local aviation industry forecast to fully recover in 2025

It is not until 2025 that the local aviation sector can fully recover due to rising fuel prices and the slower-than-expected reopening of international markets, according to domestic airlines.

The Vietnamese aviation market has recovered fast and the country is among the 10 fastest-growing aviation markets. Dinh Viet Thang, head of the Civil Aviation Authority of Vietnam (CAAV), said in the first half of the year, local airlines transported 20.1 million passengers, surging 56.1% year-on-year. Of the total, there were 667,000 international guests and 19.5 million domestic passengers, skyrocketing over 1,000% and 51.8%, respectively. However, domestic air carriers forecast that their international source markets cannot recover fully until the last quarter of next year and they can generate the same profit as of 2019 by 2025.

According to experts from the International Air Transport Association, Vietnam's aviation sector will gain positive growth in domestic and international markets. However, the fuel prices, which have doubled year-on-year, have led to overspending of trillions of Vietnam dong by local air carriers. In addition, many international markets, such as Japan, China and South Korea, have still imposed Covid restrictions on Vietnamese passengers, slowing the recovery of Vietnam's international markets. In the coming time, the aviation sector's recovery will be slow as tourists account for up to 70% of the total air passengers. A Vietnam Airlines leader said before the Russia-Ukraine military conflict, the rising fuel prices resulted in losses of VND218 billion for the airline. This year, fuel prices have shot up due to the global economic uncertainty, the energy market upheaval and global geopolitical issues.

Although local airlines have reopened air routes to big markets, such as India, Northeast Asia and Southeast Asia, most of the passengers from these markets are entrepreneurs, experts and those returning home. Meanwhile, the number of tourists, accounting for a majority of the number of air passengers, remains small. Two large source markets—China and Russia—remain untapped. Vietnam Airlines has worked out many scenarios for international markets, prioritizing air routes to Northeast Asia, Southeast Asia and other markets with a high number of customers. Saigontimes

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INVESTMENT

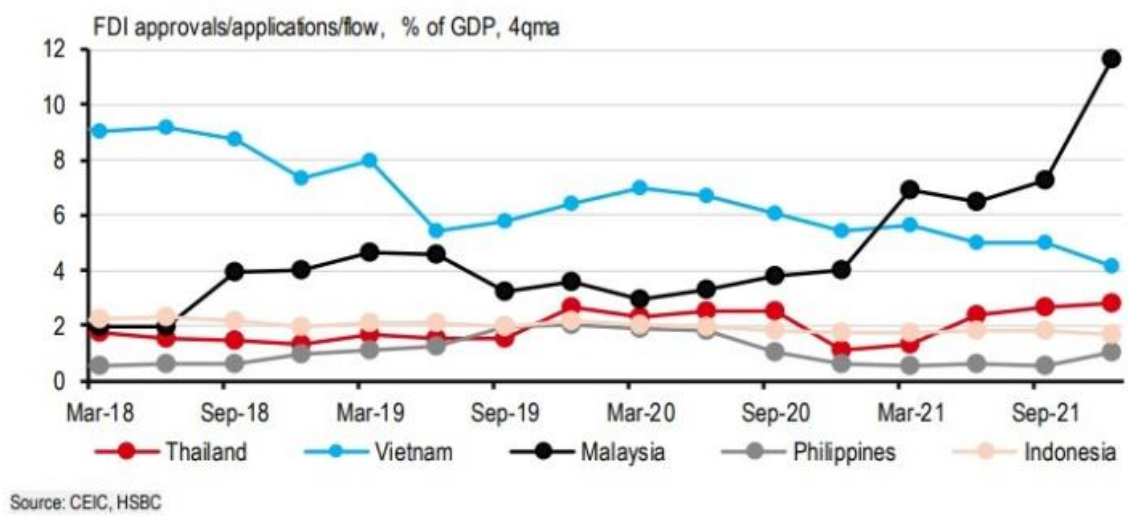
Vietnam continues to be a magnet to foreign direct investment in ASEAN

Vietnam continues to be a magnet to foreign direct investment (FDI) in ASEAN as it is transforming into a production base for tech giants.

Vietnam continues to be one of the top FDI receivers in ASEAN. According to the latest report by HSBC, total FDI to ASEAN-6 (Singapore, Malaysia, Indonesia, Thailand, Vietnam, and the Philippines) has averaged nearly $127 billion per year since 2010, approximately three times more than the average over the previous decade – the average for 2000-09 was $41 billion.

Similarly, net FDI – inbound minus outbound direct investment – has averaged nearly $54 billion a year since 2010, almost four times the average from the previous decade. Thinking of FDI-driven economic success stories, Vietnam naturally stands out. The country has turned itself into a rising star in global supply chains, gaining a substantial global market share in many sectors including textiles, footwear, and consumer electronics.

Since Vietnam's Doi Moi reforms in 1986, industrial parks have been set up across the country, attracting investors with preferential tax incentives and an abundance of relatively cheap and productive labour. New FDI has been flowing into the country since the 2010s, with the lion's share concentrated in the manufacturing sector, which consistently accounts for 4-6 per cent of GDP.



Malaysia and Vietnam are consistently the top FDI receivers relative to GDP

Much of the investment initially entered the low-value textile and footwear space, however, Vietnam has climbed up the value chain over the years, growing into a key manufacturing hub for electronics products in the last two decades.

Electronics exports reached a record high of $100 billion in 2021, accounting for over 30 per cent of Vietnam's total exports – just 20 years ago, the share was only 5 per cent.

Much of the success in tech is thanks to Samsung's multi-year FDI in Vietnam, which started in the late 2000s. With an investment of around $18 billion over the years, Samsung now has eight factories and one research and development centre in Vietnam, including two smartphone factories that produce half of the company's smartphones and tablets.

The success of Samsung has led other tech giants, such as Google and LG, to shift their supply chains to Vietnam.

The trend intensified during the US-China trade tensions, which not only lifted Vietnam's exports but also accelerated FDI inflows. Even though the process was partially disrupted by the pandemic, FDI inflows have remained remarkably resilient, in particular related to Apple-connected production.

For example, two Taiwanese Apple suppliers – Pegatron and Foxconn – and two mainland Chinese assemblers – Luxshare and Goertek – have all announced substantial investment plans to ramp up production capacity in Vietnam. HSBC believes that Vietnam's competitive FDI regime and sound macro fundamentals should continue to attract quality FDI, which is key in helping the economy move up the value chain.

Its tech ambition is far from just being a low-end manufacturing hub. However, this means that more reforms, including upskilling the workforce and improving infrastructure quality, are needed to grasp the opportunities.

According to another report by the Hinrich Foundation, Vietnam's increasing openness saw a higher increase in FDI stock as a percentage of GDP. Compared to its regional peers, the country changed from one of the most restricted to FDI to one of the most open.

One useful change was the revision of the Law on Investment policy, which restricted the ability of the central and subnational governments to issue regulations on investment. This change removed uncertainty and overlapping or contradictory legislation.

The latest data by the Ministry of Planning and Investment reveals that Vietnam lured over $14 billion in FDI in the first six months of 2022. Among 84 countries and territories investing in Vietnam during this time, Singapore took the lead with a total investment capital of more than $4.1 billion, followed by South Korea with over $2.6 billion. VIR

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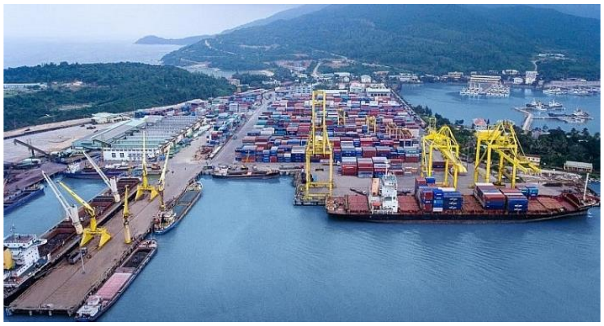
India conglomerate pledges to invest 10 billion USD into Da Nang

Indian investor Adani Group will cooperate with Anh Phat Investment Construction and Trading JSC to develop the Lien Chieu Port with the total investment capital of $10 billion.



In the framework of the seminar on spurring Danang's development as a place to come and live, which was organised on June 27, the leader of Danang People's Committee granted an investment certificate to the joint venture.

The infrastructure of the port will combine a harbour area, a container yard, a warehouse complex, piers, waterways, and a transport system, among others.

This project is expected to handle ships with a capacity of 100,000DWT and container ships of up to 8,000TEU. The total cargo going through these harbours would be 3.5-5 million tonnes per year.

The development of Lien Chieu Port is one of two key projects that aim to turn the central city into the main logistics centre in ASEAN and the East-West Economic Corridor that links Laos, Myanmar, Thailand, and Vietnam.

Adani Group is a diversified organisation in India with a market cap of over $175.21 billion (as of June 29) comprising seven publicly traded companies. The group acquired $21 trillion in profit in 2021, and that figure is expected to increase to $30 billion this year. VIR

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