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VIETNAM BUSINESS REVIEW

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FINANCE

Vietnam rises to become fastest-growing economy in Southeast Asia

Though international organisations continuously downgrad their global growth forecasts for this year, many have maintained their projection that Vietnam's GDP growth would be the highest in Southeast Asia.



The General Statistics Office (GSO) of Vietnam cited the World Bank's recent report showing that global growth is forecast to slump from 5.7% in 2021 to 2.9% in 2022, a figure which is 1.2% below projections made in January.

This decline can largely be attributed to the damage caused by the COVID-19 pandemic and the negative spillovers from the Russia-Ukraine conflict.

Simultaneously, the World Bank projections for this year's growth have been revised down for several key global economies. The United States' growth is anticipated to drop 1.2% to 2.5% compared to the January forecast, while growth in the Eurozone, Japan, and China is forecast to shrink by 2.5%, 1.7%, and 4.3%, respectively.

Meanwhile in Southeast Asia, the Asian Development Bank (ADB) has forecast that GDP growth rates of Indonesia, the Philippines, Thailand, Singapore, and Malaysia would be at 5.0%, 6.0%, 3.0%, 4.3%, and 6.0%, respectively, while that of Vietnam is expected to be the highest at 6.5%.

The Asian bank attributed the strong recovery of the Vietnamese economy in the post-pandemic period to high COVID-19 vaccination coverage, the shift to a more flexible pandemic containment approach, expanding trade, and the enforcement of the Government's Economic Recovery and Development Programme (ERDP).

Furthermore, the ERDP's monetary measures will provide additional liquidity to the economy through an expected reduction in the lending rate by 0.5% to 1.0% through credit institutions over this year and next year, with the continued implementation of these measures until 2024.

The State Bank of Vietnam has set the annual target growth rate for credit at 14%. Reaching this target will be aided by interest rate cuts and revived credit demand from businesses. VOV

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Vietnam to carefully consider the risks and disadvantages of cryptocurrencies

A survey by the Bank for International Settlements (BIS) published in May states that there are currently 81 countries participating in Central Bank Digital Currency research and development (CBDC), compared to only eight countries before 2017.



More than half of the Central Banks named in the survey are in the development or pilot stage, and about two-thirds of these Central Banks say they would issue a retail CBDC in the short or medium term. Many Central Banks are now developing CBDC ecosystems with the coordination of the private sector and existing payment methods.

Basically, there are two CBDC models, including one tier where the Central Bank not only operates the interbank CBDC system but also provides direct CBDC wallet and account services to the public. At two tier, the Central Bank and private sector intermediaries work together, with 70% of the Central Bank developing the two-tier model because this model ensures the effectiveness of providing services such as customer access, identification process, anti-money laundering, anti-terrorist financing (AML/CFT), and handling retail payments to the private sector.

The motivation for CBDC development is also different between the two groups of countries. Developed countries are interested in CBDC for the purpose of increasing the efficiency and safety of domestic payments and financial stability. Besides, with the emergence of stable coins and other cryptocurrencies it is also a reason for the development of CBDCs in these countries. For developing countries, the retail CBDC is driven by domestic payment efficiency, payment security, financial stability, and cross border payments. Serving inclusive monetary and fiscal policy is also an important reason for the development of CBDCs in developing countries.

According to PWC rankings, Nigeria is leading the way with the issuance of eNaira, the first retail CBDC in Africa. With the issuance of the Sand Dollar, the Bahamas was the first country to issue a CBDC. China was the first major economy to pilot a CBDC with a digital yuan in 2020, and as of March 2022 the pilot program is running in 12 cities including Beijing and Shanghai.

For wholesale CBDC, the leading project in development is mBrige, - a combination of Hong Kong and Thailand. This project enables cross border payments based on DLT technology. Singapore also ranks high with two new CBDC projects for cross border payments and cross currency payments.

According to the Law, the State Bank of Vietnam performs the function of state management of currency, banking activities, and dealings with foreign exchange. It also performs the functions of the Central Bank in terms of issuing money to Credit Institutions (CIs) and providing monetary services to the Government. The law also regulates the activities of the State Bank of Vietnam to stabilize the value of money; ensure the safety of banking operations; the system of credit institutions; the safety and efficiency of the national payment system; and contributes to socio-economic development of the country.

Within the functions of the State Bank of Vietnam, issues related to payments and payment systems will be the focus of discussion regarding the goals of digital currency development. Issues of monetary policy management and financial stability also play an important role.

In addition to the interbank payment system, which has been in operation since 2002, Automated Clearing House (ACH) with many new features and utilities also came into operation in 2019, and continuously upgraded to serve the development of a non-cash payment policy. Hence with the current relatively modern payment system, whether it is necessary to have a digital currency is a problem. In addition, several issues need to be considered regarding the payment system for the issued digital currency.

Firstly, it is to be seen if it possible to integrate this digital currency into the existing payment system or a new payment system needs to be established. Secondly, when setting up a new payment system, it must be seen if this digital currency allows payments to be made through different payment means and connect with each other. In other words, if the payer and receiver use different means of payment, it needs to be seen if this system increases competition in the payment system or leads to the redundancy of the payment system.

Regarding the management of monetary policies in general, the current tools have allowed the State Bank of Vietnam to optimally manage its monetary policy. Cryptocurrencies can serve as additional monetary policy instruments requiring in-depth discussion and research, with a focus on whether to issue a digital currency and its potential impact on monetary policy transmission.

Although digital currency can contribute to increased competition in the financial system, it can also create negative effects on the stability of the system, especially the banking system, such as reducing credit source for banking. Therefore, this is also an important issue to consider in terms of the risks and disadvantages of cryptocurrencies. Saigongiaiphong

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E-COMMERCE

VinShop to learn business strategy similar of Tokopedia in Indonesia

VinShop is expected to soon become a successful store connection platform in Vietnam, with a business strategy similar to Tokopedia in Indonesia. Tokopedia's success lesson founded in 2009, Tokopedia is one of Indonesia's tech unicorns. According to CB Insights (U.S.), Tokopedia's value reached \$7 billion as of June 2020, becoming the third largest unicorn in Southeast Asia, behind Grab (Singapore) and Gojek (Indonesia).



Tokopedia was developed as a shopping platform where any business could easily arrange and sell its products. William Tanuwijaya, co-founder of Tokopedia, said that the company's business model is similar to Alibaba's as it combines Toko (shop) and encyclopedia.

In 2018, Tokopedia launched the Mitra Tokopedia app for warungs - small family-owned businesses that usually cater to a neighborhood. Mitra Tokopedia has recorded one million downloads in the island nation that has two million warungs.

According to experts, grocery stores still have several advantages over supermarket systems and e-commerce, particularly in Asia. They are friendly, close to homes and convenient. Tokopedia, Warung Pintar in Indonesia, StoreKing in India, and Alibaba with LST have all shaken hands with traditional retailers.

Tokopedia's success in Indonesia inspired One Mount Group to develop its VinShop platform.

One year after its launch, VinShop has connected more than 100,000 traditional grocery stores. However, this figure is still modest compared to the market potential. According to Nielsen, Vietnam has 1.4 million grocery stores in operation. Kantar Worldpanel, the world's leading consulting and market research Company, said that traditional retail channels, including markets and grocery stores, still meet 85 percent of consumer demand. The advantage of the grocery store business model is convenience, location in small alleys, good service, ease of travel, and low cost. VinShop has helped 10,000 Vietnamese grocers become real business people by using technology and financial solutions from this digital platform. Data from VinShop shows that the platform has covered up to 80 percent of the core market in Hanoi and Ho Chi Minh City.

Several small businesses said that they can earn a lot thanks to VinShop's benefits, such as the abundance of products from suppliers themselves, transparent pricing, more than 100 promotions each month, and VinShop's loyalty programs.

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ENERGY

Electricity prices may rise if renewables overdeveloped

The Ministry of Finance has warned that electricity prices will rise if solar and wind power are not developed commensurately with grid and operational capacity.



Renewable power production is booming thanks to a fit-in-tariff (FIT) price of 7.09-9.35 U.S. cents per kilowatt-hour, much higher than prices paid for conventional energy.

As of December 31 last year installed solar power capacity was nearly 18,000 megawatts compared to the government's target of 4,000 MW by 2025 and 12,000 MW by 2030.

In the first five months, renewable sources generated 16.18 billion kWh, or 15 percent of Vietnam's total capacity, according to data from Vietnam Electricity (EVN). But the grid and storage systems have not kept pace, causing risks of overload and wastage.

"Combining hydroelectric, thermal electric and renewable energy will be more complicated and will affect retail tariffs," the ministry said. To resolve the mismatch between generation and grid capacity, experts called for the development of a smart grid, which allows exchange of information and energy between providers and consumers.

The FIT mechanism lapsed late last year. Authorities said an FIT mechanism is no longer suitable, and they are planning a transition to a bidding mechanism. But experts warned the new pricing method could hurt both investors and the market. Vnexpress

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EDPR forays into Vietnam's renewable energy market after taking over a solar PV project

EDP Renovaveis, SA (EDPR), the world's fourth-largest renewable energy producer, on June 30 announced its foray into Vietnam following an acquisition of a 28MW solar photovoltaic (PV) project for a total consideration of \$36 million.

EDPR has reached an agreement with Trina Solar, the world-leading PV and smart energy total solution provider, to acquire the Trung Son Solar PV project in Khanh Hoa province.

Put into operation in December 2020, the project has a power purchase agreement (PPA) signed with Electricity of Vietnam under a 20-year feed-in tariff (FiT).

In June, EDPR also inked a deal to scoop up two solar plants in Vietnam with a total capacity of 200MW from Xuan Thien Group. Situated in Ninh Thuan province, the two solar plants have been operated since 2020. The deals have an estimated valuation of \$284.

Vietnam is one of the fastest-growing economies in Southeast Asia with power demand increasing at around 10 per cent per annum. Thermal represents around 50 per cent of the capacity mix and energy dependence has increased significantly with net imports currently at 30 per cent of total energy demand.

With the objective of increasing the weight of renewable energy sources in the energy mix and leveraging on its strong fundamentals for both wind and solar, Vietnam has set ambitious renewable energy source growth targets in its Power Development Planning VIII.

The country aims to reach 30 per cent of capacity from renewable energy sources by 2025 and 37GW of wind and solar PV installed capacity by 2030, implying wind and solar PV capacity additions of 28GW until 2030.

Growth in renewable energy is supported by a 20-year FiT scheme under a stable regulatory framework while in the upcoming years, growth is expected to be based on auctions and on the growing private PPA market.

The entry to Vietnam is within the context of EDPR's business plan 2021-2025 and represents a first step towards the establishment of EDPR's presence in Asia-Pacific, where the company expects to invest part of the five per cent allocated to other geographies within the 20GW growth plan until 2025.

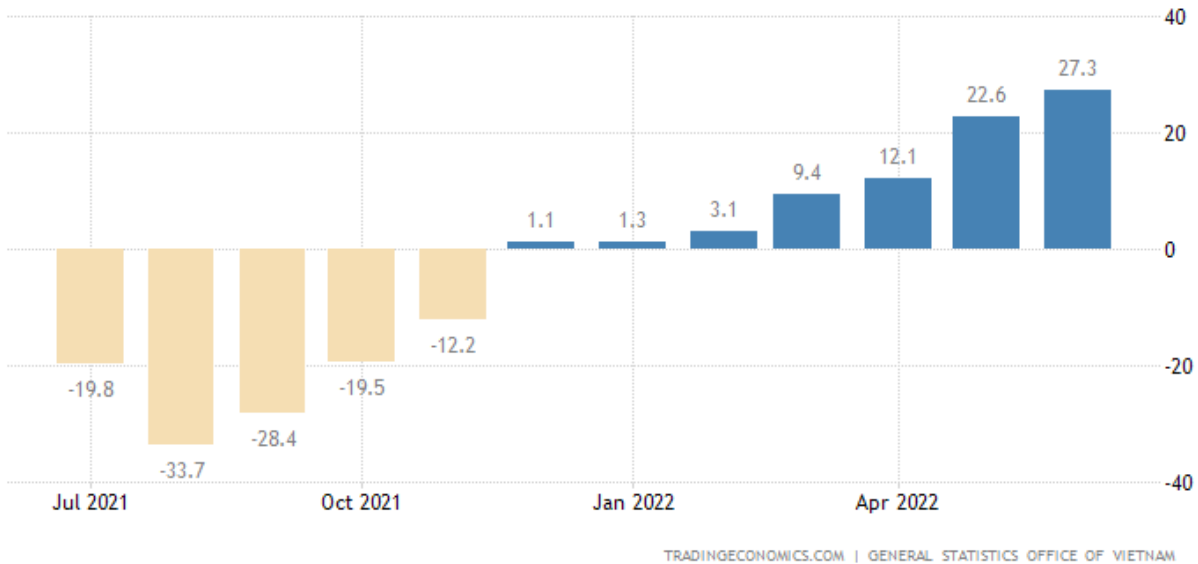
The move is expected to provide diversification and growth optionality and further reinforce EDPR's worldwide leading position in renewables. EDPR

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RETAIL

Retail sales in Vietnam expanded 27.3 percent in June 2022

Retail sales in Vietnam expanded 27.3 percent from a year earlier in June 2022, faster than a 22.6 percent gain in the prior month. This was the seventh straight month of expansion in retail trade and the strongest pace since April 2021, as consumption strengthened further following an improvement in COVID-19 situation.



Sales gained momentum for all categories: including goods (21.0 percent vs 18.3 percent in May), accommodation and food services (80.0 percent vs 69.3 percent), travel (1,659.4 percent vs 324.4 percent), and other services (35.2 percent vs 15.1 percent). For the January to June period, retail sales went up 11.7 percent from the same period of 2021. GSO of Vietnam

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Inflation of Vietnam rose to highest level in nearly 2 years

The consumer price index (CPI) in June increased by 0.69% from the previous month, up 3.37% compared to the end of 2021. This is the largest annual increase since July 2020 (3.39%).

On average, in the second quarter, CPI increased by 2.96%. In 6 months, CPI increased by 2.44% over the same period last year. According to the General Statistics Office, for producer prices, the price index of raw materials – fuel – materials used for production recorded a sharp increase in the first half of the year compared to the same period last year.

Specifically, the producer price index of agricultural, forestry and fishery products in the second quarter increased by 1.84% compared to the previous quarter and by 2.18% over the same period last year. In the first 6 months, this index increased by 1.38% over the same period last year.

Producer price index of industrial products in the second quarter increased by 5.11% over the same period last year. The first 6 months of the year recorded an increase of 4.75%. Producer price index of services 3.57% over the same period last year.

The price index of raw materials, fuel and materials used for production in the second quarter increased by 2.23% compared to the previous quarter and 6.38% over the same period last year. The first 6 months of the year recorded a strong increase of 6.04%.

Meanwhile, the import price index also increased strongly in the first half of the year. Import price index of goods increased by 11.43% over the same period last year. In the first 6 months of the year, the import price index increased 11.21% after a year.

Commodity export price index increased by 8.56% over the same period last year. Gold price index increased 7.4% compared to 2021. In the previous report, the World Bank (WB) said that Vietnam needs to be careful with inflation risks related to the trend of rising fuel and imported goods prices. This may hinder the recovery of domestic aggregate demand.

Experts say temporary support measures, including targeted direct support, are needed to help poor households cope with rising fuel prices.

Meanwhile, the International Monetary Fund (IMF) also warned that there will be significant risks and uncertainties to Vietnam's economic outlook. Risks to growth tilt in favor of slowing growth, while risks to inflation tilt toward rising inflation. In the short term, the immediate external risk is an increase in geopolitical tensions that could negatively affect economic activity and inflation due to weaker external demand, higher commodity prices and prolonged global supply chain disruptions. Zingnews & Vietnaminsider

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LOGISTICS

One Mount was recognized as an industry leader in the digital transformation of supply chains and logistics

One Mount Group was recognized as an industry leader in the digital transformation of supply chains and logistics at Google Cloud Customer Awards.



The award reflects One Mount and Google Cloud's productive partnership in pushing cloud- and data-powered innovation to digitalize operations across Vietnam's entire retail chain.

Transforming over 100,000 grocery stores, One Mount and Google Cloud have been collaborating to build one of Vietnam's largest technology ecosystems over the past year.

As part of a strategic relationship, One Mount has applied Google's best technologies to its strategy of expanding and promoting its products and services, including VinShop, VinID, and OneHousing.

Currently, VinShop is the market-leading digital transformation platform, assisting grocery owners with online product imports and technical support. One Mount has incorporated Google Cloud solutions to digitize and modernize the entire FMCG supply chain in Vietnam.

More than 100,000 food stores have opened nationwide in 22 major cities and provinces, and integration has been ramped up to assist them.

The company is setting up a warehouse system with 25,000 square meters of central warehouses and 10,000 square meters of satellite warehouses in 20 provinces and cities to supply goods for 10,000 grocery stores.

The transport system delivers more than 1,000 tons of cargo per day with a tank occupancy rate of up to 98 percent and a total distance of up to 16,000 kilometers.

One Mount's logistics systems have been managed automatically thanks to technologies like data analytics, a transportation management system (TMS), and a warehouse management system (WMS), which enable the planning and tracking of all activities in real-time.

Impact on Vietnamese consumers In recent videos that were broadcast all over the world, Google Cloud also chose One Mount as a representative partner in Vietnam to emphasize the significance of technology and its beneficial effects on the economy and people's daily lives.

By removing barriers and enhancing accessibility and scalability, One Mount is creating a technology ecosystem that connects people and companies while improving the lives of millions of Vietnamese.

According to Dinh Viet Hung, CIO of One Mount, "Robust, secure, and scalable infrastructure, advanced analytics and AI/ML capabilities; commitment to open source; cost-effectiveness; and carbon neutrality" are key reasons behind One Mount's decision to strategically collaborate with Google Cloud, with the mission of building Vietnam's largest technology ecosystem.

"This collaboration truly reflects our shared values of how technology and people can create limitless opportunities," said Hung. One Mount was founded on Sep. 19, 2019, with the goal of creating Vietnam's largest technology ecosystem by providing solutions and services along the entire value chain in the financial services, distribution, real estate, and retail sectors.

Its mission is to build Vietnam's most reliable technology ecosystem, enabling all individuals and organizations to reach their full potential. Vnexpress

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Ho Chi Minh City proposed to invest in an international transshipment port in Can Gio district

The project will be divided into 7 investment phases. In particular, the investor wishes to start construction of phase 1 in 2024 and put into operation in 2027. The final phase is invested and put into operation in 2040.



This international transshipment port project will help create a competitive advantage with other countries in the region and make a breakthrough in marine economic development for Ho Chi Minh City as well as the whole country.

Currently, the Singapore international transshipment port is the busiest port in the world in terms of cargo handling weight. Every year, this port transits about one-fifth of the world's containerized cargo.

According to global maritime market data provider Baltic Exchange (UK), Singapore has maintained its position as the world's leading shipping hub for eight consecutive years.

Every year, the Singapore transshipment port has millions of containers passing through and receiving 500 million tons of cargo or more. In 2021, container capacity through Singapore has increased to a record close to 37.5 million TEUs (1 TEU is equivalent to 1 container with a length of 20 feet). About 80% of containers arriving in Singapore are transhipped via ships to other ports.

Building an international transshipment port worth USD 6 billion, Ho Chi Minh City. What opportunities will Ho Chi Minh have? - Photo 1.

In 2018, the port of Singapore handled a cargo volume of up to 630 million tons, the highest in the past 8 years. In addition, although in 2021, the world witnessed a global supply disruption, Singapore still

handled a total of nearly 600 million tons of goods. These numbers put the port of Singapore in second place, just behind Shanghai in terms of cargo handling.

Given the number of containers that pass through and the amount of cargo handled at the transshipment port, the maritime industry accounts for about 7% of Singapore's GDP each year, equivalent to about US\$20 billion per year.

At the Workshop "Creating the recovery momentum of the southern real estate market" in April 2022, Ms. La Hong Hanh, Deputy Director of the Department of Planning and Investment (Ministry of Transport), said: "Investors MSC Shipping Group) proposed to invest in shifting the seaport area from Singapore – an international transshipment port to Vietnam, wishing to choose the location of Can Gio, in the area of Ho Chi Minh City, with a very low investment". This is a great opportunity for the city, she said. Ho Chi Minh City when the amount of goods previously transshipped in Singapore will be transferred to transshipment in Vietnam.

According to the master plan for development of Vietnam's seaport system in the period of 2021-2030, it is necessary to soon build container ports of Ho Chi Minh City's seaports in the period of 2021-2030 to meet the needs of goods import and export. present and in the future from now to 2030 of Ho Chi Minh City in particular and the provinces of the Southern Key Economic Area in general.

Building an international transshipment port worth USD 6 billion, Ho Chi Minh City. What opportunities will Ho Chi Minh have?

Can Gio wharf area has favorable natural conditions in terms of channel depth and geographical position located on international maritime routes, which can accommodate container ships with a tonnage of 250,000DWT (24,000 TEUs) operating on European routes, Africa and America. In addition, Can Gio area is located at the beginning of the Cai Mep – Thi Vai navigational route, has a great depth, is less affected by conditions, waves and wind, so it will create good conditions for ships to access. Wharf.

In a favorable estuary position, the port will have a good front when connecting with major ports around the world. However, the infrastructure, transportation system and logistics center right at the port as well as the surrounding areas also need to be invested in order to be able to compete and attract large ships passing through the port. CafeF& Vietnaminsider

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INVESTMENT

Samsung Engineering acquires stake in water Treatment Company

Samsung Engineering has acquired a 24 percent stake in water treatment company Dong Nai Plastic Water for 52.7 billion Korean won (US\$40.57 million).

The ceremony to sign the deal was held at the Intercontinental Landmark Hotel in Hanoi, and attended



by executives from both companies, including Samsung Engineering Executive vice president GyuYeon Kang and DNP Water chairman Ngo Duc Vu.

With this acquisition, Samsung Engineering holds a 24 percent stake in DNP Water, DNP Holding owns 53 percent and other stakeholders have 23 percent.

DNP Water is a private enterprise that focuses on water supply business in Vietnam and is the largest private water treatment company in terms of capacity. It was spun off from the DNP Group, a manufacturer of plastic pipes, in 2017.

Since then it has been growing in the water treatment business by buying private water supply assets and developing new businesses.

The Asian water treatment market is shifting from a loan business to a private-led market due to recent economic developments. Accordingly, Samsung Engineering plans to actively target the Vietnamese market as a base. Samsung Engineering has confidence that its rich EPC experience and global technology expertise in water treatment and DNP Water's experience and network in Vietnam's water supply industry have synergies for future businesses. The stake in DNP Water enables Samsung Engineering to get access to Vietnam's water and sewage treatment businesses and thus expand its business in this important market. Further, based on such regional competitiveness, Samsung Engineering plans to expand into Vietnam's sewage treatment businesses before expanding this model to neighbouring Asian countries.

GyuYeon Kang, its executive vice president, said, "Aligned with the recent global environmental, social, and governance (ESG) trend, our environmental business is positioned as one of our company's future growth engines. "Samsung Engineering plans further to grow in global environmental markets such as in Asia by setting an example with our environmental businesses in Vietnam." Samsung Engineering is one of the world's leading EPC&PM companies, and has served clients in a variety of industries such as oil refining, gas processing, petrochemicals, infrastructure, environment, and bio-industry, and providing professional services across the project cycle ranging from professional feasibility studies to design, procurement, construction, commissioning, maintenance, and operation.

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Foreign businesses eye investment in eco-industrial parks

Foreign investors, who are seeking to invest in industrial parks in Vietnam, are very interested in infrastructure and environmental protection. In particular, import-export companies wanted to enter eco-industrial parks.



As an investor of Hai Phong-based Nam Cau Kien Ecological Industrial Park, Pham Hong Diep, Chairman of Shinec ISC, revealed the reason why operating in eco-industrial parks would help the manufacturers overcome non-tariff barriers when Vietnam joined international trade agreements.

“In Nam Cau Kien, we have built three models of industrial symbiosis system. Factories of

Japanese, South Korean, Dutch, Italian, Singaporean, and Vietnamese enterprises are all linked together towards increasing added value for the benefit of each other,” he added.

As Vietnam is gradually transforming its development model towards sustainability under the National Green Growth Strategy, the policy of developing eco-industrial parks and the circular economy development strategy have received much attention from domestic and foreign investors, according to local experts attending the conference “Developing eco-industrial parks towards the goal of reducing net emissions to zero” organized by Mekong ASEAN magazine on June 17 in Haiphong City.

The Southeast Asian country has nearly 400 industrial parks and economic zones, attracting a total foreign direct investment capital of about US\$12 billion, accounting for about 80-90% of foreign-invested projects in the manufacturing sector.

However, Vuong Thi Minh Hieu, Deputy Director of the Department of Management of Economic Zones under the Ministry of Planning and Investment said that, besides the positive aspects, the rapid industrial development also caused certain impacts on the environment.

She added that a number of industrial parks are operating without complete wastewater treatment plants, threatening the health and lives of local people due to water pollution, air pollution, and hazardous waste.

“Therefore, it is necessary to transform from traditional industrial zones into more sustainable ones, with a focus on efficient use of resources and cleaner production,” she said.

“The construction of eco-industrial parks is considered a solution to overcome the limitations and inadequacies of environmental issues, reduce waste of resources, and promote sustainable growth.”

According to Mai Van Sy, the Chairman of the Mien Duyen Hai Investment Design Consultancy Joint Stock Company, Vietnam's policy has not encouraged businesses to invest in building eco-industrial parks.

He said that if building an ecological model according to the criteria prescribed by the Ministry of Construction, 70-75% of the land would be dedicated to industrial production while the rate of land fund for green trees will be narrowed.

“Developing an eco-industrial park requires the planning of trees. The will and responsibility of businesses are very important to do this,” he said. “It is necessary to have specific and clear mechanisms and policies to support the development of eco-industrial parks. For instance, if they receive land rental exemption like investing in an economic zone, more businesses would be willing to pour money in.”

Nguyen Tram Anh, the national project officer of the United Nations Industrial Development Organization (UNIDO), assessed that science and technology are very necessary for the process of transitioning from traditional industrial parks to ecological ones. This process has two parts: policy and implementation.

“Vietnam's eco-industrial park development policy is more advanced than that of some other countries. Indonesia is still learning from Decree 35 on the development of eco-industrial parks in Vietnam, we are even more developed in this field than the UK or Colombia. This is a positive aspect,” she added.

In addition to policy support, she said, the role of the industrial park management board is also very important in the transformation. However, the link between local businesses and the management board is weak.

“Transitioning from traditional industrial parks to eco-industrial parks requires support from many stakeholders, not the Decree. Economy 4.0 is creating a symbiotic connection inside an industrial park, especially an eco-industrial park,” she concluded. Hanoitimes

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